
The Millionaire Next Door Summary PDF Cheatsheet —

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? 1. Master the Wealth Formula: True wealth comes not just from what you earn, but investing wisely to grow it

PAWs, or 'Prodigious Accumulators of Wealth' are exceptionally good at saving their income (15% or more of it), which they invest to become wealthy. On the other hand, UAWs are "Under Accumulators..." They could make a very high income too, but they spend it all to appear high-status, and as a result they don't accumulate much true wealth.

? 2. Embrace Frugality: Financial planning and saving money is essential for creating your foundation for investment and future wealth

Millionaires and PAWs tend to be surprisingly frugal. Most of them spend over 8 hours a month on financial planning and creating a household budget. Some follow a "pay yourself first" strategy of putting aside money for investing first, then spending what's left.

?? 3. Avoid Status Traps: One of the biggest obstacles to wealth is the temptation to live a high-status lifestyle

Many UAWs are actually highly educated and highly paid professionals. They fall into a trap of spending more and more money to maintain a "high status" public image. On the other hand, many PAWs are blue-collar business owners free from that social pressure, and they pour most of their income into investments.

? 4. Acquire Assets: Millionaires grow wealth effectively by looking beyond their income and accumulating financial assets

A high income leads to sky-high tax bills. Because of this, smart people grow wealth faster through buying assets, which will grow in value, without that growth being taxed right away. An asset is something that appreciates or provides income, like stocks, bonds, real estate, etc. The opposite is a liability, which bleeds money every year, like an expensive car.

? 5. Consider Self-Employment: Many millionaires are risk-taking entrepreneurs, but encourage their kids to become highly-educated professionals

While business owners make up 2/3 of millionaires studied, entrepreneurship is very hard and uncertain. Most PAWs tell their kids to become highly educated professionals like a doctor, lawyer, accountant, etc. That makes for a very secure and comfortable life. The authors further advise becoming a self-employed professional that caters to wealthy clients.

? 6. Foster Independence in Children: Millionaires must teach children the value of productivity and self-sufficiency to safeguard future wealth

Wealthy parents may want to provide financial gifts "of kindness" to their children, but this often results in adults who are dependent and unproductive. To avoid this, smart millionaires teach frugality by example, give mostly for education, or delay gifts until later adulthood.

This is just a sample!

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