Wealth Accumulation Status: An Exploratory Study ofthe Role Saving and Inheritances Play in Shaping Wealth Accumulation Status

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Introduction

A primary client-centered goal within the financial planning and wealth management profession has traditionally been the development and preservation of household financial wealth. The primary measure of household wealth has been net worth. A little more than 20 years ago the concept that all households should be focused on building wealth, by increasing net worth, over time was broadly introduced with the publication of The Millionaire Next Door (MND), which was authored by Thomas Stanley and William Danko (1996). When published, the book was among the first trade publications to provide survey evidence documenting pathways to wealth accumulation.

MND's impact in shaping discussions about the use of household income and the purpose of accumulating wealth over the lifecycle has been profound. A Google internet search, using terms like "millionaire next door stories" and "the impact of the millionaire next door," results in several hundred thousand hits. While few of the links that emerge from such searches are academic in nature, those that do come up are read by thousands, if not millions, of individuals and households. Consider, for example, a 2014 article in Kiplinger's titled: Wealth-Building Secrets of the Millionaire Next Door. The purpose of the article was to prompt readers to adopt behaviors exhibited by those who have accumulated large wealth positions. The advice provided was essentially the same as recommendations made by Stanley and Danko (1996). Specifically, the editors at Kiplinger's indicated that readers should, among other things, (a) not spend beyond their means, (b) save regularly, (c) live frugally, and (d) avoid debt.

When providing guidance to the nation's librarians about the most important personal finance books to include in library collections, Faulkner (2015) selected MND as one of 12 essential titles. Presumably, this recommendation was made to ensure that libraries worldwide would own the most influential manuscripts available to patrons, which helps explain why MND continues to be one of the most read and influential personal financebooks in libraries across the country. Other books on the list included The Total Money Makeover by Dave Ramsey (2009), Secrets of the Millionaire Mind by T. Harv Eker (2009), and The Automatic Millionaire by David Bach (2004). The commonality among these additions to the list is that each subsequently adopted many of the principles originally outlined in MND. The penetration of MND concepts within the popular personal finance culture is so deep that media pundits, such as Dave Ramsey, advocate aspects of MND daily to millions of radio listeners and those who follow personal finance blogs (Ramsey, 2014).

According to Faulkner (2015), MND and similar books help consumers conceptualize the role of money in the household and promote financial literacy. A key element of MND is its focus on frequency of engaging in pro-wealth accumulation behaviors and tasks. Concepts such as creating and following a budget, living life frugally, and saving on a regular basis are examples of behaviors and tasks reportedby Stanley and Danko (1996) to be associated with prodigious wealth accumulation. Whether the advice provided is economically or normatively correct is something that has not received much attention in the literature. One anticipated outcome from this study was to test the veracity of some of the most important propositions presented by Stanley and Danko.

The purpose of this study was to evaluate the following five questions: First, what percent of the American population meets or exceeds wealth accumulation targets, as defined by Stanley and Danko? Second, how stable is wealth accumulation status across time? Third, what are some of the demographic characteristics associated with being classified as aprodigious wealth accumulator? Fourth, what role do inheritances having in shaping wealth accumulation? Finally, to what extent dowealth accumulation attributes influencethe amassing of wealth? It is important to note that this study was not designed to determine the normative validity of Stanley and Danko's wealth accumulation measure. The fact

is that many thousands of households throughout the world use the formulas and concepts within MND on a daily basis. This study was conceptualized to provide some insight into whether concepts within MND are, in fact, related to wealth accumulation guidelines as outlined in the original book. Results from this study provide an insight into the robustness of MND as a guide to helping consumers, and to a lesser extent financial planners and wealth managers when working with clients, maximize wealth over the lifecycle.

Literature Review

Millionaires Next Door and the Concept of Wealth Accumulation

Stanley and Danko (1996) were among the first personal finance authors doing work in the mass trade market to quantify aspects of wealth accumulation. While this type of work had been conducted previously among household finance researchers, very little of what was known made an impact among the consuming public. Based on interviews with millionaires, Stanley and Danko developed lists of behaviors and tasks that concluded were associated with being wealthy. When defining who is and is not wealthy, Stanley and Danko made a distinction between being income affluent and having a high net worth. They noted that many households earn significant incomes but have little in terms of investable assets. While these households are able to fund current consumption from income, those who are income affluent generally do not achieve long-term financial stability. Stanley and Danko instead focused their generalizations towards households that have significant balance sheet wealth, particularly wealth that has the potential to appreciate in value over time. They did not, however, discount the role of income in the wealth accumulation process. They, in fact, extended the work of Kinley (1911) and others who documented that having sufficient income is a primary ingredient of wealth accumulation (Beutler, 2014).

Stanley and Danko (1996), in an effort to quantify whether an individual or household fits the mold of a ‘millionaire next door’ or has the potential to reach this outcome, developed the following formula to measure a target level of wealth accumulation:

The two important elements in the formula are income and age. As noted by Beutler (2014), it is very difficult to accumulate wealth over time unless a

household' s income is relatively high in relation to expenses. The age factor serves as a proxy for a household' s stage in the lifecycle. Consider the following example. Say someone is 40 years old and earns $200,000 per year. Based on the formula, their targeted level of net worth (assets less liabilities) should be $800,000. Within the framework of MND, someone with this level of net worth would be defined as an average accumulator of wealth. In other words, they are exactly where they need to be in relation to wealth accumulation, given their age and income. Stanley and Danko also identified those who were much less likely to ever reach a suitable level of net worth. They called these individuals and households under accumulators of wealth. Specifically, if someonehas accumulated 50 percent or less of their target amount they fit the definition of under accumulator. On the other hand, an individual or household that has at least twice the amount of the targeted wealth figure is deemed, within MND, to be a prodigious wealth accumulator. In 1998, Sun and Hanna found that approximately 22% of American households met this target.

Criticisms of the Wealth Accumulation Formula

There have been and continue to be criticisms of the formula and the associated definitional categories. For example, a young couple just starting their life together, even if they earn a reasonable combined household income, may not have had time to accumulate what the wealth accumulation formula suggests. Another criticism is that the formula is premised on the notion that accumulating wealth is or should be a primary household financial goal. MND is indeed premised on linking well-being and satisfaction with wealth accumulation. While this certainly may be valid, particularly in the context of accumulating enough lifetime wealth to fund post-retirement income needs, it is also possible that some households may be willing and able to downsize their later life needs, and as such, require less wealth. A third critique of the formulaic approach proposed in MND is that it assumes engagement in certain personal finance behaviors and tasks drives wealth accumulation. It is possible, however, that serendipitous windfalls play a large role in meeting a targeted wealth accumulation figure. An expected outcome associated with this study was to evaluate this potentiality.

At this point, it is worth acknowledging the inherent weaknesses of the MND wealth accumulation formula. Some in academia have labeled the formula as

arbitrary and not theoretically compatible with life cycle theory. These arguments may, in fact, be true. However, the fact remains that MND is one of the most widely read and quoted personal finance trade publications still in print. The wealth accumulation formula is regularly used as a consumer guide. Smith (2016), for example, provided a detailed explanation of the formula's use on one of the internet's most popular investing sites. This hints at the likelihood that more than a few consumers worldwide are relying on the formula and the advice developed to meet formula guidelines when benchmarking their household's financial performance. Unfortunately, there has been very little empirical work to gain a better understanding of the elements associated with wealth accumulation as described in MND.

Even when accounting for criticisms of the wealth accumulation formula, it is important to note that MND helped usher in a new era of personal finance advice. After the book's publication, consumers—driven in large part by the book's impact on personal finance reporting in the media—and those in the financial planning and wealth management community began to take notice of behaviors and tasks that appear to spur wealth accumulation.Although MND covered a wide range of personal finance and financial planning topics, a few behaviors and tasks emerged as being particularly important in shaping wealth accumulation. Of primary importance was the notion of living within one's means or spending less than earnings. Rather than focus on the amount of money being earned, Stanley and Danko (1996) argued that it was more important to be saving as much income as possible.

Methodology

Data Source

Data were obtained from the National Longitudinal Survey of Youth 1979 (NLSY79), which is part of the National Longitudinal Surveys (NLS) program. The panel sample consists of individuals born between 1957 and 1964. At the time of first interview, respondents' ages ranged from 14 to 22. The respondents were 47 to 56 years of age at the time of their 2012 interviews. Initially, 12,686 individuals were interviewed in 1979. Of those interviewed, 6,403 (50.50%) were males and 6,283 (49.50%) were females. Three subsamples initially comprised the NLSY79 cohort. The first included a cross-sectional sample of 6,111 respondents designed

to represent the noninstitutionalized civilian segment of people living in the United States in 1979 and born between January 1, 1957, and December 31, 1964. The second was a supplemental sample of 5,295 civilian Hispanic or Latino, Black, and economically disadvantaged non-Black/non-Hispanic respondents living in the United States in 1979 and born between January 1, 1957, and December 31, 1964. Finally, a sample of 1,280 respondents designed to represent the population serving in one of the four branches of the U.S. military as of September 30, 1978, and born between January 1, 1957, and December 31, 1961 (ages 17-21 as of December 31, 1978) was included. Following the 1984 interview, 1,079 members of the military sample were no longer surveyed; however, 201 respondents randomly selected from the military sample remained in the survey. Following the 1990 interview, none of the 1,643 members of the economically disadvantaged, non-Black/non-Hispanic sample were included in the survey. Given the multiple years of analysis in this study and variable restrictions, sample sizes ranged from 6,109 to 7,326.

Dependent Variable

The dependent variable of interest in this study was derived using a multi-step process. First, the wealth accumulation formula proposed by Stanley and Danko (1996) was used to estimate each respondent's target wealth position in 1992, 2002, and 2012. These dates were chosen to correspond to points in time when those in the sample, on average, were out of college and permanently employed with stable income. Household income and age data corresponding to these years were obtained in the NLSY79 dataset. The following formula was used to make the wealth estimate:

Each respondent's wealth accumulation estimate was then subtracted from the household's net worth position corresponding to the year of interest (i.e., 1992, 2002, or 2012). Table 1 shows the descriptive data for the dependent variable, and the elements comprising the variable, over the three periods.

Table 1. Sample Dependent Variable Descriptive Statistics

	1992	2002	2012
N	7,326	6,402	6,109
Net Worth			
M	$46,828	$167,718	$263,961
Median	$9,400	$61,250	$69,950
SD	$132,712	$330,246	$577,857
Wealth Accumulation Estimate			
M	$173,449	$250,877	$386,429
Median	$93,000	$196,000	$280,500
SD	$428,515	$253,392	$420,243
Wealth – Wealth Accumulation Estimate	-$123,958	-$78,958	-$113,958
Meet or Exceed Estimate			
%	8%	18%	19%

As shown in Table 1, few respondents met the wealth accumulationtarget as outlined by Stanley and Danko (1996). In fact, respondents, on average, fell below the formula estimate by significant dollar amounts. This was not unexpected (see Sun & Hanna, 1998). The estimates confirmed what Stanley and Danko outlined in their book; namely, those fitting the profile of a wealth accumulator are indeed relatively rare.

Given the importance of income in shaping the wealth accumulation status of respondents, the sample was split into income quartiles over the three periods. Quartiles were calculated using the log of income, which ranged from 9.74 to 10.77 in 1992, 10.20 to 11.29 in 2002, and 10.20 to 11.51 in 2012. Table 2 shows

descriptive statistics for the dependent variable, and the elements of the variable, by income quartile.

Table 2. Sample Dependent Variable Descriptive Statistics by Income Quartile

Year	1992				2002				2012			
Income Quartile	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
N	1931	1770	1808	1817	1627	1605	1575	1595	1682	1484	1448	1495
Net Worth												
M	$10,591	$23,706	$46,732	$121,970	$37,768	$82,720	$159,048	$427,504	$47,677	$113,535	$241,251	$720,983
Median	$1,000	$7,000	$22,000	$55,000	$4,917	$40,500	$100,750	$238,375	$2,700	$43,300	$126,100	$416,000
SD	$54,929	$79,762	$108,727	$128,063	$133,824	$158,186	$227,546	$520,023	$212,613	$255,382	$454,302	$917,702
WAE												
M	$28,271	$72,147	$119,011	$480,718	$53,702	$155,131	$260,857	$562,039	$63,744	$210,534	$385,168	$918,348
Median	$30,160	$71,711	$117,800	$194,650	$56,000	$154,800	$258,000	$443,760	$62,400	$207,755	$379,800	$733,819
SD	$15,655	$13,364	$17,027	$781,285	$34,329	$29,044	$38,191	$338,077	$42,255	$44,283	$62,648	$535,977
Mean Wealth -WAE	($17,629)	($48,673)	($72,571)	(361,516)	($17,294)	($71,785)	($101,579)	($126,952)	($15,746)	($97,174)	($145,455)	($206,363)
Meet or Exceed Estimate (%)	13%	5%	7%	6%	22%	13%	15%	22%	24%	14%	15%	24%

Independent Variables

Eleven independent variables were used to describe wealth accumulation status. These variables were grouped into three broad categories representing MND attributes associated with wealth accumulation: (a) personal characteristics, (b) task engagement, and (c) windfalls.

Personal characteristics. The sex of respondents was measured dichotomously and coded 1 for male and 2 for female. Age was assessed as an interval level variable using each respondent' s year of birth to calculate their age in 1992, 2002, and 2012. An age-squared variable was included to account for a possible curvilinear effect in the data. Education level was evaluated as the number of years of formal education indicated by a respondent. Marital status was measured for each respondent in 1992, 2002, and 2012 and coded categorically. Using married as the reference category, those who were never married were coded 1, otherwise 0. Additionally, those who were separated, divorced, or widowed were grouped together and coded 1, otherwise 0. Racial and ethnic background was evaluated

using the coding system within the NLSY79 dataset. Blacks were coded 1, otherwise 0. Likewise, Hispanics were coded 1, otherwise 0. Whites were used as the reference category.

Task Engagement. Two self-concept and two behavioral variables were included in the analyses as indicators of task engagement. As noted previously, Stanley and Danko (1996) attributed much of the wealth accumulation success of those fitting the millionaire next door profile to these individuals' engagement in certain personal finance and money management behaviors and tasks. Unfortunately, few of the behaviors and tasks outlined by Stanley and Danko were or are specifically evaluated in the NLSY79 dataset. In order to proxy the broad scope of some of these behaviors and tasks, locus of control and self-esteem were used as indicators of self-control and personal values. Rotter's (1954) locus of control scale scores were used to evaluate each person's status on a continuum of external to internal locus of control. Those holding a strong external locus of control perspective tend to believe that outside events, luck, and fate are the primary determinants of life's outcomes. On the other end of the continuum are those holding a strong internal locus of control perspective. Those with an internal locus of control believe that their efforts and work are the primary determinants of life's outcomes. The way the variable was coded, high scores were indicative of an external locus of control. Rosenberg's (1965) self-esteem scale scores were also used in this study. Self-esteem refers to a person's beliefs about his or her personal competencies, abilities, and personal value. Those with a high self-esteem generally hold positive feelings about their position in life, possible future accomplishments, and overall well-being. Previous studies have consistently shown that people with high self-esteem go on to do better academically, socially, and economically. They also tend to be better planners. In this study, high scale scores were representative of higher self-esteem. It is important to note that given the relative stability of locus of control and self-esteem as psychosocial constructs, scale questions were asked only once in the NLSY79.

Windfalls. Finally, an inheritance variable was used in an attempt to determine the effect of receiving a financial windfall on the likelihood of meeting or exceeding the wealth accumulationtarget. The NLSY79 dataset included the following question in 1992, 2002, and 2012: "Since the last interview, did you or your spouse/partner

receive any property or money, even if only a small amount, from any estates, trusts, inheritances, or gifts from relatives?" A choice was made to evaluate the receipt of an inheritance in the prior period rather than the eight year period between 1992 and 2002 and 2002 and 2012. This measurement choice was made as a way to evaluate the influence of an immediate windfall on the targeted wealth accumulation estimate. This variable was labeled inheritance with those who answered yes being coded as 1, otherwise 0. Descriptive data for this and the other independent variables are provided in Table 2.

Data Analysis

In addition to descriptive statistics that were used to describe wealth accumulation across periods, a series of OLS regression models were created to determine the level of associationamongthe independent variables and wealth accumulation. Respondents were grouped together by income quartile (based on the log of reported household income), with four models tested for each time period. Multicollinearity was evaluated using a combination of methods (e.g., correlations and variance inflation factors). No evidence of multicollinearity that was strong enough to skew results was identified.

Results

Before addressing the research questions that guided this research project, it is worth examining the descriptive profile of respondents. Table 3 provides an overview of sample characteristics s in 1992, 2002, and 2012.

The distribution of males and females and the racial/ethnic composition of the sample was relatively stable from 1992 through 2012. As expected, the average reported age of respondents increased over time. By 2012, the majority of respondents reported having completed at least a high school level of education. Over time, the percent of respondents were reported being married increased, while the percent of never married respondents decreased. The number of separations, divorces, and widowhood statuses increased. Given the way in which locus of control and self-esteem were evaluated and based on the assumption that these personal attributes are essentially trait characteristics the first assessment score is reported in Table 3. The percentage of respondents who reported receiving an inheritance remained relatively constant over the three periods (7% to 8%). In 1992 slightly more than one-third of respondents exhibited saving

behavior. By 2012 that percentage had climbed to over 70%, down marginally from a high of 76% in 2002. Finally, daily alcohol consumption fell from slightly more than three drinks per day in 1992 to less than 2.50 drinks per day in 2012.

Table 3. Independent Variable Descriptive Statistics by Year of Analysis

Variable	Overall	1992	2002	2012
Sex				
Male (coded 1)	50.50%			
Female (coded 2)	49.50%			
Age		*M* = 30.82	*M* = 40.82	*M* = 50.82
		SD = 2.29	*SD* = 2.29	*SD* = 2.29
Education		*M* = 12.91	*M* = 13.19	*M* = 13.35
		SD = 2.43	*SD* = 2.50	*SD* = 2.57
Marital Status				
Married		67.08%	74.84%	73.56%
Never Married		21.02%	11.34%	9.38%
Sep/Div/Wid		11.90%	13.82%	17.06%
Race/Ethnicity				
White	59.20%			
Black	25.00%			
Hispanic	15.80%			
Locus of Control	*M* = 8.66			
	SD = 2.42			
Self-Esteem	*M* = 22.37			
	SD = 4.13			
Saving (1 = Yes)		67.00%	76.00%	72.00%
Inheritance (1 = Yes)		8.00%	7.00%	8.00%
Number of Drinks Per Day		*M* = 3.32	*M* = 2.75	*M* = 2.46
		SD = 3.67	*SD* = 2.09	*SD* = 1.84

The answer to the first question asked in this study—what percent of the American population meets or exceeds wealth accumulation targets, as defined by Stanley and Danko?—was not be surprising. Stanley and Danko (1996) originally reported that few American households truly fit the profile of a wealth accumulator. As reported earlier in Table 1, the percent of respondents who were wealth accumulators ranged from 8% to 19%, with the percent increasing over time. Generally, as shown in Table 2, lower income respondents were more likely to meet the wealth accumulation estimate.

The second research question asked how stable wealth accumulation status was across time. Data from Tables 1 and 2 provide some insight into this question. The gap between the targeted wealth accumulation amount and actual net worth fluctuated within and between the three periods. The gap decreased from -$123,958 in 1992 to -$78,958 in 2002; however, by 2012 the gap had increased to

-$113,958.Although there was fluctuation, the answer to the question was that respondents exhibited a consistency of under accumulation of wealth across the three time periods. The gap between net worth and wealth accumulation estimates was profound.

Data in Table 4 tell an interesting story in relation to this question. Findings indicated that there appears to be some fluidity among those who met or exceeded the wealth accumulationtarget over time. For example, in 1992, 580 respondents met the criterion. It is important to note that in 1992 respondents were relatively young and just beginning their careers. Of these 580 individuals, only 75, or about 13%, met the criterion for being classified asa wealth accumulatorin both 2002 and 2012. By 2002, 1,029 respondents had shifted into a position of being a wealth accumulator. The increase was likely do to advancement in careers and continued asset buildup and growth. However, only 378, or about 37%, of this group met or exceeded their wealth accumulationtarget in 2012. This implies that less than half of those who met the wealth accumulation target maintained their position over time.

Table 4. Consistency of Wealth Accumulation over Time

Survey Year	# Who Met or Exceeded Wealth Accumulation Estimate	# Who Continued to Meet or Exceed Wealth Accumulation Estimate From the Initial Period to 2012	Percent
1992	580	75	13%
2002	1,029	378	37%
2012	1,189	Not Applicable	Not Applicable

Before describing the role of saving and inheritances in shaping wealth accumulation status, it is important to review answers to the third research question, which asked, ‘what are some of the demographic characteristics associated with being classified as a prodigious wealth accumulator?’ Table 5 shows the variables that were found to be significantly associated with wealth accumulation in 1992. Results represent coefficients from four logistic regressions based on each respondent’s membership in an income quartile. Among those with the lowest incomes, none of the demographic factors were related with wealth accumulation. The model was not significant. Among those in the second and third

income quartiles being Black was negatively associated with wealth accumulation. A positive relationship was noted between saving in 1992 and wealth accumulation status for those in the third income quartile. Among the highest income group,the age relationship was positive. However, a negative relationship was noted between wealth accumulation status and education and being never married. A nage curvilinear effect was noted.

Table 5. Regression Results Showing Variables Associated with Wealth Accumulation by Income Quartile in 1992

	1st Income Quartile		2nd Income Quartile		3rd Income Quartile		4th Income Quartile	
Variable	*β*	*t*	*β*	*t*	*β*	*t*	*β*	*t*
(Constant)		.432		-.466		1.144		-1.858
Sex	.027	.783	-.012	-.360	-.035	-1.118	.014	.473
Age 1992	-.411	-.443	.223	.241	-1.131	-1.266	1.677	2.042*
Education 1992	.011	.301	.036	.998	.027	.790	-.143	-4.563**
Never Married 1992	.001	.013	-.032	-.878	.007	.200	-.100	-3.364**
Sep/Div/ Wid 1992	-.038	-.821	-.039	-1.136	.032	1.000	-.025	-.864
LOC Scale	-.063	-1.835	.024	.724	-.007	-.220	.027	.878
Self-Esteem Scale	-.018	-.521	.052	1.532	.016	.468	-.025	-.812
Race Black	-.058	-1.480	-.090	-2.691**	-.119	-3.643**	.001	.047
Race Hispanic	.007	.192	-.063	-1.920	-.031	-.984*	.038	1.286
Saving 1992	.028	.793	.051	1.561**	.069	2.173**	.039	1.315
Inheritance 1992	.059	1.730	.146	4.606	.083	2.685	-.015	-.504
Number of Drinks Per Day 1992	-.029	-.862	.014	.422	-.023	-.713	.010	.348
Age^2	.414	.446	-.184	-.199	1.117	1.252	-1.786	-2.179*

Notes: *p< .05 **p< .01

Model 1: F13,936=1.316,p=.20;R2=.02

Model 2: F13,987=3.75,p=.01;R2=.05

Model 3: F13,1022=2.83,p=.01;R2=.04
Model 4: F13,1129=4.76,p=.01;R2=.05

As shown in table 6, education was positively associated with wealth accumulation status for those in the lowest and highest income quartiles. A negative relationship was noted for those who were separated, divorced, or widowed in the first income quartile. Being Black was negatively related with wealth accumulation status across income categories. A similar negative relationship was noted for Hispanics in the first and second income quartiles. Self-esteem was positive associated with wealth accumulation status among those in the third income quartile. Among those in the highest income quartile, education and receiving an inheritance in 1992 and 2002 were found to be positively associated with wealth accumulation.

Table 6. Regression Results Showing Variables Associated with Wealth Accumulation by Income Quartile in 2002

	1st Income Quartile		2nd Income Quartile		3rd Income Quartile		4th Income Quartile	
Variable	β	*t*	β	*t*	β	*t*	β	*t*
(Constant)		-1.463		-.026		-.546		-.790
Sex	.064	1.475	.057	1.446	-.042	-1.156	-.037	-1.107
Age 2002	2.338	1.414	-.014	-.010	.576	.427	.867	.700
Education 2002	.109	2.275*	-.004	-.103	.030	.765	.068	1.965*
Never Married 2002	-.073	-1.249	-.035	-.820	.005	.139	.050	1.519
Sep/Div/Wid 2002	-.113	-2.021*	-.047	-1.127	.036	.991	.018	.566
LOC Scale	.005	.113	-.029	-.717	-.021	-.551	.006	.182
Self-Esteem Scale	.028	.613	.028	.697	.075	1.961*	.032	.920
Race Black	-.151	-2.932**	-.143	-3.346**	-.130	-3.450**	-.127	-3.774**
Race Hispanic	-.112	-2.380*	-.087	-2.167*	-.048	-1.312	-.037	-1.104
Saving 1992	.011	.223	.059	1.433	.059	1.584*	.059	1.795
Savings 2002	.050	1.041	.071	1.766	.087	2.313	.037	1.106
Inheritance 1992	.081	1.888	.029	.756	.048	1.299	.095	2.845**
Inheritance 2002	.091	2.083*	.116	3.026**	.073	1.994*	.103	3.087**
Number of	-.045	-1.023	.049	1.196	-.074	-1.936*	-.019	-.557

Drinks Per Day 2002								
Age^2	-2.342	-1.416	-.019	-.014	-.540	-.401	-.888	-.717

Notes: *p< .05 **p< .01

Model 1: F15,513=4.27,p=.01;R2=.11

Model 2: F15,659=3.54,p=.01;R2=.07

Model 3: F15,735=3.74,p=.01;R2=.07

Model 4: F15,900=4.48,p=.01;R2=.07

Data for 2012 are shown in Table 7. Among those in the lowest income quartile, education was positively related to wealth accumulation status; however, the relationship was negative among those who were separated, divorced, or widowed. Being Black was negatively related to wealth accumulation status at the second, third, and fourth income quartiles. Among the highest income earners being never married was found to be positively associated with wealth accumulation status. Those who reported being a saver in 1992 were found to have greater wealth in 2012.

Table 7. Regression Results Showing Variables Associated with Wealth Accumulation by Income Quartile in 2012

	1st Income Quartile		2nd Income Quartile		3rd Income Quartile		4th Income Quartile	
Variable	*β*	*t*	*β*	*t*	*β*	*t*	*β*	*t*
(Constant)		1.477		.468		.142		.575
Sex	.050	.987	.045	1.078	.006	.170	.027	.828
Age 2012	-3.477	-1.531	-1.022	-.515	-.367	-.214	-1.024	-.675
Education 2012	.142	2.681**	.050	1.142	.005	.112	-.019	-.552
Never Married 2012	-.082	-1.268	-.035	-.778	.074	1.964*	.074	2.304*
Sep/Div/Wid 2012	-.139	-2.186*	-.068	-1.554	.021	.552	-.005	-.157
LOC Scale	-.092	-1.816	.005	.109	-.009	-.243	.037	1.116
Self-Esteem Scale	.096	1.791	.029	.679	.020	.506	.018	.520
Race Black	.027	.445	-.094	-2.105*	-.106	-2.696**	-.112	-3.440**

Race								
Hispanic	.038	.704	-.057	-1.358	-.033	-.867	-.055	-1.702
Saving								
1992	.040	.723	.020	.442	.040	1.044	.072	2.166*
Savings								
2002	-.066	-1.126	.050	1.129	.051	1.300	.057	1.730
Savings								
2012	.092	1.768	.064	1.479	.086	2.239*	.058	1.755
Inherita								
nce	-.026	-.527	.136	3.337**	.060	1.627	.047	1.420
1992								
Inherita								
nce	.143	2.934**	-.011	-.263	.108	2.853**	.051	1.542
2002								
Inherita								
nce	.174	3.531**	.163	3.891**	.067	1.782	.014	.440
2012								
Number								
of								
Drinks	.023	.435	-.030	-.701	-.074	-1.910	-.012	-.358
Per Day								
2012								
Age^2	3.498	1.540	1.024	.517	.420	.245	1.055	.696

Notes: *p< .05 **p< .01

Model 1: F17,382=4.23,p=.01;R2=.16

Model 2: F17,581=4.29,p=.01;R2=.11

Model 3: F17,705=4.67,p=.01;R2=.08

Model 4: F17,955=2.90,p=.01;R2=.05

When viewed holistically, data from Tables 5, 6, and 7show that only one demographic characteristic was consistently associated with wealth accumulation status across the three periods: being Black. The relationship was negative among all income quartiles. This suggests that those who were Black were less likely to report holding assets that met or exceeded their wealth accumulation estimate. Few of the other demographic variables showed consistent significance across time periods or income quartiles. Education was generally positively related to wealth accumulation status, whereas being separated, divorced, or widowed was found to be negatively associated with wealth accumulation status. Although not significant in all models, self-esteem was also found to be associated with wealth accumulation status. Those with a higher self-esteem were more likely to report

more wealth.

The fourth research question asked ‘what role do inheritances have in shaping wealth accumulation status?’ Stanley and Danko (1996) argued that receiving a financial windfall, such as an inheritance, may not be as important a factor as behavioral variables in shaping wealth accumulation status. Data from Tables5, 6, and 7 were used to address this issue. It turns out the issue of receiving an inheritance is somewhat nuanced. Receiving an inheritance was found to be positively associated with wealth accumulation among those in the middle income quartiles in 1992. In 2002, receipt of an inheritance, either in 1992 or 2002, was found to be associated with wealth accumulation status across income quartiles. Receipt of an inheritance was also found to be positively associated with wealth accumulation status in 2012, with expectation that no relationship was noted for those in the highest income quartile.

Results suggest the notion that wealth accumulators achieve their status based primarily on engagement in positive behaviors and task engagement may be overstated somewhat. Receiving a serendipitous financial windfall can certainly help shift a household into a better financial position. While receipt of an inheritance closer to the survey date tended to be more important, there was evidence of a lingering effect of receiving an inheritance in the past as well.

An answer to the fifth research question—to what extent do behaviors and tasks, as wealth accumulation attributes, influence the amassing of wealth?—can also be found in Tables 5, 6, and 7. The saving variables were used as indicators of frugality. While the effects of savings were generally positive, the consistency of statistical significance varied across periods and income quartiles. In 1992, saving was only significant for those in the third income quartile. A similar relationship was noted in 2002 and 2012. Impulsivity, as proxied by the number of alcoholic drinks consumed per day, was found to be significantly associated with wealth accumulation status for those in the third income quartile in 2002.

Discussion

The publication of MND in 1996 had a profound impact on the way consumers, those in the media, financial planners, and wealth managers conceptualize what it means to be wealthy in the United States. Instead of focusing on the advantages of being income affluent, Stanley and Danko (1996)

argued that households need to focus on becoming net worth affluent. By this they meant that households need to engage in personal finance behaviors and tasks that promote savings, frugality, and thrift as a way to accumulate appreciating assets. The original work presented in MND influenced much of the personal finance advice generated in the media that emerged just prior to and after the new millennium. Nearly every bestselling personal finance book has since advanced the argument that it is important to convert income into wealth that can later be used to generate passive income. Additionally, concepts such as being a consistent saver have taken root as an essential factor shaping wealth accumulation over time.

Results from this study showthat few Americans actually achieve what Stanley and Danko (1996) called wealth accumulator status. It does appear that Americans—regardless of their income situation—spend too much of their earned income and fail to save enough to meet future income needs. Few American households can or will meet their wealth accumulation formula target. Additionally, there appears to be a high degree of fluidity associated with just who is and is not a wealth accumulator. Very few households in this study met or exceeded the wealth accumulation target in 1992, 2002, and 2012. Households moved into and out of the classification over time. It is worth noting, however, that by 2012 more households were categorized as wealth accumulators compared to 1992 or 2002. This was likely due to the overall aging of respondents and the tendency of most households to transition from having children present in the household to becoming empty nest adults. It is reasonable to hypothesize that as family expenses fall, households save more. This may be prompted by a greater realization by those who are 40 years of age or older that either forced or voluntary retirement is approaching and that a need to increase savings is important.

On a negative note, findings from this study illustrate the discrepancy in targeted wealth accumulation between households headed by Whites compared to those headed by Blacks, and to some degree, Hispanics. Compared to Whites, Blacks and Hispanics were less likely to report having a net worth that exceeded their wealth accumulation estimate. More research is needed to examine the potential cause(s) of this wealth difference. For example, how much of the wealth

accumulation discrepancy is based on cultural values, discrimination, or behaviors? It is possible, for example, that White households are too obsessed with the accumulation of wealth, whereas other household types focus on more meaningful measures of well-being. In other words, maybe White households are pursuing something that is "A mere madness, to live like a wretch, and die rich" (Burton, 1621; 2001). Alternatively, it is possible that financial knowledge and experience barriers have historically limited access to wealth accumulation strategies for some groups. Until more research is conducted that highlights solutions, the likelihood that this finding will change dramatically in the future is not particularly high.

An important finding from this study was that receiving an inheritanceappears to be an important element of wealth accumulation. While few financial planners or wealth managers would ever encourage their clients to build a financial plan around the concept of receiving a financial windfall, it is nonetheless true that receiving an inheritance increases the probability of being classified as a MND wealth accumulator.

Additionally, findings from this study indicate that either Stanley and Danko (1996) may have overestimated the importance of certain financial behaviors and tasks as tools leading to wealth accumulation or their measure of wealth accumulation is somewhat problematic. While it is universally accepted as true that consumers should attempt to save aggressively, the evidence from this study suggests that being a saver is not sufficient to achieve a high wealth accumulation status. Receiving an inheritance was found to be more important across time periods and income quartiles. Saving was not particularly valuable for those at the lowest and highest income quartiles. It is also worth noting that impulsivity andself-esteem were related to wealth accumulation status in one model each. The relationship with impulsivity was negative, whereas the relationship with self-esteem was positive.

As an exploratory study, this research provides a foundation for further research focused on identifying the determinants of wealth accumulation over time. While some evidence emerged that engagement in certain personal finance behaviors and tasks is associated with wealth accumulation, at least among certain segments of consumers, more information is needed about the veracity of other behaviors and tasks in shaping wealth outcomes. More research is needed to

explore what other behaviors and tasks are and how consumers (and their advisers) can implement strategies to improve financial outcomes. As noted in this paper, future studies ought to consider the different ways financial windfalls influence wealth accumulation, savings, and spending patterns. It may be worth tracking the receipt of financial windfalls on a yearly basis to determine how households allocate inheritances between savings and consumption. Another avenue of research worth exploring is related to what Kennickell, Starr-McCluer, and Sunden (1997) called self-control. As proposed in MND, wealth accumulators appear to differ from non-wealth accumulators in their ability to think strategically long term and forgo current consumption for saving. Including measures of self-control, discounting, and time perspective in future studies may help substantiate the degree to which self-control explains wealth accumulation over the lifecycle.

Finally, it is important to understand the limitations associated with this exploratory study. The results from this study can only be generalized to the accumulation of wealth as conceptualized in the formula presented by Stanley and Danko (1996). The wealth accumulation measure provides only a target for comparing a household's current position against those in the original MND database. Given this context, many households will still have adequate resources to meet their future needs even if they fall short of the target. Those seeking a more universal level of generalization may find traditional life cycle models more appealing. As stated earlier in the paper, this study was not designed to evaluate the normative validity of the MND wealth accumulation formula. It is possible that had another measure of wealth accumulation been used as the outcome variable the results might have changed. There are other measures of wealth accumulation that appear to be more aligned with life cycle theories (e.g., Letkiewicz& Hanna, 2013; Yuh, Montalto, & Hanna, 1998). A comparison of these measures with the MND target formula may be worthwhile. Additionally, given the focus of this study, only a select number of variables were used in the models. Extensions of this work could include measures for risk aversion, anticipated retirement age, and participation in retirement plans. Even within the context of these limitations, for those who do use the MND wealth accumulation formula, the results from this study add more evidence that the accumulation of wealth is, to some degree, controllable. Whether nor not the MND measure is appropriate is a topic for

another study.

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