

The Rich: A new study of the species

William Davis © 2006

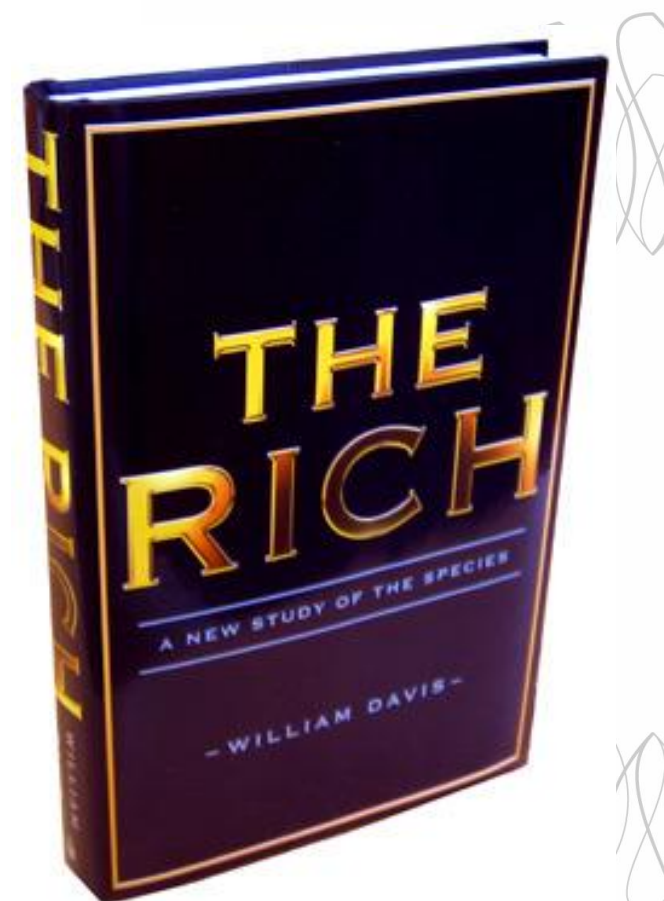
UK writer, editor and TV presenter William Davis provides an interesting taxonomy of the world's rich providing insights about the common groups of ultra-wealthy individuals and what it is like to have wealth. This work provides colour and background about those who populate rich lists like Australia's BRW , the UK's Sunday Times and the US' Forbes.

While it provides a good reminder that there are many pathways to becoming wealthy, it is by no means a how to guide (especially as "crooks" is one of the ten groups).

Professional  Wealth

www.professionalwealth.com.au

Executive Summaries



ISBN-10: 1-84046-766-5

Icon Publishing A\$35

Allen & Unwin Australia

A taxonomy of the super rich (I of II)

Inheritors	Royals	Entrepreneurs	[Russians]	“Smart Asians”
<p>aka Old Money, Ancenstral Funded, “lucky sperm club”</p> <p>Focused on passing on wealth inter-generationally and preserving the estate assets via tax minimising trusts and principle “primogeniture” [1st born inherits all]</p> <p>Children taught code of behaviour; society balls used to meet suitable partners (not just for charity)</p>	<p>Esp. Europe and Middle East</p> <p>Some assets are state owned but privately enjoyed</p> <p>Queen Elizabeth’s private funds handled by Bank of England Nominees, include income generating rural estates</p> <p>Much of Arab wealth is less than 100 yrs old. Recent investing done through British / other agents to attract less attention</p>	<p>Gates and Branson are the modern Rockfeller’s, Vanderbilt’s, and Carnegie’s (now Old Money)</p> <p>Technology sector has created significant wealth, although some prosper in old industries, eg. retail, air and freight and the oldest, porn</p> <p>The successful benefit from failure and rejection (“Success is a lousy teacher” – Bill Gates)</p>	<p>“Yeltsin’s foolishness: billed as free-market reform was in fact a quick fire sale of Russia’s wealth to Kremlin cronies”</p> <p>30 plus billionaires created including Abramovich (owns Chelsea FC)</p> <p>Fortunes can change with politics (eg. Khodorkovsky who owned Yukos oil co. now in jail for tax evasion)</p>	<p>“research has shown that non-whites still find it harder to get well paid jobs or to raise funds for start-ups – reason why many are self-employed and draw on families and friend for labour & capital”</p> <p>Family owned wealth makes it hard to create Asian rich lists; family ownership has pros/cons</p> <p>Incl. Lakshmi Mittal, Indian metals baron living in Britian</p>

A taxonomy of the super rich (II of II)

Entertainers	Champions	Deal Makers	Property Developers	"The Crooks"
<p>In age of mass media, some "hit the jackpot" even as teens; unlike early days when long apprenticeships had to be served</p> <p>Live performances and merchandising more profitable than recordings</p> <p>Eg. Oprah, Golden Oldies (Rolling Stones, R Stewart, T Jones.), A Lloyd Webber, ...</p> <p>For every success, 1000 "get nowhere"</p> <p>Many lose wealth via costly divorces</p>	<p>Tennis, race car driving, golf, soccer, basketball..</p> <p>Income from playing and from sponsorships</p> <p>Promoters and owners also wealthy (eg. F1's Ecclestone)</p> <p>Most peak at 40, but golf lets players excel at a much older age – Tiger Woods at age 30 still has years to earn</p> <p>At his peak Michael Jordan earned US\$78m pa</p>	<p>Investment bankers, hedge fund managers ("the new stars"), private equity ("a new force") are popular, however, old fashioned money managers (Buffet) and suppliers (Bloomberg) also prosper</p> <p>Some get into trouble with the law or speculation</p> <p>About London's City : "English gents who ran the place sold out to foreigners"</p>	<p>Enviably made but high risk from leverage and completion cycle</p> <p>Donald Trump tutored under father Fred after leaving Wharton, and made it big by buying depressed NY prices when no one else would</p>	<p>"Not all fortunes are made legally"</p> <p>Don't appear on rich lists</p> <p>"Serious mob money made nowadays by drug dealing and smuggling"</p> <p>White collar and credit card fraud also popular</p> <p>Tax havens bank smuggled-in cash</p> <p>Swiss numbered accounts started in 1934 to protect money of persecuted Jews not criminals</p>

Habits of the rich (I of II)

Home

- Rich still have luxurious homes, but build on smaller scale than their forebears – privacy considered more important
- Multiple homes, paintings, islands, and big parties are the extras

“Toys”

- Planes, yachts and cars are the modern golden carriages – many business owned
- Casino gambling, horses, golf, fashion and jewellery (“quantity and quality”)

Money as an aphrodisiac

- Divorce rate is high, many tempted “to change for change sake”; “vain”, naïve and married self-made tycoons often fall for glamorous young woman
- Prenuptial agreements not as enforceable in the UK, common in the US
- Note to fortune hunters: target the older, beware of those who look rich but who fund lifestyles with debt or those whose funds are inaccessible via trusts

Power of money (incl. political)

- Rich participate in politics via campaign funding or now running for office
- Media ownership provides scope for self-promotion and for shaping public opinion

Habits of the rich (II of II)

Fears of the rich

- Many rich find illness unfair – they can control most things other than their health; can buy the best health care, youth treatments and psychiatrists
- Fearful of personal security and use assumed names travelling when they can

Last act (ie. Estate planning)

- Donations / endowments sometimes done to make their name permanent
- Charity for most isn't "conscience money" but a genuine desire to do good and a belief that they can do a better job than politicians
- Some don't plan on dieing and die without a will, eg. Picasso, Howard Hughes
- For others, well ...
 - "To my wife I leave her lover and the knowledge that I wasn't the fool she thought I was. To my son I leave the pleasure of earning a living. For twenty five years, he thought the pleasure was mine, but he was mistaken. To my valet I leave the clothes he has been stealing from me regularly for tens years... To my chauffer I leave my cars. He almost ruined them and I want to him to have the satisfaction of finishing the job"

Attributed to a wealthy Philadelphia industrialist

About Professional Wealth and these summaries

About Professional Wealth

We are an independent personal wealth advisory business serving clients in Sydney and Melbourne

Our focus is on individuals in professional service, executives and business owners

We strive to set a new level of professionalism, by

- providing unbiased high quality advice
- being free to recommend a broad range of investment and insurance solutions
- being remunerated only by our clients, refusing all commissions and rebates
- making education an important part of our offer

About our Executive Summaries

We regularly review interesting writing on wealth topics that we think our clients will find useful

Our summaries are of the authors' views not always ours

These should not be considered personal advice as your needs and circumstances will vary

Please contact us or your personal advisor to explore further how you can *Make Work Optional*™

If you have received this from a friend and would like to receive future summaries directly, please send us your email address

© Professional Wealth Pty Ltd, 379 Collins Street, Melbourne Australia
Ph 03 8620 9915, info@professionalwealth.com.au, www.professionalwealth.com.au
Corporate Authorised Representative of Money Managers Partners Solutions, AFSL No. 289573