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26 September 2018

The Wealth Elite by Dr Rainer Zitelmann

Researchers have been complaining for decades that there is a social group that we know far too little about, namely “the rich”. Unlike poverty research, wealth research is still in its beginnings.

Let me say a few words about the method of my study about “The Wealth Elite”: In absolute terms, the number of individuals with net assets in at least the tens and hundreds of millions is so small that standardized approaches with quantitative methods were out of the question for this study.

I selected a qualitative approach for my study, namely guided interviews. I developed a framework of questions that served to guide discussion and ensure that the topics I had selected were discussed during the interviews.

In relation to the genesis of individual wealth, it became increasingly clear that one of the areas my research should focus on was the personality traits that are the basis for financial success. So, I wanted to know: Which personality traits do the super-rich share, what do they have in common, what distinguishes them, and what influence did these traits have on their financial success?

I conducted 45 interviews (each lasting one to two hours) with individuals whose net worth in the lowest category ranged from EUR10 to 30 million and, in the highest category, from several hundred million to several billion euros.

A majority of the interviewees have net worth of between 30 million and one billion euros. Most are self-made millionaires. The transcriptions of the interviews filled 1,740 pages. In addition, each of the interviewees completed a Big Five personality test with 50 questions.

Here are some of my key findings:

Most of the interviewees come from middle-class families. However, it is striking that the parents of 60 percent of the interviewees were self-employed. The parents were often entrepreneurs, had their own small businesses or were even farmers – mostly not rich, but not working as employees. Thus, it was only natural that, as children and young people, the interviewees expected to be economically independent later in life. The other two-fifths of the parents were professionals or civil servants, while only two were blue-collar workers.

One key finding from the biographical questions asked during the interviews was that there was no correlation between the interviewees’ achievements at school or university and the scale of wealth they went on to achieve.

The interviewees who were the best at school or university were not among those with the very highest net worth. One in three of those who later became incredibly wealthy had not studied at university, and one in seven had not even graduated from high school.

Of far greater importance were their activities outside school. Almost all of the interviewees were either competitive athletes or earned money in an atypical, entrepreneurial way. More than half were involved in competitive sports as students.

As competitive athletes, they learned to deal with victories and defeats, and to assert themselves against rivals and competitors. They developed a tolerance for frustration and self-confidence in their own abilities.

It was particularly striking to learn how these wealthy individuals earned money alongside their school and university careers. Typical student jobs, in which young people work for an hourly wage, were the absolute exception.

Looking at their many ideas and ventures, it becomes clear just how creative they were. They sold everything from cosmetics to home wintergardens, from used wheel rims to car washes, from used cars and motorcycles to insurance policies and real estate investment products, from animals they raised themselves to rings, from homemade radios to second-hand car radios.

These experiences were clearly formative for the young people who later became entrepreneurs. They learned to organize, to sell and to think like entrepreneurs. They learned – often unconsciously – and acquired the implicit knowledge that is so important for successful entrepreneurs and investors.

These early entrepreneurial experiences were the best preparation for their later independence. One important focus of this work was to find out whether the wealth the interviewees later accumulated was the result of a conscious effort aimed at this specific goal, or whether their wealth was more of a by-product of their entrepreneurial ventures.

A number of the interviewees behaved precisely as the popular wealth literature recommends: They listed specific financial goals and set themselves deadlines for achieving them. Many reported using visualization techniques or other rituals that they believe helped them achieve their goals.

The observation that it is helpful to set ambitious and specific goals is consistent with goal-setting theory – a psychological theory that has demonstrated through a lot of studies that ambitious and specific goals lead to better results than easily attainable goals, and that people who set specific goals are more successful than those who set either no or only vague goals.

However, not all of the interviewees used such techniques to set themselves goals. Some expressed general skepticism as to whether it was even possible, or sensible, to set specific life goals. The hypothesis proposed by the popular wealth literature, which claims that individuals can “only” become rich by formulating in writing and visualizing precise financial goals therefore needs to be qualified:

It may represent one path to wealth, but there is not just one path to wealth, there are several.

In order to develop a clearer understanding of the interviewees' motives, they were asked about the things they associate with "money".

The interviewees confirmed that they associate money with very different advantages in their lives. The variety of answers reveals the diversity of their motives.

a. The motive of "being able to afford the finer things in life" (i.e. expensive cars, houses or travel) played a very significant role for 13 of the interviewees, while ten stated that this was not even slightly important to them. For the remaining interviewees, this point was neither extremely important nor completely unimportant.

b. Security was named as an important motive by about half of the interviewees, although there were nine who did not attach any importance to it whatsoever.

c. There was only one motive upon which almost all of the interviewees agreed: They associate wealth with freedom and independence. The desire for financial independence is shared by almost everyone who took part in the study. No other motive was rated as highly. Only five respondents gave a value which – on a scale of 0 to 10 – was not in the highest range of between 7 and 10 points. Twenty-three even rated this motive with the maximum score of 10.

Which skills do the interviewees think have been important in achieving above-average financial success and great wealth? In modern entrepreneurial research and wealth research, the ability to sell has been largely underestimated as a factor in achieving economic success. However, there is almost no other point upon which the interviewees agreed so much: sales skills have contributed significantly to their financial success – regardless of the industries in which they have made their fortunes.

In response to the interview questions, almost all of the interviewees agreed that they were extremely optimistic. On a scale from -5 (extreme pessimist) to +5 (extreme optimist), 38 out of 40 respondents ranked themselves in the positive range, i.e. as optimists. This included 35 who went as far as to rank themselves in the extremely optimistic range of +3 to +5. The Big Five personality test also confirmed a high degree of optimism.

But what do the interviewees mean by optimism? It became clear that what these wealthy individuals mean by optimism is the same as what psychologists call self-efficacy. In their own words, the interviewees defined optimism as the belief that "as a result of your own abilities, or the network you have built, or your intellect, you are always able to identify solutions and to overcome anything". This confirms the findings of entrepreneurship and wealth research that high self-efficacy is an essential personality trait of entrepreneurs and the rich.

There is a close correlation between optimism and risk orientation. Extensive research has been carried out to investigate the risk orientation of entrepreneurs and the rich.

a. Some researchers have come to the conclusion that a high level of risk propensity is positively correlated with successful entrepreneurship and wealth.

b. others have concluded that a moderate risk profile is characteristic of entrepreneurs

c. while others have argued that, although entrepreneurs' actions are objectively risky, they do not subjectively perceive them to be risky.

The hypothesis that many entrepreneurs and wealthy individuals have only a moderate risk profile was not confirmed by the interviews. At least, this hypothesis does not apply to the initial phases of wealth creation.

Most of the interviewees rated their own risk profiles as very high. This changes during the wealth consolidation phases, when risk profiles decrease. It is at this stage that the hypothesis of moderate risk does apply.

The hypothesis that entrepreneurs and the rich take objectively higher risks but did not subjectively perceive them as such was not altogether confirmed by the interviews. Most interviewees were well aware of their very high risk profiles.

On the other hand, there were interviewees to whom this hypothesis does apply: They perceived their own propensity for risk as moderate but admitted that the people around them considered them to be significant risk-takers.

In addition, it was shown that many of the interviewees did not recognize objectively high risks as such, for example the low level of diversification of their assets, or the high concentration of their assets in their own companies. This is where the illusion of control, which in turn is the result or expression of over-optimism, plays a role.

The hypothesis that the rich more often than not base their decisions on "gut feeling" was confirmed by the interviews. Of the 45 interviewees, 24 stated that gut decisions dominated, 15 said their decisions were primarily analytical, and six said their decisions were 50/50 or they could not clearly say one way or the other.

However, gut feeling, as many interviewees stressed, is not something you are born with: it develops as the sum of life experiences. This corresponds to the theory that gut feeling is the product of implicit learning – flashes of insight will appear in a fraction of a second, triggered by the recognition of a pattern, an awareness that is, in turn, the result of many years of collected experiences.

This implicit knowledge, which is the result of implicit learning, is what manifests itself in gut decisions. It is therefore not surprising that educational qualifications are not the key factor in the genesis of wealth.

The interviewees did not acquire their implicit knowledge, which later manifests itself in gut feeling, from the processes of formal learning, but from informal learning situations, for example in competitive sports or early entrepreneurial activities while they were at school or university.

For many of the interviewees, their willingness to engage in conflict corresponds to the fact that they are contrarians and enjoy opposing majority opinions and swimming against the stream with their investment and entrepreneurial decisions.

Few of the Big Five personality test's 50 questions got such as positive response from the interviewees as the statement "I would describe myself as someone who prefers to forge my own path". The majority of the interviewees – especially the investors – attributed much of their financial success to their ability to swim against the stream.

Almost all of the entrepreneurs and investors reported serious setbacks and crises, some of which were extremely serious. How did they react?

a. First of all, many interviewees stated that they remained extremely calm during serious crises. Some reported sleepless nights, but a majority of the interviewees emphasized that even in the most serious crises they were able to sleep peacefully and that they could "switch off".

b. In addition, it is striking that the interviewees demonstrated a fundamental attitude of not blaming external circumstances or other people for setbacks and crises but looked for the cause of the problems they were facing in themselves. The interviewees never saw themselves as victims of circumstances or of the actions of their rivals; they always took personal responsibility for any problems. Nor did they use negative market developments as an excuse for their difficulties; they blamed themselves for misjudging the market.

c. In their crises, they did not just focus on solving the problem and restoring the status quo – they tried to turn setbacks into opportunities. They repeatedly reported how their crises and setbacks only served to make them even more successful. Entrepreneurs explained that the growth of their companies, the conquest of new markets, the decisive improvements to their corporate strategies and products were only achieved in response to severe setbacks and crises.

d. One quality that the interviewees all shared is that they are able to "get over" negative experiences very quickly. To put it simply, they never struggled with the things that they could not change anyway, they focused instead only on practical ways to overcome their crises.