

## Sustaining Wealth is Harder Than Getting Rich

The Forbes 400 list of the world's richest people looks fairly similar at the top every year.

Buffet, Gates, Bezos, Bloomberg and the Walton family are at the top of the list in some order year in and year out (they've been joined by Mark Zuckerberg in recent years as well).

But this list isn't as stable as it may appear.

[Over 70% of those who made this list](#) (or their heirs) lost their status in this rarified group between 1982 and 2014. Getting there is easier than staying there for most.

High-income earners have a similarly difficult time staying at the top.

[Research](#) shows over 50% of Americans will find themselves in the top 10% of earners for at least one year of their lives. More than 11% will find themselves in the top 1% of income-earners at some point. And close to 99% of those who make it into the top 1% of earners will find themselves on the outside looking in within a decade.

I was reminded of these studies this past week after reading two stories of financial folly. The first was Spencer Pratt, the reality TV star from the MTV show *The Hills* (I may or may not have watched this show at one point).

[CNN Money](#) profiled how Pratt and his wife, Heidi, made and then spent millions:

*By 2008, they were crazy famous, ridiculously rich, and it seemed impossible that they ever wouldn't be.*

*"We were more famous and [making] more money than Kim Kardashian," Pratt says.*

*But as frosted tips fell out of style, so did Speidi. MTV canceled *The Hills* after six seasons, and the Pratts' luxurious lifestyle quickly caught up to them. After years of splashing \$30,000 on shopping sprees and ordering \$4,000 bottles of wine at dinner, the now-married couple had officially blown through their \$10 million fortune. Tabloid OK! Magazine announced the news in all caps, writing "HEIDI MONTAG & SPENCER PRATT ARE BROKE."*

*"It's really easy to spend millions of dollars if you're not careful and you think it's easy to keep making millions of dollars," 34-year-old Pratt says. "The money was just coming so fast and so easy that my ego led me to believe that, 'Oh, this is my life forever.'"*

The second story was even more over the top. The [Rolling Stone](#) profile of Johnny Depp's financial troubles was wild. Depp not only made over \$650 million in his acting career and is now more or

less bankrupt but he wants you to know he blew way more of his money than has been reported in the past:

*There are a few things Depp insists TMG got wrong – for example, the \$30,000 a month the Mandels claimed he spent on wine.*

*"It's insulting to say that I spent \$30,000 on wine," says Depp. "Because it was far more."*

*Depp says they got the Hunter S. Thompson cannon story wrong too. "By the way, it was not \$3 million to shoot Hunter into the fucking sky," says Depp. "It was \$5 million."*

Both of these tales have been told before. The details may change but the story of someone making a boatload of dough only to see their lifestyle outstrip their riches is as old as money.

This situation will always occur for a number of reasons:

**There is a huge difference between making lots of money and being rich.** Income is not the same thing as wealth. Those who earn a high income give themselves a better chance of becoming rich but there is far more temptation to inject extreme lifestyle inflation into the mix when you earn a bigger paycheck.

Depp said, "Wine is not an investment if you drink it as soon as you buy it."

Your net worth is the difference between what you own and what you owe. You can think of spending less than you make as what you own and spending more than you make as what you owe. The difference between how much you make and how much you spend is often a tug of war between ego and humility.

**Anyone can act rich.** Acting rich isn't that hard. You know what's hard? Acting like you're not rich even when you make a decent chunk of change.

**Nothing lasts forever.** After the initial rush from new circumstances, such as making more money, people become accustomed to their new situation. Once people begin making more money they can get the feeling that those funds will continue to flow indefinitely.

Thinking like this is a good way to avoid giving yourself a backstop when the good times come to an end.

A good way to give yourself a margin of safety is to assume your current financial situation won't last forever. Stress test the worst case scenario and if things continue to go well you've given yourself some breathing room.

**Getting rich is not the same thing as staying rich.** There are plenty of ways to get rich -- start a business, save & invest wisely, inherit money, get lucky, etc. But staying rich involves just a few simple things -- self-awareness, modesty, and the ability to delay gratification with a portion of your capital.

Money can corrupt even the best of intentions. No matter how much you make, you still have to save to build actual wealth.

Further Reading:

[The Cost of Not Paying Attention](#)