

Boe Knows Real Estate

Your Questions from Real Estate Buyers, Sellers, & Agents

By Patti Boe

Q. Is real estate still a good investment given all the media speak about the foreclosures in the swath of the Central Valley North to South in California? **What do wealthy people invest in? How are they different from me?**

A. An article from this week's Associated Press spurred me to wonder the same thing. What do the rich folks do? **Maybe it's time to copy some of their habits.** First of all, I was surprised how fast the "millionaires club" was expanding. This Tuesday, Merrill Lynch's consulting firm, Capgemini Group, said our globe's millionaires (assets, not including real estate over \$1M) passed 10 million for the first time last year. Their bank accounts are growing even faster.

The combined growth of all millionaires grew to nearly \$41 trillion last year. That's an average of more than \$4M. The same consulting firm said their wealth is outpacing the population growth, and that trend will continue.

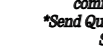
The United States still is first in fat wallets – one in every three of the world's millionaires lives in America. The rarefied group of the super rich – those with at least \$30M in assets – got richer. Of these 103,000 in the world last year, 9% more than the year before, grew their wealth by 15%. The 600,000 new millionaires were unsurprising to Brian Bethune, an economist with Global Insight, who said inflation and expansion of the world's economy accounts for this growth. Besides, \$1M isn't what it used to be. One million dollars in 1996, the first year the report was issued, would be worth \$1.3M last year said Ileana Van Der Linde, a principal with Capgemini. So, **what about us, the average working stiff? What can we learn from the rich – especially in this economy today?** Liz Pulliam Weston from MSN Money says **studying habits of this relatively large and growing group of affluent folks can teach us a lot.** These people don't just have money; they treat it differently from people farther down the economic ladder. Most of us, though, have a shot at being millionaires. In 2004, the number of households worth \$1M, not counting their personal residence, grew 21% to 7.5 million in the US alone according to Spectrum Group, a Chicago-based research firm.

The rich are indeed different: They give away more. Households with \$500,000 or more in investible assets gave away 6% of their incomes, and those with \$5M, excluding their primary residence, contributed 6.1% of their incomes. Others are 2-4%. They are much more likely to own their own businesses. Of the top 10% of households for net worth, 41% own their own business. They borrow strategically. The richest 10% of Americans are half as likely to have credit card debt (22.4% vs. 44.4% overall). The wealthier folks are less likely to have installment debt such as auto loans (25.6% compared to 45.2% overall). **What the wealthy do have are mortgages.** More than 55.5% have a primary mortgage, compared to 44.6% of households overall. Another 15% carry loans on income properties, compared to 4.7% of the general population.

They don't blow a lot of money on cars. Vehicles represented just 2.4% of the wealthiest households' median net worth, compared with 8.8% of net worth overall. The median value of the top 10% of households was \$25,400 for their vehicles. "Most of them live a very unassuming lifestyle, but they're able to do anything they want, whenever they want," says Mark Hamlin, a financial planner in Louisville, KY of his clients. They're almost always homeowners and most have investment property too. Among the top 10% of net worth; 95.8%, according to the Fed, compared to 67.7% overall. About 40% of the highest net-worth group own some kind of investment or vacation property compared to 11% overall.

The lessons here aren't revolutionary, but they're well worth learning: Don't be a miser; take strategic risks; live within your means; diversify. You may never make the Forbes 400 list of the wealthiest people, but you can create a richer life. Where else in the world but here in Santa Cruz do we get to live like the super-rich? Our everyday homes are within a few miles of their 2nd, 3rd, or 4th homes.

Have a fabulous, safe, sane, happy July 4th. Cinch up your belt and invest wisely (like the rich folks). For help finding your primary of investment property, please call Patti Boe at 831-345-8040 or email questions/comments to patti@pattiboe.com, and please see my improved website with its new market snapshot tools - pattiboe.com.



Call Patti Boe 800-738-3261, See PattiBoe.com

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