



# Fisher Funds

## Investor Education Centre

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### **Wealth is a state of mind – not a target to chase**

**13 March 2011**

We all have our own ideas of what wealth means. I'm sure that there are people in Christchurch today who feel very well off. They are alive, they have a home with running water and a flushing toilet. Compared to thousands of others, they are indeed wealthy.

But they probably don't feel rich. For most people, the threshold for richness is always just beyond their reach.

When asked "how much money is enough?" billionaire John D. Rockefeller once answered "Just a little bit more".

A Gallup poll conducted a few years ago found that the US public's definition of "rich" was someone with an income of \$120,000 or assets worth \$1 million. Interestingly, it seems that the less money you have, the less money you think you'll need to become rich.

Those who earned less than \$30,000 thought that a household income of \$74,000 would qualify as rich. Those earning between \$30,000 and \$50,000 said an income of \$100,000 made you rich. And people in the top half of the survey said that an income of \$200,000 earns you the right to call yourself rich.

I read an article last week about two seriously wealthy individuals who never learned when enough was enough.

One was Rajat Gupta who in 2003 retired from his position as the managing director of McKinsey's, one of the world's most prestigious consulting firms. He had a stellar career, overcoming an impoverished upbringing in Calcutta to complete an engineering degree, before moving to America where he earned an MBA from Harvard. He was successful, respected and wealthy.

But instead of enjoying his wealth in retirement, he used his position as a director of Goldman Sachs to indulge in insider trading, which netted him close to \$20 million. While this is a big amount, much will be absorbed by his legal fees, and his reputation is shot.

The other was Bernie Madoff who, unfortunately, needs little introduction. The gob-smacking revelation from him recently was that he earned as much as \$100 million a year from his legitimate business before he embarked on his Ponzi scheme. Madoff had everything – success, several homes, lots of money and a family who adored him. But he risked it all, and lost, because he didn't know when enough was enough.

Whatever we think about wealth, the key to ensuring that wealth brings us happiness is to know how much is enough for us, individually. From conversations I've had over the years with clients and friends, I think that a lot of people would feel rich if they could own their own home, not have to live from pay cheque to pay cheque, and have enough flexibility to be able to do what they want. Depending on their lifestyle, this wealth may well be achievable without having to earn \$120,000 or accumulate \$1 million of assets.

What is enough? There's no right answer. But a good starting point is to ask ourselves what we really want, in our heart of hearts. We might find that we have achieved what millions of others might consider a very wealthy life indeed.

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