The Esquire Journal
May 1989

When $3 Million Isn't Enough*

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WE WERE SITTING in the living room in my house in California, looking out at the Bay and Sausalito and the Golden Gate Bridge. The first rainstorm of the season was in full fury outside the big windows. My visitor was pacing, staring at the huge eucalyptus trees swaying in the wind. He was not someone I knew very well personally, but his professional reputation for innovation and fairness were well known in his industry.

"A storm can be really beautiful when you are on the water," he said as he finally sat back down on the couch with his papers in front of him. He is in his late forties, of the corporate world, and struggling with the idea of starting his own business. He found himself with this possibility because the company for which he worked had been bought and merged into another corporation. Ostensibly we were meeting so I could help him plan his new venture, but in truth he was still caught in his own storm.

He picked up a yellow pad, put it back down, and muttered almost to himself: "You know, two million dollars just isn't enough. I mean, I know how crazy that sounds. When I started out, the idea of just owning my own home was my biggest dream. Now this deal happens and I get a couple million bucks, which is more money that I can really conceive of having, and yet it doesn't mean anything—it's just not enough to change things for me."

He sat fidgeting. Obviously the money mattered, but now he had a new problem—one of self-definition and self-motivation. He had clearly lost the sense of what his work-life was about. He tried to say it again: "I mean, put it in the bank and try to live and what have you got after taxes and inflation? Maybe one and a half percent to live on? What's that, $30,000 a year?"

I told him that, given his business experience, he probably could make it about 3 percent after taxes and inflation. Still, he was essentially correct, and the paradox was evident. By any demographic comparison, he was rich, and yet, given everything he wanted, he was too “poor” to stop working. In his mind, being a millionaire had always meant being through with money worries. Yet here he was with a couple of mil free and clear, and his life situation hadn’t really changed. He just could not compute it.

He went on to say that what he needed was about $150,000 a year—at least while he had kids in school—and probably $100,000 a year after that. “And not to live like a rich man, just like a regularly successful executive,” he exclaimed, shaking his head in wonder.

I laughed and told him that this simply meant that he was still a working stiff, but one with a big chunk of security. Then I said: “Look, you don’t exactly qualify as a hard-luck case. There are thousands of professional men and women who would understand what you are saying, but the average American would have a pretty tough time feeling anything but anger and indignation. After all, what you want is a very special degree of economic freedom, one that allows you to maintain your lifestyle regardless of whether you work.”

He remained silent, so I continued: “The freedom you are seeking,” I said, “probably requires that you accumulate about $5 million over and beyond any assets that are necessary to your lifestyle, such as houses, boats, or art and antiques. This type of financial freedom is much harder to achieve than most people realize. Of course, at some point you could simply start spending your capital and let it be consumed by about the time you and your wife die, but it is a little tricky knowing just when that will happen and how to adjust for inflation.”

My visitor didn’t seem to find that remark as funny as I had intended it, but he did get the point. After all, who wouldn’t like to have his problems, all two million of them? Oddly, this was at least the sixth time I had participated in a conversation like this within about two years. In one instance, it was a million-dollar gain, in another about three million, in another almost five. In all situations, the people who were speaking to me were not essentially money driven, but they had nevertheless come to focus on having some amount of money well beyond what they needed as security for everyday survival. In each instance, achieving this certain magical level of wealth was a dominant idea, dictating many lifestyle decisions. Moreover, these people only represented the winners in the money game. Listening to my visitor, I thought of all the people who were trailing behind him in achievement but had just the same ambition.

So what's going on in America, where the average household has *total* net assets of about $33,000 and yet many of the professional class feel somehow impoverished despite having assets—*other* than their house—of $300,000 or $3 million? The unsettling answer is that there is a sourness seeping into the American Dream.

To an observer, it often seems there are two groups of professional men and women in America, which meet only occasionally. One group lives in the America of the 1950s, where life is a struggle and the goal is to get ahead so that the lake house, the really nice vacations, the good education for the kids, and the other accoutrements of the "good life" are possible. The other group, which includes my visitor, lives in some 1980s version of America, where two homes and expensive foreign automobiles and vacations are simply part of the everyday basics, yet there is still a lot of grumbling about economic achievement. In a sense, this is the familiar dichotomy between the middle- and the upper-middle class, but in recent years the numbers have changed radically. In fact, they have changed so much that it is finally time to stop misusing the idea of a middle class.

The hard truth is that during the past two decades in this country, the prosperous have become more prosperous and people of modest means have lagged significantly behind. To quote a recent *New York Times* editorial: "In 1966 when the prototypical American man turned fifty, he had enjoyed a 31-percent increase in income over ten years. For his present-day counterpart, the increase has been only 10 percent." In other words, the typical American is barely getting anywhere, yet the upper end of the middle class, as represented by my visitor, is continuing to expand the advantage it already has over everyone else.

People in the middle class now fall on either one side or the other of this economic split, and the difference between the "haves" and the "have-nots" is accelerating so much that it simply is no longer appropriate to refer to them as being of one economic class. A gap is growing in the middle of America's economic spectrum. A hole is forming in the heart of this country, whose very foundation is that of an egalitarian society where the majority moves in tandem toward better or worse times. This is one source of the sourness that is besetting the American Dream, and it is a subject that is seldom discussed, because it makes almost everyone very uncomfortable.

My visitor, and the many others I know who are much like him, fall on the "have" side of the equation, where they have experienced and will continue to experience increasing affluence. The great irony is that this success seems to feed on itself so much that the expectations grow even faster than the affluence. Therefore, even though this fortunate group of Americans are doing great, they, too, are coping with feelings of frustration over their economic status. In material achievement, they have already gone far beyond any dreams that the old middle class might have had. Yet emotionally, psychologically, they remain middle class in attitude, enmeshed in the "have-not" mentality.

Take my visitor's newly found interest in financial independence. Has there ever been a time in America when such large numbers of people expected to achieve the kind of economic success that would make work *represent a lifestyle option*? During the last decade, I must have heard a hundred people tell me that this was their goal, almost taking for granted that it was realistic to achieve—and many of them will succeed or come close to it. Think of this fixation on financial independence as a new frontier that has opened in the minds of society's affluent during the 1980s. To dream of conquering this new frontier is to give meaning to one's work life. It symbolizes an achievement that justifies striving economically even after a basic level of success has been reached.

Unfortunately, the intense concern, almost fixation, with wealth that preoccupies so many of the "haves" of society has led to a second problem in recent years. Most of them are forever caught in an upward inflation of lifestyle patterns. When they break through into ever-higher categories of success, they quite naturally continue to redefine their lifestyle to reflect their increased income. So when they, like my visitor, finally get a big windfall or have steadily accrued a certain level of assets, they discover that $3 million isn't enough to maintain their lifestyle. A new magic number has to be created. People used to dream of becoming millionaires. Now they want to become "dime millionaires."**

The country's growth in productivity in the last twenty years or so has been much lower than it was in the 1950s. And for a large number of American professionals to experience ever-increasing prosperity, a significant portion of them must do so by "transferring" wealth from others to themselves. What has made the 1980s markedly different from the three previous decades is that more people have found they can "rewrite" and then manipulate the economic rules to achieve their expectations. They shuffle paper assets, force hourly workers to take cuts in pay, and take the savings as profits by charging unprecedented fees for services, and by creating "status" products whose prices aren't justified by actual costs. It is the growing awareness that many who prosper are doing so without contributing proportionate value that is the second stream of bitterness that threatens the nation's sense of its economic identity.

It's not that everyone who is making big money is failing to make a significant contribution, for many clearly are doing so. Certainly my visitor in his past job was—to the extent that the company he ran became subject to a takeover. What cannot be denied is that there are also many who are not making a contribution, and the unfairness and counterproductivity of this situation casts a shadow on the whole.

My visitor is not concerned with economic gaps in the middle or about who writes the rules, but his situation is a perfect example of the change that is occurring. He is a fellow needing $3 million. His first choice is an immediate one. "You know," he says, "it's tempting to join up with one of those buyout groups." It is indeed a temptation. If he could find the right situation, he could pick up a large part of his $3 million at the beginning and receive most of the rest even if the buyout didn't work very well.

On the other hand, what he would really like to do is build a new business and satisfy his own creative instincts. Of course, starting a business is a much riskier process. Even if he creates greater economic value on his own, he could end up making a lot less money. And then there is the possibility that the business might not work at all and he would get nothing. One can see why my visitor is caught in the storm of choices. In a society that favors the clever manipulator, why should he take the hard road? Starting his own business would not even represent an opportunity for higher status among his friends—and certainly not with his banker.

What could I tell my visitor? I thought his business idea was sound, and I would invest if he pursued it. But I didn't know what the right decision for him was, given the current economic rules in this country. I only knew that his decision was a microcosm of a pattern acted out hundreds of times each day. I am certain that the rules must be changed to discourage our most innovative minds from choosing to be asset players when innovation and productivity and leadership are needed. The economic rules need to favor those who create in manufacturing, marketing, technology, and services. Those who take true risk and invest for the long run should receive greater rewards than those who take paper risk and think short term.

The storm was starting to ease outside, and I made a silent prayer that it not stop, for northern California, like the rest of the nation, was desperate for water. In this country we seem to have lost ourselves in consuming all things common and exotic. My visitor was about ready to leave. I looked at him for a long moment and said: “If attaining financial independence matters most, then the asset play is your smart move and I am of no help to you. But if you really want to be a creator, my door is always open.” As I watched him walk to his car in the now drizzling rain, I had no idea whether or not he would come back to my door.

**Title Revised in 2007. Previous title was "When $2 Million Isn't Enough"*

***Changed from "nickel millionaires" to "dime millionaires" in 2007*