Name _____________________ Date ______ Period ________

For the passage below, underline and comment at least 10 words, phrases, or sentences. Be sure to comment on any thoughts, reactions, and questions.

"7 Life Lessons from the very wealthy" by Barry Ritholtz
The Washington Post June 17, 2011

Please excuse the very wealthy for feeling a bit under siege lately.

Taxes for the top 2 percent are very likely to go higher. Uncle Sam's share of capital gains and dividend income might rise, and means-testing for Social Security and Medicare is probable. In the United States, the very rich hold most of that wealth in dollars, which are worth increasingly less. As income inequality has grown dramatically in the nation, the very wealthy are blamed for all manner of social ills.

Rather than pile on the wealthy, this week I'd like to approach the subject of money a little more philosophically. There are surprising insights to be gleaned from the experiences of the very wealthy regarding their investments and experience with wealth.

Some context: In my day job, I come into contact with very high-net-worth individuals. These include young technologists with modest portfolios to families that measure their wealth in nine and 10 figures. For the math-averse, that's hundreds of millions to billions of dollars.

Over the years, I have had some fascinating conversations with people who have hospitals and graduate schools named after them. I'd like to share some of the things I have learned from these folks.

1. Having money is better than not having money.
Sure, this may be obvious, but let's get it out of the way upfront. Money may not buy you happiness, but it buys many other important things. Like financial security, excellent health care, education, travel and a comfortable retirement. In a word: freedom.

2. Don't become "cash rich" and "time poor."
Devoting all of your waking hours to making money is a problem, especially in professions with a partnership fast track. Lawyers, doctors, bankers and accountants can get so caught up in the competitive nature of their jobs that they lose touch with their family. Any semblance of a normal personal life disappears, and a very unhealthy balance between work and home can develop.

Work is the process of exchanging your time for money. Remember: What you do with your time is far more meaningful than the goods you accumulate with your money. If you are working so much to become rich but you ignore your spouse and miss seeing your kids grow up, you are actually poorer than you realize.

3. Memories are better than material objects.
You may be surprised to learn that among the monied set, expensive cars, yachts, houses, jewelry and watches come at the end of the list.

Their priorities? Memories and accomplishments. This was especially true when it came to family. Toys matter less than good times.

The rule of diminishing returns is a harsh mistress with luxury goods. Do you really think $100,000 audio speakers sound 20 times better than a pair of $5,000 speakers? (They don't). Is a $250,000 sports car five times faster than a $50,000? (It is not). These days, you can buy quite a lovely home for $1,000,000 (and much less in the country's interior). Those $10,000,000 manses are not 10 times roomier. Anyone who has owned a $10,000 Rolex will tell you that a $39 Casio keeps better time.

When discussing the benefits of wealth, I have heard again and again about amazing experiences, family get-togethers, vacations, shows, sporting events, weddings and other events as these people's most important life experiences. While these things cost money, nearly every family can afford reasonable versions of them.

4. Watch your "lifestyle leverage," especially early in your career.
Those partnership-track careers? The dirty little secret: Those firms love to get their young employees leveraged up. They will even help you get that way, co-signing mortgages for big houses or even directly lending you the cash on favorable terms.

They encourage up-and-comers to spend extravagantly; they extend lines of credit to their rising stars. You need a big house with a jumbo mortgage; you cannot pull up to a business meeting in anything less than the best luxury car. It is part of their corporate culture.

Isn't that nice of them?

Not really. The big banks, investment shops, law firms and accountants have learned how profitable it is to have “golden handcuffs” on their best employees. These highly-leveraged, debt-laden wage slaves will work harder, put in longer hours and stay with the firm longer than those debt-free workers.

Besides, overleveraged employees do not leave to work at a new start-up or a smaller, more family friendly competitor.

You recent graduates: Remember this when you are offered credit on generous terms. Your leverage is your detriment.

5. Having goals is incredibly important.
I have a friend who is a serial entrepreneur. He was a board member in a household-name dot-com from the 1990s. He sold his stock — too early, I warned at the time — for $30 million. (It would have been worth $90 million a few months later.)

But that didn’t matter to him — he planned to use that money for his next company, which he promptly built and sold for $250 million. He rolled that l into his third venture, which he cashed out of for a cool $1 billion. His long-term goal, and the ability to execute that vision, are what led him to incredible success.

He once said something that has stayed with me: “I am always surprised at how many people have no goals. They simply let life’s river flow them downstream.”

There is a Latin phrase associated with military actions: “Amat victoria curam.“ It translates as “Victory loves careful preparation.” You would be amazed at what you can accomplish with planning.

6. **You must live in the here and now.**
Goals are important, but don’t miss out on what is happening today.
This is especially true among entrepreneurs, corporate execs and Type A personalities. Do not let dreams of that mansion on a hill prevent you from enjoying the home you live in.

This is an area that can easily veer into cliche. Rather than risk that, I’ll simply remind you of what John Lennon sang in “Beautiful Boy”: “Life is what happens to you while you’re busy making other plans.”

7. It helps to be incredibly lucky.
I am struck by how many very wealthy people I know — especially tech entrepreneurs – have expressed being grateful for their good luck. Again and again, I have heard the phrase: “Being smart is good, but being lucky is better.”

Rather than leave you with the impression that success is simply a roll of the dice, I am compelled to remind you what the Roman philosopher Seneca the

Younger was reputed to have said: “Luck is where preparation meets opportunity.”

I don’t know whether it’s better to be smart or lucky, but I would suggest that making the most of the opportunities takes more than just dumb luck.

Ritholtz is chief executive of FusionIQ, a quantitative research firm. He runs a finance blog, The Big Picture.

1. What is Ritholtz’s tone when he says, “**Isn’t that nice of them”?** How do you know? (Find a quote for evidence to support your answer.) What is his point regarding lesson four?

2. Why does Ritholtz say, in lesson six, that “**you must live in the here and now**”? Do you agree with him? Why or why not?

3. What is Ritholtz’s overall point about these seven lessons? Why is this his point? In other words, what can you infer about his experience with money?