

# Lifestyles of the Rich and Famous – How Do You Compare?

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If you're like most people, you'll admit to some fascination with how the Rich and Famous live. Despite their relative wealth, they're very human in terms of their strengths and weaknesses – specifically how they spend money, how they invest and how they give it away. Here are two Rich and Famous people who typify some of the best and worst lifestyle characteristics: Warren Buffett and Johnny Depp. (Disclaimer: I don't know either gentleman personally, so my information comes from public information available to all).

Trait # 1: Save Instead of Spend. Warren Buffett has lived in the same upper middle class home in Omaha for decades. He eats regularly at the same local restaurant and he's been a prodigious saver (and investor) all his life. Buffett has complained about tax breaks for the rich – including himself – by observing that his secretary pays a higher tax rate (on her ordinary W-2 income) than he does (the lower capital gains rate on investment gains). Buffett lives relatively simply and *well below his means*. Johnny Depp, by comparison, reportedly has spent millions (possibly hundreds of millions) on...things. From all reports, Depp appears to be an out-of-control, reckless spender.

Trait #2: Invest Wisely. The “secret” to Warren Buffett's wealth is methodical investing in global equities (often via direct stakes in global corporations). I have limited information about Johnny Depp's investments but his net worth – by some sources – has exceeded \$600 million and he's a very well-compensated actor. However, his net worth also has hit the rocks due to apparent overspending; his advisors have forced him to sell some of his “movie star bling” (example: a

yacht) to cover cash flow needs. Owning many “things” require significant upkeep and is an excellent way to drain funds.

Trait #3: Give Wisely. Warren Buffett didn't try to invent the wheel when it came to charitable giving. If you didn't know Warren Buffett's lifestyle, you'd expect him to set up a “Warren Buffett Foundation” to channel his charitable donations. Instead, he channels his charitable donations to the Bill and Melinda Gates Foundation because he feels they do a better job – dollar for dollar – than he can. Johnny Depp, by comparison, well...I don't have access to his charitable donations but I imagine he's not in a great position to be very charitable if he's finances are erratic. It's hard to picture someone with uncontrolled spending habits being very charitably inclined.

Trait #4: Grow Up and Listen to Your Advisor. Call me old-fashioned, but investing prudently and living below your means are commendable goals. Sound investing in a diversified portfolio has many wonderful characteristics: liquidity and a great annualized track record over the past 100 years (even including the 1929 crash, 2008 correction, etc). A good diversified portfolio consists of many moving parts that span our global economy; inexpensive mutual funds and other tools give you access to many thousands of investments that you don't need to sift through on your own. I can't judge how well Depp's advisors did for him (or for themselves) but a recent team apparently was fired for pressuring Depp to sell e.g his yacht in order to cover his mounting liabilities. (And Depp, apparently, is suing them for giving him poor advice...) Flinging money around until you dig yourself into a hole isn't very...mature. Having a deep sense of responsibility trumps having a deep sense of entitlement that needs to be fed with an endless stream of “things.”

Most of us won't attain the stratospheric net worth heights of the Rich and Famous. What we have in common, however, is that we *all* make choices regarding how we *save, invest, give* and

*spend.* There's no strict formula about the best way to go about doing this. A good financial advisor will not only help you with your investments, but help you with your overall lifestyle and savings rate so you stay on track and live a successful life.

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