

10 Common Misconceptions About Money

By Stacy Johnson | Money Talks News – Fri, Sep 7, 2012

I recently celebrated my 57th birthday, and have arrived at a common conclusion about getting older: It sucks. But there's one good thing that comes with age – the wisdom that can only come from experience.

Experience helps you understand how life actually works, and how remarkably different life is from the kind you so often see portrayed in commercials, movies, and daydreams.

Prime example? Money. The myths surrounding money are numerous and widely held, especially among the young. It's a shame, because pursuing myths will lead you astray, waste your time and, taken to extremes, ruin your life.

Here are 10 popular misconceptions about money that experience has taught me are more often fiction than fact...

1. The more money I have, the happier I'll be.

Let's ask Howard Hughes, Anna Nicole Smith, John Belushi, Chris Farley, Marilyn Monroe, Michael Jackson, Amy Winehouse, Jimi Hendrix, Janis Joplin, Kurt Cobain, and Elvis about this one. OK, guys, show of hands... did fame and fortune make you happy?

Happiness comes from liking yourself, something completely unrelated to money. Riches buys recognition, too often confused with validation. But respect, especially self-respect, isn't for sale.

When you're on your death-bed, will you be thinking about money? If so, your contribution to the gene pool was negligible. Rather than obsessing about money, think about what really makes you happy. Then make only enough money to take part in those activities. Making more is a waste of the only non-renewable resource you have: your time on the planet.

2. A big income will keep me out of debt.

What's the difference between someone who makes \$50,000 a year with a \$100,000 mortgage and someone who makes \$500,000 a year with a \$1 million mortgage? Answer: nothing. Unless they have money set aside for emergencies, they're both a paycheck away from disaster.

Debt often rises with income. What keeps you out of debt isn't a high income or net worth. It's not borrowing money.

3. Millionaires drive fancy cars, wear fancy clothes, and live in fancy houses.

Not according to the folks who did a bunch of research and wrote *The Millionaire Next Door*. According to their studies, the average American millionaire drives an unexciting American car, lives in the same nondescript house they've owned for years, and avoids designer labels. That's how they became millionaires.

So who's buying all the designer clothes and Porsches? Many times it's people who will never become wealthy because they're swapping tomorrow's financial freedom for today's appearance. As I'm fond of saying, life affords you the opportunity to either look rich or be rich, but few live long enough to accomplish both. The younger you decide the better.

4. The more money I have, the less worries I'll have.

Balderdash. Money doesn't end anxiety. It gives you something else to be anxious about: losing your money. Granted, those without enough money to eat or keep a roof over their heads have lots to worry about. But once you have enough money for all your needs and a reasonable number of your desires, the excess will add to your concerns, not alleviate them.

5. Money will help me find love.

In my experience with women, they're not attracted to money. They are, however, attracted to ambition and intelligence, especially when it presents as humor. Everyone's attracted to people who are self-confident, non-needy, and able to laugh at themselves.

Like a peacock, wealthy people can easily attract attention. But attention isn't the same as admiration or affection. And even if it works, do you really want to spend your life with someone so shallow and insecure they were attracted to your money?

6. I'll have more fun if I have more money.

When I was young, I didn't have two nickels to rub together, but I had a ton of fun. Today I have lots of nickels – and am happy to report, still having a riot.

There's no doubt that money can furnish the elements of a good time. But if you need money to have fun, you're boring. And should you become a billionaire, you'll still be boring.

7. Money means security.

When you boil it down, a primary purpose of money is to make life more predictable. It allows you to control your environment by being prepared for the unexpected.

While that's partly true, there's not enough money in the world to completely control everything. I could have a heart attack and die before I finish writing this, and you could have one before you finish reading it. Accept that we're all bobbing on a sea of uncertainty, no matter how much money we have.

8. Money will enable me to meet interesting people.

In my experience, you can't swing a dead cat without hitting interesting people. But if I want to maximize my odds of meeting someone worth knowing, I won't be heading to the nearest country club.

I've met plenty of fun and interesting rich people – but I've also met rich people who were vain, myopic, pretentious, and judgmental. They weren't that way because they were rich. They were that way because they were born rich and as a result never had to overcome adversity.

Overcoming adversity is what makes people interesting, not how much money they have. People without at least a few skeletons in the closet are often shallow as a puddle.

9. I need money to travel, and travel is important.

The world is an interesting place, and being well-traveled makes you interesting. But travel comes in many forms, including the budget variety. If you want to see faraway places, you'll find a way.

In my book *Life or Debt*, I conclude by describing the first book I ever read about something I love: sailing. The book was about a couple who built their own sailboat and traveled around the world, working when they needed to and never accumulating more than a few thousand dollars at a time. Their boat had no air conditioning, no refrigerator – not even a radio.

What most people do in the same situation is wait until they have enough money to buy what amounts to a floating condo: a boat that's luxurious, seaworthy, and far too expensive to ever actually buy. The result is they spend their lives on the dock. What a waste.

10. Money will buy friends.

This is not only untrue, it's the opposite of what money actually does. I've got a super-rich friend or two, and what I've observed is that money attracts plenty of hangers-on – but almost no friends.

People with vast wealth or fame can't trust the motives of those surrounding them (see No. 5 above). That's why the people they count as true friends are normally either people they knew before they were rich and famous, or people who are equally rich and famous.

There's the advantage of being judged on your personality versus your net worth: The friends that result actually like you, not what you can do for them.