10 Ways To Feel Rich

As I write this (back in December) I have been thinking about “feeling rich” lately. (I know, I know, nobody likes the word “rich” because it reminds people of the phrase “filthy rich.” Substitute “wealthy”, “comfortable”, or “financially independent” as you see fit if it makes you feel better.) Stephen Nelson got me thinking about it at first, which his excellent Thanksgiving blog post (which was apparently somehow inspired by something I wrote.) He pointed out that:

But to me, the really interesting element of Dr. Dahle’s essay is not that he’s become rich through hard work and intelligence, common sense and good luck. No, the interesting part to me is that Dahle feels rich. He feels wealthy.

What’s weird about that? Well, a couple of things. Many people with high incomes and impressive net worth don’t feel rich or wealthy. Even though they are. And then often people with high income or high wealth feel (mostly) stressed. Or financially insecure. Or like runners in a rat race.

Dahle, to his great credit doesn’t feel this way. And with an eye toward the Thanksgiving holiday, I’d like to suggest three reasons why I think this is maybe the case.
Then, I got to experience these “many people” myself on a Bogleheads forum thread. It starts with the original poster stating:

I’m 53 years old, have ~$8 Million in various mutual funds, stocks, ETFs, bond funds. House is almost paid off with no plans to move. Three kids to put through college. Living in the San Francisco Bay area in a house valued at about $4 Million, and all this does not make us feel wealthy with a net worth over $14 Million (including a rental house). We live a simple lifestyle with no expensive vacations or large expenses.

As if that wasn’t bad enough, one of the replies said this:

I have a net worth of over $30 Million ($9 Million real estate and $21 Million stocks/bonds/cash) and no debt. I’m 51 years old and I would like to retire but I am not yet confident in doing it…. I’m not sure its enough.

I couldn’t resist leaving a reply to each of them, hopefully taken in the spirit in which it was intended. I hope you can see why the way they feel is nutso. If not, this post is for you. There is a lot of truth in the axiom that “Rich is always twice what you have.” I’ve found that to be true in my life and I bet you have too. So, assuming we are rich, what can we do to feel rich? Let’s make a list.

# 1 Get Rich

Well, the first thing you need to do before you can feel rich is to get rich. There are a lot of well-meaning folks out there who say “rich is a state of mind,” “we’re all rich compared to the starving African refugees,” and the like. That’s all true of course, but if you’re a reader of this blog with a net worth of $50,000, I think you would be well-served to NOT feel rich, because your financial situation is actually
rather precarious, even if that puts you in the richest 1% of people who have ever lived. So the first thing you probably ought to do to feel rich is to get rich. Even Mr. Money Mustache, one of our generation’s most hyperfrugal folks, waited until he had a high six-figure portfolio before declaring himself financially independent. I think that’s a pretty good benchmark for our society. If you haven’t hit a net worth of half a million yet, I think you probably ought to get there before worrying about feeling rich.

# 2 Insure Against Financial Catastrophe

Wealth can be ripped away from you very quickly in certain situations. You can **insure against many of these situations** pretty easily and inexpensively. So make sure you do so by purchasing **disability insurance**, **term life insurance**, professional liability insurance, personal liability insurance, and property insurance for your expensive property. Minimizing (I suppose you can never truly eliminate) it can help you to feel richer.

# 3 Recognize the Power of Anxiety

Despite not going into psychiatry, I might be an expert in anxiety. I would guess that fully 1/3 of my clinical paycheck comes from anxiety. I see an endless parade of patients with nothing serious causing their chest pain, abdominal pain,
headache, dyspnea, paralysis etc. The mind-body connection is very real and very powerful. We should all be in awe of it. We should also realize that we are not immune to its effects. Consider the $30 million guy above. He WANTS to retire. He has enough to retire in an amazingly comfortable way in any city in the world (although of course perhaps not every neighborhood in the world.) Sure, he doesn’t have his own airport and jet, yet he doesn’t have the confidence that he has enough. Now, I suppose it is possible he just has an incredibly high burn rate, but more likely, there is some anxiety at play here. One huge downside of becoming rich is that you have something to lose. The homeless dude on the corner has nothing to lose. He’s not worried about creditors, or a house burning down, not being able to work, or burning through his nest egg by age 80. But the solution to anxiety isn’t accumulating more money. That just makes you the richest guy in the graveyard. Hearses don’t have trailer hitches.

# 4 Know Where You Stand

One thing that will help you to feel wealthier is to know where you are actually at. Knowing your net worth, your required spending level, your desired spending level, and your “enough” level, and having some sort of plan to arrive at that level removes a great deal of worry and anxiety. Lots of people are anxious about their financial situation and should be because they have no plan.

# 5 Hang Out With a Different Set of Jones
We are social creatures. We cannot but help comparing ourselves to those around us. That includes at work, at church, with social groups, with family members, and in our neighborhoods. Thus it is with feeling rich— if you are richer than most of those you are around, you will feel rich. If you are poorer than most, you will feel poor. Buying the least expensive home in a nice neighborhood might be good to maximize real estate appreciation, but it is also likely to lead you to feeling poor. It might not feel entirely comfortable being around those with less income and less net worth than you, but I can guarantee it will make you feel wealthier! If your friends take vacations to the local state park and you can go to Belize once a year, you’ll feel wealthy. If your friends vacation four times a year in Europe, your trip to Belize isn’t going to seem very glamorous in comparison. If $14 million doesn’t feel like “enough” in Silicon Valley, move to Reno and buy ten houses similar to yours in Silicon Valley.

# 6 Give Money Away

You didn’t become wealthy by frittering away money. Mathematically, giving away money, even to a qualified charity, isn’t going to make you any richer. You might get 45 cents off your taxes for every dollar you donate, but you’ll still come out behind. However, there is a subtle message you are sending to your psyche when you give away money—“We have
enough.” That subconscious message will permeate your life and cause you to be happier, feel less anxious, and feel wealthier.

# 7 Live On Much Less Than You Earn

Another great way my wife and I have discovered to feel rich is to live on much less than you earn. As our income has grown to that of the average physician, to that of the average specialist, and beyond, we have saved more and more money and given away more and more money. Are we spending more of that extra income? Sure, but there is still a monstrous (and increasing, even after our much higher tax bill) gap between what we are earning and what we are spending. That gap provides a lot of financial security and makes us feel wealthier. If you are living paycheck to paycheck (as many high-income professionals do) it’s pretty tough to feel rich.

# 8 Limit Fixed Expenses

Another behavioral trick we’ve used is to limit fixed expenses. Mathematically, the best way to maximize your net worth is to maximally leverage your life- always borrowing whenever possible at low rates and investing the difference at higher rates. However, when you have all that debt to service it increases your fixed expenses. We are not afraid to blow ridiculous amounts of money on one time purchases and trips, but when we add on a recurring expense, it gets hawk-like scrutiny. Like living on much less than you earn, having very limited fixed expenses allows you to dramatically downsize your spending in the event of income loss or other economic event without going hungry.

# 9 Volunteer

Like giving money away, volunteering your time helps you to focus on others, rather than yourself. When you’re trying to figure out ways to help others, you’re not worrying about your
own problems. Happiness studies are very clear that volunteering your time makes you happier. Plus, when you volunteer you are generally working with people who have much less than you do (not only because most people have much less than you do, but volunteer organizations tend to serve the most unfortunate.)

# 10 Travel Internationally

There is nothing so useful to reset your perspective as traveling internationally. While it is nice to see Rome and Paris, that’s not what I’m talking about. Go trek in Nepal, hike to Mayan ruins in Guatemala, walk on a beach in Fiji, and explore Peru. If you are like most, you will feel very wealthy, very quickly.

Hopefully, these tips will help you to feel more wealthy, whether you have “enough” yet or not.

What do you think? Do you feel rich? Why or why not? What have you done to help you feel rich? Comment below!