

You Can't Save a Million

A quick observation relating to the million dollar topic...

There is a class of financial literature I absolutely can't stand. The material is legitimate as far as it goes... but it's also depressing and awful. And it glosses over a very large falsehood.

I'm talking about books like "The Millionaire Next Door," and other tomes that suggest you can save your way to wealth.

The core of most of this literature is:

- Live cheaply
- Invest prudently (i.e. index funds)
- Don't get the fancy drink at Starbucks
- Pinch pennies
- Save your way to wealth over decades



The image presented by these books is aesthetically offensive. It reminds me of the old dieting advice that emphasized removing all fats (which we now know is a bad idea)... eliminating virtually anything that tastes good... and overall eating like a subsistence farmer.

That dieting advice was bad. The body benefits from good fats, and a healthy diet, coupled with exercise, is not off-putting or starvation based.

The financial advice is bad too because you can't "save" a million. You can't save your way to wealth.

Not by just putting money into index funds and throwing nickels around like manhole covers.

What about compound interest? All those wonderful statistics about how compounding works over decades of time?

Well, the problem is that inflation erodes purchasing power over long periods of time too.

If a millennial today targets being a millionaire by 2045, what do they really expect that million to be worth?

Is saving a crucial element in wealth building? Yes unquestionably. You need resources in order to make your plan happen.

But the point of saving is to *acquire skill and experience* and then take *aggressive calculated risks*.

Do you have to save? Yes. But the reason you save is so you can deploy capital and take calculated risks.

If you DON'T TAKE THE CALCULATED RISKS, then the whole program doesn't work!

Saving with no program for calculated risk taking... above and beyond pinching pennies and waiting around for decades... is a recipe for being a "mercantile mollusk" as Reminiscences put it.

These "Millionaire Next Door" type books are popular for a key reason: The working assumption is that the average saver is *non-competitive... and non-skilled... and never will be.*

It's a consolation prize: "You are assumed to have no skill and no capacity to take risks. Here is your best option."

Better to acquire the skills, and then *make* the million.

You save to fund the capacity for risk taking.

And then you don't save the first million. You *earn* it.