Excerpt from "THE MIDDLE-CLASS MILLIONAIRE"
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CHAPTER ONE
THE INFLUENCE OF AFFLUENCE

In 2004, the sales department at Elite Traveler magazine asked Russ Alan Prince to conduct a marketing survey of its readership. Elite Traveler is likely the most exclusive consumer magazine in the world. The magazine is distributed primarily on private jets, and it covers subjects such as how to book your own private island. Its reader demographics, with an average household income in the seven figures, eclipse those of its nearest competitor by more than sixfold. Russ's job, in part, was to measure how much influence the buying habits of these very affluent readers exert on others around them.

In the field of luxury marketing, purchasing decisions of high-networth individuals are assumed to exert a "downline influence" on people of the same or lesser means. Elite Traveler wanted to know if Russ could document a similar relationship between the purchasing decisions of the people who read Elite Traveler and other people who associate with them.

Russ has been studying the spending and investing habits of high-net-worth individuals for more than twenty years. He knew that carrying out a methodologically sound survey of very wealthy individuals would be a difficult and time-consuming task. To find 203 respondents willing to answer a long series of personal questions posed by a researcher in personal interviews, Prince had to network his way through lists of financial advisors and private jet services who served as go-betweens. Most of the survey subjects either accepted a $500 payment for their cooperation or directed that sum to one of their pet charities.

The survey results provided Elite Traveler with an unwelcome surprise. According to the survey, the buying decisions of very-high-net worth individuals–those with wealth in excess of $10 million–exert very little influence on the people around them. Except for certain celebrities, wealthy people who are influential by almost every other measure don't serve as role models when they purchase goods and services. They are not "referentially influential." If they buy something for their home or office, they tend not to talk about it very much. In the case of more easily observable purchases, such as clothes, watches, and jewelry, they seldom interact with enough people on a day-to-day basis to exert any significant influence. And when it comes to providers of personal services–life coaches, personal trainers, financial advisors–the very rich can be very secretive. Express too much praise for your coach or trainer, after all, and he or she might get poached by someone else.

Russ had managed to measure in a meaningful way, perhaps for the first time, the profound insularity of the very wealthy. They don't have a very big impact on the rest of us. This conclusion was not terribly helpful to Elite Traveler, but Russ found himself intrigued by one small set of details buried in the data. The sample was too small for him to draw any concrete conclusions, but it seemed to him that a handful of the least affluent in this particular sample group reported behavior patterns that set them apart from the rest. They enjoyed making their opinions known, and they actively solicited opinions from others. They talked with a lot of people each day. Here was a subset of the multimillionaire cohort who didn't act like multimillionaires.

In a subsequent readership survey done for The New Yorker and Registered Rep magazines, Russ's researchers interviewed 1,417 people who declared a net worth between $1 million and $10 million, including the equity they hold in their primary residence. It was here that he discovered, as a sociological phenomenon, the Middle-Class Millionaire. Most are baby boomers, but some were born after the boom's end in 1964. They made, rather than inherited, their money, often through technology, real estate, entrepreneurship, or a mix of all three. And while Middle-Class Millionaires are found in just about every kind of community, they tend to congregate on the East and West Coasts.

Months later Russ compared survey responses from these self-identified working millionaires with a pilot study of ordinary middleclass individuals. Here he found measurable differences in areas closely related to financial success. The attitudes and beliefs of the Middle-Class Millionaires were significantly different from those of the broader middle class. Some behaviors were valued more highly than others or were practiced more rigorously. Knowing what those behaviors were might help others achieve similar success. For example, Middle-Class Millionaires worked much longer hours. They were more likely to focus on drawing financial gain from their work. They were less inclined to be discouraged by failure.

Above all, Russ found that the millionaires in his middle-class sample were measurably more influential than people who had not achieved millionaire status. Middle-Class Millionaires are networkers by nature. They reported seeking the advice of others–and offering advice–far more frequently than the other survey respondents. And they believe that the advice they offer is much more likely to be followed by others. In other words, as a group, Middle-Class Millionaires aren't merely talented professionals who happen to make a lot of money. Instead, their distinctive temperament and behavioral tendencies seem to be significant factors in the achievement of their wealth.

What was most interesting to Russ as a market researcher was how their knack for networking–for talking to people, for trading information–gives Middle-Class Millionaires an oversized impact on the middle class's aspirations, attitudes, and spending habits. Middle-Class Millionaires exert that strong "downline influence" that Russ could not detect among the ultra-rich. They are natural apostles for whatever products and services they find most useful, products and services that often make their way downstream over time and become available to a much broader population. Taking into account also the natural desire of middle-class people to emulate those more affluent than themselves, Russ could see how the working rich have begun to lead a transformation of middle-class life in America.

From the Ultra-Rich to the Middle-Class Millionaire

John Hutchins is one of the many entrepreneurs who more or less accidentally discovered the Middle-Class Millionaire over the last ten years. He began with a business plan designed to satisfy the needs of the ultra-wealthy. But eventually it led him to the birth of a company that depends upon a completely different clientele–one that has far more in common with the middle class than with the super-rich.

Hutchins is a veteran hospital administrator who moved overseas in the late 1970s to run the then-new Al Hada hospital in Taif, Saudi Arabia. That job, which sometimes required him to settle disputes over which Saudi prince had the larger hospital room, also helped Hutchins familiarize himself with Europe and Asia's network of top medical specialists. In 1985, when the world-renowned Cleveland Clinic was looking for a director to open its new International Center, Hutchins was picked for the position. The center represented a first for American hospitals, a unit within a hospital devoted solely to the highly profitable recruitment and care of rich and powerful overseas patients.

With a staff of a hundred, Hutchins set about catering to the Cleveland Clinic's VIP patients and their guests from the moment they were met at the airport and whisked into waiting limousines. A sheikh from the United Arab Emirates might arrive for two weeks of cardiology tests and bring with him an entourage of a hundred or more family members and personal attendants. Hutchins and his staff needed to tackle such logistical headaches as arranging for lavish lamb dinners, booking enough rooms at the Ritz-Carlton, and finding reliable translators. As many as sixty royal Arab family groups and their entourages would come through town in a single summer, but as Hutchins, now sixty-five, remembers it, only a few of these patients suffered from any ailments serious enough to require the Cleveland Clinic's high standard of care. "In the Middle East, when it's a hundred and thirty degrees in the summer," he says, "if someone has an ingrown toenail, the whole family likes to bail out."

Hutchins eventually moved to Baltimore to launch a similar program at Johns Hopkins. Under Hutchins's direction, Johns Hopkins spent millions renovating the exclusive Marburg Pavilion, a secluded unit of fifteen hospital rooms and suites designed to provide patients with all the comforts they might expect from a five-star hotel. Each room is furnished with Chippendale guest chairs, hardwood floors, and Oriental area rugs. Hutchins contracted with the Walt Disney Company for the staff's customer service training, and the Ritz-Carlton developed the program's management protocols. Each day, staff were required to familiarize themselves with an updated log of every VIP patient's personal likes and dislikes.

For all the pampering that Hutchins offered his patients at Johns Hopkins, however, he wasn't always happy about how their actual medical treatment was handled. For one thing, slotting appointments with the best doctors in certain specialties was extremely difficult. The hospital's culture seemed resistant to accommodating what he calls "large volumes of difficult patients." The second issue was this: Although Johns Hopkins regards itself as the best hospital on earth, Hutchins knew that not all of its departments were equally distinguished. When it comes to cardiac surgery, for instance, the Cleveland Clinic, which does a far greater volume of heart operations than Johns Hopkins, might be preferable. But while he was working for Johns Hopkins, Hutchins felt it wasn't his place to point out the merits of other institutions. Over time, he came to feel that his job "wasn't to care about the patient or the family. It was caring about the institution."

In 2001, Hutchins left Johns Hopkins to start a medical consulting business. As he pictured it, the new firm would allow him, at last, to consider his clients' well-being his sole obligation. He wanted to build a nationwide network of hospitals and physicians–including some of the world's most sought-after medical specialists–and then refer the wealthy and powerful to them via his medical contacts from around the globe. In essence, the firm would function like an HMO for the world's super-elite.

A funny thing happened, though, when Hutchins sought out a financial partner for the project. One day in January 2001, he sat down with a Baltimore-area businessman and serial entrepreneur named Bruce Spector. Then aged forty-nine, Spector had just successfully sold his third company, and now he was looking for a new challenge. As he listened to Hutchins go on about all the privileges that the super-wealthy clients of this new business would enjoy–an attentive staff monitoring each patient's medical needs, thorough "executive physicals," high-tech recordkeeping, expedited appointments with top specialists–he began to wonder just how rich you really need to be to afford such care.

Spector had done very well financially for himself and his family, but he had hardly achieved the level of wealth where he could afford to hire a full-time household physician, as so many of Hutchins's international patients had. Instead, he always felt stuck with the same frustrating indignities that the health care system dishes out to everyone: the interminable time wasted in waiting rooms, the jarring discontinuity in care among various specialists, the hassles with insurance reimbursements. The more Spector listened, the more certain he was that the germ of Hutchins's idea, with some modifications, would work not just for the jet set but also for Americans like himself–people with enough disposable income to pay extra for top-quality medical care and a better experience.

Seven years later, Hutchins and Spector work out of side-by-side cubicles in a downtown Baltimore office tower. Their health care advocacy company, PinnacleCare International, has sold about 1,000 memberships, which serve approximately 3,000 members and their dependents. More than 90 percent are American citizens. Most are corporate executives and owners of successful privately held businesses on the East Coast. The most popular family membership plan at PinnacleCare costs $8,000 per year, regardless of family size, and requires a one-time $7,000 setup fee. Other membership levels run the gamut from a $3,000 per year "just-in-case" plan, which provides PinnacleCare's help in the event of a medical emergency, all the way up to $20,000 per year for people with life-threatening conditions such as stage-four cancer. News stories about PinnacleCare usually peg the company as an exclusive club for the rich, but $8,000 is considerably less than the $9,641 that AAA estimates car owners pay each year to operate ordinary family sedans such as the Toyota Camry or the Chevy Impala.

PinnacleCare is not an insurance company, nor is it a health care provider. Instead, members pay to have their health looked after by an account representative, as if each member's medical record were a financial portfolio. A trained staff of health care advocates, most of whom are registered nurses and social workers, assess goals, draw up plans, monitor progress, and attend to crises. This team also assists members with diet and prescription reminders, accompanies them to medical appointments, hammers out problems with insurers, and consults with the company's staff physicians about second-opinion referrals. In a sense, the advocates serve the same function within the health care system as financial advisors do within the financial system.

Five years ago, no such service was available at any price. Now there are PinnacleCare members who can't imagine entering a hospital or a specialist's exam room without an advocate by their side to ask questions and look out for them. One PinnacleCare member who sprained an ankle getting out of a Manhattan cab tells the story of calling his PinnacleCare advocate from the street corner where he was hurt, and within forty-five minutes, he was being treated in the office of a Manhattan foot specialist, sparing him the experience that most outoftowners would suffer–hours of waiting in an emergency room. PinnacleCare claims that, thanks in part to the relationships it has developed through its board of medical advisors, the company can accomplish "in days and weeks what it would take an individual weeks or months to do."

Doctors, for the most part, are glad to clear their schedules for PinnacleCare clients, largely because they are influenced by the perception of affluence. An ear, nose, and throat physician told Departures magazine in November 2004, "If Pinnacle calls me about someone with a specialized ear problem, I will often squeeze that person into my schedule. The advantage for me is that it's a wealthy clientele base. . .My reputation would spread as they talk about the care they received from me."

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This book examines the pivotal role of the Middle-Class Millionaire in shaping the world we live in: the 7.6 percent of American households headed by what some might call the “working rich.” These 8.4 million households make up a new generation of millionaires who began to emerge from the middle class in the late twentieth century. Overwhelmingly, these millionaire households are headed by people raised in ordinary middle-class homes. They’ve achieved significant financial success, but their fortunes are not so secure that they can afford to stop working. As their wealth has grown, so have both the cost of maintaining their lifestyles and their need for products and services that make their lives run smoothly. Now, through the influence of their affluence, this group is helping to bring about momentous changes throughout American society.