Whatever Happened to Thrift?: Why Americans Don't Save and What to Do about It

Ronald T. Wilcox
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Ronald T. Wilcox : Whatever Happened to Thrift?: Why Americans Don't Save and What to Do about It before purchasing it in order to gage whether or not it would be worth my time, and all praised Whatever Happened to Thrift?: Why Americans Don't Save and What to Do about It:

0 of 0 people found the following review helpful. A fantastic read! Helps one understand how we view saving - and what can be done to encourage wise attitudes about money.By Dennis J. FaulknerI love this book! It talks about American attitudes about saving, and how things have changed over the years - and probably why. It also talks about

saving in other lands, and what would probably be very wise to do in the U.S. - how to encourage wise savings habits, how to get "poorer" people to save - this book should be a must read, as well as several other books, in junior high, high schools, colleges, workshops in the workplace, etc -It is very interesting to read books written a few years ago, like this one - before the government created the mortgage crisis, and went head-over-heals into debt over the "stimulus" and other matters.8 of 9 people found the following review helpful. Not convinced of root cause theoryBy Artephius (.I have long been intrigued to find an explanation for Pareto's law. Wilfred Pareto, the Italian economist, found interesting phenomena when he researched who had most of the income and wealth in Italy in the early 1900's. He was surprised to find that 20% of the population had 80% of the income or 80% of the wealth. He found the same phenomena when he researched England in the late 1800's. This phenomenon has come to be called the Pareto Rule...or the 80:20 Rule.If you check the USA today, you will find Pareto's Rule is still alive and well. 20% of the population has about 80% of the income and about 90% of the financial wealth.I have been interested in finding out why this phenomenon has held across 3 countries for over 100 years. I have searched for why 20% of the people save and invest their money versus spending it all.Wilcox starts out his book disproving what he calls 2 cocktail party theories for why Americans don't save more.His first cocktail party theory is that Americans don't save enough because of easy access to credit cards. He argues that most Americans handle credit cards responsibly.His second cocktail party theory is that American's don't save enough because greedy U.S. corporations overwork Americans.......and therefore we spend recklessly with the little free time that we have. He argues that other societies work more hours per year and they save more.Wilcox then places most of the causation for America's low savings rates on two linked factors. He contends that Americans are driven to keep up with the next door Joneses in terms of buying things versus saving. He then argues their has been a huge increase in income inequality in the US from 1980 until 2003. He cites statistics saying the income of the top 1% went from 8% to 16% of the total. The top 5% really didn't increase over this same time period (13% to 15%).Even if you accept the statistics the top 1% has gained more income.....I have trouble believing his theory. I don't think I even know anyone in the top 1% income category. If you don't even know anyone in the top 1%, how can you be driven to spend like them?I disagree with the premise of this book in that middle class citizens have no recourse except to go into debt and spend more to keep up with the Jones's.Way back in 1849 when Charles Dickens wrote David Copperfield, Mr. Macawber says, with respect to money:"Income 6 pence a week, expenditure 5 pence a week, result happiness: Income 6 pence a week, expenditure 7 pence a week, result misery."In Stanley's Millionaire Next Door, he found that most millionaires chose to live below their means so they could save money....invest the savings......and eventually be millionaires. Many people intentionally stayed in homes in middle class neighborhoods with decent school systems.....versus neighborhoods with big houses and the expectation (and expense) of sending your kids to private school. These Millionaires were frugal on their expenses for clothes, watches, vehicles, and houses. In fact, many bought vehicles using the $ per pound ratio to get the best value (Ford F150's rank high on the $ per pound ratio). I would contend that many people are free to choose to their lifestyle.......so as Stanley says.........they can choose to own a lot of cattle......or be all hat and no cattle. The author seems to contend that 100% of the people have no choice but to participate in the arms race.Wilcox has some theories for minor factors causing low US savings rates. These include American optimism. We don't save because we assume the future will get better and it will take care of itself.Another minor theory is that Senior Citizens have always had the highest voting rates. We don't have to save because the Baby Boomers will vote in their own pension to take care of themselves. In reverse, some people don't want to save....because they assume the government will take it away from them to take care of the non-savers.Another minor theory is inflation. Foreigners invest their cash in the US, lowering interest rates for savings accounts. Low interest rates plus inflation that wipes out the interest earned causes people not to save.Another minor theory is lack of financial education. People don't understand that under compound interest, the people that save early get the biggest amount later in lifeGenetics is another minor theory. Some people are born savers and some are born spenders.Behavioral finance is another minor theory:-mental accounting causes over-spending-over-confidence causes excessive trading-too many 401K choices-avoid probability questions we don't understandHe figured out we have a 93% chance of having a positive return in stocks over any 10 year period in the last 50 years.Wilcox's recommended fixes to America's low saving rate are:-change from income tax to consumption tax-let poor people put some of their Social Security into stocks-make mutual funds tell dollar cost versus % expenses-let small businesses easily set up 401K's-more education-401K's should default to life cycle fundsWilcox's theories and fixes are remarkably similar to Frank's book Falling Behind. See my book review if you are interested. Frank's book can be summed up as follows:-Income inequality has increased in the US the last 40 years-Rising income inequality is a bad thing-One reason for the rising inequality is technological changes and the George Bush tax cuts for the wealthy-The other reason for the rising inequality is that an "arms race" is created when the middle class sees the wealthy have more toys....and therefore the middle class must spend more on bigger houses and fancier cars-The recommended fix is to switch from a progressive income based federal tax to a consumption based tax system (where savings are not taxed) and taxes would be increased for the wealthy-The additional tax revenue would be used to provide more needed Federal Government servicesI have often wondered why our current U.S. system penalizes savers. Taxes are delayed if you save in a defined contribution retirement plan.....savings beyond these plans is almost penalized. First, the money is taxed as federal, state, and social security taxes. Once you invest it, another government tax of inflation must be paid........ plus federal, state, and income taxes on any interest or capital gains. With inflation currently running higher than interest rates on savings accounts........there is not much incentive to save.I might be in favor of switching our tax system to a consumption based system like the author advocates, but with some additional caveats. The caveats would be a 40-year transition of switching Social Security from pay-as-you-go to an individual account in low cost index funds like the current Thrift savings plan for government employees. I would also like to see total taxation capped at 15% of gross earnings (including local, state, and federal taxes)......unless during a Congressional declared state of war. I am also concerned about the "law of unintended consequences" if we change our tax system.Although you may not agree with the author's recommended fixes, his book does cause one to think about how our US economic system is designed. At some point of high enough income inequality......the 80% of the population who does not have the income and wealth will vote themselves a share of the income from the 20% who take all the risk and generate all of the jobs (unless you believe the 20% with the money donate enough money to control our political system).In this age of full disclosure, it can be noted that I am the author and publisher of the book INDEX MUTUAL FUNDS: HOW TO SIMPLIFY YOUR LIFE AND BEAT THE PROS. This book is an introduction to the concept of index funds is and is sold on . I am also a contributing author to the book THE BOGLEHEADS GUIDE TO RETIREMENT PLANNING available from with an estimated release date of October 2009. I have also written 21 short stories on investing which are also available on .If you want to become one of the 20% who have all the income and wealth, you might want to read some of the books noted below. They may help you eventually enter the top 20% group.The Richest Man in BabylonBogle on Mutual Funds: New Perspectives for the Intelligent InvestorThe Millionaire Next DoorThe Four Pillars of Investing: Lessons for Building a Winning PortfolioA Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing, Ninth EditionThe Coffeehouse Investor: How to Build Wealth, Ignore Wall Street, and Get On With Your LifeThe Bogleheads' Guide to Investing1 of 1 people found the following review helpful. Good InformationBy Reviewer_DadThis book is valuable because it discusses how the psychology of money influences how we spend it, how we save it, etc. The policy recommendations are based on these psychological factors and most seem sound. It was a pretty easy read and was definitely worth buying.

It is no secret that Americans save very little: every economic index confirms as much. But to solve the real mystery, we must ask the questions, Why?rdquo; What are the effects on our economy?rdquo; and What can be done about it?rdquo;nbsp;In this thoroughly researched and thought-provoking book, Ronald T. Wilcox clearly describes not only how the savings crisisrdquo; adversely influences personal lifestyles over the long term but alsonbsp;how it can undermine our national wealth and standard of living. Wilcox cogently explains that savings are essential to fuel our nationrsquo;s economic growth, whether itrsquo;s putting money in the bank or in the form of direct loans to the government as savings bonds, for example. And, he presents unambiguous facts showing that a high proportion of current wage earners simply will not have enough money for self-support during retirementand that the government safety nets for income and health can no longer be counted on. Most important, Wilcox examines the many rational and irrational reasons behind individualsrsquo; failures to put money away, what third parties such as corporations and government can do to help, and the steps people can take today to help themselves.nbsp;The book is an attempt to reinvent thrift in the United States, to find practical ways to help people consume less and save more now so that we can be a richer people in the future and a more prosperous nation. It is a must-read for every corporate executive, policy maker, and concerned citizen.