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A COMPREHENSIVE STUDY OF RICH MINDSET OF PEOPLE

Dr. Ramesha V*

ABSTRACT

There is a saying, "a common man asked god to give wealth, but god asked to learn from rich people's regular practices. This indicates that wealth is not gifted by god but it is earned by individuals. In our country, there is huge gap between rich and poor. Day by day rich is becoming richer and poor is becoming poorer. The main reason is individual due to his way of living. No one can be blamed for the poorness of people. Bill Clinton says "if you born poor, it is not your mistake. But, if you die poor, it is your mistake". He is asking to people to get early financial education, work hard, save money and invest in long term assets such as real estate, gold, stock. The present paper is prepared on concepts based. The existing sources from books, magazines, newspapers and internet are taken for preparing paper. It depicts the habits of rich people. To quote some, rich people have network of rich people, they live below their standards, they value their time, they invest their valuable time and money on long term assets. Rich people are rational, they always work out their time and efforts on productive activities but avoid unproductive activities. It is concluded with a financial model which explains that rich people invest their income 65% on assets, spend 25% on needs and spend only 10% of their income on wants. On the other hand poor people invest their income only 5% on assets, spend 40% on needs and spend only 55% of their income on wants.

***KEYWORDS**: Rich People Mindset, Investments, Means of Living.*

Introduction

India is famous for high population 1.45 billion. The best environment for human friendly is the main for the thicker population. The main advantage of high population is market expansion for goods and services. It is observed there is no positive correlation between population and education. Still the illiteracy rate is about 25% in India. All literates are not financially educated. Some of illiterates are financially settled in their life. Financially educated whether literate or illiterate is the main attraction. Finance oriented people will have mind set of hard work and saving habits of time and money. This mainly causes for the development of the present paper.

Methodology

The present paper is a conceptual one. So, the main sources of data are text books, published magazines, newspapers, working papers of research and internet sources like websites of reserve bank of India, Securities Exchange Board of India, and youtube videos.

Statement of the Problem

There is huge gap between rich and poor in our economy. By the end of 2023, India's richest citizens owned 40.1% of the country's wealth. This does not look healthy for constructing wealthy nation. The main cause for this gap is individual's priorities in their personal life. So, the present study has undertaken on rich people mind set.

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* Associate Professor & Co-ordinator, Department of PG Studies in Commerce, Government College for Women, Kolar, Karnataka, India.

Objectives of the Study

- To study the hobbies the rich people.
- To study the reasons for priorities of rich people.
- To give valuable suggestions to middle and low income people to improve their financial position.

Hobbies of Rich People

- **Your Network is your Net Worth**

Financially wealthy people understand that money is everything. So, every time they think rationally. So, they creates network of positive finance mindset. They create relationships with successful people. This provides further new ideas to multiply their income day by day. They don't have casual and social network of people. A wealthy individual might join business clubs to discuss new business ideas.

- **Developing a Financial Growth Mindset**

A financial mindset is one which thinks about earnings and savings habits. All members in the family must involve in the earnings. This is called as multiple earnings. It helps to multiply the earnings throughout the year. The family will control the expenses pattern but increase the earnings as much as possible. It is further observed that the entire family is involved savings habits such as chit fund, bank RDs, post office savings, investment in gold, real estate etc.

- **Diversified Income Avenues**

Wealthy people's common feature is they never depend on single income. They have professional and business income. Further they also have passive incomes such dividends, bank interest, rental incomes, royalties etc. Free-lancing is another area of various wealthy people who earn life time incomes. It is also found that the successful people like film stars, sports stars are regarded as angel investors who directly and indirectly helping the new age entrepreneurs for growth of investments for the economic development of the country. Some of Angel investors are Sunil Calra, Rathan Tata, Yuvaraj Singh, Infosys Narayana Murthy etc.

- **Mastering Strategic Investment**

Wealthy people think differently and act uniquely. They don't put entire of their money one single basket. Instead, they are investing strategically for the long term prospective. Their various asset classes include stocks, bonds, real estate and business ventures.

- **Commitment to Life Time Learning**

Wealthy individuals are very calculative. Their mind set is time is money. So, they don't waste their valuable time on social media but hey are earning money through social media. Some examples are serial actors, sports stars etc. they make serials, comedy shows, reels etc. so, they money but common people wasting their valuable time on this social media blindly. This proves that rich become richer and poor become poorer.

- **Simple Living High Thinking**

High thinking people have high maturity. So, they don't have sentiments of luxury life. They spend money on only essentials. This saves money to them. So, they are able to reinvest their monthly income such as salary, dividends, rentals, interest etc. They simplify their life. They don't waste their money on non-essentials such as car, trips, entertainments etc. This helps the next generation also to lead simple life.

- **Concentrate on Long Term Goals**

High wealthy people don't have the problem of short term goals. In fact, it is said short term goal is good to no one. So, they concentrate on life time goal setting such as construction of buildings, long term investments in blue chip companies like Reliance, Infosys, TCS, MRF, HDFC bank etc.

- **Balanced Investment**

Wealthy people take moderate risk by classifying their investment in debt and equity. Debt provides promised return whereas equity provides high returns without guarantee. So, they like to balance both investments in debt and equity in the interested ratio. Debt investment has 100% guarantee but low returns.

- **Planning Day to Day Activities**

High income earning people are very rational. So, they don't waste their valuable time on unproductive activities such as attending more marriages, birth day programs etc. They don't have more sentiments in life. They are very calculative. Movement to movement, they recall the concept of productivity. They focus on learning and earning. Their priority is primary duties and they delegate secondary duties. It is further observed that they block their valuable time productive activities and ignore unproductive activities.

- **Focusing on Financial Education**

High income earning people concentrate on financial education rather than general education. Financial literacy is the prior area of learning to them. The various sources of financial education are conferences, workshops on savings and investments. RBI, SEBI, Nifty websites can be visited for the latest financial information.

Findings and Suggestions to Improve Financial Education

- Money should not be dormant idle. It must be invested in money earning activities like shares, bonds, stocks etc.
- Low and medium income people must think what is necessity and want. They should satisfy needs, necessities and essentials and limit the wants such as more recreation, entertainment etc.
- There is no meaning in high standard of living with high debts. So, it is suggested to live below the means which means simple life style.
- "Tell me who are your heros, I will tell about you". The phrase says that the friends contact and network. So, individuals are suggested to be in network of productive activities.
- Purchasing assets and consumer goods on credit forces people to pay more interest and penalties. So, it is asked to people to purchase on cash and carry.
- Individuals must always monitor the income and expenses. Income avenues must be multiplied and expenses must be reduced to the maximum extent.
- Alternatives can be thought for minimizing expenses. Online purchase is the alternative for expensive offline purchase. Cash and carry is the alternative to credit card purchase.
- Time management is the effective tool for money management. Instead of hiring domestic workers, family people can themselves do all home related work. This saves not only money but also it provides physical exercise and it leads to healthy physical condition.
- Individuals must have clarity on financial goals. Financial literacy programs conducted by SEBI & RBI are helpful in this respect.
- Using insurance most strategically. It means insurance must not mere insurance only. Instead, it should provide long term benefits to the policy holders.
- There are various financial consultants. Some people provide the service at free of cost. So, it advised to people to shift from free entertainment shows to free seminars and workshops on financial literacy programs.
- Tax benefits under section 80 of the income tax act must be known to people. This provides tax relief from heavy burden of tax payment to government.
- Preparation of monthly budgets. Rich people stick to budget prepared periodically say weekly, monthly or yearly. This helps to control avoidable unnecessary expenses.
- Regular investment is the secret of success. So, middle income people are suggested to make automated deposits monthly from their salaries.
- The life goals must be classified into short term and long term. More focus must be given to long term goals which provides long term revenues in the form of dividends, interests, rentals, royalties etc.
- It is found that some people put their huge money on non-essentials like car. Purchasing car is not an asset. The financial experts says that purchasing car is a liability since it require regular expenses such as insurance, petrol, repairs and maintenance.

- Most people do not realize that the philosophy about anything, including money, regulates the habits, which invariably determine the outcome. It's advisable to acquire the right financial skills and develop an interminable desire for financial knowledge.
- Understand the risk tolerance, and don't be afraid to take educated risks. This principle can be applied both in business and with the investments. It is important to do some research and surround with people who can take to the next level and help to make an informed decision. For example, a financial advisor can guide in taking incremental risks based on the level of comfort.

Conclusion

From the above analysis it can be concluded that individuals are responsible for their economic condition. So, with a long term planning, financial education and taking financial consultancy, anyone can move up financial. The government, financial institutions such as RBI, SEBI must play an active role in education people financially. Even individuals must make drastically change in their personal spending, savings and investments. Over the long term say more than five years long term investments provides handsome revenues such as dividends, interests, rental incomes, royalties etc.

Financial Model for Middle Income People to become Rich over the Long Term

Sl. No.	Rich class	Middle class
1	They spend 25% of their income on NEEDS.	They spend 40% of their income on NEEDS.
2	They spend 10% of their income on WANTS.	They spend 55% of their income on WANTS.
3	They INVEST 65% of their income.	They INVEST 05% of their income.

Analysis

From the above model it is cleared that rich people spend only 25% of their income on needs like food, cloth and shelter but middle income people spend about 40% of their income. This shows the unnecessary spending on unnecessary means of life.

Rich people spend only 10% of their regular income wants such as recreation and entertainment activities such as party celebration, trips and outside eating but poor people waste their valuable money of more than 55% on unproductive activities such as entertainments.

Rich people invest their majority of income say more than 65% on long term assets like site, building, shares, bonds etc. This brings regular income to them in the form of dividends, interests, rental incomes, royalties etc. But poor people also poor in long term investments.

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