

If we define success in life as achieving a sense of peace and happiness, many economically successful people are not successful. Is this because money cannot buy happiness? Partly, yes, but there are other contributors. Economic success often generates more complexity and financial needs than it generates resources with which to deal with them. We have named this dilemma The Success Paradox<sup>SM</sup>.

There are four forces brought by wealth that impede successful living: economics, complexity, pressure and constraint. These four forces create surprising problems that draw many smart, successful and capable people into The Success Paradox<sup>SM</sup>.

### **Economics**

Financially successful people have, by definition, significant income or assets. Therefore, it seems economics could not possibly be an impediment. Surprisingly, there are two dynamics that cause high income to create an economic impediment to success in life. There is a mathematical reason and a social reason. These two compound each other to create an unfortunate dilemma for high-income Americans.

A person who begins saving 10% per year for retirement at age 30 and whose income grows slowly is likely to have enough on which to retire by age 65. Paradoxically, faster income growth requires a higher percentage savings rate! A person who enjoys rapidly rising income and who continues to follow the 10% savings rule of thumb will not have enough to retire at age 65. This is because the early savings that is so important to accumulating wealth will have been low relative to the higher spending created by higher income. While it is true that higher income does not necessarily result in higher spending, it usually does. If spending does not increase with income, the savings rate will by definition be higher than 10%. If income increases, then either savings or spending must also increase.

Social pressures exacerbate this mathematical impediment. At precisely the time the savings rate must accelerate, high-income earners are instead drawn to posh neighborhoods and expensive cars and feel obligated to send their children to exclusive schools. These trappings of high income Americans become tremendous overhead they wear like a lead blanket. A \$5,000 a month mortgage payment, two \$800 per month automobile lease payments, \$30,000 a year in educational expenses, a \$1,000 a month country club bill and a 40% marginal tax rate can mean that it takes \$200,000 in before-tax income just to cover overhead! After paying for food, clothing and the monthly credit card bill there is little left for saving and charity. The rate at which a high income can be consumed is truly frightening.

## **Complexity**

The complexity that financial success brings is easy to see. Extensive investments, complicated benefits, estate planning and lifestyle issues are numerous for the wealthy. It is not as easy, though, to see the heavy toll these complexities exact.

Every spring, modest income Americans take a few documents to a tax-preparer and their tax return is prepared quickly with minimal effort or record keeping. Sometimes it is even done on the spot. Wealthy Americans often have domestic employees for whom they must file quarterly wage reports and prepare W-2s by January 31. They may have partnerships that produce K-1s, often after April 15. They may need to keep records on rental properties, business expenses and charitable contributions. Their tax returns are complicated and expensive.

Wealthy Americans often arrive home after a long day at work to face a pile of bills and investment-related mail. A telemarketer or fundraiser will often interrupt dinner. Living in posh neighborhoods means being on everybody's hit list. Economic success often precludes a moment's peace. A moment of quiet reflection to count one's blessings can be a rarity.

## **Pressure**

Pressure builds from many sources. At work there is pressure to continue to earn a high income. Lucrative careers carry pressure to perform. These careers come with responsibility and long hours as deadlines approach. Being at the top of the ladder means facing the music when deadlines are missed. Leaders and achievers face social pressure to spend their high income, give to charities and volunteer their precious time.

The most destructive pressure they face, though, may be the pressure they put on themselves to be happy. The world looks at high-income Americans with envy. "Wouldn't it be nice to live like that?" No one has the slightest sympathy for someone in the top 1% who struggles to find happiness! And they buy in to this. They cannot understand why they are not walking on clouds. They feel failure for not finding happiness in a life as wonderful as theirs. They feel they are doing well enough to be able to retire at 55 and yet they are often behind schedule for retirement at 65. They perceive others as able to do so much more with their success. High-income Americans think their financial success should automatically yield happiness. Their failure to be happy is a surprise and becomes a frustration and a source of more stress and pressure.

## **Constraint**

Finally, financial success often comes with constraint. A person who earns \$30,000 a year can find newspapers full of \$30,000 a year jobs for qualified people willing to give an honest day's work. In contrast, a \$300,000 a year employee has no such luxury. Jobs that yield \$300,000 a year in income are hard to come by. However, since the overhead must be met, a lower paying job is not an option. When frustration, complexity and pressure build, the feeling of constraint can be overwhelming. We need only consider the tragic lives of numerous professional athletes and celebrities to see this impact.

As pressure and complexity mount and frustration to save builds, the successful career that has come from years of hard work can become more of a prison than a prize. Combine the heavy toll exacted by complexity with the pressure of a lucrative career; add the frustration of failure to save enough and then create an inescapable constraint and you have a formula for extreme misery.

### **Is Financial Success a Recipe for Unhappiness?**

Should we shun high-income opportunities and find happiness in modest living? Certainly that is one solution. Prosperity is relative. Two hundred years ago prosperous Americans lived at a level that would be considered below the poverty level today. They had no electricity, no indoor plumbing and no car. Despite their meager existence many felt well off because they lived better than their peers. They lived well relative to their expectations. There are “wealthy” people who do not feel prosperous and “poor” people who do. Prosperity is in the mind.

It comes as no surprise that wealth is not a prerequisite for happiness, but it is shocking that wealth can create unhappiness. It does not have to be so. Wealth is a good thing. Well-managed financial success will **enhance** happiness. Wealth alone, though, will not **create** happiness. Wealth must be carefully managed to be effective at enhancing happiness.

How do smart successful people let themselves become trapped in such miserable circumstances despite endless opportunity for happiness? Success is a very powerful force. Being trapped by The Success Paradox<sup>SM</sup> is the result of being led by life rather than leading life. Escaping from The Success Paradox<sup>SM</sup> requires taking control. Find out more in our next article: Escape From The Success Paradox<sup>SM</sup>.

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