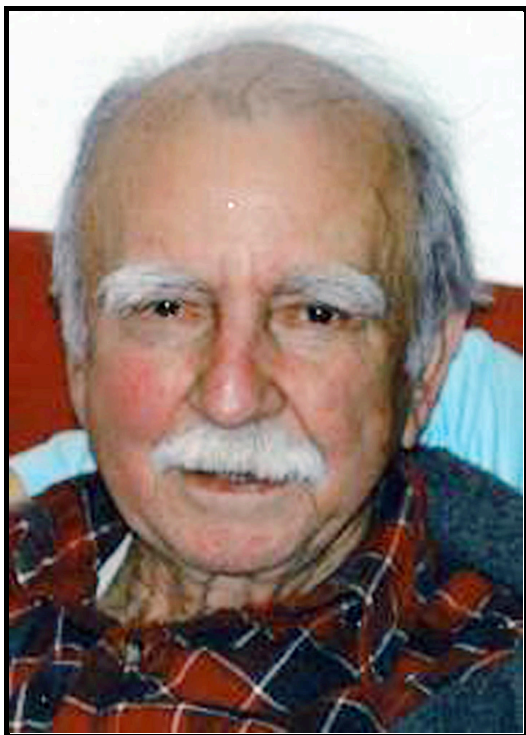# INVESTIGATE: Mystery of the $8 Million Janitor

This activity is based on a CNBC article published February 6, 2015, after Ron Read, janitor, passed away and left millions to a local hospital and library. The article begins with this summary:

Part-time janitors rarely bequeath $6 million to local causes, but Ron Read was no ordinary janitor. He was a secret millionaire. Known as an intensely private man who loved to chop wood and drive his second-hand Toyota Yaris around the Vermont town of Brattleboro, Read didn't strike locals as [1] the type of guy who had a lot of money to throw around. When the 92-year-old passed away in June, most Brattleboro residents were shocked to learn his estate donated $4.8 million to the local hospital and $1.2 million to the town's Brooks Memorial Library.

On the surface, it seems impossible. How could a lifelong janitor be a multi-millionaire? However, when you inspect it closer, it's not as difficult as you might, *IF you live within your means and invest well*.

Let's see if we can figure out how this janitor turned trash into treasure, and how you can do it too!

Now, let's see how much money Read earned investing his money. To do that, we will use Ameriprise's [Return on Investment Calculator](#).

To make our calculations work, we need to make a few assumptions. First, we have to break up Ronald Read's life into two parts:
>Part I: His working life (when he had an income and was investing)
>Part II: His retired life (when he was not contributing new money to his investments, just letting them grow).

Part I: Read's Working Life

1. Use the hints (in gray) to fill in the missing values. Then plug them into the [Return on Investment Calculator](#) to find Read's total investment earnings.

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[1]

	Missing Values	Hints
Years		Read worked as a gas station attendant, and then a janitor, from 1945 to 1997
Rate of Return	12%	If you look at the [historical returns of the stock market](#), it grew at an average rate of 12% from 1945 to 2014[2]
Initial Investment		Let's assume Read had no money to invest before he started working
Additional Investment		This is really tricky to calculate since we can't know for sure, but let's make some assumptions: ● The average worker's annual salary in 1945 was $2,400, but Read was a gas station attendant so let's assume his salary was half that. ● Let's assume he was able to save and invest 25% of his salary every year (a very high rate of savings) Calculate his annual investment.[3]
Frequency	Switch to "Per Year"	We are assuming he invested annually
Expected Inflation Rate	3%	This is the general rate of inflation from the past 65 years.
Tax Rate		Since Read's money was all invested, he would not be paying taxes on it[4]
Inflation Adjustment	Check the Box	This will account for the fact that his money was worth more over time. $1 invested in 1945 is worth far more today
Show Values After Inflation	<u>DO NOT</u> Check the Box	*When the box IS NOT checked, it will show how much money he had in today's dollars.*

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[2] *The stock market rose and fell significantly through the period of 1945 to 2014. For the simplicity of our calculations, we're going to use the average return of investments over that time period (12%) if you were invested in the market the entire time and did not withdraw money*

[3] *We're assuming Read invests this much in 1945. He will contribute that same amount every year afterwards, <u>after</u> adjusting for inflation. For example, his 1997 investment will not be $300. His 1997 investment would be the <u>1997 equivalent</u> of what $300 was worth in 1945 ($2,673.03)*

[4] *Technically, Read paid taxes on the <u>dividends</u> his stocks paid out. However, we are going to assume he <u>reinvested all those dividends</u> and ignore the taxes he paid, as it would make this exercise excessively complicated.*

		(When the box IS checked, it will show how much money he would have in 1945 dollars, when he actually began investing)

2. When he retired, how much money did Read have (Investment totals on the calculator)?

3. How much money did Read personally invest (Invested capital on the calculator)?

4. What was Read's Simple Interest (the sum of the yearly 12% return on his investment)?

5. What was Read's Compound Interest (the sum of the yearly 12% return on the simple interest he already earned)?

Part II: His Retired Life

6. Use the hints (in gray) to fill in the values for the [Return on Investment Calculator](#).

	Missing Values	Hints
Years		Read retired in 1997 and he died in 2014
Rate of Return	12%	If you look at the [historical returns of the stock market](#), it grew at an average rate of 12% from 1945 to 2014
Initial Investment		For the "initial investment," use the total that Read earned from 1945 to 1997.
Additional Investment		At this point, Read is retired. He is not earning a salary so we will assume he is not making any

		more annual investments[5]
Frequency	Switch to "Per Year"	This doesn't really matter, as he's not contributing anything new, but we'll switch for consistency with the previous round
Expected Inflation Rate	3%	This is the general rate of inflation from the past 65 years.
Tax Rate		Since Read's money was all invested, he would not be paying taxes on it
Inflation Adjustment	Check the Box	This will account for the fact that his money was worth more over time. $1 invested in 1945 is worth far more today
Show Values After Inflation	<u>DO NOT</u> Check the Box	*When the box IS NOT checked, it will show how much money he had in today's dollars.* (When the box IS checked, it will show how much money he would have in 1997 dollars, when he retired)

7. When he died, how much money did Read have (Investment totals on the calculator)?

8. How much money did Read personally invest (Invested capital on the calculator)?

9. What was Read's Simple Interest (the sum of the yearly 12% return on his investment)?

10. What was Read's Compound Interest (the sum of the yearly 12% return on the simple interest he already earned)?

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[5] *Technically, Read was likely reinvesting the dividends earned from his previous investments, which technically count as new investments. However, for the simplicity of this exercise we'll assume he's not making new investments.*

11. Which of the three components -- Invested capital, Simple interest, Compound interest -- contributed the largest portion of Read's investment total?

12. Looking at the total value of Read's fund, what percentage of it came from money he contributed himself -- his *original Invested Capita*

13. Again looking at his Investment Total, what percentage of it came from Interest?

14. What conclusions can you draw about the power of interest?

Part III: How He Did It (and Why It Might Be More Challenging For You)

First, read the article about Mr. Read's incredible story.

15. As you read, record different facts into Column 1 that demonstrate how Mr. Read was able to save so much and have such investing success.

Column 1: Facts about Ronald Read that demonstrate how he became a millionaire	Column 2: Could you do this yourself, in today's society?
Example: Even his attorney didn't believe he had money because he dressed in worn out clothes.	Example: This would be really challenging for me. I think I could definitely spend less money on clothing but I'm not sure I could wear the same, cheap clothes every day

16. After you finish Column 1, consider each fact about Ronald Read and ask yourself: *Could you do this yourself, in today's society?* Part of that is knowing yourself and whether you're capable of making the same choices Read did. Also, you need to wonder whether it would be possible to replicate Read's success today, in a very different economic and social world.

Part IV: Advise a Friend

17. Imagine that a friend emails you and says "*Hey, I heard about this janitor who saved a lot and invested all his money and became a millionaire. I'm doing that too!*" This isn't a friend who is unbelievably smart or has an incredibly high-paying job -- just an average friend. Write an email response to your friend's idea. It is up to you whether you approve of their idea or try to convince them it is a bad idea. Be sure to use evidence you learned from Mr. Read's story to support your position.

To:	
Subject:	
Email:	

BONUS: Did you love this story of the $8 Million Janitor? Here's a lovely [video](#) (4 mins) featuring some of his friends reflecting back on his lifestyle and very generous gift. Thanks to NGPF Fellow, Jodie Holmquist, for passing the video our way.