

# AUTOMATIC WEALTH

*The Six Steps to  
Financial Independence*

MICHAEL MASTERSON



WILEY

John Wiley & Sons, Inc.



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# PREFACE

## WHO AM I? AND WHY ARE YOU READING THIS BOOK?

Who doesn't want to be rich . . . or at least more financially secure than they are now? As Gertrude Stein once famously said, "I've been rich and I've been poor. It's better to be rich."

And so have I. From dead broke to worse. And then from okay to affluent to more-than-enough.

I've done many jobs in my working life. My first job, drying rear windows in a car wash, paid me \$1.75 an hour. Nowadays I can't be tempted to work for less than 500 times that amount. In this book you'll learn what I learned along the way: that it's not hard to become as wealthy as you want to be . . . as long as you are willing to follow six simple steps.

I've been a busboy, bartender, housepainter, carpenter, bouncer, aluminum siding salesman, soda fountain jockey, teacher, copywriter, and tinsmith.

I've also owned and run many businesses, including a pool installation service, a nutritional supplement company, a venture capital firm, at least a dozen publishing houses, a discount jewelry outlet, a dozen direct-marketing enterprises, two public relations practices, a career counseling service, at least a half dozen real estate development

ventures, a fine art dealership, and a rare coin brokerage, just to name a few.

I have been a partner in two businesses that grew beyond \$130 million and a dozen that surpassed the \$10 million mark and have more recently mentored friends and colleagues in the successful start-ups of \$6 or \$8 million companies.

I've owned and run public and private companies, local and international, retail and wholesale, profit and not-for-profit.

I've done all that and other jobs I'm sure I can't remember (or don't want to think about).

What I haven't done is run a large (i.e., Fortune 1000) corporation. I don't think I've even worked for one. My expertise is in starting and developing small businesses, and I've had a good deal of success with start-up real estate ventures and investing in small business and real estate.

I'm not a stockbroker, insurance salesperson, or financial planner. I've never had any formal training in finance. Everything I know has come from the experience of my working life. That means you won't find much here that is conventional financial planning.

I'd like to think that what I lack in formal education I've made up for in a depth and range of business experience that spells practical, proven advice. So when you consider my credentials, take into account the sheer scope of my experience. Be assured that the advice I give you in this book comes from that experience. Also keep in mind my Rolodex—the contacts I've made and the people I've known. I am lucky to have worked with some true moneymaking and business-building geniuses. I've listened to them and observed their actions. I'll pass on everything I've learned from them to you.

And, finally, I must admit to a love of teaching. Before I began my business career, I taught a graduate course at Catholic University in Washington, D.C., and then was an assistant professor of English language and literature at the University of Chad. This teaching impulse has never left me. It erupts in product presentations, coaching sessions with protégés, and speeches, and I'm sure it's evident in the pages that follow. If I get a little preachy, please forgive me.

I'm also an avid student. Every experience I've had in my career has taught me something. And everything I've learned about making a good income and converting it into lasting wealth is detailed in this book.

# INTRODUCTION

## BOCA'S STORY: AN UNEXPECTED LESSON IN AUTOMATIC WEALTH

My jiu-jitsu instructor, Boca, taught me a new grappling technique. It took most of an hour to learn—drilling over and over again. Boca understands, as all good teachers do, the difference between comprehending a skill and possessing one. Until this technique becomes an automatic, effortless response, it is useless. So even after I told him, “I’ve got it,” he made me repeat the move . . . 10 times to the right side, 10 times to the left side . . . back and forth and then in training.

I was dripping sweat, heart pounding, lungs heaving—mentally and physically spent. Boca, on the other hand, looked like he’d been lounging the whole hour—not a hair out of place. While I caught my breath, Boca leaned back against a wall mat, smiling at me. “Hey, Michael,” he said, “what is a good work for me to make a lot of money?”

“Like how much money?” I asked.

“Like you, my friend. I want to be rich, like you!”

Boca’s English isn’t perfect, but he gets his point across perfectly well. He is 30 years old, he reminded me. He has only two or three years left to fight professionally. “Now is my time to look around,” he

said, cupping his hands around his eyes like binoculars, “to see what there is for later on.”

*Why Learning How to Build Wealth Is Like Learning Jiu-jitsu*

I like Boca so much as a teacher and as a friend that I *want* to give him the secret of getting rich in a single one-hour lesson. But I can’t. I can explain a few concepts. I can even tell him, in an abbreviated way, what I consider to be the most important things he must do. But an hour’s worth of talk won’t make him wealthy, any more than a single hour of jiu-jitsu with him will make me a black-belt grappler.

But what could I do? I told him a little bit about the six-step Automatic Wealth program I had developed and mentioned that I would give him a copy of the book I was writing—this book—as soon as it was published. Meanwhile, I challenged him to think about wealth building like jiu-jitsu.

“You are a great teacher,” I told him. “In a single hour, you can teach me many things. You can teach me your best takedown technique, your favorite choke, the latest arm bar or footlock. You can do all that and probably even tell me some of your top ‘secrets’ about being successful at jiu-jitsu, too.”

“But for that I must charge you a lot of money.” (He was smiling.)

“Yes, you would. And you should. But if you gave me such a class, and I paid you whatever you asked for it, would you then give me a black belt?”

“Well, no, my friend. You get the black belt only when you can do.”

“And to be able to do . . . to be able to defeat white belts and blue belts and purple belts and even brown belts . . . what must I do?”

“You must practice, my friend. For that, you must practice.”

*Becoming Wealthy Takes Time—but Not as Much Time as You Think*

Boca had arrived at the point I was trying to make. Becoming wealthy is not about discovering some secret or stumbling upon a pot of gold. You won’t get rich by playing the lotto or even searching for that thousand-to-one Internet stock. Becoming wealthy is a matter of planning and practice, of setting specific goals and pursuing those goals with specific actions. Changing into an *automatic* wealth builder is about changing habits . . . and changing habits takes time.

“But I don’t have too much time,” Boca protested. “My wife needs a home and my babies want one day to go to college.”

“And so you’d like to be rich by next Tuesday,” I answered.

He smiled again and nodded.

I told Boca I couldn’t do that for him . . . but I could show him how to become wealthy before his children graduated from high school.

“All the other young parents you know right now will still be struggling to get their bills paid. And they’ll be worried about paying for college. But you’ll be financially independent. You’ll have no debt, the college bills will have been prepaid, and you will be able to kick back and work less (or even retire) whenever you want.”

His face brightened.

“How does that sound?” I asked. “Becoming financially independent in seven to fifteen years. Would you be happy with that kind of time frame?”

He grinned.

## YOUR FAST TRACK TO FINANCIAL INDEPENDENCE

If, like Boca, you’re willing to invest 7 to 15 years in the task of becoming financially independent, my six-step Automatic Wealth program is your answer.

This book contains everything I know about making money, saving it, starting a business, and achieving a life of moneyed leisure. And doing it fast enough to satisfy not just Boca but anyone who doesn’t have the time or desire to do it *The Millionaire Next Door* way by saving a few thousand dollars a year for 30 or 40 years.

With my program, all you need to become wealthy—to have a steady stream of income *automatically* flowing into your pocket, even after you have chosen to retire—is 7 to 15 years . . . and the willingness to learn and put into practice the simple, step-by-step lessons that I am going to teach you in this book.

You can do it no matter what your financial situation is right now—no matter how little money you have in the bank. Even if you currently have a negative net worth.

If you have already acquired a reasonable nest egg—say, several

hundred thousand dollars or more—so much the better. Your journey to automatic wealth will be smoother. Your arrival will come sooner.

Some of the ideas you'll encounter in these pages are refinements of ideas I've already discussed in *Early to Rise (ETR)*, my daily e-mail advisory service, or discoveries I've revealed in previous books, including *How to Create Abundance in Your Life*, *Confessions of a Multi-Millionaire*, and *How I Built My Wealth*. But I've revised and improved these ideas to relate to someone in Boca's shoes—someone who is starting from scratch and wants to get wealthy in a relatively short period of time.

Someone like you, perhaps.

Some of the ideas presented were the result of working with friends who have excelled in certain specific areas of wealth building:

- Steve Sjoggerud on stock investing
- Justin Ford on local real estate investing
- Bob Bly on direct marketing
- Paul Lawrence on starting a side business for less than \$100
- Porter Stansberry on stock investing
- Bill Bonner on what it means to be wealthy
- Eddie Popkin on real estate limited partnerships
- Gary North on balancing wealth and wisdom
- Joel Nadel on alternative investing
- Sid Gershen on tax and financial planning

I know these people personally. I have worked with them, read their writings, discussed their ideas with them, sought them for advice on my own wealth-building goals—and I can vouch for their intelligence and integrity. With their help and mine, you will be able to achieve a significant level of wealth—enough to retire on, if you want to retire—in a relatively short period of time. Not overnight. But in much less than the 30 or 40 years that it would normally take you following conventional rules.

And you won't have to pinch pennies, either. I'll show you how to live like you're wealthy almost immediately, so you'll be able to have fun, enjoy your life—even blow a little money on some toys.



## SIX STEPS TO AUTOMATIC WEALTH—IN A NUTSHELL

The program that I'm recommending to you—which incorporates nothing but strategies that have worked for me, for people I know, and for those I've mentored—is broken down into six steps:

- Step 1. *You're going to face some hard facts.* You are not going to get rich by saving 10 percent of your income every month. And you shouldn't be so foolish as to count on your company's pension plan or the government to take care of you when you get older. It's up to you.
- Step 2. *You're going to plan to be rich.* You can't wish yourself to wealth, you have to plan for it . . . one detail at a time. I'll show you not only how I did it but also what has worked for my friends and colleagues.
- Step 3. *You're going to develop wealthy habits.* The rich are different from ordinary people, and it's not just the money. There are specific behaviors that are likely to make you wealthier, just as there are specific behaviors that are likely to make you poorer.
- Step 4. *You're going to increase your income—radically.* Forget 3 percent or 4 percent raises. I'll show you how to boost your income 25 percent to 150 percent. And that's just for starters.
- Step 5. *You're going to get richer automatically . . . even while you sleep.* Getting rich is not just about increasing your income. The true secret to wealth is building equity. I'll show you how to do it . . . without quitting your day job.
- Step 6. *You're going to retire early (if you want to).* I don't believe in retiring. Not really. That's because I like my work and wouldn't enjoy life so much without it. But what you do in your retirement years, where you do it, and how many hours you work at it should be entirely up to you. I'll show you how to have that kind of control.

Although you should begin your journey by taking the first two steps in sequence, you can take the other four steps almost simultaneously.

## THE ONLY REALISTIC WAY TO GENERATE SIGNIFICANT WEALTH IN A RELATIVELY SHORT PERIOD OF TIME

My approach to wealth building is to do a modest amount of everything that works, following a well-conceived plan that focuses on building income and equity simultaneously.

As you'll see, I have no bias toward one type of investment over another. I like real estate, but it's not the only thing I do. I invest in stocks and bonds—and have had considerable success in these areas (mostly by being conservative), but I'm hardly an expert. I am big on starting your own business, but I recognize that not everyone can do that. I like the fun of investing in high-income passive structures, but I recognize that many of these are not what they are cracked up to be.

The ultimate goal of my Automatic Wealth program is threefold:

1. To increase your net income dramatically and quickly
2. To develop your wealth-building skills and habits and turn yourself into an automatic wealth-building machine
3. To make it possible for you to retire early—if that's what you choose to do

I believe you can accomplish all of these goals in 7 to 15 years. You may accomplish them sooner. Many of the individuals I've personally mentored have set out with expectations of hitting their first million in 7 or 10 years, only to be surprised when they reached their goals in just 2 or 3.

That's what happened to Ron . . .

## RON'S STORY: WHAT HAPPENED WHEN TWO OLD FRIENDS MET AFTER 25 YEARS

I hadn't spoken to Ron in 25 years. The last time I saw him, we were young men with no money and nothing but opportunity in front of us.

We were born in the same tenement building in Brooklyn. Our parents, writers and teachers, lived the lives that writers and teachers often do—rich in ideas but poor in funds. We lived upstairs; Ron's

family was below us. The grammar school we attended was under the raised subway platform. The bar our dads drank at was around the corner.

We stayed best friends throughout our teens, even though my family had moved to Long Island when I was six. I'd spend weekends at Ron's apartment in the city, on 108th Street and Broadway. We ate pizza at the local greasy spoon and smoked pot with the Puerto Rican kids a few blocks away.

After high school, we lost touch. I buried myself in books, trying to make up for lost time. Ron moved here and there, ending up in California, where he studied martial arts and smoked more dope. Eventually, he got hooked on heroin and booze. And that, as I found out later, is how he spent most of those 25 years.

We might never have reunited had it not been for our older sisters, who continued to stay in touch. One day, I got a letter from my sister telling me that Ron had gotten clean and was working as a carpenter in upstate New York. She gave me his phone number and suggested that I call him.

I didn't—not for a year. But then, on the spur of the moment, I picked up the phone and invited him to join me on a weeklong trip to Key West.

It was a good week.

### *I Made Him an Offer He Couldn't Refuse*

Ron was, indeed, clean and sober. And he was making a living building custom cabinetry somewhere north of Oneonta, New York. He was proud of what he'd accomplished, and I was proud of him, too. But he was working hard and wondering why he hadn't finished college. He was a better student and a better writer than I was when we were kids—and remembering that made me feel a little awkward about the success I had achieved and the amount of wealth I had made in the years since I'd last seen him.

So when Ron wrote me afterward, thanking me for the trip and complaining just a bit about his life, I jumped at the chance to offer him a position as an apprentice copywriter for a publishing business I was consulting with in Baltimore. He wouldn't make a lot of dough to begin with, I told him, but he could eventually become a well-paid freelancer. He could live in the apartment I used when I was there (I

was commuting from South Florida), and I'd help him develop his copywriting skills.

Well, that's exactly what happened.

For about a year, Ron stayed at that apartment and worked on his copywriting assignments. When I was there, I reviewed his work and he endured my red marks, comments, and unsolicited advice about nearly everything.

Week by week, his skills improved. After about six months, he (i.e., we) had written his first big advertising promotion. It immediately broke all records. When his next promotion succeeded (and this one was 75 percent his work), he suddenly became the go-to guy in the marketing department.

He learned in leaps and bounds, absorbing ideas, tricks, and techniques from other experienced copy masters. And his compensation grew from \$35,000 to \$60,000.

Not bad.

But after having listened to my many lectures on what he could be and do, he wanted more. And he made the decision to become a freelance writer.

### *Ron Takes the Plunge*

Frankly, I was worried. What if he wasn't ready? What if his first two copywriting successes were "too much me"? What if he was capable of writing, but unable to handle the other aspects of running a business?

I had a dozen reasons why he shouldn't quit his day job. But Ron wasn't interested in hearing them. He thanked me graciously for my help and set out on his own.

I'm happy to say that my fears were unwarranted. Ron applied himself to his new career as a self-employed copywriter with the same energy and intensity he had applied to mastering his skills. He began by negotiating a deal with his employer (my client) to make him a freelance consultant. He promised to do more work and make his employer more money, asking only for a fraction of the compensation more experienced freelance copywriters were getting for the same work. Then he contacted other people in the direct-mail industry to let them know what he'd done for my client and what he could do for them. He made phone calls, mailed self-promotional packages, and

sent press releases about himself to trade magazines. He asked for referrals and actively pursued every lead.

His business took off like a rocket.

“I don’t mind working 12 hours a day,” he told me. “I love writing. And now I’m my own boss. Nobody is looking over my shoulder, telling me when to come and go or how to do my job. I listen to my clients and give them what they want and I get paid. I feel like I’ve died and gone to heaven.”

Ron’s skills continued to increase . . . and by the end of the following year, he was making a six-figure income. He moved to Florida and bought a beautiful little home by the water, a motorcycle, and a canoe that he paddled around in for exercise at lunchtime. Two years later, he was making more than \$300,000 a year.

#### *He Parlays His Expertise into a Side Business*

Ron and I continued to stay in touch.

With his lucrative freelance copywriting business established, Ron was ready to branch out further. When he and his buddy Phil came up with an idea for a side business—a home-study program to teach other people how to start their own freelance copywriting careers—I hooked them up with a former protégé of mine who was a highly skilled direct marketer. And the three launched the American Writers & Artists Institute (AWAI).

AWAI started to provide its three founders with a second stream of income from the beginning. Although it paid them little or nothing during the first year, it gradually started throwing off dividends. And eventually, their passive income from this side venture was even more than they had been making in their professional marketing careers.

#### *We All Start Dabbling in Real Estate*

About six or seven years ago, Ron and I began dabbling in local real estate. Skeptical of putting too much of our hard-earned money in the seemingly overvalued stock market, we invested in the booming South Florida property market instead. Needless to say, it turned out to be a great move. This turned into a third stream of income for Ron and, a little later, for Phil, too.

Since then, Ron has added a fourth, a fifth, and a sixth stream of income. And one of them turned into a raging river. In fact, in the last

six months, his income from this one side business has outpaced that of all the others. And the best part is that he doesn't even run it day to day. Other people do it for him.

### *Ron Helps Me Make a Transition of My Own*

While Ron was making the transition from scraping by to financial independence, I was making another kind of change. In recent years my main business has been helping entrepreneurs start and grow their businesses by teaching them basic business-building and direct-marketing skills. This consulting practice provided a very good living for me, but it was taking a lot of my time and—having long ago achieved financial independence—I wanted to stop doing it full-time and devote the saved time to teaching and writing.

Ron helped me achieve that goal by getting me involved with his home-study business. He also encouraged me to start my e-zine, *Early to Rise*, which has become a vehicle for me to document my thoughts about achieving success in life and becoming wealthy, among other things.

It has taken me several years to change from being a full-time business consultant to a half-time writer and teacher, but it's a change that I'm very happy about. I feel like I'm semiretired—and I suppose I am, even though I still work 10 hours a day and continue to make more money than I need.

Ron's change is more remarkable because he started with less and in some ways achieved more. And my Automatic Wealth program is loosely based on the way he did it.

## RON'S SIX-STEP WEALTH-BUILDING JOURNEY

1. *He faced facts.* He recognized that his financial situation was a disaster. He was brave enough to see that if things continued as they were going, he'd end up poor, unhappy, and unable to retire at any age.
2. *He planned to become wealthy.* He started by writing me a letter and asking for help. He knew that I could help him (a) get a job, (b) set achievable wealth-building goals, (c) learn

something about making money, and (d) get in touch with other people who could help him.

3. *He developed wealthy habits.* He earnestly studied marketing and salesmanship. He became my first copywriting protégé, the first person I taught everything I knew about advertising. And he worked long and hard to prove himself a worthy worker. He showed up early for work, left late, volunteered for extra assignments, and spent his spare time in the evenings improving his skills.

Meanwhile, he didn't deprive himself. He prepared himself to live the lifestyle he was working toward—not by wasting money, but by making smart buys. He moved to Miami Beach, bought a beautiful Art Deco bachelor pad, and rewarded himself with a few things that he had always wanted.

4. *He radically increased his income.* Within 24 months, he was taking home double what his earnings had been as a carpenter. When his income stalled at about \$60,000, he made the leap to go into business for himself—and within a few short years was making more than \$300,000.
5. *He started to develop additional streams of income.* While Ron was still building his main business as a freelance copywriter, he formed a side business with two partners. Although he never invested a nickel and spent just a few hours a week at it, that asset continued to become more valuable—and today, his stake in the company is worth half a million dollars.

But he didn't stop there. He began investing in local real estate. His first purchase was small. In time, he became more skilled at buying and selling properties, and his real estate portfolio grew.

And he didn't stop there. He has since added three more streams of income to his rapidly increasing yearly earnings.

6. *He put himself on track to enjoy an early retirement.* Ever since the moment Ron decided to turn his life around, he has saved at least 10 percent of his gross income in a passive investment account. In the beginning, he made some foolish investments. He even got sucked into a few Internet stocks. But as his experience grew, he realized that chasing megaprofits—50 percent,

100 percent, and more—was a fool's game. He ratcheted down his investing goals to a modest 12 percent return on investment (ROI) and has seen his retirement nest egg fill up and then overflow.

## IF RON COULD DO IT, YOU CAN DO IT

I'll show you how to follow in Ron's very successful footsteps in a time frame that meets your needs. Soon after you get started on my Automatic Wealth program, it will create a momentum of its own, and *it* will carry *you* to the level of financial security you desire. As your net worth compounds, you'll not only enjoy peace of mind, you'll also have earned the ability to make more choices . . . including the freedom to stop working.

To see that happen, though, you need to start *now*. You can always find reasons for waiting, but, to put it bluntly, time's a-wasting. You're holding a powerful tool in your hands that will allow you to start living richer immediately and gain financial independence in the next 7 to 15 years, but you have to put the program into action—starting with Step 1 on the next page.



## STEP 1

---

# RECOGNIZING REALITY

In this chapter, we're going to look at your personal financial situation—where you're at right now. We'll figure out what wealth means to you, look at some hard facts about the economy, and come to a realistic conclusion about what you need to do to put yourself on a path that will allow you to live well and retire comfortably.

But first, let me tell you how I got started on my own road to wealth . . .

### THE DAY I DECIDED TO GET RICH

It doesn't take a genius to get rich. Nor are special talents required. You don't need to be lucky. And you certainly don't need to be privileged. You do, however, have to make getting rich a priority in your life—and be willing to focus the majority of your time and energy on doing what it takes to build real wealth.

I discovered this early on in my career.

It was 1982. I had just been hired as editorial director for a fledgling newsletter-publishing company in South Florida. Because I had to give the occasional speech, I enrolled myself in a Dale Carnegie

course on public speaking. Somehow, though, I ended up in the Carnegie basic success course instead.

The How to Win Friends and Influence People program is a 14-week course in which you are asked to focus on a certain character-changing task each week and then report on your progress the following week.

I was the worst student in the class. Cynical and suspicious, I despised what I took to be the silly, do-goodish prattle of the teachers. But I'd paid good money to be there, so I grudgingly went along with the program—and I'm very glad I did.

The assignment for week 4 was to come up with a single goal that you would pursue for the remaining 10 weeks of the program. The idea was that by concentrating on only one goal, you could make much more progress than you would with a wider scope of objectives.

Sure enough, I had a hell of a time with that lesson. For me, it was by far the most difficult of the 14.

When I first started listing my goals, I could think of only two or three. But as I put more thought into it, the list began to expand . . . first to half a dozen . . . then to 10 . . . and then 20 . . . and on and on. Narrowing down the list was torture. Among other things, I wanted to be a great writer, a wise teacher, an admirable dad and husband, a linguist, a wine connoisseur, an athlete, and more. I was paralyzed. I simply couldn't tolerate the idea of giving up any one of those goals.

Finally, driving to the class at which I was to publicly announce my one main goal, I had a breakthrough. I realized that all my hard work and ambition had amounted to nothing because I had been spreading myself so thin.

Then I had an idea: "Why not make making money my number one goal?" I thought. "If I achieve that goal, I'll have all the money I need to pursue my other interests."

At the time, I knew nothing about making money. I had come from a family of teachers who didn't care much about money or the things it can buy. But I focused on that one goal and made it my priority. And it worked. Big time.

My income started to climb. I had been making \$36,000 at the time, and it doubled in 12 months . . . and then tripled the year after . . . and then kept on multiplying. I developed an interest not only in how money is made, but also in how it is lost and what it can do for you.

I began reading about it, talking about it, asking about it—trying to unlock its secrets. At the same time, the publishing company I was working for was changing its focus from providing information about business and travel to financial planning and investing. And I was fortunate enough to get to know some very smart people who seemed to truly understand how money works and some very successful businesspeople who had demonstrated how wealth is actually made.

This experience completely changed my ideas about wealth. Before my conversion, I felt that money was, at best, a necessary evil. But after I took the time to learn about it, I decided that wealth is actually a pretty good thing—not the most important thing in life, but a good thing that can make it easier to find time for the other, more important things.

## THE REAL MEANING OF WEALTH

I remember when my income first broke through the \$150,000 mark. Louis, my accountant at the time, was amused by my innocent astonishment at making so much money.

“Welcome to the world of the rich,” he told me.

“Come on, Louis,” I said. “I’m making barely more than one and a half grand.”

“Think of it this way,” he told me. “When you have a family income of less than \$50,000, it’s a struggle. When you make between \$50,000 and \$150,000, you have everything you need and some of what you want. But when you make more than \$150,000, life is good. You can live in a beautiful house in a safe neighborhood, drive nice cars, go out to dinner once or twice a week, and do some traveling.”

“But what about the mansions, yachts, and private jets?” I asked. “I still can’t afford those.”

“Those are just toys,” he said. “\$150,000 per year is all you really need to live a full, rich life. And here’s the interesting thing: This doesn’t change in any meaningful way when your income passes \$200,000, \$300,000, or \$400,000. In fact, it doesn’t really change until you are making more than a million dollars.”

Back then, I only half understood what Louis was trying to tell me. Now, I think I get it completely.

There are four basic income levels:

1. If you have a family income of less than \$50,000, it's tough to make ends meet.
2. If you earn between \$50,000 and \$150,000, you are getting by. Your bills are paid and you can afford some small luxuries, but you have to be careful.
3. When your family income exceeds \$150,000, you are living well and want for nothing (unless you have 10 children).
4. When your family income exceeds \$1 million, you can spend money without much thinking. You don't need a budget. You can be extravagant.

But making a million dollars does not increase the quality of your life—and it does not, in itself, guarantee that you will have financial security till the end of your days. What it does do is make saving infinitely easier. Because unless you are completely out of control, you will be able to save most if not all of your after-tax income that exceeds the million. And saving is key to jump-starting the Automatic Wealth program.

So if you can get your income above a million, you can get rich, relatively quickly, merely by saving. And that may happen simply by following the advice I'll be giving you in Step 3.

But if your primary income doesn't grow so dramatically, don't despair. You can still achieve financial independence in a relatively short period of time (less than 15 years, certainly; probably less than 7) by developing additional streams of income. I'll tell you how to do that, too.

## BEING RICH IS NOT JUST ABOUT HAVING MONEY IN THE BANK

One of the most active discussions that ever appeared on the online forum for *ETR*, my daily e-zine, was in response to the simple question "What is wealth?" This question prompted a deluge of interesting answers, from the mundane to the pragmatic to the philosophically problematic. Answers like these:

### ARE YOU A SAVER OR A SPENDER?

As I see it, the wealth-seeking world is divided into two camps. In one, you have the wealth accumulators: men and women who are cautious about spending but eager to save and invest. The other camp is populated with spenders: men and women who are obsessed with things. They spend all their spare money, and often much more than that, buying things that say “rich” but actually impoverish them.

To become wealthy, first you need to build a small nest egg by spending less than you earn. Simple, huh? But not if you don’t have the self-discipline to do it.

We’ll be talking more about this in Step 3. Meanwhile, keep in mind that even though the material things you hunger for are indisputably of value, unless you have the financial capacity to keep them, to maintain them, and to replace them, you don’t have wealth. You simply have its obligations.

- A million dollars in the bank
- Having everything you want
- The power to command results
- Being loved by your family and friends
- Having tangible assets sufficient to meet the physical needs of yourself and your loved ones
- Having a balanced life
- Inner peace and spiritual enlightenment
- Excellent health and immunity from disease

This is just a small sampling of what our readers had to say, but it gives you an idea about how varied and sometimes vague our thinking about wealth can be. And although I recognize the sense in many of these definitions, I find it impossible to talk to people about wealth unless I can get them to agree on some basic terms. So let’s do that now.

I suggest that we start with this definition: *Wealth is a store of something valuable.*

I like that definition because it is simple and because, no matter what it is that you value, it emphasizes something essential about