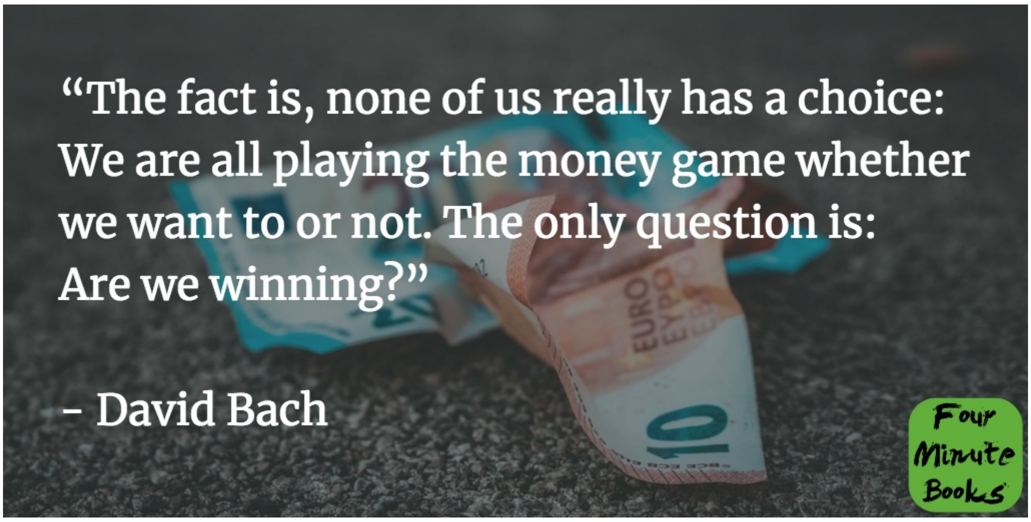
The Automatic Millionaire Summary

fourminutebooks.com/the-automatic-millionaire-summary/

1-Sentence-Summary: *The Automatic Millionaire is an actionable, step-by-step plan for building wealth without being disciplined by relying on fixed percentages, small payments, and automated transactions.*

Read in: 4 minutes

Favorite quote from the author:



Many of the world's greatest investors have only one advantage over us normal folks: they were exposed to investing very early in their lives and took an interest in it. Warren Buffett bought his first stock, Cities Service, at eleven years old. Ray Dalio bought Northeast Airlines at twelve. Something similar happened to David Bach.

When he was just seven years old, his grandma took him to McDonald's. Once they sat down and started eating, she told him there are three types of people in the world: those who *eat* at McDonald's, those who *work* at McDonald's, and those who *invest* in McDonald's. Then, she helped him buy his first share of McDonald's stock. What David learned was that, clearly, being an investor was the best way to succeed in life.

What a powerful story! And what an investor David became. Before eventually starting his own financial consultancy, he worked at Morgan Stanley as a vice president. As of today, he's published twelve books, nine of them NYT bestsellers, with over seven million copies sold. *The Automatic Millionaire* is his most practical template for simple and efficient wealth-building.

Here are 3 lessons to help you achieve millionaire status:

1. Saving a little every day will go a long way.
2. Pay yourself first to make sure you take care of your financial future.
3. Automatic payments allow you to invest in a disciplined manner without being disciplined yourself.

Would you like to set up your finances so that they run towards your goals on auto-pilot? Then let's dig into what makes an automatic millionaire!

Lesson 1: The Latte Factor is all you need to get rich over time.

As the saying goes, there are a million ways to make a million dollars. And while some might suggest focusing on only a few things, like earning more, killing debt, and investing as much as you can, others make good use of frugality.

For example, I remember Ramit Sethi rebelling against the idea of denying yourself your precious latte in *I Will Teach You To Be Rich*. David Bach, however, thinks that this latte money is the exact cash that could make you a millionaire.

He calls it the "Latte Factor." It means that **by saving just a little every day, you could retire early and rich**. For example, if you put $10 a day – the equivalent of one $3.50 latte and a $7 pack of cigarettes – into a brokerage account that nets 10% a year on average, you'd have $700,000 after 30 years and $2 million after 40.

David has coached many clients and couples throughout the years, but no other family showed him the power of saving a little as clearly as the McIntyres. They established a retirement plan early on and gradually raised their savings from 4% of their income to 15%.

As a result, they accumulated about $2 million worth of assets by their early 50s, despite never earning more than $40,000 per year!

Lesson 2: The first person who deserves your money is yourself.

One way the McIntyres achieved so much with so little is the idea that no one deserved to get a chunk of their income more than themselves. What does that mean? Well, we all have unavoidable expenses. Bills we must pay. Taxes. And so on. But if we give all these other people and businesses our money first, there's usually not much left!

So, instead of spending however little we have at the end of the month out of frustration, **we should invest a fixed cut of our income into our dreams *first***. As long as you keep it small, there'll always be enough money left to pay for everything else.

In the US and many other countries, you can even make use of pre-tax retirement accounts, which take money out of your gross income, not the net. With these, you might even have more money to spend after taxes than you'd otherwise have!

Even if these aren't available, try to set up a system that automatically takes a certain percentage out of each one of your paychecks. David says that if you can manage to save and invest just 10% of your gross income or roughly one hour's pay every day, you'll end up just fine!

Lesson 3: Use automated payments for disciplined investing without willpower.

The good thing about each dollar that never shows up in your regular checking account is that you will neither miss it nor spend it. But why stop there? **Don't just auto-direct how much you want to save, but send it straight to the right places**. For example, here's how you could allocate 10% of your income each month:

- 5% goes towards an emergency fund until you've stored away six to 18 months worth of living expenses in cash.
- 2.5% goes towards paying down any existing debt.
- 2.5% goes into stocks and other investments.

The beauty of automating all this is that you only need to adjust the system whenever you've reached a certain goal. For example, once your emergency fund is complete, you can pay down debts faster, spend 1% on charity, or look into mortgage rates to buy a house.

Humans are creatures of impulse and habit. Whenever something requires discipline, the easiest way to consistently achieve it is to remove ourselves from the equation and eliminate the need for willpower altogether.

If you can do it with your money it just might make you rich.

My personal take-aways

I used to be frustrated with all this vastly differing advice on personal finance. Now I'm not. I realize there are many ways to manage your money. Which one you choose should not just be based on what your goals are, but also on which method of attaining them makes you feel most comfortable. Some folks are natural savers, others are better at earning more.

If you've always been frugal or don't mind making little sacrifices, *The Automatic Millionaire* could be a great system for you.

Read full summary on Blinkist >>

Free Preview >>

Learn more about the author >>

What else can you learn from the blinks?

- How you can only save money in your 20s, but still be a millionaire at 65
- A specific example of how you might have more money thanks to a pre-tax retirement account
- The psychological benefits of an emergency fund
- Why there's no reason not to buy a house
- How to eliminate all your credit card debt in three steps
- Why donating to charity not just feels good, but is actually smart

Who would I recommend The Automatic Millionaire summary to?

The 15 year old with a paper route, who can get an incredibly early start to investing, the 33 year old teacher, who wonders if saving is even worth it, and anyone who wants to become a millionaire but can’t take the stress of entrepreneurship.