

# The Latte Factor Summary

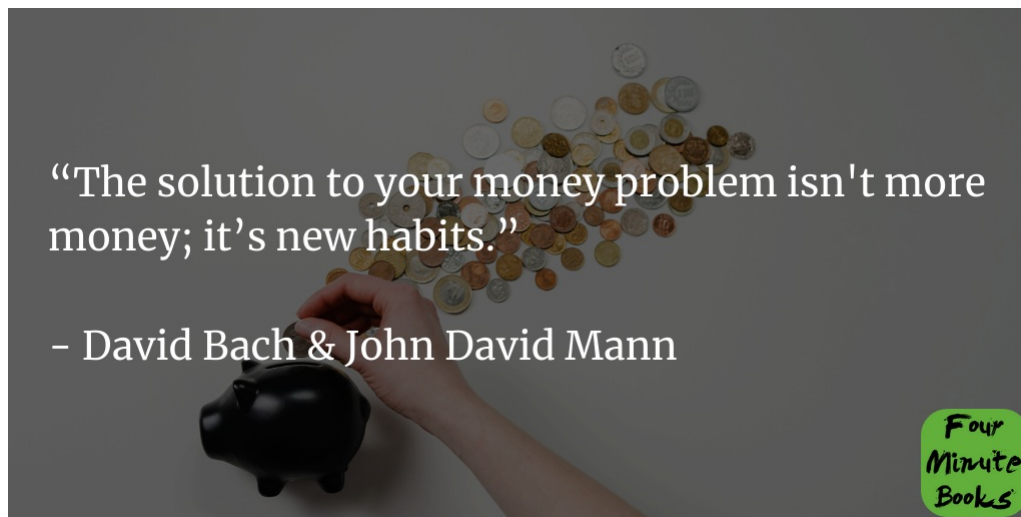
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 [fourminutebooks.com](https://fourminutebooks.com)

**1-Sentence-Summary:** *The Latte Factor* teaches us how to overcome limiting beliefs about money and build our financial freedom through small daily choices.

**Read in:** 4 minutes

**Favorite quote from the author:**



If you can afford your daily latte, you can afford to realize your dreams.

One day, when he was teaching a personal finance course, David Bach heard a woman who was drinking a latte tell him that she didn't have any money to invest. He showed her that by only skipping her daily latte, she could save \$5 a day. That could easily become about \$11,000 in 5 years, \$339,000 in 30, and \$948,000 in 40 years.

*The Latte Factor: Why You Don't Have to Be Rich to Live Rich* is a parable meant to deliver financial knowledge even to those who would never read a financial book. It shows that you can start investing even if you think you don't have any spare money. The key is to practice awareness on how you use what you earn and learn how to do it intentionally.

Here are 3 lessons I learned about managing my income for happiness:

1. Stop thinking you can't afford the life you dream of.
2. Don't let the Three Myths of Money prevent you from living rich.
3. Earn yourself a fulfilling future by applying the Three Secrets to Financial Freedom.

Do you want to leverage your income to achieve your dreams and even retire early, if you like? Let's see how you can do it!

## Lesson 1: Being able to afford what you really love mostly depends on how you manage your small money.

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Like many of us, Zoey feels stuck on an endless treadmill where, no matter how hard she works, she never has enough money to do what she loves.

She's a 27-year-old Brooklynite who has a well-paid job at a travel magazine. Nevertheless, Zoey is drowning under the increasing load of student loan and credit card debts. She has two big dreams: traveling and taking a photography course, but she believes she can't afford to realize any of them.

On her daily commute, Zoey always stops by a local café to drink a latte. One Monday, she notices a photo on the wall which shows a little Greek fishermen village. This picture has something that calls her and she would like to hang it in her own living room. It's even for sale, but there's a problem: it costs €1200, way too much for her.

An elderly barista seems to read her mind. He's Henry, who will turn out to be the owner of the café and a traveler, who has taken the picture himself. He will introduce her to the Latte Factor: to get able to pay for what she cares for, she just needs to save daily amounts as small as the cost of her latte. **Small savings can add up to a fortune if you invest them constantly.**

Over the next days, Henry will explain to Zoey how she can make it sustainable in the long term and start living a richer life in a short time.

## Lesson 2: Overcome the false beliefs about money and get in the mindset to live rich.

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Zoey is going to learn about personal finance even from her own boss. Barbara teaches her to change her mindset about money first, by overcoming the Three Myths of Money:

1. Make more money and you'll be rich.
2. It takes money to make money.
3. Someone else will take care of you.

Most of the people who experience a lack of money haven't really got an income problem: they have a spending problem. Barbara explains how she saves \$15 daily by bringing her own lunch to work instead of eating out. In fact, **the first step to improving your financial situation is changing your habits, otherwise, your financial problems are going to grow together with your income.**

Another false belief is that only rich people can invest and make money out of money. But you can start by saving as little as \$5 a day and invest them in the stock market. Since we have data, it's been growing at an average rate of 10%, so even the most conservative portfolio is likely to earn you about 8% per year.

Most people tend to neglect to plan their financial future because they believe that if they get broke someone will take care of them: the state or a charity maybe. Or, as some women think, a prince charming who'll take them to his castle. But odds are that such things won't happen. We do need to take responsibility and build our own financial security.

Let's see how we can do it!

## Lesson 3: To make your dreams come true, apply the Three Principles of Financial Freedom.

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Here they are:

1. Pay yourself first.
2. Don't budget. Make saving automatic.
3. Live rich now.

Every month we pay everything we have to – taxes, mortgage or rent, bills – and buy a lot of small things as they come to our mind. At the end of it, if there's some money left, we maybe buy ourselves something that we really care about.

Well, to get the best out of your income, you should reverse your routine. Every month, first set aside the money to build your financial independence, then pay the rest. This will probably mean renouncing to some treats like eating at your favorite restaurant. But it'll allow you to accomplish far more ambitious projects.

Can you be consistent in the long run? Probably not unless you automatize it. The money must be taken out from your bank account before you even know it's there. Forget budgeting, because not many people are good at that: it requires too much discipline and willpower.

Will you end up sacrificing your upcoming financial freedom? No, because **besides a bank account for your future, you can set a dream account, for the money to do what really fulfills you**. This is how Zoey was finally able to take that course and become a travel photographer for her magazine!

## The Latte Factor Review

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Most of us are used to think that saving small amounts doesn't make any difference. But *The Latte Factor* shows us that it really does in the long term, especially if you invest them wisely. This book pushes us to cultivate awareness towards how we use money, to be able to spend it for what really matters to us.

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## **Who would I recommend The Latte Factor summary to?**

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The 20-year-old student who's struggling to make ends meet, the 30-year-old who doesn't feel like sticking to his 9-5 job for all their life, and anyone who would enjoy not having to worry about money anymore and working only if they feel like.