

CHAPTER 1

*The greatest mathematical discovery
of all time is compound interest.*

ALBERT EINSTEIN

Easy Money: Financial Freedom on a Dollar a Day

It all starts with a single unit of money.

In the United States, Canada, Australia, Hong Kong, and New Zealand, it's the dollar. In Great Britain, it's the pound. In France and Switzerland, it's the franc. In Germany, it's the mark. In Japan, the yen.

Wherever you are, reach into your wallet or purse and dig out some of your own paper currency and examine it. Rub it between your fingers. Feel the texture. Bring it to your nose. Does money smell? Examine the images. Notice the serial numbers. Turn it over. Notice the strange symbols. What do they mean? Imagine that you're looking at it through a microscope. Read every single word. This simple piece of paper doesn't appear to be worth much. Inflation erodes its value daily. So what if you waste it or lose it or throw it away.

But wait a minute. Can this ordinary piece of paper money be worth more than meets the eye? Could it be a magic ticket to a more abundant life of anywhere/anytime/anything you want? One thing's sure: How people feel about these silly pieces of paper makes a huge difference in how they enjoy life's great banquet of prosperity.

When you've finished reading this chapter, I promise that you'll never think of money in the same way again. Ever. You see, prosperous people don't think of money as just colored pieces of paper adorned with pictures of famous dead people. They imagine it as seeds—money seeds—with

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WIT & WISDOM

**Fear begins to melt when you
take action toward a goal you
really want.**

RGA

the power to grow into money trees, bearing fruit to fulfill every one of their dreams. And they are absolutely right.

Every dollar bill is a money seed. Just as a tiny acorn contains the power to grow into a mighty oak tree, each dollar bill has the power to grow into a mighty money tree. You can grow one of these money trees . . . on as little as a dollar a day.

Could you afford that?

If you follow the advice in this book, you will soon have your own majestic money tree, growing right in the center of your future dream home. Imagine that! Branches of your money tree are growing along the ceiling and spreading into every room of the house. Every few feet along each branch are ripening money fruits that pop open once or twice a day releasing crisp \$100 bills. As the \$100 bills fall from the tree, they float into money baskets throughout the house. All night long you hear the pop, pop, pop of the ripening money fruits. You might think the sound would keep you awake, but it's a very soothing sound. Your money tree produces fruit 24 hours a day. While you sleep. While you work. While you play. While you eat. It never stops. An endless stream of cash flow. Whenever you need money, you just take whatever you want from one of the baskets. Get the picture?

If you destroy an acorn, the potential oak tree inside also dies. Every time you waste one of those silly pieces of paper money, it's just like destroying a potential money tree. That's why it is so important to preserve and protect each of these money seeds. (See Figure 1.1.)

So how much is one of those seeds really worth? That depends on how long you let it grow and at what rate of growth. Let's suppose you take a single dollar and put it into a special bank account that will let the dollar grow, untouched by taxes and fees. How long will it take for this *single dollar bill* to grow into *\$1 million*?

That depends on the interest rate that the bank account pays. If it's like ordinary bank accounts, then it's going to take a long, long time. Table 1.1 shows you how long it takes for a single dollar bill to grow into \$1 million at various interest rates.

**TABLE 1.1 A Single Dollar
Grows into \$1 Million**

Interest Rate	Time in Years
0%	Never
3%	468
5%	284
10%	145
15%	99
20%	75



FIGURE 1.1 Your money tree.

As you can see, at bank rates of 3 percent it will take 468 years for a single dollar bill to grow into \$1 million. What? Not planning on living 468 years? Relax. We're not done with that dollar bill yet. We've got to supercharge it. How can we do this? Rather than just planting one money seed, could you plant them more often? Could you afford to put away a dollar a day? Thirty bucks a month! You can do that.

Table 1.2 shows the number of years it takes for a dollar a day to grow into \$1 million at various interest rates. Wow! A dollar a day becomes \$1 million in the span of a normal lifetime.

Suppose you'd invested a dollar a day starting on the day you were born. Table 1.3 shows what you'd have at age 66. A dollar a day grows

TABLE 1.2 A Dollar a Day Grows into \$1 Million

Interest Rate	Time in Years
3%	147
5%	100
10%	56
15%	40
20%	32

TABLE 1.3 A Dollar a Day Compounded at Various Rates for 66 Years

Interest Rate	Cumulative Savings
0%	\$24,000
3%	\$77,000
5%	\$193,000
10%	\$2.7 million
15%	\$50 million
20%	\$1 billion

into \$1 billion by the normal retirement age! That's a whole forest of money trees. You're Ross Perot in embryo! And what makes this happen? The power of *compound interest* makes a few dollars a day grow into enormous sums of money. Einstein himself said, "The most powerful invention of man is compound interest."

But suppose you don't want to wait for 66 years. Okay, there's another way to speed up the process. Could you plant two or three seeds a day? Or five? Or ten? What does that do? Well, let's cut right to the chase. If you put away 10 lousy bucks a day and put it in the right mutual funds or stocks or real estate and let the clock tick at 20 percent, you're a millionaire in just 20 years! (Pop, pop, pop, pop.) Excited yet?

Now, I can hear the skeptics saying, "No one can sustain a 20 percent rate of growth for 20 consecutive years. It's not possible!" Well, Warren Buffett, the stock market genius, was able to do it for over 40 consecutive years. When you've finished reading this book, you'll know that it's not only possible for you, but entirely within the reach of anyone with discipline and a few financial skills. You don't have to be a financial genius. You don't have to own a big company. You can do it from your kitchen table using the money that you're now foolishly throwing away. If you just divert a few of your ill-spent dollars and funnel them into some well-timed investments, you can achieve financial success.

TABLE 1.4 How Various Amounts per Day Can Grow into \$1 Million

Savings per Day	3%	5%	10%	15%	20%
\$1	147 yrs.	99 yrs.	56 yrs.	40 yrs.	32 yrs.
\$2	124	85	49	36	28
\$3	112	77	45	33	26
\$4	102	71	42	31	25
\$5	95	67	40	30	24
\$6	90	63	38	28	22
\$7	85	61	37	27	22
\$8	81	58	36	26	21
\$9	77	56	35	26	21
\$10	74	54	34	25	20

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I'll bet you'll think twice before you throw away one of those silly green pieces of paper. It's like throwing away the seed to a \$1 million money tree.

Every time you save one of those money seeds, you start sowing your way to wealth. The most important lesson of this chapter is to change your attitude about money, especially those \$1 bills. I have no doubt you can save \$30 per month . . . even on the most meager budget. Over time, you will want to increase this to \$100, \$200, or \$300 a month or more. The more the better. The more the faster. How many seeds do you think you could save and invest every day? Table 1.4 and Figure 1.2 show you how a few dollars a day can grow into \$1 million.

How to Earn an Extra Million in Your Lifetime

The real key is to keep socking away the money. Let the numbers whisper their silent but relentless message. Consistency. Day in, day out. Save. Invest. Save. Invest. It might be boring. It might be dull. It might be hard to do. No matter. Just do it.

I met a young man in Chicago who had made the decision to make his future bright by dimming his desires today. He worked full time, as did his spouse. If they had been like normal (broke) young married couples, they would have pooled their two pay-

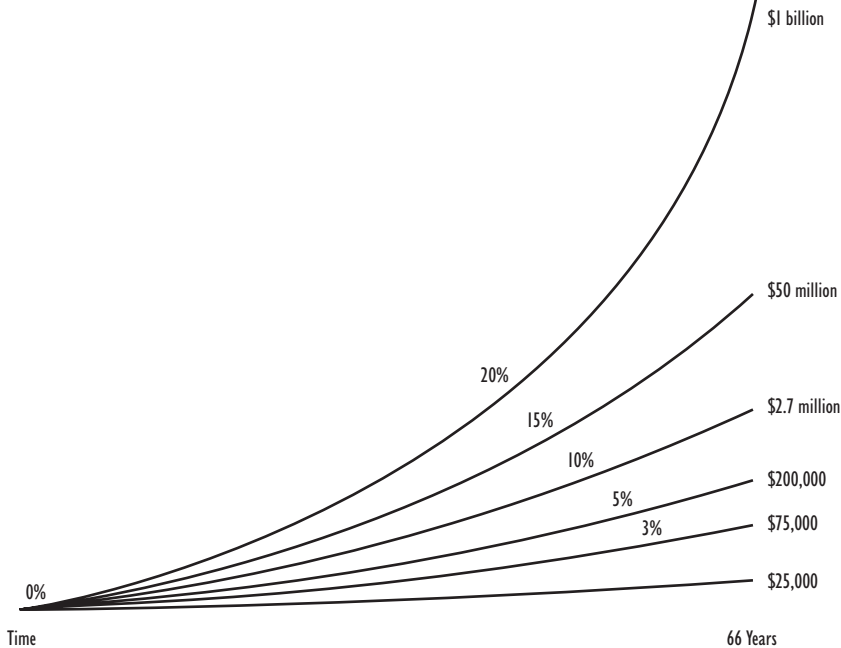


FIGURE 1.2 The power of tiny investments over a long period of time.

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WIT & WISDOM

The only place where success comes before work is in the dictionary.

VIDAL SASSOON

checks and bought a new car (with a fat monthly payment), stretched themselves into “too much house,” and stressed out for the next 30 years. Instead, this young couple made a very smart choice. They lived on her paycheck and saved his entire monthly \$2,000 paycheck. They put the money into well-selected mutual funds and watched the cash begin to pile up. This is true prosperity.

Our parents were right. We cringed when they told us, “Live on less than you earn. Invest the surplus. Avoid debt. Build long-term security.” This may not be the exciting get-rich-quick rabbit, but the tortoise laughs slowly all the way to the bank. So, with that tortoise mentality firmly in place, let’s start building some specific plans for the future.

Setting Some Specific and Realistic Financial Goals

First of all, you have five decisions to make about your money seeds:

Target: How much total money would you like to accumulate?

Amount: How many dollars a day can you squeeze out of your life?

Rate: What interest rate can you earn on your invested dollars?

Time: When would you like to reach your goal?

Purpose: What is your financial purpose?

For example, suppose you decide you want a \$1 million nest egg in 20 years. Your ultimate purpose is to quit your job and spend your life working with the youth in your church. According to Table 1.5, one scenario would be to invest \$10 per day at 20 percent per year to reach your goal:

Target: \$1 million

Amount: \$10 per day

Rate: 20 percent

Time: 20 years

Purpose: Church youth

Using the charts in Table 1.5, I’d like you to come up with a reasonable scenario for your wealth-building plan. To do so, use the worksheet that

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WIT & WISDOM

Baron de Rothschild was once asked to name the seven wonders of the world. He replied, “I cannot, but I know that the eighth wonder of the world is compound interest.”

follows and fill in the blanks for your target financial goals. Make sure you spend some quality time asking yourself the question, “Why do I really want this money? What is my ultimate purpose?” Your moneymaking will be much more successful and meaningful if you have a clear purpose. If it’s just “to make a lot of money,” you may find yourself one day with a lot of money, wondering, “Is this all there is?”

Financial Target Worksheet

What is my target investment goal? \$ _____

How much can I invest per day? \$ _____ per day

How long am I willing to invest? _____ years

What is my target interest rate? _____ %

Why is it important to me to achieve this goal?

The sooner you start, the richer you are immediately! Hey, wait a minute! This sounds too good to be true! A few dollars a day and you can become a millionaire? If this is so easy, why aren't all of us millionaires? Well, the truth is, we all *could* be millionaires, but most of us lack the simple discipline to make small daily deposits over long periods of time. And then, of course, we procrastinate getting started.

Let me show you the terrible cost of procrastination. Suppose you had the discipline to sock away \$200 a month (about \$7 a day) over a 20-year period of time with a target interest rate of 20 percent. How much could you accumulate? According to my calculator, \$200 per month at 20 percent for 20 years grows into \$632,000. Not bad!

Now, suppose instead of starting this year, you wait a year to get started. This leaves you only 19 years of growth instead of 20. According to my calculator, you would have only \$516,000 in your bank account in 20 years. That's \$116,000 less than you could have had if you had started on schedule. In other words, your procrastination cost you \$116,000 in future dollars!

Procrastination is expensive! For each of the 365 days that you waited, your future portfolio was shrinking by over \$300 ($116,000 \div 365 = \317.81). In other words, every day you procrastinate costs you \$300 (or \$13 an hour, 24 hours a day).

What if you were to invest the same \$200 per month over 30 years? The cost of waiting that extra year is now a whopping \$842,803. Waiting an extra year costs you almost \$1 million in future dollars. That's over \$2,000 a day, or almost \$100 per hour, 24 hours a day. *Every day you wait . . . every hour you delay . . . is like burning up future money!*

Do it now. Do it regularly.

One final word: *consistency*. How much you invest is not as important as consistently investing that amount over a long period of time. If you miss a payment or two, no big deal. But let me show you what happens when you mess with the formulas. Suppose you could invest \$200 month for 20

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WIT & WISDOM
**How did a fool and his money
 get together in the first place?**

TABLE 1.5 Wealth-Building Plan*

Assuming 5% interest								
Savings per day	5 years	10 years	15 years	20 years	30 years	41 years	45 years	54 years
\$1	2	5	8	13	25	50	60	100
\$2	4	10	16	26	50	100	120	200
\$3	6	15	24	39	75	150	180	300
\$4	8	20	32	52	100	200	240	400
\$5	10	25	40	65	125	250	300	500
\$6	12	30	48	78	150	300	360	600
\$7	14	35	56	91	175	350	420	700
\$8	16	40	64	104	200	400	480	800
\$9	18	45	72	117	225	450	540	900
\$10	20	50	80	130	250	500	600	1.0
\$11	22	55	88	143	275	550	660	1.1
\$12	24	60	96	156	300	600	720	1.2
\$13	26	65	104	169	325	650	780	1.3
\$14	28	70	112	182	350	700	840	1.4
\$15	30	75	120	195	375	750	900	1.5
\$16	32	80	128	208	400	800	960	1.6
\$17	34	85	136	221	425	850	1.0	1.7
\$18	36	90	144	234	450	900	1.1	1.8
\$19	38	95	152	247	475	950	1.2	1.9
\$20	40	100	160	260	500	1.0	1.2	2.0
Assuming 10% interest								
Savings per day	5 years	10 years	15 years	20 years	30 years	41 years	45 years	54 years
\$1	3	6	13	25	75	200	300	1
\$2	5	12	25	50	150	400	600	2
\$3	8	18	38	75	225	600	900	3
\$4	10	24	50	100	300	800	1.2	4
\$5	13	30	63	125	375	1.0	1.5	5
\$6	15	36	75	150	450	1.2	1.8	6
\$7	18	42	88	175	525	1.4	2.1	7
\$8	20	48	100	200	600	1.6	2.4	8
\$9	23	54	113	225	675	1.8	2.7	9
\$10	25	60	125	250	750	2.0	3.0	10
\$11	28	66	138	275	825	2.2	3.3	11
\$12	30	72	150	300	900	2.4	3.6	12
\$13	33	78	163	325	975	2.6	3.9	13
\$14	35	84	175	350	1.0	2.8	4.2	14
\$15	38	90	188	375	1.1	3.0	4.5	15
\$16	40	96	200	400	1.2	3.2	4.8	16
\$17	43	102	213	425	1.3	3.4	5.1	17
\$18	45	108	225	450	1.4	3.6	5.4	18
\$19	48	114	238	475	1.4	3.8	5.7	19
\$20	50	120	250	500	1.5	4.0	6.0	20

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Assuming 15% interest								
Savings								
per day	5 years	10 years	15 years	20 years	30 years	41 years	45 years	54 years
\$1	3	10	20	50	100	250	1	5
\$2	5	20	40	100	200	500	2	10
\$3	8	30	60	150	300	750	3	15
\$4	10	40	80	200	400	1.0	4	20
\$5	13	50	100	250	500	1.3	5	25
\$6	15	60	120	300	600	1.5	6	30
\$7	18	70	140	350	700	1.8	7	35
\$8	20	80	160	400	800	2.0	8	40
\$9	23	90	180	450	900	2.3	9	45
\$10	25	100	200	500	1.0	2.5	10	50
\$11	28	110	220	550	1.1	2.8	11	55
\$12	30	120	240	600	1.2	3.0	12	60
\$13	33	130	260	650	1.3	3.3	13	65
\$14	35	140	280	700	1.4	3.5	14	70
\$15	38	150	300	750	1.5	3.8	15	75
\$16	40	160	320	800	1.6	4.0	16	80
\$17	43	170	340	850	1.7	4.3	17	85
\$18	45	180	360	900	1.8	4.5	18	90
\$19	48	190	380	950	1.9	4.8	19	95
\$20	50	200	400	1.0	2.0	5.0	20	100
Assuming 20% interest								
Savings								
per day	5 years	10 years	15 years	20 years	30 years	41 years	45 years	54 years
\$1	3	12	35	100	250	750	5	50
\$2	6	24	70	200	500	1.5	10	100
\$3	9	36	105	300	750	2.3	15	150
\$4	12	48	140	400	1.0	3.0	20	200
\$5	15	60	175	500	1.3	3.8	25	250
\$6	18	72	205	600	1.5	4.5	30	300
\$7	21	84	240	700	1.8	5.3	35	350
\$8	24	96	275	800	2.0	6.0	40	400
\$9	27	108	315	900	2.3	6.8	45	450
\$10	30	120	350	1.0	2.5	7.5	50	500
\$11	33	132	385	1.1	2.8	8.3	55	550
\$12	36	144	420	1.2	3.0	9.0	60	600
\$13	39	156	455	1.3	3.3	9.8	65	650
\$14	42	168	490	1.4	3.5	10.5	70	700
\$15	45	180	525	1.5	3.8	11.3	75	750
\$16	48	192	560	1.6	4.0	12.0	80	800
\$17	51	204	595	1.7	4.3	12.8	85	850
\$18	54	216	630	1.8	4.5	13.5	90	900
\$19	57	228	665	1.9	4.8	14.3	95	950
\$20	60	240	700	2.0	5.0	15.0	100	1,000

*Numbers in unshaded boxes are in thousands of dollars. Numbers in shaded boxes are in millions of dollars.

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WIT & WISDOM

**Maturity begins on the day
we accept responsibility
for our own actions.**

years with a target rate of return of 20 percent. You are pretty good at socking the money away for a few months, and then you read an ad in the paper for a great deal on a new car. In order to be able to afford the new car, you decide to lower your savings rate from \$200 a month to \$100 a month. In 20 years, instead of having \$632,000 sitting in the bank, you'll have only \$316,000 and a very old car. That's \$316,000 less. Is your new car worth that much? If you invest wisely today, you'll be able to pay cash for any car you want 20 years from now. Deferring gratification for a while will allow your money tree to grow. When you prematurely pick the fruit from your money tree, you stunt its growth and dramatically reduce the time it takes for you to enjoy a fully matured, fruit-bearing money tree.

You can do the most good for the greatest number of people, yourself included.

Let's examine the money trees of some of the last century's most famous billionaires. You'll have to admit, they knew how to grow money trees. What did they do with their wealth? Almost every one of them set up a foundation that would outlive them. These foundations are like money tree forests that continue to thrive long after the money tree farmers are gone.

In the *World Book Encyclopedia*, under "Foundations," you'll discover that there are over 24,000 charitable foundations set up in the United States alone, dispensing yearly charitable grants to needy groups and organizations of almost \$5 billion. The top 10 foundations are as follows:

	Assets	Annual Giving
Ford Foundation	\$4.8 billion	\$170 million
Getty Trust	3.7 billion	160 million
Kellogg Foundation	3.1 billion	75 million
MacArthur Foundation	2.3 billion	105 million
Lilly Foundation	1.9 billion	57 million
Johnson Foundation	1.8 billion	95 million
Rockefeller Foundation	1.6 billion	45 million
Pew Charitable Trusts	1.6 billion	90 million
Mellon Foundation	1.5 billion	67 million
Kresge Foundation	1.1 billion	42 million

The Ford Foundation was established in 1936, yet decades later is still giving away more than a \$100 million a year to needy causes. No matter what your attitude toward the wealth of the Fords, Rockefellers, or Gettys, you've got to admit that hundreds of thousands of people (even you) are benefiting each day from the legacy of these great money masters. The fruits from their money trees continue to bless the world.

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You can have a major, positive impact on future generations.

If you learn the secrets of these successful money masters, eventually you, too, will be able to leave a legacy that will outlive you. Although leaving a \$100 million fortune may be the furthest thing from your mind today (you'd probably rather make an extra \$10,000 this year), I encourage you to imagine what your future foundation might look like.

Answer the following question: *Once you have achieved your financial goals and lived a long, prosperous, happy, and healthy life, how do you want your money invested so that it can have the greatest positive impact on future generations?*

In the purest sense, money is a spiritual concept. It contains the power to do so much good. Imagine the benefit that you could provide to future groups of worthy people. Imagine your own posterity—your own great-great-grandchildren—a century from now. How could they benefit from your wise financial, spiritual, and intellectual legacy? If you won't do it for yourself, at least do it for them.

Now let's look at that dollar bill one more time. This simple money seed contains the power to bless you and countless future generations. But only if you'll start now. The future is counting on you. A wealthy future is awaiting you. It's worth the sacrifice. Remember, it all starts with a single unit of money.

I wish I had the power to reach more people with the message that you've just read. Why don't they teach these things in school? I feel so strongly that more people should learn these concepts that I've made this entire chapter available free on my web site. If you'd like to share it with someone else—your family, for example—just go to www.multiplestreamsofincome.com and click on the *Free chapter* link.

Now that you have the right respect for each of those priceless money seeds, let me show you specifically how to turn each of them into \$1 million money trees. Join me in the next chapter and let's get started.

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WIT & WISDOM

Money is like manure. You have to spread it around or it smells.

J. PAUL GETTY

