

THE LATTE FACTOR:

Becoming an

Automatic Millionaire

on Just a Few Dollars

a Day

“The problem is not how much we earn . . . it’s how much we spend!”

So where do we begin?

Probably not where you think.

Most people believe that the secret to getting rich is all about finding new ways of increasing their income as quickly as possible. “If only I could make more money,” they declare, “I’d be rich.” How many times have you heard somebody say that? How many times have you said it yourself? Well, it simply isn’t true. Ask anyone who got a raise last year if their savings increased. In almost every case, the answer will be no.

Why? Because more often than not, **the more we make, the more we spend.**

There are a lot of lessons we can all learn from the McIntyres, but if you take only one thing away from their story, it should be this: *How much you earn has almost no bearing on whether or not you can and will build wealth.* Remember what Jim McIntyre told me: He never talked about how much money he made at his job or with his investments. The trick to getting ahead financially, he said, is watching the small stuff—little spending habits you have that you'd probably be better off without.

Most people have a hard time believing this. Why? Because they are taught the opposite. We live in a society where it's become almost patriotic to spend every penny of our paychecks. In fact, we often spend our pay increases even before we get them. Merchandisers know this; they run ads every November and December specifically designed to get people to spend their year-end bonuses. Even the government promotes this idea. The way to pump up the economy, say the politicians, is to cut taxes—the idea being that if you put a little extra money in people's pockets, they'll naturally go out and spend it.

Unfortunately, there's a problem with this. If you are living paycheck to paycheck, spending everything you make, what you're really doing is running an unwinnable race.

Here's what the race looks like:

GO TO WORK . . . MAKE MONEY . . . SPEND MONEY . . .
GO TO WORK . . . MAKE MONEY . . . SPEND MONEY . . .
GO TO WORK . . .

Notice how it always comes back to **GO TO WORK**. This is the endless treadmill that most people are on. Some people call it the "rat race." It's a race in which hardworking people bust their butts, working forty to fifty hours a week or more—and wind up with almost nothing to show for it because at the end of the month their paycheck is already spent.

It's an unfair, vicious cycle, and you don't want to fall into it. If you are already there, you want to get out . . . fast. When you spend everything you make (or, worse, spend *more* than you make), you subject yourself to a life of stress, fear, uncertainty, debt, and even worse—bankruptcy and the threat of future poverty.

ARE YOU EARNING MORE . . . AND SAVING LESS?

Over the years, I've watched people I love increase their earnings but often not their freedom. I've got one friend who's worked extremely hard and seen his income go from \$50,000 a year to more than \$500,000. But while his lifestyle has increased along with his income, his savings haven't. He has nicer clothes and nicer cars, eats at fancier restaurants, shops at fancier stores, goes on fancier trips, but he's not really any wealthier. In fact, he's actually more stressed today than he was ten years ago because now he's got this expensive lifestyle to support—with the country club membership, the nanny, the private schools for the kids, and the big mortgage—and he can't imagine living without it. He's succeeding at a level that most Americans can only dream about, but in reality he's

caught up in the same rat race as a person who earns a fraction of his salary.

What about you? Chances are that you're earning more than you were ten years ago. But are you saving more? Are you getting ahead or running harder just to stay even. Is your income helping you become more free or less free?

WHY MOST AMERICANS HAVE SO LITTLE SAVED

Aside from the equity they may have in their homes, most Americans really don't have any savings to speak of. On average, most of us have less than three months' worth of expenses in the bank.

Why so little? The answer is simple. As Jim and Sue McIntyre's parents taught them, most of us waste a lot of what we earn on "small things." I put quotation marks around "small things" because the phrase is misleading. The so-called small things on which we waste money every day can add up in a hurry to life-changing amounts that ultimately can cost us our freedom.

I OWE, I OWE . . . IT'S OFF TO WORK I GO

It doesn't have to be this way. Most of us don't really think about how we spend our money—and if we do, we often fo-

cus solely on the big-ticket items while ignoring the small daily expenses that drain away our cash. We don't think about how many hours we had to work to earn the money that we so casually spend on this or that "small thing." Even worse, we don't realize how much wealth we might have if, instead of wasting our income, we invested just a little of it.

By coming to understand what I call The Latte Factor, you are now going to change all of that. Like the McIntyres, you're going to become more aware of how much you are wasting on "small things"—and how to redirect that wasted money to help you build a fortune. It doesn't matter if you earn what you think of as a small paycheck. Regardless of how big or small your income is, by making use of The Latte Factor you can start to build real wealth and ultimately more freedom.

In short, with the help of The Latte Factor you can finally start doing what the rich do—you can get your money to work for you, instead of your working for it.

"A latte spurned is a fortune earned."

—*People* magazine

Over the past few years, The Latte Factor has become an internationally recognized metaphor for how we dribble away what should be our fortunes on small things without ever really giving it much thought. The idea has been featured in magazines and newspapers and on television and radio shows around the world. You may have seen it discussed in a feature article in *People*, or read about it *USA Today*, *Business Week*, or *Family Circle*. I've talked about it with Barbara Wal-

ters on *The View* and demonstrated it on NBC's *Today* show and on CNBC and CNN.

Before we get into the details of The Latte Factor and the power it can have in your life, it's important that you understand one thing. In order to become an Automatic Millionaire, you've got to accept the idea that regardless of the size of your paycheck, you probably already make enough money to become rich. I can't stress enough the importance of believing this—not just with your mind but with your heart as well. It's an "Aha!" moment that can truly change your life financially.

WHAT IS THE LATTE FACTOR?

The Latte Factor is based on something that actually happened to me about ten years ago. One day, with about fifteen minutes left in the last session of a four-week investment course I was teaching, a young woman named Kim raised her hand and said something that stopped me in my tracks.

"David," she announced, "your ideas are good in theory, but they don't have anything to do with reality."

Needless to say, I did not enjoy hearing this. "What do you mean?" I asked her. "How can you say that?"

"Very easily," Kim replied. "You see, David, you make this idea of saving money seem easy, but in reality it's impossible. You talk about saving five to ten dollars a day like it's no big deal. Well, for me, it is a big deal. In fact, it's impossible. I'm living paycheck to paycheck. I mean, I'm barely making ends

meet each month. So how can I possibly save five to ten dollars a day? It's just not realistic."

THE IMPOSSIBLE MADE POSSIBLE

With just about everyone else in the class nodding in agreement, I threw out my lesson plan and decided to devote the rest of the time we had left to answering Kim's question.

"Kim," I began, "because obviously there are others in this room who feel the same way you do, let's really look at what you're saying. Will you work with me here?"

"Sure," Kim said.

"Great," I replied. I turned to the blackboard and picked up a piece of chalk. "Let's go through your expenses for a typical day. Walk me through everything you do in the course of the day."

"Well," she said, "I go to work and then I answer messages from the day before—"

"Hold on," I interrupted. "What about before you get to the office? Do you start your day with coffee?"

The woman sitting next to Kim looked at her and laughed. "Kim without coffee in the morning," she said, shaking her head, "not a safe thing."

Kim poked her friend, then turned back to me. "Yes," she said, "I start my day with coffee."

"Okay," I replied. "Is it coffee you make at home, or do you get it at the office for free?"

It quickly came out that Kim generally stopped at Starbucks every morning to get her coffee. Actually, she and her

friend went together. It was their special “girls’ gift” to themselves.

“Great,” I said. “Now, do you get a regular coffee?”

“Well, no,” Kim replied. “I always get a double nonfat latte.”

I nodded thoughtfully. “I’m curious. Just what does this double nonfat latte cost you every morning?”

“Three fifty,” came the answer.

“And is that it, Kim? Do you get anything to eat with your latte? Maybe a bagel?”

“Actually, I get a muffin.”

“Great. And that costs?”

“A buck fifty,” Kim’s friend volunteered. “I know because I get one too!”

The class cracked up. As the laughter died down, a guy in the front of the room turned and asked, “How in the world does a muffin cost a dollar fifty?”

“Well, they’re fat-free,” Kim said.

Everyone started laughing again. Even Kim.

Meanwhile I turned to the blackboard and wrote down the following:

<i>Double Nonfat Latte</i>	<i>\$3.50</i>
<i>Nonfat Muffin</i>	<i>\$1.50</i>
<i>Total</i>	<i>\$5.00</i>

“Interesting,” I said, looking back at Kim. “Not even at work yet and you’ve already spent five dollars. Okay, keep going.”

Kim seemed a little annoyed. “Look,” she said, “everyone

does it. It’s not a big deal. I mean, give me a break. As hard as I work, I should be able to treat myself to a cup of coffee.”

I threw up my hands in mock surrender. “It’s not a big deal, Kim. Just keep going, okay? What else do you do during the day?”

Kim looked at me for a moment, then got back into the swing of things. “Well, I take a break at ten A.M., usually with a few friends, and we go get a juice.”

“Oh, really? And what’s the juice cost?”

“Well, it costs three ninety-five.”

Kim’s friend spoke up again. “Yeah,” she said, “but, Kim, you usually add that brain stuff to it. You know, that Kinko babalooney stuff?”

“It’s not Kinko babaloey,” Kim snapped at her. “It’s Ginkgo biloba, and it’s proven to increase the oxygen supply to your brain.”

“Well,” I said, “now that we know you have oxygen in the brain, out of curiosity, what does it cost to add Ginkgo biloba to your drink?”

“The ‘juice boost’ is fifty cents more,” Kim said, still glaring at her friend.

“Anything to eat with it?” I asked.

“Yes. By ten, I’m usually starving. After all, the only thing I’ve had to eat is that nonfat muffin.”

“So what do you get?”

“I get a PowerBar and it costs me one seventy-five.” Kim folded her arms and looked at me, as if daring me to make a comment. “Okay?”

I nodded and turned back to the blackboard.

<i>Double Nonfat Latte</i>	\$3.50
<i>Nonfat Muffin</i>	\$1.50
<i>Juice</i>	\$3.95
<i>Juice Boost</i>	.50
<i>PowerBar</i>	\$1.75
<i>Total</i>	<u> </u> \$11.20

"So, Kim," I said, "we're not even at lunch yet and you've spent more than ten dollars. And truth be told, you haven't really had anything to eat yet!"

Now the class was laughing pretty hard. Including Kim and her friend.

I waited for the laughter to subside, then said, "Seriously, Kim, we don't need to go through the rest of your day in front of the class. You can do that later. The point here is not to make fun of how you spend money. The only reason everyone is laughing is that we all know we're just as bad with our money as you are. We may not like to admit it, but we all spend small amounts of money every day and never think of what it adds up to. But let me show you something that I think will amaze you."

I pulled out my calculator. "Let's say, for the sake of argument, that today, this very day, you started to save money. I'm not saying you cut out all your spending—just that you reduced it a little. Let's say you realized you could save five dollars a day? Can we try that? Just five dollars a day, okay?"

Kim nodded.

"Now you are . . . how old?"

"Twenty-three," Kim said.

"Okay, let's say you put five dollars a day into a retirement plan." I punched some figures into the calculator. "That equals \$150 a month, or almost \$2,000 a year. Figuring, say, a 10 percent annual return, which is what the stock market has averaged over the last fifty years, how much do you think you could save by the time you're sixty-five?"

Kim shrugged. "I don't know," she said. "Maybe a hundred thousand?"

I shook my head.

Kim started to guess. "Two hundred thousand?"

"Try again," I said.

"Five hundred thousand?"

"How about nearly \$1.2 million."

Kim stared at me, her eyes wide.

"And that's actually a low-ball estimate," I said. "As I recall, you work for a company that matches employee contributions to a 401(k) plan. That's right, isn't it?"

Kim nodded.

"Well, if your company matched just 50 percent of what you put in, you'd actually be saving close to \$3,000 a year. And by the time you're sixty-five that would add up to"—I punched some more figures into my calculator—"roughly \$1,742,467!"

At this point, I could see the imaginary light bulb go off over Kim's head. "David," she said finally, "are you trying to tell me that **MY LATTES ARE COSTING ME NEARLY TWO MILLION DOLLARS!**"

In unison, virtually everyone in the room (including Kim's friend) looked at her and cried out, "YES!"

And so The Latte Factor was born.

WHAT IF I DON'T DRINK COFFEE?

No sooner had the hubbub died down than a man in the back row raised his hand and said, "But, David, I don't drink coffee. I would never waste the kind of money she wastes on lattes. That's ridiculous."

I nodded. His was an understandable reaction, but it missed the point. "Folks," I said to him and the class, "what we're talking about here isn't just lattes. And I'm not picking on Starbucks. In fact, I go there sometimes myself. What we're talking about is how we don't realize how much we spend on little things and how, if we thought about it and changed our habits just a little, we could change our destiny."

Someone else had another question. "But what if your investments don't earn 10 percent a year like you figured for Kim?"

"No problem," I said. "Say you got an annual return of only 6 percent. You'd still wind up with hundreds of thousands of dollars in savings." I did some more quick figuring on my calculator. "In Kim's case, the total would be \$559,523. The bottom line here is that saving small amounts of money can make you rich. And the sooner you start, the better."

By then, it was way past when the class should have ended. And still people hung around to talk. It seemed that of everything I had taught them during the previous four weeks, the

thing that really hit home was how much money Kim's morning latte was really costing her. As my students walked off to their cars, chatting about what their individual Latte Factors might be, it occurred to me that The Latte Factor was something I should probably share again.

When I prepared for my new class the next week, I created a visual to illustrate the power of The Latte Factor. I've been using it ever since. Here's what it looks like.

A LATTE A DAY KEEPS RETIREMENT AWAY

A Latte a Day	=	\$3.50
A Latte a Day for a Month	=	\$105.00
A Latte a Day for a Year	=	\$1,260.00
A Latte a Day for a Decade	=	\$12,600.00

What else do people waste money on?

What about cigarettes? These little things aren't just a health risk; they are also a financial risk. In New York City, where I live, cigarettes are taxed so heavily that a pack now costs more than seven dollars. Still, hundreds of thousands of people—particularly young adults—buy them every day.

A PACK OF CIGARETTES A DAY . . .

IS EVEN WORSE

A Pack a Day	=	\$7
A Pack a Day for a Month	=	\$210
A Pack a Day for a Year	=	\$2,520
A Pack a Day for a Decade	=	\$25,200

I could go on and on, but these two examples should suffice. And, again, I'm not picking on coffee or cigarettes. I'm just

showing you the numbers. It's all in the math. And it's basic math (thank goodness, because I'm no math whiz, and you don't need to be one either).

The point is that whether you waste money on fancy coffee, bottled water (now that's a funny one), cigarettes, soft drinks, candy bars, fast food, or whatever it happens to be—we all have a Latte Factor. We all throw away too much of our hard-earned money on unnecessary "little" expenditures without realizing how much they can add up to. The sooner you figure out your Latte Factor—that is, identify those unnecessary expenditures—the sooner you can start eliminating them. And the sooner you do that, the more extra money you'll be able to put aside. And the more extra money you can put aside, the larger the fortune you'll wind up amassing.

Consider this:

USE THE POWER OF THE LATTE FACTOR

\$5 (average cost of a latte and a muffin) \times 7 days = \$35/week = approx. \$150/month. If you invested \$150 a month and earned 10% annual return, you'd wind up with

1 year	=	\$1,885
2 years	=	\$3,967
5 years	=	\$11,616
10 years	=	\$30,727
15 years	=	\$62,171
30 years	=	\$339,073
40 years	=	\$948,611

Interesting, isn't it? Now, what if you took this a step further and said, "You know, I bet I waste ten dollars a day on things I don't really need to buy." What would that look like?

If you invested \$10 a day (or \$300/month) and earned 10% annual return, you'd wind up with

1 year	=	\$3,770
2 years	=	\$7,934
5 years	=	\$23,231
10 years	=	\$61,453
15 years	=	\$124,341
30 years	=	\$678,146
40 years	=	\$1,897,224

Let's try it one more time. What if you were in a committed relationship, married or living together, and the two of you looked at this and said, "You know what—let's go for it. Let's each save ten dollars a day." What could happen?

If you invested \$20 a day (or \$600/month) and earned 10% annual return, you'd wind up with

1 year	=	\$7,539
2 years	=	\$15,868
5 years	=	\$46,462
10 years	=	\$122,907
15 years	=	\$248,682
30 years	=	\$1,356,293
40 years	=	\$3,794,448

Now, let that sink in. Really look at those numbers and think about it. Is it possible that you could find five to ten dollars that you could cut out of your daily spending?

I think you'll find the answer is yes. Keep in mind that all we're talking about here is saving less than one hour's worth of pay for yourself each day. If you are going to put in roughly

90,000 hours at work over the course of your lifetime (which is what the average person does), shouldn't you work one hour a day for yourself? At the very least, it's something to think about.

THERE ARE NO TRICKS HERE

Becoming rich requires nothing more than committing and sticking to a systematic savings and investment plan. If you're not particularly disciplined, don't worry. Over the next few chapters, you are going to learn how to make your plan "automatic," just like the McIntyres did. For now, I just want you to focus on the fact that you don't need to have a lot of money or earn a lot of money. You just need to make the decision that you deserve to be rich. You just need to say to yourself, "You know what? I should have financial freedom. Other people do. Why not me? Why not now?"

YEAH, BUT . . . YEAH, BUT . . . YEAH, BUT . . .

This is where the "yeah, buts" come in. What's a "yeah, but"? It's what people do all the time to rationalize their current place in life. And what's so funny (and sad) about "yeah, but-ers" is that they often try really hard to find ways to improve their situation—only to "yeah, but" their way right past the answers.

How do you know if you're a "yeah, but-er"? You probably are one if you're talking to yourself right now and saying things like:

Yeah, but . . . I'll never be able to earn a 10 percent return on my money.

Wrong. Later on, I'll share with you how to do this over time. Just keep reading.

Yeah, but . . . with inflation and all, \$1 million won't be worth much in thirty years.

Wrong. It will be worth more than you think. And it will certainly be worth a lot more than nothing—which is what you'll have if you don't start putting money aside now.

Yeah, but . . . there really isn't a way to save small amounts of money and invest it. You need a lot more dough than that to be able to invest.

Wrong. These days you can set up automatic investment plans with as little as a dollar a day. Just keep reading.

Yeah, but . . . I really know for a fact that I don't waste a penny and there's no way for me to save the kind of money you're talking about.

Oh, come on. Hit yourself in the head (gently) and just keep reading. What you're saying is just not true.

I WISH I'D SEEN THIS EARLIER

Here's one last chart for you to look at, and then we'll begin exploring how you can make The Latte Factor work for you. This chart is one of the most powerful savings motivators I've

THE TIME VALUE OF MONEY—Invest Now Rather Than Later

Billy Investing at Age 15
(10% Annual Return)

Age	Invest \$3K/yr	Value
15	\$3K	\$3,300.00
16	\$3K	\$6,930.00
17	\$3K	\$10,923.00
18	\$3K	\$15,315.30
19	\$3K	\$20,146.83
20	\$3K	\$22,161.51
21	\$3K	\$24,377.66
22	\$3K	\$26,815.43
23	\$3K	\$29,496.97
24	\$3K	\$32,446.67
25	\$3K	\$35,691.34
26	\$3K	\$39,260.47
27	\$3K	\$43,186.52
28	\$3K	\$47,505.17
29	\$3K	\$52,255.69
30	\$3K	\$57,481.26
31	\$3K	\$63,229.38
32	\$3K	\$69,552.32
33	\$3K	\$76,507.55
34	\$3K	\$84,158.31
35	\$3K	\$92,574.14
36	\$3K	\$101,831.55
37	\$3K	\$112,014.71
38	\$3K	\$123,216.18
39	\$3K	\$135,537.80
40	\$3K	\$149,091.58
41	\$3K	\$164,000.74
42	\$3K	\$180,400.81
43	\$3K	\$198,440.89
44	\$3K	\$218,284.98
45	\$3K	\$240,113.48
46	\$3K	\$264,124.82
47	\$3K	\$290,537.31
48	\$3K	\$319,591.04
49	\$3K	\$351,550.14
50	\$3K	\$386,705.16
51	\$3K	\$425,375.67
52	\$3K	\$467,913.24
53	\$3K	\$514,704.56
54	\$3K	\$566,175.02
55	\$3K	\$622,792.52
56	\$3K	\$685,071.77
57	\$3K	\$753,578.95
58	\$3K	\$828,936.84
59	\$3K	\$911,830.53
60	\$3K	\$1,003,013.58
61	\$3K	\$1,103,314.94
62	\$3K	\$1,213,646.43
63	\$3K	\$1,335,011.08
64	\$3K	\$1,468,512.18
65	\$3K	\$1,615,363.40

Susan Investing at Age 19
(10% Annual Return)

Age	Invest \$3K/yr	Value
15		
16		
17		
18		
19	\$3K	\$3,300.00
20	\$3K	\$6,930.00
21	\$3K	\$10,923.00
22	\$3K	\$15,315.30
23	\$3K	\$20,146.83
24	\$3K	\$25,461.51
25	\$3K	\$31,307.66
26	\$3K	\$37,738.43
27	\$3K	\$44,812.27
28	\$3K	\$52,593.50
29	\$3K	\$61,152.85
30	\$3K	\$70,568.14
31	\$3K	\$80,924.95
32	\$3K	\$92,317.45
33	\$3K	\$104,849.19
34	\$3K	\$118,634.11
35	\$3K	\$133,797.52
36	\$3K	\$150,477.27
37	\$3K	\$168,825.00
38	\$3K	\$189,007.50
39	\$3K	\$211,208.25
40	\$3K	\$235,629.07
41	\$3K	\$262,491.98
42	\$3K	\$292,041.18
43	\$3K	\$324,545.30
44	\$3K	\$360,299.83
45	\$3K	\$399,629.81
46	\$3K	\$442,892.79
47	\$3K	\$490,482.07
48	\$3K	\$542,830.27
49	\$3K	\$600,413.30
50	\$3K	\$663,754.63
51	\$3K	\$733,430.10
52	\$3K	\$810,073.11
53	\$3K	\$894,380.42
54	\$3K	\$987,118.46
55	\$3K	\$1,089,130.30
56	\$3K	\$1,201,343.33
57	\$3K	\$1,324,777.67

Kim Investing at Age 27
(10% Annual Return)

Age	Invest \$3K/yr	Value
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27	\$3K	\$3,300.00
28	\$3K	\$6,930.00
29	\$3K	\$10,923.00
30	\$3K	\$15,315.30
31	\$3K	\$20,146.83
32	\$3K	\$25,461.51
33	\$3K	\$31,307.66
34	\$3K	\$37,738.43
35	\$3K	\$44,812.27
36	\$3K	\$52,593.50
37	\$3K	\$61,152.85
38	\$3K	\$70,568.14
39	\$3K	\$80,924.95
40	\$3K	\$92,317.45
41	\$3K	\$104,849.19
42	\$3K	\$118,634.11
43	\$3K	\$133,797.52
44	\$3K	\$150,477.27
45	\$3K	\$168,825.00
46	\$3K	\$189,007.50
47	\$3K	\$211,208.25
48	\$3K	\$235,629.07
49	\$3K	\$262,491.98
50	\$3K	\$292,041.18
51	\$3K	\$324,545.30
52	\$3K	\$360,299.83
53	\$3K	\$399,629.81
54	\$3K	\$442,892.79
55	\$3K	\$490,482.07
56	\$3K	\$542,830.27
57	\$3K	\$600,413.30
58	\$3K	\$663,754.63
59	\$3K	\$733,430.10
60	\$3K	\$810,073.11
61	\$3K	\$894,380.42
62	\$3K	\$987,118.46
63	\$3K	\$1,089,130.30
64	\$3K	\$1,201,343.33
65	\$3K	\$1,324,777.67

Returns on all investment products will fluctuate. Investment return and principal value will fluctuate and your investment value may be more or less than the original invested amount.

Billy invested \$102,000 less than Kim and has \$290,585.73 more.

START INVESTING EARLY!

ever seen. Indeed, I wish someone had shown it to me when I was in high school. If you're older, please share it with a young person you love. You may change his or her life forever.

What the chart shows is the power of putting \$3,000 a year into a retirement account and then letting compound interest work its magic. I'll explain about retirement accounts in the next chapter. For now, just look at the numbers—specifically, how relatively little money you have to put in compared to how much you wind up with at the end. When I display this chart in my Finish Rich seminars, people often gasp and say, "If I'd only known this sooner."

Well, now you know! The miracle of compound interest is the Automatic Millionaire's power tool for wealth.

FINDING YOUR LATTE FACTOR

You can think about your Latte Factor and guesstimate it, or you can catalog your actual spending and know it for sure. Either way works. Knowing it for sure is probably better.

To know for a fact what your Latte Factor is, use The Latte Factor Challenge form on the next page to track your expenses for one day. Take this book with you everywhere you go tomorrow and write down every penny you spend the entire day.

This may not seem like much of an activity right now, but, having shared the idea with my students, readers, and clients for years, I can tell you that when you actually put it into action, this simple exercise can be life-changing. It is truly stun-

THE LATTE FACTOR CHALLENGE

DAY	DATE	Item: What I bought	Cost: What I spent	Wasted Money? (✓ for yes)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				

My Latte Factor Total: (Total Cost of Checked Items)

=

THE LATTE FACTOR MATH

- My Latte Factor for one day = _____
- My Latte Factor for one month = _____ (Latte Factor x 30)
- My Latte Factor for one year = _____ (Latte Factor x 365)
- My Latte Factor for a decade = _____ (Latte Factor x 3,650)

IF I INVESTED MY LATTE FACTOR FOR:

- 10 years it would be worth = _____
- 20 years it would be worth = _____
- 30 years it would be worth = _____
- 40 years it would be worth = _____

CALCULATING YOUR LATTE FACTOR

To calculate the numbers above go to www.finishrich.com. Click on "calculators" and then click on "Apply the Latte Factor."

FREE! MY GIFT TO YOU

To win a free Latte Factor mug, share your Latte Factor experience by e-mailing us at success@finishrich.com. Just tell us what happened to you when you took the challenge. How much money did you find? What did you learn? Every day a winner will be selected!

ning to see in black and white just how much you spend—and on what—over the course of a single day. There is something about seeing it written down in cold, clear figures that can motivate you to make changes in the way you spend that you wouldn't normally make.

As an added bonus, you just might find that taking this small challenge is fun. You might find that during the day people ask you what you're doing. Your answer ("I'm tracking my Latte Factor") could spark a conversation that in turn might lead to your helping someone else become an Automatic Millionaire. And wouldn't that be something! After all, it's more fun to be rich with your friends than to be rich by yourself.

ANSWERS TO SOME FREQUENTLY ASKED QUESTIONS

Before we go any further, let me answer a few of the most frequently asked questions about The Latte Factor Challenge that I've gotten over the years.

One of the most popular questions is (and I swear this is

true) David, should I include things I pay for with cash when I track my spending?

The answer is yes.

What about credit cards and checks? Yes!

What about toll bridge fees? YES, YES, YES.

You track everything you spend. And everything means everything.

"OH, COME ON—THAT'S TOO DUMB."

A few years back, I described a seven-day version of The Latte Factor Challenge on a national radio show—and the host told me it was the dumbest idea he had ever heard. His exact words were, "Oh, come on—that's too dumb."

Considering this was a well-known radio show with a huge audience, I was a little upset by the host's put-down. "Come on, yourself," I said to him. "What's so stupid about it?"

He actually sneered at me. "Oh, David," he said, "it's cute and all, but get real. Track your expenses for seven days? Think about your Latte Factor? Give me a break. My audience needs real, concrete ideas. Not stupid gimmicks."

Now I was getting a little hot under the collar. I said, "You want something real? Well, how about this? How about you actually try this stupid idea of mine? You track your expenses for seven days, and then call me back in a week, live on the radio, and tell me if you still think it's so stupid. You do it seriously, and I bet you a hundred dollars it changes your life."

The host looked at me and grinned. "You're on," he said.

As it turned out, he didn't call me back a week later. So I

called him. He was a little surprised to hear from me, but he hadn't forgotten who I was or the bet we'd made. Sheepishly, he admitted that he had taken my Latte Factor Challenge. He said it had sickened him. You see, this national radio personality who knew it all and wanted concrete investment ideas for his audience told me that as a result of tracking his expenses for a week, he found out he was spending fifty dollars a day *just on eating out*. (For those of you who find this hard to believe, keep in mind that he lived in Manhattan and it's actually quite easy to spend that much in New York City.)

But what really stunned him was the math. After realizing that he had literally spent more than \$350 that week on restaurant tabs, he started doing some basic arithmetic. "Do you realize what this means?" he said to me. "It means I'm spending \$1,400 a month eating out. In a year, that's more than \$16,800 eating out. Do you realize I have less than \$20,000 in savings? I'm in my forties and I haven't put a dime in my 401(k) plan in nearly ten years because I don't feel I can afford it. I've been earning more than \$100,000 a year for a decade and I have nothing to show for it."

He went on to tell me that because of what he had learned as a result of taking the challenge, he had just arranged to start making 401(k) contributions again. The Latte Factor had hit home for him.

My cute little idea had worked.

For some reason, however, he never had me back on his show.

MAYBE IT'S NOT SO DUMB?

At this point, I hope you are excited. Now let's see what you can do once you find your Latte Factor and take control of your spending. Your future is about to change permanently.

TAKING ACTION

First, let me say congratulations on reading this far. You've already read more pages of this little book on money than most people read in a lifetime. Well done.

From here on out, each chapter will end with a series of **Automatic Millionaire Action Steps**. These steps are meant to summarize what you just read and motivate you to take immediate, powerful action. Remember, inspiration unused is merely entertainment. To get new results, you need to take new actions. To become an Automatic Millionaire, you need to act on what you've learned. The only way to get the financial future you want is to begin creating it now!

AUTOMATIC MILLIONAIRE ACTION STEPS

Reviewing the actions we laid out in this chapter, here's what you should be doing right now to become an Automatic Millionaire. Check off each step as you accomplish it.

- Recognize that what matters is not how much you earn but how much you spend.
- Take The Latte Factor Challenge. For just one day, bring this book with you everywhere you go and use the form on page 50 to track everything you spend.
- Decide right now that you can live on a little less and start to save today.
- Study the charts on pages 44 and 45 or use The Latte Factor Calculator at www.finishrich.com to find out in seconds how much saving a few dollars a day can change your life. (The calculator is free and found in the resource center.)

CHAPTER THREE

LEARN TO PAY YOURSELF FIRST

Here's some great news. If The Latte Factor opened you to the possibility that you already make enough money to start building real wealth, then this chapter will really get you going. Why? Because what we're going to do now is, once and for all, get rid of that pain-in-the-neck thing called a budget. I know what you're thinking.

Isn't the whole point of The Latte Factor to track how much I'm spending so I can figure out where to cut back? And doesn't that mean having a budget?

Nope. The point of The Latte Factor isn't to convince you to put yourself on a budget. It's to make you realize that you