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**Eight steps to start you on the path
to becoming a millionaire**

Life is too important to simply work for money.
You want to enjoy life by having money work for you.

To begin this exercise let's use Bill and Mary as our example. We will assume that Bill and Mary are an average couple, one working full time and one part time, collectively earning \$48,000 gross per year. Bill and Mary are typical Australians in the sense that they have a very poor savings record; they tend to spend more money than they earn and they are heading nowhere fast financially.

However, what we want to see with the right coaching, commitment and action is how Bill and Mary could, in a very short period of time, replace the income they earn by working, with money coming in while they sleep. In other words, with more coming in from their investments they could be setting themselves up financially and eliminating any bad debts without a large amount of hard work, just by commitment, focus, working smart and knowing the right strategies to use.

First of all what we are going to look at is where a couple can look at investing.

The bank. First of all they could put money in the bank, in other words cash. All that the majority of people know about investing is putting their money in the bank because you know 'which bank' came around to your school when you were at a young age to teach you to put money in the bank. Obviously, saving is a good habit but just putting money in the bank usually only makes the bank richer.

If you put your money in the bank at the moment the cash interest rates may be between 4 and (if you are lucky) 6 per cent, so it is going to take a lot of money to become wealthy. That is why many people think they need to win lotto, because if they have a million dollars from lotto and they receive a 5 or 6 per cent return on that money, then they will have \$50,000 - \$60,000 per year to replace their income.

Other than that where can people put their money?

The Stock Market. We can look at putting money in the stock market, however the stock market for many people would be considered highly risky. Therefore a lot of people do not put their money directly in the stock market. Instead, they often seek the advice of a financial planner and because financial planners tend to earn large commissions selling managed funds and super funds, they tend to get people to put their money into a managed fund.

Hence, people let someone else invest their money, which sounds smart in many ways. They do not have to worry about their money, but the obvious question if you want to be financially independent, is who is going to look after your money better - you or someone else?

Many of these financial planners are not wealthy individuals themselves. They are right down the pay ladder even in the banking structure and they are often just selling products with little or no training in financial success. Many of these financial planners are not successful investors so it is almost the blind leading the blind.

I did not become wealthy as a self-made millionaire by going and sitting in front of a financial planner. Actually, I would not have become a millionaire by following their advice. Why would I do that if they were not successful investors themselves? My millionaire mentor told me the obvious question to ask of financial planners is, if they could help me to become financially independent and live my ideal lifestyle, then why are they not doing it themselves? 'Something to think about' my millionaire mentor said - and a very valuable lesson.

What you want to look for in learning financial success is to learn from people who have produced results, not people who just have a license to give advice on money, because anyone can get a license to advice on money without the need to even be an investor themselves. With so many so-called money experts in the media, they always promote seeing a financial planner because they have their own agenda to grow their own financial planning businesses.

The question always remains, are they really money experts or simply glorified financial planners selling commission based products? I think the only way to determine that is to see the results of the people that you are taking notice of. As my millionaire mentor always said, the truth is in the results and unfortunately the majority of financial planners are not millionaires, let alone financially independent or even affluent.

The few that are have generally become millionaires by growing their financial planning business and selling them for a small fortune, as these businesses are highly profitable from all the commissions they earn.

This is regardless of whether their clients make money or not. For instance one Australian financial planner made over \$20

million from the sale of his share of his financial planning business.

If you find a financial planner that is financially very successful listen to them; otherwise do not blindly take advice from them or anyone. This is why financial educators that are actually wealthy from investing are in such high demand as they can teach from real life experience.

Their courses are swamped by people wanting to learn how to do it themselves as opposed to relying on financial planners for risky commission driven advice.

I decided to educate myself so I knew how to become wealthy myself, so that I was not at the mercy of taking other people's advice, as they often have their own agenda behind the advice. I have never seen a financial planner in order to become a millionaire and never will, to remain a millionaire.

I am yet to meet a single person that has become wealthy as a result of a licensed financial planner. I, and all of my millionaire friends, achieved millionaire status (many of us in our twenties and thirties) by investing in seminars to learn about successful investors and entrepreneurs and/or working with wealthy mentors.

We did not hesitate in investing thousands of dollars into courses to become wealthy as compared to a university degree or the alternative of not knowing how to do it; this was by far the cheapest option. I suggest being wary of some financial planners, as many are not wealthy investors themselves; even being wary of journalists that write money type books or magazines as they are often not investors and consequently all they can teach is theory.

If you are like me and are prepared to invest into your financial education, then select seminars and home study courses presented by people you feel you can learn from and simply ensure their courses offer 100 per cent money back guarantee. That way if it is not as good as promised, or just not suitable for you, you can then get your money back. In other words, risk free education.

Property. Another area where people can invest their money is in property. Property is very popular; mainly because everyone lives in a property either as a tenant or at some stage buys a house. In Australia, as a result of the \$14,000 government housing

grant that was made available in 2001, many people purchased their first property instead of renting.

Once again, many people who start investing in property fail to buy more than one or two investment properties. These people usually use the typical negative gearing scenario when they buy properties, but because they do not like any debt whatsoever, they work even harder now to pay off the properties and hopefully to retire off the rent. What they do not realise as they are paying off the property is that even though they are becoming wealthier they have to work harder to do it and it is a 15-20 year plan before they retire and then live off the rent.

Then they have to share that rent with their 'silent partner', the taxation office as the rent is classified as income. So they are going to have to work hard over a long period of time in order to gain enough properties to be able to live off the rent.

That is not working smart, but it is certainly working hard. It is possible but there is a faster way. We will be looking at strategies that are much faster and much more effective than that which allow you to retire in a much shorter period of time. Rather than a 15-20 year plan we are going to look at a 3-10 year plan, and even less for some people.

Sounds exciting and it is. Remember what my millionaire mentor always told me: *Life is too important to simply work for money. You want to enjoy life by having money work for you.* The only other area people can really invest in other than collectables, art and antiques is in business.

Businesses. I want to make a point about this and highlight why I think many people go into business and what some of the downsides are. Michael Gerber is an entrepreneurial guru so to speak and the author of the book titled *The E-Myth*. He often talks about how 80 per cent of businesses fail in the first five years.

Gerber said, 'If you have been in business for more than five years, do not get too excited as the next five years after that 80 per cent of those businesses will also fail. So if the first five years in business does not wipe you out, the next five years almost certainly will. Most people become sick of working for their idiot bosses (as they call them), so they decide to start their own businesses and they end up becoming the idiot boss. Instead of working five days a week for a guaranteed paycheque they now get to work six or seven days a week and often for no

paycheque.' For those who have been in business you may be able to relate to those sad statistics.

As a coach and 21st century educator, I have been working with tens of thousands of Australians, helping many people become millionaires. This has allowed thousands of people to retire in a reasonably short period of time, creating the lifestyle they desired. Originally they thought it was going to take them 20-30 years, yet many have been able to achieve it in a matter of a few years.

One thing I have noticed though is a big mistake many Australians have made. What they will do is borrow money out of their house in a line of credit and use that money to commence a traditional business. Often that traditional business fails and as a result these people lose the business and possibly the house as well - it all ends in a total financial disaster. I have seen this happen so many times and I consider that a big no-no.

One of the things I am going to suggest if we are going to make money out of property, is we do not want to put our money into a business unless we can afford to lose it. I consider a business to be what we call a high-risk investment. Now I am not saying do not go into business. Low investment type businesses like network marketing businesses which many people become involved in these days and which are set up with low cost are certainly not in the high-risk category.

But to purchase a coffee shop for say \$100,000 like my mother did, is a high-risk investment. It is taking money out of a more secure investment like property and borrowing against that to put into a business that is considered a high-risk and often it means you have to work hard for it as well.

The true definition of a business

A true business is a profitable enterprise that will work ideally without you. Think about that, a profitable enterprise that will work ideally without you. Most people really do not have a business; they just have another job that creates a lot more stress. The idea of a real business which Robert Kiyosaki talks about in the 'Cashflow Quadrant' and which I highly recommend, is becoming a business owner where you have an organisation or business that will work without you having to be there.

In other words, if you wanted to go away for six months you could and your business would still create a passive income. This

is money while you sleep. Most people do not know how to set up a business like that. To know how to do that you have to understand a thing called systems.

If you want to study how to develop systems in your business I highly recommend Michael Gerber's books, *The E-Myth* or *The E-Myth Revisited*. My last point is that to borrow against a business is very difficult. The bank will always want security on your house or property and that gives you a very good idea of how banks are not silly in that regard; they know where the security is and that is placing all your financial future at risk.

We are going to look at two strategies that I believe generally have less risk than traditional businesses - stocks and properties. They can create capital growth and also provide cash flow to live on, and both of these can create substantial cash flow in the short term as well. You just need to know what most people don't know.

Before we do that we need to look at how to get started. Now I am going to assume like for Bill and Mary, the reason many people do not even get started in becoming wealthy is that they think they need a lot of money. I am here to eliminate that myth. Here is what I am going to suggest. If I was to coach Bill and Mary the way my millionaire mentor coached me, I would ask them if they could initially come up with \$10,000 to \$15,000 to start an investment plan that could set them up financially in the next 3 to 10 years.

Now Bill and Mary might say yes, or like a lot of people they might say no, we do not have \$10,000 or \$15,000. If I were assisting them, then I would then say as a friend and coach, 'Allow me to help you come up with some ways to get \$10,000 to \$15,000.' All I need them to decide is whether they are absolutely committed. If they are absolutely committed I can assist them to become wealthy; if they are not committed no one can help them, not even Warren Buffett or Robert Kiyosaki.

No one can help anyone become wealthy unless they are committed themselves. So let us make the assumption that Bill and Mary are committed, want to become financially free and want set themselves up for a quality lifestyle. Let's look at eight ways to get started with \$10,000 to \$15,000 to start investing, so one day they will be making money while they sleep to replace their current income. If I can do it, and if I can help Bill and Mary as well, then just maybe you can do it also.

Step 1 - Savings

The number one way I would suggest is saving money. In other words, "All great investors are great savers." If you are not saving money now then you are never going to become wealthy until you start saving. When I first started off, I was trying to convince my millionaire mentor to give me some coaching on how to become wealthy. One of the first questions I remember him asking me was how much money I was saving. I said, 'Well, actually nothing to be honest.'

He quickly responded, "Then do not waste my time. I thought you told me you were committed to becoming wealthy and now you are telling me you are not saving any money. You are either committed or you are not."

I replied, "Yes, I am committed. I really do want to become wealthy." My millionaire mentor replied, "Go away and prove it and then start saving and show me proof that you are committed."

He went on to say, "A lot of people can talk the talk, but very few people can walk the walk." I was in a state of shock for a moment. I thought, "You rich people are rude and arrogant."

At the time I thought he was being rude and arrogant but I later realised that he was just being very firm. He was also proving a point and being truthful. In other words, if you cannot save money, you cannot be wealthy.

A lot of people say, 'Well it is okay for you Jamie, you are wealthy and you can save money.' But it does not matter how much you earn - you can save money. You must create a way to make yourself start saving. You must pay yourself first, it is the golden rule to wealth and you must look at ways to start saving money immediately. Even if it is only a small amount, it is a subconscious shift that is required. Predominately in Australia we are one of the worst saving nations on the planet, which is a real shame: New Zealand is even worse.

Step 2 - Sell something

The second thing to look at is, could you sell something? I do not mean run out and join Tupperware and have a Tupperware party (nothing against Tupperware - great product). What I am suggesting is that you could have a garage sale.

Are there some things you no longer need or are willing to sacrifice in the short-term to set your self up financially? Do you have a spare refrigerator, piece of furniture, spare bike, spare car

or even a spare boat that you could convert to cash? Anything that you could convert to cash to come up with a few thousand dollars is great.

My sister and brother-in-law did this and it was quite effective. They trade the Option market and live a simple life in Glenn Innes where we all grew up. My brother-in-law started to replace his income and was trading full time, which they were very excited about. They decided to use the strategy of having a garage sale to sell off some of the things that they did not need, so they would have more money to put into the market.

That way they could obviously make more returns on their investments. They ran the garage sale and as a result generated several thousand dollars from what they sold and that became extra money to invest in the market.

It was interesting though how some people can see things differently. Rumours were circulating in that small country town at the time and people were saying, "They must be going broke because they need to have garage sale to sell everything in order to live. We knew he would have been better off keeping his safe and secure job."

We all thought it was most humorous because the reality was quite different. They were committed to financial success and they were sacrificing some things in the process of becoming wealthier. Despite the perception of some people who thought they had been doing something wrong on the market and lost a lot of money. They had actually learnt how to replace their income by trading the market and working from home.

My millionaire mentor taught me, 'Jamie, if you are going to become wealthy, what other people think is none of your business. If you are concerned about what other people think, then forget about becoming wealthy. You will not achieve it because you will be held back by other peoples' limitation and fears. You just have to ignore that and focus on what you are doing as you know the truth of what you are doing is required.'

Step 3 - Tax

The third step is tax minimisation. Certainly many people are paying a large amount of income tax, especially people who fit into the middle class category in Australia and America. You should use some of that tax money for investing, either in negative gearing into stocks or property where your tax money

will pay for many of your investments. There are other ways; you could set yourself up as a consultant or contractor for your company rather than work as an employee.

Rather than earn a salary you can contract or consult to your employer where you will be paid the gross amount and you have to pay your taxes later, often at a lower rate. There is an 80/20 rule with it though where you have to have at least 20 percent of your income generated from another source.

The rule is constantly changing, but there are often ways to achieve that. You may want to discuss working as a consultant or contractor with your employer as many industries actually encourage this now. It is also known as outsourcing; a new buzz word in the 21st century.

If you have an investment property in Australia, you may not be aware that you can have your tax benefits contributed weekly, rather than wait for a refund cheque at the end of the year, thus improving your cash-flow and take home pay.

Step 4 - Income

The fourth step is to increase your income. If you can increase your income by an extra 10 per cent, that is an extra 10 per cent you could put aside for savings and investment. To increase your income is not that difficult. I will not go into too much detail now but I will give you a hint. If you want to increase your income, the areas you want to look at are how you can add more value. To create wealth, my millionaire mentor always said, 'Jamie you must add more value. One way you can do that is to improve and develop your skills.'

The four skills of a 21st century education are:

1. The ability to think creatively and solve problems
2. The ability to communicate more effectively
3. The ability to market an idea or concept to bring it to reality
4. The ability to negotiate

If you go work on these four skills, I guarantee your income will improve substantially because they are all skills in being able to add more value and increase your income. The reason most people do not generate a lot of income is because they just show up at work.

They are often sending personal e-mails while they work, they steal paper clips and pens every day and they are not proactive

in creating profits for the company they work for. They are often only interested in getting their pay cheque, that is it.

My millionaire mentor said, 'Jamie, to become wealthy what you must focus on is how to help the company you work for to make more money. If you can help them make more money, you can negotiate a share in those extra profits. One way you can help a company make more money is obviously to look at how to help eliminate expenses.

You can look around at the company you work for, as I guarantee there are thousands of dollars being wasted. If you can figure out a way to cut that wastage, you can negotiate with your boss or your managers and say, 'If I can help this company save \$20,000 per year will you sign an agreement to give me a bonus?'

You could say, 'You do not have to use these ideas but if I present you with the ideas and you adopt and use them to save the company money, say \$20,000 as an example, will you allow me to share in a percentage of that?' Maybe 5, 10 or 20 percent; whatever you can negotiate and get them to sign off for it upfront. If you know how to negotiate they will often agree to it.

It is a win-win situation, they do not have to adopt the strategy but if they do and it saves them money, say \$20,000, out of that you might get 10 per cent - \$2,000 extra bonus for one simple idea. I did a lot of things in the beginning and it is amazing how effectively they can work, as companies waste a lot of money.

My millionaire mentor went on to say the other way you can assist the company increase its profits is to just be more committed. How many employers would love their employees to come to them on a Monday morning and say, 'I have just been thinking over the weekend how I can help the company make more profit. I just want to let you know that I am absolutely committed to doing that; I have some ideas I would like to share.

If there is anything you can suggest I do to make this company more profitable, I am very open to that because I want this company to be more valuable and the only way I can do that is to help the company do better.'

This is a win-win scenario and you can present proposals to accomplish that. It may take some time but it is worth the effort. In some companies though, you may find it is not like that, as some managers may not accept your proposals. What you will find in some companies is that people have managers who if they found

out that you put in a proposal where you could make more money than them, your potential success causes their ego to get in the way and they will try to sabotage your success. You need to be aware of that if this occurs. You may need to go to another person in the company or another company altogether, which leads me to the next strategy.

What are you worth?

My millionaire mentor taught me, 'Another way you can quickly increase your income is to find out what you are worth.' Let's say you work for one company. Can you go out and look at more job options with other companies?

To be in a stronger position to negotiate what you want is to have at least three more alternatives where you could work. If you had three or four companies that would be interested in your services you would have to go out and investigate to find out what you are worth on the job market.

Then you can go out and negotiate with your current employer along these lines. 'I am considering leaving, I believe I am worth this amount of money and this what I am prepared to do to add the value that makes me worth that amount of money.'

This is the money that I would like to earn for doing that and I would like you to consider that. It is all right if you are not prepared to agree to my proposal because I am quite happy to leave as other companies are willing to reward me to the level I believe I am worth.'

Now as long as you are committed to adding value and you communicate that effectively, then you will find (as many of the graduates from my seminars have found) the company suddenly realises the value you add and how hard it will be to replace you.

Remember your boss is usually never going to walk up to you and offer you a pay rise; normally you have to ask for a pay rise. To get something you first must give, so you must put a plan to your employer that is going to provide evidence as to why they should pay you more.

It is not until you are willing to leave that they realise how valuable you are and they are willing to pay you more. This has happened so many times, so if you apply this strategy, you could be pleasantly surprised.

I had a friend who works for one of our companies. She used to work in a large bank and when she made the choice that she

was willing to leave and had arranged to go on contract to one of our companies to provide services, her company immediately increased her salary by around \$10,000 if she stayed on. She did not even ask for it. If she had wanted to she could have stayed with the bank and picked up around \$10,000 extra just by one simple negotiating method because she was adding value, she was valuable and she was willing to walk away.

To be a strong negotiator you must put yourself in a position where you are willing to walk away. Sometimes your employer might not give you the extra income but if you know you can go to another company and generate extra income; obviously you are in a much better position to negotiate.

Determination is the wake-up call to the human will. What kind of person will I have to become in order to achieve all that I want?

Anthony Robbins

Five forms of income game

What forms of income do you currently have?

_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____

What forms of income can you think of?

_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____

What forms of income could you most easily obtain?

_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____

List your possible forms of income

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

Step 5 - Other People's Money (O.P.M.)

The fifth step we are going to look at is called O.P.M., an acronym for other Other People's Money. To become wealthy you may need to consider using other people's money and that is something we will look at later on.

Let me give you an example. If you wanted to invest \$15,000 and you did not have it right now, could you go out and obtain a personal loan? If you have a job I dare say you would be able to obtain a personal loan or be able to borrow that money from someone. Let us say you were able to borrow \$15,000 if this was appropriate for you and let us compare that to Bill and Mary who did not do that.

By saving \$100 per week it will take Bill and Mary three years of consistent effort to save that amount. If they are like most Australians, guess what they will do after they start saving? They will probably spend it on a holiday, another car or something insignificant.

It takes a lot of hard work and discipline to save this \$15,000. But what if Bill and Mary were committed to investing and were willing to borrow \$15,000? If they borrow on a personal loan that would probably only cost them around \$75 per week to pay off. If they are already committed to saving \$100 per week, the \$100 per week they are saving could now cover the cost of that loan without putting any extra stress on them financially, but what it gives them is \$15,000 to use immediately for investing.

There are some financial strategies we will look at in a moment where \$15,000 invested (for instance in the stock market with a low to medium-risk strategy, if they were to do it the way I teach people) could generate anywhere from \$300 up to as

much, in some cases, as \$1,000 in many months of the year in additional cash flow. And that is with less risk than most people are taking right now.

\$15,000 can generate \$300 to \$1,000 per month in some fast track strategies with less risk than buying a car.

You might ask, 'Jamie, can we move right onto that topic and show me how to do that?' We will actually cover that in the next few chapters. The point is to illustrate that using other people's money and borrowing money, if it is done smartly and wisely, can increase potential returns; however it can also produce a negative return if done incorrectly. Most people will say, 'I am not going to do that. It is too risky to invest in the stock market.' But how many people will go out and borrow \$15,000 or more for a car? What do we know about a car? A car is actually a classic case of a poor investment. As soon as we drive the car out of the showroom door we lose around 20 per cent.

Within five or ten years what is our \$15,000 car worth? It could be worth as little as a few thousand dollars; therefore we have lost a considerable amount of money. Every time you drive into a petrol station your car takes more money out of your pocket. Cars cost money every month and they lose value. They are a guaranteed loss, but how many Australians have at least one or two cars? Many people! And they consider that smart.

I realise that a car is considered a necessity in Australia but really it is a luxury people obtain before they can really afford it. It is a complete waste of money for most people, yet the same Australians could go and borrow \$15,000 to invest. Even if it was invested in the worst companies listed on the stock market, they would still not perform as badly as a car over the next five to ten years.

We have got to look at our mindset. What is risky here? The biggest risks you will take with money is not investing and not saving; that is the greatest risk. When you are investing, I agree that you can lose. At times you will lose, but that amount can be manageable. You can learn to deal with that and you will be way ahead of someone who did not decide to invest.

Remember that I am advising you what to do with these strategies; they are suggestions to consider and you will need to adjust them to your personal situation and also consider whether you are willing to develop your mindset to have these ideas work for you. Otherwise, if you are not willing to, then the money

magazine type advice is about the best you will get where you hope to retire in 100 years from now. Now, there is nothing wrong with that advice. It is just slow and boring and is offered by financial planners who have made their wealth through selling advice and earning commissions, or journalists who are yet to produce real-life results.

Always seek financial mentors who have real life results for further help, or attend seminars or use home study courses taught by self-made millionaires to continually educate yourself.

Step 6 - Using equity

The fifth step is what we call using equity. Many people have equity in their homes, equity being a portion of their house they actually own. Much of that equity could be put to good use, rather than just sitting there idly. The challenge with many people is that they become asset rich and cash flow poor because predominately we have been taught to get a good education, work hard all our lives, pay off the house and retire to the good life.

For many couples, as they get older, by the time they pay off their house, they may be fortunate to find, if it is in a good suburb it could be worth \$500,000 to \$1,000,000 or more. But the challenge is the house is really big and the children have left home. They no longer need a big house but they still have to continue work because all their money is tied up in their house. The house is not producing any cash flow.

So I suggest using some of that equity to invest in investments that are going to generate some cash flow. Some people might say, "I do not want to do that. It is too risky." Often what I say is what my millionaire mentor taught me, which is that life is a risky business. There is not a single one of us who is going to get out of it alive. That is how risky it is. When you think about it, life is a risky business. We must all take risks. The greatest risk in life is to do nothing at all.

My millionaire mentor used to share with me the story of an 86-year old lady who was on her deathbed. In her dying moments she said to some of her closest family and friends, "You know, the only thing I regret as I look back on my life, and it is now virtually over, is not taking more risks. What was I so scared of?"

You see the challenge for many people is that day is going to

come and they will regret it. The question with investing is, are the risks you may take less risky than not investing? I just want to help you understand and illustrate this important point.

Most people are currently taking far greater risks than what is necessary. They could take less risk investing wisely to become incredibly wealthy in a very short period of time. I am going to suggest possibly considering using some of your equity, but do not use it to invest in high-risk businesses. We will take that equity and put it into either another property with a good strategy, or the stock market with a good strategy, where you can insure your position. (I will explain insuring later). Other people might say, 'Jamie, that is fine if you have equity, but what if I do not have any equity?'

Remember there is always a solution if you are absolutely committed. Also remember these are only suggestions. As my millionaire mentor told me, 'You do not have to do anything, it is just a matter of choices. You could try to avoid all risks in life and do nothing, however, you will just risk wasting your entire life.' Now that is a risk I was not prepared to take.

I decided to start investing as it carried the least risk!

Step 7 - Parents' equity

This seventh step in the eight steps to kick starting your investments is about using your parents' equity. If you do not have any equity perhaps your parents or grandparents do. Most people wait until their parents die to inherit their house. It is sad and I do like to mention it to many people, but how many fights are there over their money and assets after someone dies? It is a sad and selfish part of human nature.

What I am going to suggest is why wait until your parents die to inherit their wealth. Do the exact opposite; the law of opposites. Why wait? Why not ask to draw down your inheritance early. A reporter who attended one of my seminars later wrote that I was suggesting a ruthless strategy because I said this.

The reporter was also broke, had a poor mindset around money and did not like people getting too excited about financial freedom, which the hundreds of people attending were getting excited about. The sad part is that this reporter was not open to learning. To him nothing worked. He said, 'This sounds really ruthless, I cannot believe that you are even suggesting it.'

Let me ask you a question that I posed to the reporter and the

audience. Do most parents want to see their sons and daughters do well in life? Yes or no? I would say yes, but some people say to me, 'Jamie, you do not know my parents.' But let us assume most parents do want to see their sons and daughters do well in life.

One way they think they are helping their sons and daughters is to first of all assist them to get their first investment, which is usually a car. We know a car is a classic investment, so they use the family assets to buy it and become guarantor for them, which is not really helping them to become wealthy.

What if you approached your parents and said, 'Look I want to buy my first investment property and get into some real investing. I have done my homework, I have looked at the potential downsides, the upsides and how to manage the risk. I want to borrow some of your equity to get started. If you do that, these are my guarantees. I am willing to guarantee that I will pay the money back on time. If I am even one day late paying back the money I owe, I agree to pay an additional \$500 in late fees (sounds like the banks). You can also have the rights to take over my investment property if I am late three times.'

If you look at the investment property it is virtually guaranteed to go up in value. The average Australian or New Zealand residential investment property doubles every 7 to 10 years. Now that does not mean that every investment property is going to double every 7 to 10 years; some will double in less time. I have had properties that doubled in a little over two years. That is unusual I know. One of the properties was worth a million dollars when I purchased it and it doubled in value within 2 years.

Some properties do not double in value in twenty years and in some places property values will never double. But a good property is virtually guaranteed to eventually increase in value, just as likely as the sun is to rise tomorrow. Whereas investing in a car, the value is virtually guaranteed to go down, just as likely as the sun is to go down tomorrow. Do you follow what I mean? There is always a risk; we just have to compare one risk to the other to be able to make a financially intelligent decision.

So maybe you can consider using your parent's equity. Remember, you do not have to; it is just an option. If you do not have parents or grandparents perhaps you can use some friend's equity. There is so much equity sitting around in this country that is not being utilised.

The amazing thing about using equity out of a property is that

the property can still increase in value, even if you take some of the equity out of the property and invest it somewhere else. Assuming it increases in value, you have money working for you twice. Now that is magic!

Getting started - \$10,000 - \$15,000

- | | |
|----------------------------------|--------------------|
| 1. Save it | 2. Sell something |
| 3. Decrease tax | 4. Increase income |
| 5. O.P.M. - other people's money | 6. Equity |
| 7. Parent's equity | 8. Superannuation |

Step 8 - Superannuation

The eighth step is superannuation. One of my companies helps many people I educate to access their super by setting up self-managed super funds where they can actively invest and manage their own superfund. In Australia, superannuation is compulsory. In the United States, it is referred to as a 401K account.

I think if the Australian Government was more creative and wanted to help increase savings in this country they would really look at changing superannuation. A smart government would completely revolutionise superannuation and make it more beneficial.

What I would suggest for instance is instead of the employer having to pay the super, the employees, such as in Singapore, have to match the employer's contribution. Currently in Australia the employer has to contribute super of around 9 per cent.

Rather than charging the employer another 9 per cent to increase it, why not create some incentive for the employees to match that 9 per cent? In other words, say if employees put in at least the equivalent to what the employer put into the super fund, they would receive a tax incentive so the funds go into their super tax-free. If they change the rules of super then people can actively use it. I think the reason a lot of people are not excited about super is that they do not count it as real money as they generally cannot touch it until age 65.

So what if we encouraged more people to invest in super by providing further tax benefits, but allowed a portion of that super to be accessible if they made additional profits? If you could

generate profits above 5 or 6 per cent and you are allowed to actually pull some of it out before retirement age. In other words, like politicians they do not have to wait until retirement age to access their super. You may note that many of the laws in this country are set up to benefit those in power and the masses suffer as a result.

If you could access some of your super well before retirement age, would you be more motivated to consider putting more money into super? The obvious answer is yes! The Government could create a massive increase in savings across the entire nation and that extra wealth in the country could be used to invest in Australian businesses.

Rather than have to beg for multi-nationals to invest here, with the result that most of our profits go back overseas, tax-free, Australians could create more jobs and create a wealthier Australia. We could actually be buying out companies overseas, in the same manner that foreign companies often buy out Australian companies.

Countries like Singapore, which used to be a third world country, and other countries that are tiny dots on the map compared to Australia and the US, are able to come and buy out our companies, because they are much better savers and investors and therefore in a much stronger position than the US.

Instead of being bought out and at the mercy of the world market and to the detriment of globalisation, Australia could become even wealthier as a nation. So with superannuation, despite the government's restrictions, there are still ways that you can actually use your super to be actively investing and that is something you may want to consider further.

With recent changes to the Australian tax laws around superannuation it has become a much more attractive investment.

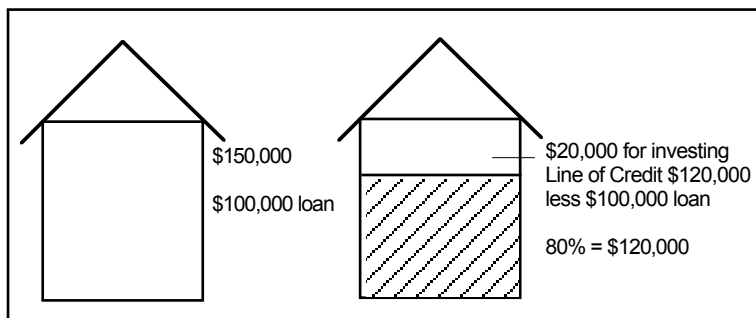
The next step - how to make money out of thin air

Now we have looked at eight ways to come up with money to get started. There are many other ways out there, but let's now look at how we make some money out of thin air.

The first step we need to look at is adding value, which I mentioned previously. If we can add value to anything, it follows that its valuation should increase; in other words if we add value to the businesses that we work in, we can generate more wealth. If we add value to property we are going to create more wealth.

So let us first have a look at how we can make some money out of thin air to increase the amount of money we have to invest. Let's imagine that you have a house or your parents have a house. One of the first things you could look at is utilising equity. You could go and arrange a line of credit on this property. A line of credit is a facility where you can draw out some money on the property.

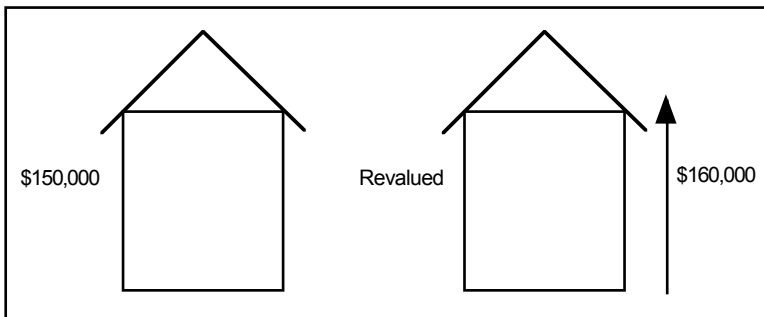
Let's use Bill and Mary as an example. Bill and Mary have a property that is worth \$150,000. The bank happens to own \$100,000 of that, so that means Bill and Mary's equity is \$50,000 - the portion of the house they actually own. Bill and Mary could use a line of credit to use some of their equity for investing. Say they needed \$10,000-\$15,000, Bill and Mary might be thinking, "Well Jamie I do not have \$10,000-\$15,000." But I would say, "You have equity in this property. That \$50,000 just sitting there is yours to use. You could potentially be using that for investing. To work out how much that could be, the maximum the banks will let you draw out of property is usually 80 per cent of its value."



So let's look at \$150,000 as the value of the property, 80 per cent of that is \$120,000 but then you have to subtract \$100,000 because that is what Bill and Mary owe to the bank. They have already borrowed that amount so they cannot re-borrow what they have already borrowed. So \$120,000 less \$100,000 would equal \$20,000. Bill and Mary, depending on their ability to obtain the finance, would be able to potentially to draw out in a line of credit as much as \$20,000. When using a line of credit I always suggest leaving as a buffer in case of emergency. But Bill and Mary could draw some of that out and use it for investing immediately.

Let's say they took out \$15,000. I will show you an example of how they can turn that into extra monthly cash flow that would be coming in without them needing to work - that is when it becomes really exciting. It is not something that takes years to set up; it is something that could be occurring for them within a month. That is why once people understand what is possible they get excited with these strategies. Especially if you have the right mindset and someone shares the fast-track strategies with you, to implement in simple terms.

The next step for Bill and Mary to help them create more money for investing is to utilise the \$150,000 house. They could potentially get that re-valued. Properties in most capital cities around Australia tend to rise in value. So we ask Bill and Mary when they last had their house valued; if they are like most Australians it will probably be several years.



I would get them to call their bank immediately and ask them to get a valuation done on their property which will cost them approximately \$300-\$400. Sometimes the bank will pay for it; anyway it could be worthwhile. They could get their house valued and the bank valuation might say the house is actually worth \$160,000 now, not \$150,000 because properties have risen in the area. Therefore, Bill and Mary now would have more money they could draw out in a line of credit than what they had previously.

Renovations

What if Bill and Mary were to do some quick renovations to the house that are inexpensive but would add significant value to the house before they have the valuation done? Let us consider this

for a moment. What Bill and Mary would want to is add value to this property to make it worth more.

Bill and Mary could 'backyard blitz' it; if you watch those popular renovation type TV shows it is amazing how they can transform the landscape of a backyard in a just a weekend. Admittedly, they have a lot of helpers, but they completely transform these properties. What I am thinking in the back of my mind is that these people are so fortunate and they get so excited about a beautiful backyard. Because they have a beautiful garden and landscape some of these TV renovations have added in many cases \$20,000 to \$50,000 value to the properties they work on.

The obvious first step is to ascertain what sort of inexpensive landscaping we can do to fix up the garden. We do not want to spend too much money - the less we spend the better. Could Bill and Mary perhaps also repaint the inside and outside of the house and make it tidier?

Could they possibly redo the kitchen and bathroom, the two most important areas of the house - and they can be done quite inexpensively if one is creative. Could they perhaps replace the carpets or have polished floorboards? These are simple things they could do to add value, to make that house look better.

By doing some of these things let's say they invested \$20,000 into improving their property. Then if Bill and Mary should be able to obtain a new valuation on the house, especially as it looks more desirable.

Their house is now better than other houses in the street and it could be revalued at say \$200,000. I used this as real life example. In some cases the value may not increase by as much as that and in some cases the value may increase more, but let us assume a valuation of \$200,000.

Bill and Mary spent \$20,000 on their renovations and their house is now valued at \$200,000. The increase in value is \$50,000 less the \$20,000 they spent on their renovations; Bill and Mary have thus created an extra \$30,000 in value out of thin air. That is money out of thin air.

Let me ask you a question, 'How long has it taken you to save your last \$30,000?'

You can start to see by thinking smart and outside the box, how in a very short period of time you can create significant extra

money out of thin air just by taking some action. A problem you might suggest is what if Bill and Mary do not have \$20,000 for their renovations? The reality is for as little as \$3,000 to \$5,000 you could add tremendous value to a property.

I often say this strategy is good it even works in smaller cities, which people often laugh at. Not to pick on the people in smaller cities, but often people remark, 'That is all right for people in the really large cities, but what if I live in a small city?' It still works - do whatever you can to add value to something!

I have a story of young girl in one smaller city who told me she took this strategy that I shared with her in a free seminar I did in one of these smaller cities.

All she spent was \$1,000 on her property and she was able to increase its value by \$20,000. In other words for an outlay of \$1,000 she increased the value of her property. This lady was very happy with just that one idea and she was then able to start investing that money into other things. So you see how she could get massive momentum in an investment strategy very quickly. It almost sounds too good to be true!

Here are a few rules of what not do to ensure it becomes true for you. By using this strategy it is very difficult not to be successful, yet many Australians figure out ways to not make it work.

One of the big mistakes with people carrying out renovations to improve the cosmetic appearance of the house is that they want to do major renovations. They want to put in a big pool, build a three-car garage and spend an absolute fortune. They might spend \$50,000 and the value of the house might increase by only \$20,000. That is how not to make it work. You want to spend as little as possible, the least outlay for the greatest potential gain. In certain areas you will achieve a major increase in value and other areas only a small increase. Bill and Mary now have more money and are more excited to now invest in their potential investments to make money while they sleep.

We are now going to look at some other strategies. Let us take a look at the stock market. I understand the stock market today but that was not always the case. I used to think that it was too risky and too time consuming until my millionaire mentor helped me understand certain strategies. When I adopted those strategies I had such success with them that I became a raving fan of the market. I still am to this day and I have helped many people

generate substantial amounts of money from the stock market. It is exciting because it can generate cash flow quickly and if it is done properly you can minimise your risk as well.

A lot of people do not understand this. Even though I did not start investing in the market initially to create my wealth, it is still a good place for many to commence, even if they have never invested before.

Creating cash flow through renting

One of the most exciting strategies is how you go about stock renting. A lot of people ask, 'Jamie, is this a misprint, stock renting? I know you can rent out property but how can you rent stocks?'

It is actually true that you rent out stocks. 'Renting' is a word I created as a communicator and educator to educate Australians on how to go about carrying out the strategy in a very simple format. There are more technical words that people generally use to describe this strategy as will be explained later, but generally the challenge for a lot of people to be successful in the stock market is to learn the technical language. The words are often coded and it all sounds complicated but it really is not.

Another thing this book covers is how you can insure your position in the stock market. Most people have no idea that they can insure their position in the stock market through this strategy; we will come back to that a little further on.

I want to look at how I helped Bill and Mary, as a friend and coach, to come up with some good ideas to generate an extra thousand dollars a week. That is, money coming in while they sleep in the shortest time possible without them needing to work to earn that income and by managing risk and utilising their money more effectively. The reason they are after \$1,000 a week is because that is approximately what they jointly earn right now.

That amount would replace their income and give them some major choices in their life. In other words, they could cut back to part time work if they wanted to. Bill and Mary could go on more holidays, only work six months of the year, maybe even consider not working at all. Maybe moving to another career which they enjoy because they want to, not just because they have to do it for the money.

It would completely transform their lives just by implementing a few strategies. You may be interested in doing the same.

In the next chapter I will explain half a dozen fast track stock strategies. I will go into the last couple in detail, particularly stock renting. If you require more assistance in understanding the strategies, you can request my free DVD explaining the strategies in detail at: www.21stcenturyacademy.com

I have no doubt that if you are like hundreds of thousands of people who have watched my DVDs you will become very excited about these strategies, because they are not only realistic, but they can be done quickly. This book will give you the fundamental understanding of how you would go about doing these things if it is applicable to your current situation or your future situation.

Do you share these Millionaire traits?

In Thomas Stanley and William Danko's book *The Millionaire Next Door* they revealed that most millionaires really could be the people next door. They don't drive a new car every year or jet around the world. In fact, sometimes they're the least likely person you would suspect. There are seven commonalities that most millionaires share. How do you shape up with these characteristics?

1. They live below their means. Half of the millionaires interviewed did not live in high-status neighbourhoods. Instead, they lived in average neighbourhoods in average houses. That's how they were able to save money. The other half that did live in high-status neighbourhoods only moved there after they had become wealthy.
2. They lead frugal lifestyles. Most do not buy \$5,000 suits, expensive boats or even new cars. You might say they're tightwads. They shop for bargains and always negotiate for a better deal.
3. They are self-employed or own their own businesses. They also love their work - they connect with their jobs and feel very passionate about them.
4. They plan and study investments. The majority of millionaires invest heavily and spend a large amount of their time studying their investments or seeking advice from financial advisors.
5. They weren't always at the top of their class. Another surprising commonality among the millionaires interviewed was that they didn't all have advanced degrees or graduate at the top of their classes. Some didn't even go to university and

a few didn't even finish high school.

6. They are self-made. The majority of millionaires received no family money and do not plan to give their own children a lot of money. They want their children to succeed the same way they did - on their own.
7. They've failed more than most. This above all others sets millionaires apart - they are not afraid to have a go and keep trying against all odds.

I want to add something insightful to this point. Don't think you have to fail before you succeed. It's not a pre-requisite. I understand the importance of turning failures into valuable lessons, sure. But with the right advice and guidance - you can stack the odds heavily in your favour and be successful without leaving a trail of disaster behind you.

Case study

How to make money with OPM (Other Peoples Money) - \$1 billion profit from a totally debt funded investment.

Solomon Lew is a well-known Australian investor and retailer. He has added more than \$200 million to his personal fortune from canny retail investments in the likes of Colorado and Just Group since he departed the board of major but troubled Australian retailer Coles Myer a few years ago.

When the Coles Myer sale process was completed in late 2007, Solly's totally debt-funded original investment in Myer way back in the mid-1980s delivered him a clear profit of almost \$1 billion once the break-up and sale was complete, despite all the scandals and blunders along the way.

This is a good example that borrowing to invest, if done smoothly, can be a very effective wealth strategy.