

The Automatic Millionaire

By David Bach, 2004 edition

Key take-aways from the book:

- Automate everything that you can! It takes the decision-making process out of your hands after that and you don't have to depend on willpower or memory to keep it up.
- Pay yourself first – anything that you can is better than nothing at all. Start at 1% if you have to. The rich save 20% or more of their gross income, if you want a goal to aim for. Suggested contribution of savings: 10%. Arrange to have your savings pulled out of your paycheck and put into a 401K or IRA, etc. Make sure this is automatic.
- Your Latte Factor is the number that we unknowingly spend on a daily basis that could be reduced or eliminated altogether. Maybe you do get a daily coffee before work, or eat lunches out, or get a magazine subscription? (Personal note: *though I've never found this to apply directly to me, I am participating in the 'no spend year' challenge, and even I found that I can save about \$2k this year by not spending any money at all on fun wants. Going forward, then, into next year when I do resume spending again, I hope to continue to save at least \$1,000 of that excess money and I'll still have \$1,000 to spend on my own desires throughout the year. This includes everything from coffee, eating out, buying gifts for others, and vacations, etc. I'm fairly frugal anyway, so I should be able to make this work without too much trouble. Obviously I won't be able to go on vacation every year though! :P*)
- Automate a 'rainy day'/emergency fund for yourself with enough money to let you sleep well at night (between 3-24 months of expenses). This should go in a money market account and/or US savings bonds. Suggested contribution of savings: 5%.
- Become a home-owner to invest in your future. Automate half-payments to be paid every two weeks rather than once a month. This may seem like the same amount, but in reality you will 'sneak in' an extra house payment each year and can pay off your house about seven years faster just by doing this one thing.
- Automate debt-payments, if you have any. If you are paying yourself that 10% first, as suggested above, save half of it for your retirement, and put the other 5% towards reducing your debt. This way you can accomplish both goals at the same time. And stop getting further into debt! This may be a no-brainer, but don't sabotage yourself, please. You're working too hard for this! (Check out his book for the DOLP system to know how he recommends paying off debt.)
- Automate giving/tithing. Become an even more generous person with your resources. (Personal note: *I automate my giving to Compassion International, Kiva, and to my church. This can be done regardless of the organization, it seems. If you're not sure, just check with them!*)