

## I N T R O D U C T I O N

# Setting the Stage

*What the mind of man can conceive and believe, it can achieve.*

—Napoleon Hill

**W**hen you think of a millionaire, what image springs to mind? What type of person does your imagination conjure up to fit the “millionaire” bill? Is it the image of a successful businessman or businesswoman you know? Maybe it’s a clearer picture of Bill Gates, Warren Buffett, or some sports superstar or other celebrity? As your mind explores these various options, chances are you probably can’t think of someone you actually know who is a millionaire. And if you can, it’s likely the millionaire you can think of is a mere acquaintance at best. After all, how many people actually *know* a millionaire?

Whatever your millionaire image may be, I have news for you: I’m fairly certain that you’re on a first-name basis with one. In fact, I can almost guarantee that there’s a millionaire in your life right now—one that you’re not only on a first-name basis with but also dining with, vacationing with, and even sleeping with. The millionaire I’m talking about is . . . you.

Now before you slam this book shut and put it back on the shelf, indulge me for just a moment.

Take a second and compare yourself to your millionaire image. What is the difference between your image of a millionaire and your self-image? Would it be as simple as saying that your millionaire image is worth a million dollars and you’re not? Do you have

## 2 INTRODUCTION

the same attitude George Bailey had when Mr. Potter told him he was worth more dead than alive? Do you really think that you're not worth a million dollars?

Before you answer that question, think about this. What if your millionaire image's wealth totaled \$999,999.99? Wouldn't you think your millionaire image is still a millionaire even though he or she is technically short of that mark by one penny?

What if the distance from that million-dollar mark was increased from one penny to \$100,000 or more? Would your opinion of your millionaire image change? Or would you be thinking that since your millionaire image already knows how to generate wealth, that person is still worth a million dollars because he or she knows what it takes to get there? If so, why can't you apply that same logic to your self-image? Why can't you say that the distance between where you are now and becoming a millionaire is irrelevant? If you can't say that, is it perhaps because you lack the financial knowledge that your millionaire image possesses? Well, if that's the case, here's some good news: That's about to change.

The fact is that you're most likely worth much more than a million dollars. This is because throughout your working lifetime, you'll probably generate much more than \$1 million in income. The challenge isn't earning the million dollars. The real challenge is accumulating it.

Merriam-Webster defines a millionaire as *"a person whose wealth is estimated at a million or more (as of dollars or pounds)."*

This book is about wealth accumulation, not wealth generation. "What's the difference?" you ask. The difference is you probably already have the wealth-generation part down pat. That's because, if you're working or otherwise earning regular income, you are generating wealth. *But* are you accumulating any? Are your net worth and your investment portfolio growing each month? If not, then this explains the difference. These pages are dedicated to revealing simple secrets and strategies you must know, right now, so while you're generating a fortune, you'll actually be able to accumulate some money and enjoy it yourself.

This isn't just another book on debt and credit. Sure, those two topics will be heavily discussed within these pages because they play an obvious and important part in your millionaire development. But none of that will do you any good until you actually realize that

you . . . yes, you . . . are indeed a millionaire in the making. We're going to dive deeply into the numbers in hopes of turning that ever-dim lightbulb on in your head that will provide the revelation you need to see that you truly are worth a million dollars—right now (don't worry, the math will be simple).

And once these numbers . . . your numbers . . . have convinced you that you will indeed generate quite a bit of wealth during your working lifetime, we'll outline those simple, yet very effective strategies you can employ to do two things:

1. Create a personal financial environment where great credit can just happen with minimal effort on your part.
2. Initiate the process of transforming your wealth generation into wealth accumulation so you can retire rich. (You'll also get a pretty good idea as to when you can begin those golden years.)

### What You're Going to Learn

In this book you'll learn how debt and credit should fit into your financial life in order to provide you with a platform to accumulate wealth instead of what you're most likely doing now, consuming it. If your millionaire image is someone other than yourself, then the problem is most likely wealth consumption. What is wealth consumption? It's spending income before you've earned it (yeah, that's the debt part).

The difference between consuming wealth and accumulating it will be a common theme in these pages. That's because instead of looking at your regular income as a portion of your wealth accumulation, you most likely look at it as just a paycheck that enables you to pay your bills. And this ongoing conflict between earning paychecks and paying bills has created a financial myopia that causes you to consume wealth at a pace that may even surprise you. I know it did me.

I remember one Saturday morning waking up to the phone ringing. It was a debt collector trying to get me to pay what I owed with money I didn't have. Maybe you know that feeling. At that time in my life, collectors and creditors were calling regularly; I felt like a deli counter at the grocery store. I told them that they could try to get water from a stone but they would have to take a number

#### 4 INTRODUCTION

and get in line with the rest of the people I owed money to. When I hung up the phone, all I could think was “How did I wind up here?”

The funny thing is, I hadn’t said, “*At some point in the future, I want to be breaking into a sweat each time the phone rings or whenever I open my checkbook to pay my bills. And I want my financial situation to be so screwed up that hopelessness and discouragement are the most common emotions I experience. And while I’m experiencing all of these emotions, I’ll be sure to wear a smile on my face because I don’t want anyone to know what I’m going through. I don’t want to be ashamed.*” No one intentionally charts a course where the destination is financial embarrassment and despair.

The question is, if quiet desperation and financial frustration aren’t the intended destinations, why do so many people end up there? (In my opinion, there are two answers, which I’ll get to in just a few moments.)

Maybe that’s where you are now, or maybe not. It really doesn’t matter. That’s because no matter what your starting point is, these pages will give you the ability to chart your own course where hope and peace of mind anxiously await you.

That’s where I am today. For me, things are different now. *Much* different. The lessons that have facilitated these big changes in my financial status are now at your fingertips. And this book will give you the tools that I’ve developed that have already helped thousands of others make these changes, too.

I’ve gone from having an absolutely horrible credit rating to one that affords me the pleasure of throwing away dozens of credit offers each week (trust me—that’s a *great* feeling). Turning the tables on the denial process is so very liberating!

I’ve gone from scrambling to make money and having to dig myself out of some rather precarious situations to ultimately having the luxury of working from home with a commute of just a couple of flights of stairs.

I’m afforded this luxury because, out of everything I’ve learned over the years, there are two things that stand out. These two things are also the two answers to why people often end up financially disappointed.

Answer #1 is knowledge. Most people simply don’t truly understand how money works. Sure, they know that some decisions may

not be as good as others, but no one has showed them how significant the impact of those not-so-good decisions can be. Once you've read this book, you'll possess the knowledge to successfully navigate your way through a lifetime of financial decisions and avoid financial potholes.

Answer #2 may surprise you. I believe the reason most people reach a disappointing financial destination is because they have an identity crisis. (I know I did.) As we started our journey together just a few pages ago, I asked you to imagine what or who a millionaire is. If you didn't respond with thinking *you* were a millionaire, then you have most likely been making decisions to facilitate creating an "I'm not a millionaire" destination. Those decisions have led you to this book. And my ultimate goal is to change your perception of who you are so that you'll make "I'm a millionaire in the making" decisions. This simple paradigm shift has completely revolutionized my life.

But I won't bore you with the details of my life. This book isn't about my story; it's about me helping you write yours. We're going to dive in and begin the process of helping you navigate your way through the muck, mire, and confusion of debt and credit to the destination you're truly hoping to reach, one where you find yourself content and at peace—not one where you're wondering, like I once did, "How did I wind up here?"

But before you can begin the process of becoming a Debt-FREE Millionaire, you first have to understand what wealth truly is. Let's take a look together.

## What is Wealth?

*For as he thinketh in his heart, so is he.*

—Proverbs 23:7 (KJV)

Before you can begin a lifestyle revolution of your own and truly believe that you are capable of being a millionaire, there's one thing you *must* understand. You must understand what wealth truly is. So, let's play the imagination game again.

If you were to take a few minutes to imagine wealth, what picture would you come up with? Is it a mountain of cash, gold, or precious stones? Is it leaning on the railing of your 45-foot yacht with

the ocean breeze gently caressing your face? These are the types of images that used to spring to my mind when I would think about wealth. The problem with all of these images is that they're all wrong. They aren't the definition of wealth; they're the fruit of it.

Here's a quick example to demonstrate my point. For centuries people called alchemists have searched for the ability to transform lead into gold, a process known as alchemy. According to the periodic table of the elements, lead and gold are very close in their atomic structure. Because of their atomic proximity, it was believed that there must be a way to transform lead, a common and non-valuable commodity, into gold, a rare and valuable commodity.

To date, this long-searched-for process has yet to be discovered. It's believed by scientists to be nothing but an impossible fantasy. But for the purposes of broadening our definition of wealth, let's assume that it has been discovered. Let's imagine, for just a moment, that you have discovered the secret to transforming lead into gold.

If you did make such a discovery, what would you consider to be the most valuable element in your discovery—the lead, the gold, or the secret?

The answer would be the secret, of course. Why? Because without the secret, it would be only a matter of time before you ran out of gold. And if you had a pile of lead, you might be able to get a few cents a pound for it. But the secret . . . that's a completely different story.

Now imagine that you come home one night and discover that someone has burglarized your home. Everything is gone. You quickly run to your lab where you've run your experiments to create the secret. As you approach it, you see the door has been busted open . . . your heart sinks. You enter the lab and notice it has been turned upside down and all the gold that has been created during your experiments is gone, but the secret is still there. You realize that the secret is just a somewhat sophisticated-looking device that, to the untrained eye, is worthless. And even though all the valuable gold has been stolen, you sigh in relief. Why? Because you know how to make more gold as long as you still have the secret.

You see, things like cash and precious stones merely measure how much wealth has been created, but they don't truly define it.

Sure, they do play a part in the wealth process, but that part is the fruit or end of the process. Without the process—the secret—things like cash, gold, and precious stones would never be created in the first place. What you need to understand that you most likely already possess the ability to generate, and accumulate, wealth. But, like many people, the financial myopia created between the conflict of earning paychecks and paying bills has you so weighted down that accumulating wealth may seem like a pipedream. And because your millionaire image includes everyone but yourself, you really don't believe you can become a millionaire, even though you're probably going to earn well over a million dollars (possibly closer to two million) during your working lifetime.

This financial myopia has you measuring your current lack of wealth and rendering you unable to take a step or two back and gain the proper perspective: a perspective that broadens your appreciation for measuring wealth.

The Debt-FREE Millionaire isn't just about measuring wealth. Yes, we will discuss wealth measuring. But wealth measuring will be used more like a compass that will help you with the financial navigation process I mentioned earlier. When the lightbulb goes on in your head and you understand that *you*, the compass holder, have everything you need except the directions (simple, practical strategies) to accumulate wealth that you can actually measure, I will have done my job. The rest will be up to you.

And once you understand just how simple these strategies are, you'll be able to put them on cruise control and make the process of accumulating wealth and retiring rich as simple as possible. But before we do that, understand that your job, business, or other income generator is the lead. Your bank balance (or net worth) is the gold. And *you*, and the decisions you are making and the strategies you are implementing, are the secret to generating and accumulating wealth and building your fortune. It doesn't matter what your source of regular income is; it's what you do with it. It's the plan and the strategies you employ that make the difference.

When you truly understand these concepts and begin to employ them, you'll smile every time you look in the mirror, because you'll *know* the reflection is that of a millionaire in the making. And when you think of what a millionaire is, you'll realize that the only

difference between you and a millionaire is a matter of time and distance. The strategies in this book are designed to help you close that distance as quickly as possible. In order to do that, you need to know what is currently creating and increasing that void between you and accumulating wealth. Let's take a look.

### How Money Works

*You cannot teach a man anything. You can only help him discover it within himself.*

—Galileo Galilei

In the late 1920s, a man named George S. Clason wrote a story called “The Richest Man in Babylon.” The moral of that story to the reader is a simple yet powerful financial strategy, and it's one you've no doubt heard many times. The moral is “Pay yourself first.”

Since then, the “Pay yourself first” principle has become the mantra for almost every financial planner, expert, and author. On the surface it makes a lot of sense. After all, while you're paying everyone else you owe in your life, you should factor yourself in there somewhere, right? I mean it's your blood, sweat, and tears that generate your paycheck, and you certainly deserve to be paid. Well, I couldn't agree more, but . . .

### ***The “Pay Yourself First” Principle is a Myth***

The problem is that when most people talk about the “Pay yourself first” principle, they're referring to taking 10 percent (like the Richest Man in Babylon did), and putting it into some form of investment that generates interest for *them*. Again, this is not a bad idea on the surface. Here's the problem. This concept could not be more out of touch with our current consumption culture. I'll demonstrate that with hard facts and numbers in just a second. But before I show you just how much of a myth this concept is in today's reality, let's take a moment to review another commonly taught financial tenet.

### ***You Can Work for Money, or Money Can Work for You***

You're all too familiar with the daily grind. You work 40 hours or more each week, week after week, year after year. Your efforts result

in compensation. You're working for money. And you would love to reach a place where money is working for you (the underlying theme of "The Richest Man in Babylon"). So, there you are with your understanding that working for money is obviously much less desirable than having those greenbacks shoulder their fair share of the effort. And "paying yourself first" sounds like the perfect way to create that transition of who's working for whom.

The problem with these two concepts is that they simply don't work today. Why? Because in the 1920s when "The Richest Man in Babylon" was written, debt and credit as we know them today didn't exist. Credit cards didn't hit the streets until about three decades later. Since then, consumer debt has erupted to nearly \$14 trillion. And just about every human being you see on the street, including yourself, is enslaved (to some degree) by that four-letter word . . . *debt*.

"You working for money," and "money working for you" aren't the only two realities regarding how money works. When you're in debt, money is working *against* you! Paying yourself first while you're in debt may be better than not paying yourself at all, but it is certainly not the most effective use of the funds you're using to pay yourself with.

### The Debt Dollar Drain™

Allow me to introduce you to what I call the Debt Dollar Drain™. The Debt Dollar Drain™ simply and powerfully demonstrates how paying yourself first while you're in debt just doesn't work. It also powerfully illustrates how being in debt creates a scenario where money is working against you. To illustrate this shocking financial reality, I'm going to use a fictitious couple named Tom and Lisa Fortunado. You can find worksheets at [www.TheDebtFreeMillionaire.com](http://www.TheDebtFreeMillionaire.com) that you can use to plug in your own personal numbers. For now, let's follow the Fortunado family example.

Tom and Lisa Fortunado are your average family with two kids. According to the U.S. Trustee's Office, the nationwide average annual income for a family of four is \$72,859. In our example, because the Fortunados are a bit above average (and because I like to use round numbers), their total gross annual household income is \$80,000. They have a fairly average to slightly above average debt-to-income ratio of

## 10 INTRODUCTION

about 38.6 percent. They live like a normal family and have the following debt profile:

Debt	Original Borrowed	Current Balance	Monthly Payment
First mortgage	\$205,000	\$194,921.42	\$1,335
Lisa's car	22,300	15,477.58	452
Tom's car	19,100	15,248.25	386
Credit cards	N/A	12,626.00	402
Total	N/A	\$238,273.25	\$2,575

The Fortunados also pay their taxes like the rest of us, and their income tax liability is 31 percent. That means when all taxes are deducted from their annual gross pay of \$80,000, they're left with about \$55,200 a year, or \$4,600 a month. And it's their net pay (the \$4,600 a month) that they must use to pay their debt obligations (the total \$2,575 per month).

To keep things simple, let's project that as the Fortunados pay their bills each month, they're making only minimum payments like so many people do. Making only minimum payments on all of their debt obligations would bring them to a grand total of complete debt repayment that would look like the following:

360 × \$1,335 monthly mortgage payments	\$480,600
60 × \$452 monthly car payments for Lisa's car	27,120
60 × \$386 monthly car payments for Tom's car	23,160
339 minimum credit card payments*	31,417
<b>Total debt repaid plus interest</b>	<b>\$562,297</b>

\*Minimum credit card payments are based on a percentage of the current monthly outstanding balance. As each payment is made, the balance is decreased from month to month, and each corresponding monthly payment is also decreased. The amount stipulated here is based on projections and estimations of payments made by the Fortunado family, assuming only minimum payments are being made and no additional debt is being added to their credit cards. More detail on this is presented in the next chapter.

Making only the minimum payments, and assuming the Fortunados don't add any more debt, they're going to have to make regular monthly payments, with net income, that would total well over a half-million dollars. The key here is that these payments will

be made with *net* income. This prompts the question, “How much *gross* income will the Fortunados need to earn in order to bring home enough money to pay back the \$562,297 in total payments (\$238,273.25 in principal plus \$324,023.75 in interest)?

To be fair and accurate, we also have to take into consideration that the Fortunados will get a tax deduction on the mortgage interest that they pay. So, let’s make the appropriate adjustment. Of the \$480,600 in total payments made to repay their 30-year mortgage, \$275,600 of that is interest (*yikes!*). Being able to write off \$275,600 based on a 31 percent estimated tax bracket would come to an adjustment of \$85,436 of mortgage interest deduction benefits. This adjustment brings the total principal and interest paid back on all of their debt down from \$562,297 to \$476,861 that the Fortunados will pay back after taxes.

This is the point in the story where Pepto-Bismol may become necessary.

Let’s recap:

Fortunados’ estimated tax bracket	31%
Total principal and interest to be repaid after the mortgage interest deduction adjustment	\$476,861

The formula to determine how much gross income the Fortunados must earn given their tax bracket and the total amount to be repaid goes like this:

$$\text{Gross Income Needed} = \frac{\text{All Debt \& Interest Payments}}{1 - \text{Tax Bracket}}$$

For the Fortunados, it works like this:

$$\text{Gross Income Needed} = \frac{\$476,861}{0.69} = \$691,102.90$$

So, the Fortunados must gross \$691,102.90 in order to bring home the \$476,861 in total principal and interest needed to repay the \$238,273.25 in principal they owe. The Debt Dollar Drain<sup>TM</sup> is the ratio of total gross earnings necessary to repay the current principal given

a certain set of payments. So, if the Fortunados work the traditional budget scenario where they look at the total amount of money they bring home each month and deduct the minimum monthly payments they owe to determine how to have a life, they have to earn \$2.90 in gross pay for every \$1 in principal owed ( $\$691,102.90 \div \$238,273.25$ ).

Having to earn nearly \$3 for every dollar in principal you owe significantly hinders the goal of your Debt-FREE Millionaire Plan, which is to accumulate wealth as quickly as possible. On a net worth statement, which is the document commonly used to determine wealth, there are two categories: assets and liabilities. Assets are things that have positive value, like cash in the bank or equity in a house or a car. Liabilities are things that have negative value, like the balances owed on debt. The way to increase your net worth, or wealth, is to minimize or eliminate your liabilities while increasing your assets. However, if you're in debt like the Fortunados, and it takes nearly \$3 of gross income to eliminate each \$1 of debt (liability), you're generating a negative return on your income. That's like moving backwards.

This is how the Debt Dollar Drain™ works. And this is the reason why paying yourself first when you're in debt won't work. This is also how you determine to what degree money is working against you when you're in debt, by determining how many dollars (plural) you have to earn to eliminate each dollar (singular) of debt. Unless you short-circuit this math to minimize its negative financial impact, you'll never feel like the millionaire in the making that you truly are. After all, how can you when you're moving backwards?

This book will answer this question by providing you with five simple steps that turn the tables on the math that's working against you. Let's take a look at the Debt-FREE Millionaire Plan.

### ***Step 1: Understanding Debt and Credit***

There's an old saying, "You've got to get them lost before you can get them found." The first step in your Debt-FREE Millionaire Plan is to get an accurate understanding about debt and credit. In this step, which is discussed in Chapters 1 and 2, I'm going to shed some light on these two seemingly confusing topics. As you read through the information I present here, you may experience a frequent urge for Pepto-Bismol. But don't worry, the rest of the book

will provide the relief your stomach will need. Your Debt-FREE Millionaire Plan will show you how you can minimize the impact the Debt Dollar Drain™ may be having on your financial situation and help you navigate your way to the financial future you're hoping and dreaming about.

### ***Step 2: Identifying Where You Are So You Can Determine How to Get to Where You Want to Go***

Let's face it—everyone would like to achieve financial freedom. But why do so many people fail to achieve it, especially when there are so many options for helping people with regard to debt elimination and retirement planning? Perhaps the reason so few are able to realize their financial goals is because there has been no true compass available . . . until now.

In this plan, you'll learn how to do what I call the "Cash-FLOW Analysis™ (CFA). The CFA is a financial assessment tool that is kind of like a financial compass that will help you analyze your current financial realities, identify where you are now, and then help you discover how to get to where you want to go financially.

When you've completed your CFA, you'll know what you have to work with. You'll have a good idea regarding your wealth potential. And if you find yourself financially underwater right now, you'll have a good idea how to put on the appropriate life jacket and rise to the surface to get some air so you can map out your Debt-FREE Millionaire Plan.

### ***Step 3: Using the Results from Step 2 to Chart Your Course Toward Becoming a Debt-FREE Millionaire***

The results of your CFA will determine your starting point. From there you'll be able to map out the plan, estimate its requirements, and understand its impact. In Chapter 6, I show you how to apply any positive monthly cash flow you may have to becoming completely debt free (mortgages included) in just a matter of a handful of years (yes, it *is* possible), so you can begin to accumulate wealth that you can actually measure, and maybe even be impressed with.

If you don't think you'll have positive monthly cash flow, no worries. That's what Chapters 7 through 10 are for. Those without

positive monthly cash flow just need to know what type of life jacket they need to get their heads above water. Once your head is above water, we'll map out a different path to the same Debt-FREE Millionaire destination.

***Step 4: Identifying and Defining Your Retirement Needs, and Creating a Time Line Toward Achieving Them***

This is my favorite part of the plan. When we get to this part of the plan, you'll begin to actually believe that you can become a millionaire. Your financial myopia should be getting close to being cured so you can see beyond today's financial worries to a destination you thought was only for rich people. Once we've corrected your vision, you'll be able to estimate your future wealth needs (believe me, they're going to change and you're going to need to be prepared for those changes). Once those needs are defined, you'll have a pretty solid idea as to how to satisfy them. This is the part where you'll be able to look at the reflection in the mirror and know you're looking at a millionaire in the making.

***Step 5: Letting it all Sink In***

This part is where the rubber meets the proverbial road. Knowledge without practical and consistent action is useless. At this step in the plan, you'll learn simple, practical, and powerful techniques to let the entire process sink in, and then change your life!

This is actually going to be the most important part of your Debt-FREE Millionaire Plan. You're going to have to deprogram yourself from the behaviors and decisions that have led you to the financial condition you're currently in that made you pick up this book. This is the step where you'll be able to add more fuel to the fire to becoming a Debt-FREE Millionaire.

**Am I Serious? Do I Think That You Can Really Become a Debt-FREE Millionaire?**

You bet I'm serious. My question is, "Are *you*?" Let me ask you three quick questions:

1. Are you sick and tired of feeling like you're spinning your financial wheels?

2. Do you really want to know what it's like to sleep at night without being worried about money?
3. Has the confusion about what to do and how to do it caused you to come to a place where you've just accepted things as they are and you're kind of hoping things will just kind of work out in the end?

If you answered yes to any of these questions, then the knowledge and information you need to create the positive changes you want are literally in your hands right now. Don't get me wrong; there's no magic bullet, and nothing is guaranteed except one thing—if you do nothing, nothing is going to change.

The Debt-FREE Millionaire Plan isn't guaranteed, because it won't do the work for you. It won't make you follow it. No, that responsibility is yours. But it's not like some diet that you're going to have to struggle with day in and day out. Once you put your plan together, you'll be able to put it on cruise control, and all you'll need to do is steer.

Let's face it—if you were already completely debt free (no mortgage payments, car payments, credit card payments, or any kind of debt payments at all) and had a million bucks or more in the bank, you wouldn't be reading this book, would you? I'm guessing that becoming a Debt-FREE Millionaire sounds pretty good to you. If I'm right, then you need to keep reading.

To find out more about

*The Debt-FREE Millionaire:  
Winning Strategies to Creating Great Credit and Retiring Rich*

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