Special Report

HOW I BUILT MY WEALTH

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A Modest Disclaimer …

I have had a great career — one that has made me happy and my family wealthy.

My success has come from being in the trenches … from working non-stop for almost 40 years … from starting and growing more than 50 businesses … from selling more than half a *billion* dollars worth of goods … from negotiating tough deals and firing nice people and closing businesses I loved and pushing myself to exhaustion.

Of course, there have been bumps in the road. Failed ventures. Near bankruptcies. Lawsuits. Friendships gone sour. My career is a very patchy quilt of triumphs and botched efforts, clever moves and faux pas, smart planning and dumb miscalculations.

The point is, I've been there. I've done it. And not just once. Over and over again.

In other words, the advice I am about to give you comes from personal experience. If I suggest that you do something, it's because I have done it myself — or have failed to do it — and I know the difference.

My First Lesson in How NOT to Make Money

My first real job was as "backseat wiper man" at the Rockville Center Car Wash on Long Island. I was 14 and happy with the $1.25 an hour they paid me.

I remember that experience all too well. As the cars emerged from their robotic shower, I'd hop inside, run a gray rag over the windows, jump out, and glance at the wall clock. It took approximately 28 seconds to do each car.

I passed much of my precious weekends that year looking at a gray metal wall clock — 960 times on Saturday and another 960 times on Sunday. It was an early lesson in how not to make money.

It didn't take me long to figure out on which side of the paycheck I wanted to be.

Three years later, at the age of 17, I started my first business. And, since then, I have created more profitable businesses than I can count, including two worth more than $100 million dollars, two more that exceeded $50 million, and at least a dozen that surpassed the $10 million mark.

What is more important to me is that I have taught many, many other people how to do what I have done — and they have become multimillionaires in their own right.

I am confident that I can do the same for you.

The Day I Decided to "Get Rich"

It doesn't take genius to get rich. Nor are special talents required. You don't need to be lucky. And you certainly don't need to be privileged. You do, however, have to make getting rich a priority in your life — and be willing to focus the majority of your time and energy on doing what it takes to build real wealth.

I discovered this early on in my career.

It was 1982. I had just been hired as editorial director for a fledgling newsletter-publishing company in South Florida. Because I had to give the occasional speech, I enrolled myself in a Dale Carnegie course on public speaking. Somehow, though, I ended up in the Carnegie basic success course instead.

The *How to Win Friends and Influence People* program is a 14-week course in which you are asked to focus on a certain character-changing task each week and then report on your progress the following week.

I was the worst student in the class. Cynical and suspicious, I despised what I took to be the silly, do-goodish prattle of the teachers. But I'd paid good money to be there, so I begrudgingly went along with the program — and I'm very glad I did. Because I learned something about myself that changed my life.

The assignment for Week 4 was to come up with a single goal that you would pursue for the remaining 10 weeks of the program. The idea was that by concentrating on only one goal, you could make much more progress than you would with a wider scope of objectives.

Sure enough, I had a hell of a time with that lesson. It was for me, by far, the most difficult of the 14.

When I first started listing my goals, I could think of only two or three. But as I put more thought into it, the list began to grow. First to half a dozen … then to 10 … and then 20 … and on and on. Narrowing down the list was torture. Among other things, I wanted to be a great writer, a wise teacher, an admirable dad and husband, a linguist, a wine connoisseur, an athlete, and more. I was paralyzed. I simply couldn't tolerate the idea of giving up any one of those goals.

Finally, driving to the class at which I was to publicly announce my one main goal, I had a breakthrough.

I realized that all my hard work and ambition had amounted to nothing, because I had been spreading myself so thin. That gave me an idea: "Why not make 'making money' my No. 1 goal?" I thought. "If I achieve that goal, I'll have all the money I need to pursue my other interests."

At the time, I knew nothing about making money. I had come from a family of teachers who didn't care much about money or the things it can buy. But I focused on that one goal and made it my priority. And it worked. Big time.

It changed my income from about $50,000 a year to seven-plus figures. It changed my business status from that of a nameless employee to that of an employer of hundreds. And it changed my lifestyle from one of making minimum payments on credit-card statements to the kind that happy movies provide for their heroes.

Anybody Can Get Rich

As *The Millionaire Next Door* (the best-selling book by Thomas Stanley and William Danko) and many studies have shown, most self-made millionaires are very normal in their circumstances. What separates them from the pack are their habits.

I've learned that becoming rich is a matter of making certain decisions and practicing certain skills, none of which is difficult or complicated. Viewed from this perspective, becoming rich is simple.

You can acquire a multimillion-dollar net worth by doing just six things:

1. Get to work an hour early and leave an hour later

Most people want to be rich, but few succeed. The reason is not how much or how little they desire but what they actually do each day. Despite what the self-help books say, you won't get wealthy by just wishing — or by positive thinking, imaging, visualization, and other mental tricks that promise overnight magic.

A good mental attitude will make you a happy person, but it won't put any money in your pocket. To get rich, you have to give yourself an edge over everybody else. And the best way I know to do that is to get to work early and stay late. That gives you the time you need to do all the little things that put you ahead of the pack. You can make extra contacts, learn useful skills, write an impressive memo, polish off a report, etc.

The regular things you do every day will give you a regular life. The extra things will give you all the extras — including the extra millions.

2. Master a financially valuable skill

You can't earn a high income, consistently, unless you have a financially valuable skill — one that contributes to (and is recognized by the powers that be as contributing to) the profits of a business. By this definition, not all business skills are financially valuable. On the other hand, there is virtually no limit to the amount of money you can make if you become skillful at one of these trades:

- CEO
- Profit-center manager
- Marketer
- Copywriter
- Consultant
- Salesperson

3. Earn more than you spend

You don't have to earn a ton of money to become a millionaire, but you do need a higher-than-average income. It's possible to become financially independent on an annual income of $50,000, but you'll do so only if you scrimp and save for a long time. To get wealthy while you're young enough to enjoy it, you need to make at least $100,000 a year. When your income exceeds $100,000 (after taxes), you can begin to save some of it without compromising your lifestyle.

It takes some effort to get your income above $100,000, but it can be done. And when you break through that level, a very nice thing happens: Increasing your income to the next level becomes a little bit easier. And when you hit the next level, you can bump yourself up again with even less effort.

4. Invest in local real estate

If you earn an above-average income and don't go crazy buying things, eventually (sooner rather than later) you'll have money left over for investing. A large percentage of your savings should be invested in local real estate.

Real estate is not without its problems, but it is the best way I've found to accumulate a good deal of wealth on a part-time basis. In the 10 or 12 years that I've been actively investing in real estate, it has given me much-better-than-the-stock-market returns. In fact, I'd guess that my average ROI has been between 15% and 20%.

The main thing that I like about investing in local real estate is that the risk you take by taking out a mortgage is mitigated by the knowledge you have about the market. You don't have to be a real-estate genius to get a sense of whether a particular neighborhood in your town is appreciating or depreciating. And as to the long-term trends, you can err on the side of being conservative and still do very well.

5. Start a side business — something you know

Next to investing in local real estate, owning your own business may be the easiest and most lucrative wealth-building activity you can get involved in. So, if you work for someone else, you should put another large percentage of your savings in a side business. By a "side business," I mean something you can run on weekends or weekday evenings. Something that won't take your attention away from your full-time job. It should be something you enjoy and are willing to stick with.

6. Invest the rest of your savings conservatively

The rest of your savings should be invested conventionally but safely. You want to keep the money you have worked hard for safe and secure, but you also want to earn the highest possible ROI (return on investment) on it. The difference between earning 2% on your money and 22% can be the difference between having a net worth of $100,000 and $10 million at retirement.

There are plenty of other ways to get rich, but these six are proven. I've done them myself, I've taught them to others who have become rich by doing them, and, now, I'm going to teach them to you.

What Do You Need to Be Wealthy?

If you have a family income of less than $50,000, you are poor. Life sucks.

If you earn between $50,000 and $100,000, you are just getting by. Your bills are paid and you can afford some small luxuries, but you have to be careful. You keep promising yourself that you'll start saving, but your bank account reads "nada."

When your family income exceeds $100,000, you are comfortably "income affluent." You don't worry about paying bills. You can save for college and retirement. You can go out to dinner and the movies whenever you want, take expensive vacations, and drive luxury cars.

I remember when my income first exceeded that level. My accountant at the time welcomed me into "the world of the affluent." I remember very well what he said: "Congratulations, you've made it. You now make enough money that you can live the American dream. You can have all the toys."

"All the toys?" I asked.

"All of them. Making more money won't change your lifestyle in any essential way. It will just be a matter of bigger toys."

And it's true. This lifestyle doesn't change in any meaningful way when your income passes $200,000, $300,000, or $400,000. In fact, it doesn't really change until you are making more than a million dollars.

There are differences. If you are making, say, $750,000 a year, your house is nicer than that of the guy who makes $100,000. Yours may have bigger rooms, more grounds, lusher landscaping, fancier furniture and appliances — but both houses are nice. Same is true of your cars and clothes. While you tool around town on weekends in, say, a Hummer H2, he drives a Jeep Grand Cherokee — and while you shop at Neiman Marcus, he shops at Bloomingdale's.

The point is, if your income is roughly between $100,000 and a million dollars, you will live well — with larger and larger toys, depending on how high on the income scale you go. (In fact, if you spend wisely, you can have a better lifestyle earning less than $100,000 than does the garish jerk who's making five times as much as you.) But what you will probably NOT do is save money. At least not enough to make a difference. And this is what separates high-income earners from the truly wealthy.

Earning a big income will give you the lifestyle of the wealthy, but it won't give you wealth. You'll have the fun, enjoy the toys, wear and drive and carry the status symbols, but you won't have a ton of money in the bank.

To acquire substantial wealth, you need to have an investable net worth of at least a million dollars. (I'll explain more about financial goals relative to ROI later. For now, let's look at how you can save money.)

Saving a $1 Million Nest Egg Is No Easy Matter

To sock away enough money to provide you with a passive income sufficient to support a modestly affluent lifestyle, you would need to be able to save at least $50,000 a year for a long, long time. And you would think that if you earned $250,000 or $350,000 or even $750,000 that would be easy, right?

But it just ain't so.

First, the government is going to have its way with your money. (Don't even talk to me about tax shelters. Since 1986, they haven't existed.) After taking care of Uncle Sam, plus state and local taxes (including property tax, sales tax, etc.), you are very lucky to keep half of what you make.

Let's say you are making what most would consider a giant income — $750,000 a year. After all the taxes, you are left with about $375,000. That should be plenty — considering it's more than $250,000 over the $100,000 threshold. You'd think so. But that's not the way it usually works.

What normally happens is this: You move into a bigger house in a nicer neighborhood. You tell yourself it's the only major money thing you're going to do. You feel that you deserve it. And since you lived in a $190,000 house when you were earning half that much, you figure you can afford a $1.5 million house now. And many of the experts tell you that you can.

But since you are conservative, you shop around for a $750,000 house and end up buying one that costs just under a million. And that's where the bottom falls out.

You bring in your old furniture and it just doesn't look right in the new, palatial setting. You throw it all out and go shopping. Finding anything that looks like it belongs is next to impossible, so you hire someone to help. (Someone your neighbor's wife recently used.) A month later, you've spent $350,000 on furniture.

You think I'm crazy? Just wait.

That's only the beginning. To keep from totally embarrassing yourself infront of the neighbors, you upgrade your car collection. Now, you are driving a BMW 740I at a thousand bucks a month and your spouse is driving a Landcruiser at $700.

Next year, your kids will be in private school (despite all your carrying on about "public school was good enough for me!") — and that will cost you about $15,000 apiece. Then there will also be summer camp, European vacations, and expensive clothing. You just don't look good in $150 suits anymore, and why should you?

It goes on and on. Landscapers, haircuts, shoes, and doctors. Everything is much, much more expensive. You discover an interesting truth: In America, the costs of goods and services rise in direct proportion to your income.

It's obnoxious and unforgivable, but the Lament of the Affluent is "I can't save a dime." As my good friend, a real-estate lawyer, once told me, "You have no idea how leveraged out all these doctors and lawyers are. They have cash flow, but they have nothing that sticks."

Yes, You Can Get Rich by Saving — If You Have Time on Your Side or You Make Lots of Money

A smart wealth-building strategy has two levels: Phase I is the wealth-accumulation stage of your life and Phase II is the retirement stage of your life. How much you need to save each year during Phase I depends on how many years you have left before Phase II.

If you are lucky enough to have parents who start you out with a saving-and-investment program when you very young and have 50 years or more to build wealth, it's very easy to become a millionaire — even a billionaire — by the time you're ready to retire. Even if you're in your mid-20s or 30s, you still have plenty of time to save enough money to get wealthy before you are too old to enjoy it. If you're older than that —– a baby boomer with less than 15 years to go until retirement — it's not easy but still possible.

The trick is to either earn significantly more than you can easily spend or learn to live frugally and creatively.

Keep in mind … the more money you make, the less, percentage-wise, you keep. Make $100,000 a year and you'll have more than $50,000 to spend. Make $750,000, and you'll have about $350,000. When you start making more than a million bucks a year, there is a big change. Unless you are completely out of control, you will be able to save most if not all of your after-tax income that exceeds the million. That can add up pretty fast.

But if you can't make that much money, it's possible to acquire a seven-figure nest egg by bumping yourself up to another income level and living frugally.

The secret to living frugally? Don't buy that new house. Everything you do and buy in America is dependent, in terms of pricing, on the neighborhood you live in. If you can stay in that $190,000 house and make $750,000 a year, you'll be able to save all you need in 10 years or less.

But if you are like most of us, you'll find that you won't save a lot of money unless you can get your income into that hyperspace range of a million-plus. And that's where you'll need a wealth-building strategy that works in spite of your spending habits.

To Spend Is Human; to Save Is Divine

"I can tell what kind of retirement plan an entrepreneur has from the car he drives," says Jonathan Pond, NBC's guru financial planner. According to Pond (who drives a Toyota Camry and refuses to buy a cell phone), most people spend more than they should to maintain a lifestyle they can't really afford. He advises his clients to be stingy when it comes to personal possessions and generous when investing for college and retirement.

I think he's right, but it's hard to do because we are psychologically "programmed" to do the opposite.

You work hard for your money. It's tough to see so much of it go to cover obligations that give you little or no pleasure (taxes, utilities, mortgage payments, and so on). With the little that is left, you want to have some fun. You want to give yourself some pleasure.

And you should.

But before you do, you must make a major, fundamental change in the way you think and feel about spending.

Reprogram your brain

I am suggesting that you develop a Wealth Builder's mindset. By that, I mean that you not only understand the power of regular saving/investing and compound interest, but also that you take pleasure in seeing your net worth increase.

To make this mental change, you need to do the following:

- Determine the income you need to pay for your desired lifestyle
- Multiply that by 12 (the average percentage that you can expect to earn on your money)
- Make that total your net-worth goal (not counting your house)
- Figure out how much you'll need to save each month to get there — and then start doing it

To make the emotional change, you need to do the following:

- Calculate and review your net worth on a monthly basis
- Praise yourself each time your net worth grows
- Always keep your ultimate goal in mind
- Imagine how good you'll feel when you become financially independent

Change yourself from Spender to Wealth Builder

The Spender believes that buying things — and especially status symbols — makes him richer. He drives a Mercedes, wears Zegna suits, sports a Rolex watch, etc. As his income grows, the Spender buys more and more expensive things — because that is the only way he can signal to himself and others that he is improving himself financially.

The Wealth Builder doesn't fall into that trap. He understands that improving his financial position means increasing his net worth. To that end, he hates spending money on depreciating assets (anything with a value that diminishes over time), because he knows that each such purchase makes him poorer. Poorer immediately and much poorer in the long run. The Wealth Builder takes pleasure from growing richer, and he does so by putting almost all of his extra money into appreciating assets.

Don't forget to reward yourself

Having said all that, I don't think you should entirely abandon your penchant for buying yourself (and/or your loved ones) "toys." In fact, I think you should make a habit of it. The trick is to reward yourself only when you have done something financially positive and to make your reward meaningful but inexpensive.

If you get a consulting fee of $10,000, for example, put aside what you need for taxes and then resist the temptation to buy a new dining room set. Instead, invest 80% of what remains and use the rest of the money to reward yourself. The reward must be something that gives you sustainable pleasure. You don't want to throw it away at the racetrack. You don't want to buy something you don't really care about.

My personal recommendation is to become a collector and reward yourself with a new piece for your collection. Collecting is popular with Wealth Builders, because it gives pleasure on many different levels (both intellectual and emotional), it lasts a lifetime, and the collection tends to become more valuable as time passes.

The point is this: You don't have to give up "things" to become a Wealth Builder, but you do have to spend much less on them and much more on your net worth.

WEALTH-BUILDING REQUIREMENT No. 1: Get to Work One Hour Earlier and Leave One Hour Later

We both know that there are more important things in life than money. But there are also many less-important things. Such as indulging yourself in instant gratification, superficial pleasures, and temporary distractions (e.g., junk food, bad TV, and crappy books). You can find plenty of time for wealth building — all the time you need — by recognizing these time wasters and eliminating them in your life.

The first and most important lesson I've learned in my wealth-building history is this: To get more out of something, you have to put more into it. To make more money than you are making now, you will have to work more. To make a lot more money, you will have to work more and differently.

This may seem too obvious to mention, but it came as a bit of a surprise to me.

We all have the capacity both for laziness and for hard work

Since so many of us got to know work by doing work we didn't care about, we learned (and now it's deep in our bones) that work is hard, dull, and boring. With that idea in mind, it's no wonder we look for promises of quick-and-easy money.

And there has always been a part of me that bought into the mythology that it was possible.

Although I wasn't a reader of the most obvious garbage on that subject, I did enjoy newspaper and magazine accounts of overnight riches — and I occasionally picked up (and furtively devoured) the more sophisticated get-rich-quick book.

Let me explain.

I have always worked as hard as anybody I know. It was not unusual for me to be at my desk at 6:30 in the morning, work continually till midnight, and then get up the next day and do it again. Even though I no longer have to — or choose to — stick to such a killer schedule, I still typically work five days a week and most days while I'm on vacation. And I not only work long hours, I use every technique I know of to make the time I spend efficient.

That said, I must tell you that I am, at heart, a very lazy fellow.

It might surprise some who work with me, but my basic nature is much closer to that of a slug than it is to that of a bumblebee.

As a youngster, I spent my hours lolling about, daydreaming and playing, thinking and sleeping, wondering and musing. In other words, avoiding work. Even today, there are occasions when I zone out. Something happens and suddenly I don't care about my goals anymore. One moment, I'm all fire and fury; the next, I'm a placid pool of nonchalance.

And I like that feeling — and could get used to it.

But I know from experience that when I go from work mode to dream mode, progress toward my life goals stops dead in its tracks. So I get myself going again the only way I can: by choosing only one thing to do and then telling myself that this task is going to be quickly and easily accomplished.

In other words, I lie. I tell myself the quick-and-easy myth, and it gets me going.

**You don't have to be a naturally hard worker to work hard.
The trick is to find out what gets you going.**

There are many people who, like me, are more prone to laziness than work. But if I can get myself to work hard, I have to believe anyone can.

I promise myself quick and easy and I deliver long and hard. But once the train gets moving, once I am moving quickly down the tracks and realize I am going where I want to go — then, ironically, all that work and effort ends up seeming, at least in retrospect, like it really was quick and easy.

Because I'm doing something that has meaning for me — something that provides substantial and long-lasting benefits — the hard work not only seems to go fast, it also feels good.

**The more time you can put in during a given period,
the faster success will come to you.**

To become wealthy, you need to put yourself in the profit stream of a thriving business and contribute to that profit stream by exercising a financially valuable skill. Whether that skill is selling, marketing, product development, or profit management, it will take you time to get good at it.

That's one of the reasons I believe — as Ben Franklin did — that the most important thing you can do to acquire wealth is get to work early each morning. The extra time gives you a tremendous advantage over everyone and everything you compete against. Plus, the discipline of doing something most people are not willing to do will pay off in just about every other area of your life.

If, in addition to coming in early, you stay an hour later than the rest of your co-workers, you will accelerate your wealth-building time line even more.

The great achievers — from Henry Flagler to Michael Jordan — started early and put in the extra time. And so does every successful moneymaker I know. If you want to become wealthy — by whatever measure of wealth you establish — you have to do the same.

So be at your desk tomorrow morning an hour earlier than the rest of the world, stay an hour after everyone else goes home, and everything else — the brilliant moneymaking ideas, the diligent follow-through, the sticking to priorities, and the devilish details — will all follow.

Start with the easiest thing. Set your alarm. Drag yourself out of bed. Take a shower. Roll into the office. Have a cup of coffee. And start to work early. I promise that you'll have an immediate and definite sense that you are on your way.

WEALTH-BUILDING REQUIREMENT No. 2: Master a Financially Valuable Skill

Even a modicum of extra effort during the wealth-accumulation phase of your life will give you enough extra income to become wealthy enough to retire comfortably. The best-selling book *The Millionaire Next Door* that I mentioned earlier documented that. The secret is to spend less than you earn, invest those extra savings over a long period of time, and let the miracle of compound interest do the rest.

But you probably can't — or don't want to — wait 30 or 40 years for that to happen. So, you are going to have to do the following:

- Learn (and eventually master) a financially valuable skill
- Use it to position yourself as a profit maker
- Secure for yourself a fair cut of the success you create

This will give you — almost from the start — an above-average income. And that income will increase as you get better at what you do.

What do I mean by "a financially valuable skill"?

A financially valuable skill is not speaking French or ballroom dancing. These are great to know, and enhance the richness of your life, but they are not skills that people will pay you a ton of money for.

Financially valuable skills, as I said earlier, are those that contribute to the profits of a business — for example, selling or marketing or product development or profit management. And every one of these skills requires the ability to speak well, write well, and think well.

Speak and/or write well and they will follow you

Speaking and writing well is important, because in any organization or organized system, power moves inexorably to those who are persuasive. The means of communication you develop don't matter so much. What counts is that you have a way to convince people that your ideas are worthwhile.

It goes without saying that you don't need flawless grammar and a good vocabulary to be persuasive. They can help, but they are minor talents in the Art of Rhetoric.

All difficult problems are collections of simple problems

By "thinking well," I mean having the ability to analyze a problem and figure out its component parts — what it is made up of and how important each of these pieces is. If you apply this thinking to a business situation — say, analyzing a market — you can figure out solutions before your colleagues have begun to figure out the problems.

Great marketers are really great thinkers. They look at a complicated market, break it down into understandable patterns, and develop a selling program that reflects those patterns. If you can figure out how to sell products/services when everybody else is throwing up their hands in despair, you'll be rich and powerful sooner (probably) than you even want to be.

To make a high income (in excess of $100,000), you almost have to do these three things.

Spend some time today thinking about how you can improve your ability to (1) persuade, (2) communicate ideas, and (3) solve problems power to persuade and to speak, write, and think — and how you might use these skills to get your income up to at least to $100,000. More if you want more.

WEALTH-BUILDING REQUIREMENT No. 3: Earn More Than You Spend

If you continue to get up early and follow my advice, your income will climb. How do I know that? Because the world is starved for ambitious, hardworking, and focused people. Waking (and getting to work) early gives you a head start day after day, month after month, year after year. That adds up. By charging your batteries each morning, your energy will always be high and your efforts razor-sharp — focused toward achieving your goals.

But no matter how high you boost your income, you won't acquire wealth unless you learn to spend less than you make. It is the money we save, not the money we make, that determines our wealth.

Avoid the very natural and deceptively powerful impulse to spend more as you make more

If you have enjoyed a growing income, you already understand (all too well) what I'm talking about. Make more money and things get better: your car, your clothes, even (and most expensively) your home address. That's fine so long as there is a limit. But for many (if not most) income builders, the desire to spend is always two steps ahead of the ability to earn. If you fall into that trap, you will have the accoutrements of wealth but never its most valuable benefits: financial peace of mind and the freedom to stop working.

Fat people consume more calories than they burn. Poor people spend more money than they earn. Getting thin and getting wealthy are the two easiest things you can do — at least in theory. The hard part is the mental discipline.

A technique I stumbled upon many years ago that has been a great help in my financial success:

This is a technique that has allowed me to get richer in good times and bad, when my ideas were working, and when they were not, when the economy boomed and when it stalled. It's something you can do for yourself. Something that will change you in a subtle but powerful way so that you will never have to worry about being poor again. It's the financial equivalent of a diet pill that would make it impossible to ever gain back a pound of lost weight. (Wouldn't that be nice!)

This came to me about 20 years ago, about six months after I "decided to get rich." I'd had a "hit" with my second moneymaking scheme. My idea involved a business start-up that cost about $25,000 to launch. Every day after the business opened, I'd count the money that came in — and on that glorious day when we passed the breakeven point, I started doing something that I've continued to do to this day.

I took out a sheet of paper and tallied up the value of everything I owned and everything I owed.

There was an 8-year-old car that was worth about $1,500, some cheap jewelry I had bought for my wife that I could hock for maybe $200, and a couple of inexpensive (but actually good-quality) oil paintings I'd bought that might get me $50 each in a garage sale. That was about it. Except, of course, for the sweet green cash that was piling up in my mind each day as my fledgling business paid back its start-up capital and went on to earn thousands and then tens of thousands of dollars.

When I started this little scribbled list, my financial assets were overshadowed by my debts and liabilities (credit-card debt, some old student loans, a car loan on my piece-of-trash vehicle, etc.). The bottom line was bright red. But since I had a cash-positive business, things were getting better every day. The hole I had dug for myself was getting less and less deep. In a matter of months, I could poke my head above ground level and see a future for myself. A year later, I was rich!

It wasn't a straight march up.

Soon after I hit that euphoric high, I was a partner in about a dozen operating businesses. Then, at one point, I suddenly found myself — for several scary months — more than a million dollars in the hole. Fortunately, things turned around.

A powerful trick that will give you a Wealth Builder's mindset

Those two experiences — making that good, fast money and then almost losing it — inspired me to adjust my habit of adding up my wealth. The twist was this: I promised myself that I would do whatever it took to make sure that each new total — each new bottom-line number — was larger than the one before. Since I'd gotten into the habit of running my numbers on a monthly basis, my vow meant that I was committing to becoming wealthier every day.

That may seem like a simple promise, but it had a profound impact on the way I thought about myself, my job, my business relationships, and about wealth building itself. It made me see — almost instantly — that many of my habits (including some of my spending habits) were financially unhealthy. It also gave me, at times, the panicked energy I needed to do something drastic — to start something new or end something that had gone wrong. Plus, it gave me an underlying determination to get a little bit richer every day.

This, as Robert Frost said, has made all the difference

You might want to do the same thing:

- Make it a habit to recalculate your net worth on a regular basis
- Then promise yourself that you'll do what it takes to make that bottom line always bigger than it was before
- And every time you are confronted with an opportunity to spend, ask yourself: "Will this make me richer in the future?"

You'll have to be scrupulously honest. The temptation to meet your goal by overvaluing a particular asset may be strong, so be aware of it and resist it.

Counting your money is an unseemly activity. You probably don't want to do it in front of anyone else. And you certainly don't want to talk about it. But it will remind you of the progress you're making — and that will give you the mental strength to continue. Ultimately, it will make spending less than you earn automatic. And that means your future wealth will be guaranteed.

Don't dismiss this little technique because it's simple. All the best and most powerful things in life are simple. This WILL make a difference. Do it.

WEALTH-BUILDING REQUIREMENT No. 4: Choose Investments That Keep Your Risks Low and Your Profits High

If you get up early and make good use of your time, you will have a higher-than-average income. If you commit to saving a significant portion of that extra income and check your net worth every month, your net worth will grow quickly. How quickly depends on three things:

1. How much you invest
2. How long you keep it invested
3. What rate of return you can get

The traditional idea about investment returns is that the more you want to earn the more risk you have to take. However, it is possible to get a higher-than-average return with much-less-than-typical risk.

Let's start by assuming that you begin your wealth-accumulation program with monthly savings of $1,000. Saving $12,000 a year should not be a problem for you even if you are starting out. It's just a matter of doing what I told you to do: forcing yourself to keep your expenses down.

Let's make another assumption. Let's figure that by working hard and smart you are able to increase that $12,000 by $3,000 a year. That is well within the reach of anyone committed to wealth building.

And, finally, let's assume that you are 45 years old and have 20 years of income-producing years in your future. (If you are younger than that, the numbers I'll show you will turn out to be much, much more favorable.)

Over a 20-year time period, putting away the savings mentioned above, the total "extra" income you'll have socked away will be about $800,000. That's not bad. It shows you the power of consistent savings. And that $800,000 invested at an average of 12% interest would give you $96,000 a year to live on in your retirement years.

The power of boosting your savable income

Let's assume, again, that you started by saving $12,000 a year. But instead of increasing that amount by $3,000 a year, let's say you add $6,000 — a modest $500 a month. In that situation, your accumulated savings will amount to about $1.4 million. At 12% interest, that would give you around $160,000 a year in retirement.

You can definitely do that well by sticking to a straight money-building program. But the numbers I've cited so far do not include the effect of compound interest. They show what you'd get if you hid all that extra money in your mattress.

The magic of compound interest

If you put all that extra money in the bank and earn an average of 3% interest compounded annually, you'd have about twice the amounts cited above. If you could do better than that — say, 5% — you'd end up with four times that much. 7% would give you about five times that much. 10% would give you about six times that much, or between $5 million and $15 million.

This demonstrates something you already know: If you can get your ROI up into the double digits and keep it there, you can get rich — even very rich.

It's not easy to get 10% over time,
but I believe it can be done if you invest in things you know

Your assets should be divided into five categories.

The first three categories are your "passive investments":

1. Your home

2. The kind of things that most people think of when they think of “investments”” individual stocks, mutual funds, options, futures, etc.
3. Secured loans: Treasury bonds, municipal bonds, mortgages (that you give, not take), and highly collateralized private loans

The other two categories are your “active investments”:

4. A business in which you play an active, often controlling, role
5. Real estate that you own for investment purposes

Because I’m a strong believer in “diversified” investing (balancing your investments so that you don’t have too much money in any one area), I make it a personal habit to try to have a substantial amount of money in each of these five categories.

In each case, you need to reduce your risk and increase your potential return. The way to do this is the same for all five categories: Invest in what you know and keep learning about what you are investing in.

WEALTH-BUILDING REQUIREMENT No. 5: 45% of Your Savings Should Be in Conservative Passive Investments

Invest 25% of your savings in your home

To be sure that your home appreciates in value, don’t buy a house until you really know the local real-estate market. Spend as much time as you need to scout around, to speak to people, to watch what’s going on. When you are confident that you know the neighborhoods and can recognize properties that are either overvalued or potential winners, do what the real-estate pros recommend: Buy a modestly priced house in an good or up-and-coming neighborhood.

Invest 10% of your savings in stocks

Next, you’ll want money in the stock market. I recommend that you select a balanced mutual fund that is meant to “track” the Dow Jones Industrials. Don’t mess around picking individual stocks or timing your investments (pulling them in and out of the market depending on economic conditions and other factors). Just put your money in and let it enjoy the historic 9% return stocks have given investors for 70 years.

Invest 10% of your savings in secured loans

The next category — secured loans — is an important but usually overlooked part of any Wealth Builder's investment portfolio. Secured loans are wonderful because they pay a decent rate of return — higher than bank savings accounts — with virtually no more risk. To make things simple, I recommend tax-free municipal bonds. If you go for the safe ones — triple A — you'll get about 4.75% return in today's market. That equates to about 7% to 8% before taxes.

The first 45% of your invested wealth will appreciate slowly, steadily, and safely

As a group, this portion of your assets will ensure that you can honor that commitment you made to yourself: As time passes, day after day and month after month and year after year, you will always be getting richer, never poorer.

Another important characteristic of this portion of your investments: It doesn't require you to actively manage it. Although it's possible to get a somewhat higher ROI by actively trading stocks and bonds (and even your home, for that matter), I don't recommend it.

Take time choosing these investments to begin with, but I believe you'll do better in the long run by leaving these investments alone. Take the time you'll save by not actively managing your home, your index funds, and your bonds, and invest it in the management of the active portion of your investments: (1) a high-yield business opportunity and (2) investment real estate.

Watch your nest egg grow

You can expect your home to appreciate at least 6.5% a year — twice that much if you've done your homework and have gotten to know your local real-estate market. You'll get about 7% on your muni bonds (before taxes) and 10% from your mutual funds. That means that 45% of your wealth probably will be appreciating at an average of 7.5%. Figuring that rate of return into each of the savings levels I talked about before, here's how your 20-year nest egg would grow:

- If you start with $12,000 a year, increase it each year by $3,000, and get a 7.5% return on 75% of your investments: You'd have about $1.5 million.
- If you start with $12,000, increase it by $6,000 a year, and get a 7.5% return on 75% of your investments: You'd have about $2.5 mllion.
- If you start with $12,000 a year, increase it by $12,000 a year, and get a 7.5% return on 75% of your investments: You'd have between $8 million and $10 million.

What that means is that 45% of your savings would give you a 20-year net worth that would be higher than what you would have had if you had simply hidden your money away — and yet your risk would have been just as low. (Remember, hidden money can be stolen.)

What you do with the other 55% of your savings can make the difference between being financially comfortable, enviably wealthy, or disgustingly rich. That's what I'm going to talk about next.

WEALTH-BUILDING REQUIREMENT No. 6: Invest 25-30% of Your Savings in a Side Business — Something You Know

As I said, the basic rule for investing is this: The higher the return, the more risk you must be willing to take. That is generally true. But there is one important way to slash your risk to the bone, even on some relatively risky investments: to know — really know — what you are doing.

No matter where you put your money, you will get better returns in the long run if you select investments you understand — and if you continue to learn more about those investments for as long as you are investing in them.

The one thing that all my entrepreneurial enterprises have had in common — and the one thing that almost guaranteed their success — is that I made it a point to study each business before I got into it … and continue to learn about it along the way.

To get the greatest yield with the “active” part of your investment portfolio, you need to invest in something you are committed to knowing about.

What types of investments are appropriate for this portion of your savings?

In my view — and this is an opinion that won’t find much support among financial planners and stock gurus — you should probably not put your high-yield money into such traditional high-yield investment vehicles as futures, options, micro-cap stocks, precious metals, and currencies. I could go on, but you get the idea: Don’t invest in risky investments unless you intend to become an investment expert. Most people don’t have the time or intelligence for that. I certainly don’t. And most of the world’s wealthiest people don’t either.

You may be the rare exception. If so, learn about day trading or hedging or spreads, etc. Figure out how to make money on covered calls and micro-spreads and the like. But if you are not a natural financial genius and you already have the distraction of a full-time job, I recommend you invest your money in a side business that you can learn about on a part-time basis.

How I became an entrepreneur

I “accidentally” started my first business when I was 17. Here’s how it happened:

I was working as a housepainter’s assistant in swank Hewlett Bay Harbor, a 20-minute drive from my home (a ramshackle house literally on the other side of the tracks).

My friend Peter and I were scraping the shingles of a big yellow mansion (I can still remember the details) when the lady of the house, a Mrs. Bernstein, came out asking for Armando, our boss. Armando’s routine was to drop us off at the worksite at 7:00 a.m. and disappear until 5 or 6 in the evening.

We were left to do the work, with virtually no experience and only Armando’s advice on watering down paint and “dry rolling” the second coat to guide us. (In case you are about to get your house painted, “dry rolling” is when your painters pretend to be giving you a second coat when, in fact, the rollers are dry. This allows them to get the job done twice as fast and save a bundle on the cost of paint.)

"I'm on to your boss," Mrs. Bernstein said. "How much does that cheap bastard pay you?" We told her. She harrumphed and disappeared inside. When she came out a half-hour later, she announced, "I just fired that good-for-nothing. And if you know what's good for you, you'll be here Monday morning. I'll pay you an extra dollar an hour to finish this job properly."

Needless to say, we were terrified. But we were there Monday morning.

The point of this little memoir is to highlight an important principle of wealth building: Usually, starting your own business is a scary process. You give up a steady income and go without any assurances for an unknown period of time. You risk embarrassment and failure.

That's why I believe in "chicken entrepreneurship" — starting out slowly and learning about a side business while you have the safe and steady income of your main job.

I'm not an advocate of quitting your job, mortgaging the house, and jumping into a business. Although you may read stories about people doing that, the odds are very much stacked against you if you try. You just don't know enough — or have enough — when you start off that way.

I was lucky. Mrs. Bernstein gave me the push I needed — and an easy way to transition into owning my own business. I wonder how many new businesses start this way — as new shoots from an existing vine. Many, I'd guess. Even most.

Great wealth usually springs from ownership, not income

A colleague of mine and I took a business trip to Argentina last year. After dinner one evening, we lit up a few robustos and talked about money. "I don't know where it goes," he told me, laughing. "Even when I make a million bucks a year, it just disappears. My friends think I'm rich, but I'm not. I just make a lot of money."

Luckily, he had a business — a good one. He had started it 10 years earlier on a shoestring and worked day and night to make it grow. "You may be rich one day," I told him. "When you sell your business."

"If and when," he said, smiling.

Just last month, I got a call from him. He was very excited. He had just sold his interest in his company for 10 million bucks. "NOW, I'm rich," he said.

How do you acquire the $4 million-plus liquid net worth that will allow you to retire with a post-tax income of, say, $250,000? For that, you need to own something. *Forbes* magazine put it this way: The very wealthy "typically own significant stakes in successful businesses in industries that are leading the economy forward."

WEALTH-BUILDING REQUIREMENT No. 7: Invest 20-25% of Your Savings in High-Yield Real Estate

Since my inauspicious beginning as a housepainter, I have owned and run many businesses. Including a pool-installation service, a landscaping business, a nutritional-supplement company, a venture-capital firm, at least a dozen publishing houses, a discount jewelry outlet, a dozen direct-marketing enterprises, two public-relations practices, a career-counseling service, at least a half-dozen real-estate-development ventures, a fine-art dealership, and a rare-coin brokerage - just to name a few.

Because it has made more money for more people than any other investment and because it illustrates the principles of high-yield investing, let's look at real estate.

The wonderful thing about real estate is how quickly it seems to expand. You buy a condo this year with the cash you got back from last year's taxes. It's barely enough to get you to closing, but you throw some extra dollars at it and fix the property up. Eventually, as your rent increases to match the property's appreciated value, what was a net cash expense becomes a net cash positive.

Year after year, you purchase more and better properties. Some, you keep for the long haul. Others, you sell for a profit and then invest that money in two (or more) up-and-comers. You develop an intimate knowledge of the market. You can see the specs for a property in a given neighborhood and, sight unseen, know just how much you should pay for it. You learn to separate your feelings from your actions. You buy value and you sell into a rising demand.

Before you know it, five years have passed. Then 10. And then 20. One day, you add it all up and realize you have accumulated more than $10 million worth of real estate. What seemed like a part-time hobby has become, in retrospect, a retirement windfall.

I strongly recommend real estate as an active investment, but I do believe you can do just as well in other fields.

I know people who have made a ton of money by buying and selling new or antique cars, boats, rare coins, new or antique furniture, small or not-so-small businesses, receivables (money brokering), antique or contemporary jewelry, baseball cards, stamps, rare books, antique or modern weapons, museum-quality art, decorative art, wine, and various other commodities.

The secret is always the same: Knowledge is everything. It will make it much less likely that you'll overpay and virtually impossible that you'll undersell. It will force you to develop contacts that will increase your supply of the good stuff at the best prices. It will keep you from making the big costly mistakes novices make. In short, it will make you an insider.

Until you are an insider, investing is a crapshoot. That's why I recommend balancing the rest of your portfolio between a carefully selected home, fixed-rate debt instruments, conservative stock funds, and a side business.

I am recommending real estate, because I know it works

I've been investing in real estate for 20 years, and it has given me an average ROI of more than 15%. That kind of return can make a very big difference over time. It can easily be the difference between ending up with a "retirement" fund of only $500,000 vs. one of $2 million … or one of $2 million vs. one of $8 million.

Today, make up your mind that you will get Phase I of your investment plan — the accumulation of the wealth you will need to enjoy a secure and comfortable retirement — started by doing the following:

1. Saving at least $12,000 this year.
2. Saving more than that next year and still more in each year that follows
3. Investing 25% of those savings in an inexpensive home in a promising neighborhood
4. Investing 10% in municipal bonds (or another fixed-rate debt instrument)
5. Investing 10% in an index stock fund (or in a balanced portfolio of truly conservative stocks)
6. Investing 25-30% in a side business
7. Investing the final 20-25% of your savings in real estate (or something else that you can actively buy and sell)

Remember, when it comes to the active portion of your investment portfolio — the part that will bring you the highest returns at the lowest risk — knowledge is everything

Sometimes, You've Got to Break the Rules — but Not by Much

How can you invest in something new if you follow the Golden Rule of investing only in things you know about?

This is a fundamental wealth-building problem, a problem that I have suggested two solutions to in the past:

- Before you invest in a business or industry, get to know it by working for it.
- Invest in a business or industry if it is at least 50% similar to one you are already in.

Obviously, if you limit yourself to these two options, you won't be able to invest in most stocks, certainly not mutual funds, and you will only rarely find a private deal (a limited partnership or an equity interest in a start-up company) that passes muster.

Two more ways to invest with experience

1. Making Friendship Pay

If you have a very close friend, someone you can completely trust, who invites you to take an interest in a business he knows (and has been successful at), you might be OK.

I've done this many times. It hasn't always paid off, but I've never had to wonder if I had been cheated — a very unpleasant line of thought. If you invest with a true friend, he will bend over backward to be fair with you. Just as you would for him.

Case in point: Several years ago, an old high-school buddy I've stayed close with for about 15 years, invited me to invest in his real-estate-development business. I didn't know anything about real estate at the time, but I knew he did. I figured if I could invest a reasonable portion of my investment capital with him, I'd have a good chance of making a fair return and a very good chance of learning something about the business.

I have profited and learned

The ROIs have varied depending on the particular deals, but I've acquired invaluable knowledge about how these deals are done ... and about how real estate is sold. So much so that I have successfully handled some deals on my own.

In this case, I had several factors in my favor:

- My friend and his partner had an established track record. It didn't just look good on paper; it was real.
- I knew my friend's former partners, and not one of them was angry with him.
- The contract he gave me had my money coming out of the deal before his did. (That's something you should always ask for as a limited partner.)
- In addition to the money, there was something else I could contribute to the partnership — my marketing know-how. This would make me valuable in the eyes of the partner — who was a nice guy, but not my close and trustworthy friend.

But the key reason for my going into this business was that I knew my friend would do everything he could to take care of me. He couldn't control the ultimate economic outcome of the business, but he could — and has — controlled the integrity of the deal.

It's way too easy to lose money in a private investment

As an outside investor, there is just too much you don't know. It doesn't matter how much business experience you have in your own field, how many degrees you have, or how much you study the business press. If you don't know the particular industry you are investing in, you will never be able to control all the many ways you can get screwed.

There's an old saying in the partnership industry: "When two guys go into a deal together and one has the money and the other has the knowledge, the guy with the knowledge will end up with money and the guy with the money will end up with knowledge."

The biggest risk when you invest with a friend

There is a significant hazard in doing business with a family member or friend: You risk the relationship. To make such a deal work, either you both have to be the type who would sacrifice the business proposition to maintain the friendship, which is a rare thing, or you both have to be mature enough not to allow personal feelings (especially negative ones) to have any role at all in the business relationship.

2. Buying Experience Shrewdly

If you are not lucky enough to have friends who have good business opportunities for you, there is still one more way to invest in a business outside of your field of expertise: Find a very promising entrepreneur and buy a controlling interest in his company.

This is tricky, but it can work. The idea is that you buy at least 51% of a business that you like which is run by someone whose intelligence and work ethic you admire.

To make such an arrangement work, you need to set the fixed portion of his compensation at a level he is not comfortable with. His real income should come from profits, and he should be confident enough in his own abilities and in the economics of the business (which you know little of) to take the chance of earning less than he'd like to (or has).

His upside should be considerably higher than it would be without your investment capital, but his downside should be considerably lower. You want him to work as an entrepreneur, not as an employee, because it will be he, not you, who will make the business work.

What else can you do?

Other than those types of arrangements, I would discourage you from investing in individual businesses (either by buying stock or by direct investment) that you don't know.

This is a radical thing to say these days, when everyone has a stock portfolio, but it's simply too hard to learn what you need to know about a company from reading about it.

So, when it comes to the stock market, invest in index funds and municipal bonds.

The bottom line is this: I don't believe you should invest in things you don't understand. And I don't think you can understand a business by reading about it. In business, the knowledge that really matters is that gained through experience. Until you have it, hedge your bets by following the guidelines I've suggested.

How to Create $100-$750 Million of Personal Wealth — Without Getting Lucky

Donald and Mildred Othmer were ordinary Americans. Don was a chemical-engineering professor in Brooklyn. Mildred was a teacher. They never did anything extraordinary and never had great luck at anything, yet they did amass a $750 million fortune before they died. They did it by following two of the principles that I have told you about:

1. Have a second income

Both Don and Mildred developed secondary sources of cash. Don wrote and filed patents. Mildred worked as a buyer for her mother's dress shop. This extra income wasn't ever phenomenal, but it was, for many years, significant (in the range of $15,000 to $50,000 per year).

2. Invest it wisely

The Othmers put all of that secondary income into "value" investments. Since they understood that they did not and would never understand other people's businesses well enough to predict how they would perform, they invested their extra income in businesses that had good "fundamentals."

The stocks they invested in represented companies with a steady history of growth and earnings. They favored businesses they could understand. Luckily for them, they found one company with a growth plan that reflected their conservative investment philosophy: Berkshire Hathaway Inc., Warren Buffett's company. The Othmers were so impressed with Berkshire and with Buffett's analysis that they bought $50,000 worth of the company's stock.

How good an investment did that turn out to be? They saw their $42 shares go up to $77,250.

You don't need to be lucky enough to pick Warren Buffett as your stock adviser to become wealthy

Had the Othmers invested in any ordinary index fund (or even municipal bonds), their net worth would have been in excess of $100 million. That's plenty enough for a comfortable retirement, don't you think?

The Othmer formula — having a second income and investing it wisely — applies to folks who have regular jobs and don't have the nerve to give them up. If you have your own business, you should not find something additional to do but instead do more in your business. Treat that "more" as a second job and take all the money you make from that and treat it exactly as the Othmers did.

The important thing is to develop a comfortable lifestyle that allows for all your needs to be met on your "regular" income and then create — for your personal wealth fund — an additional $5,000 to $50,000 a year (or more if you can) that can grow steadily, taking advantage of the miracle of compound interest.

How to Get Rich (Still) on the Internet

Far and away, as I have said, the best side business for me is real estate. Real estate rental and leasing accounts for $102 billion worth of business in the United States each year. That's significantly higher than construction (at $82 billion), the next most popular area of self-employment. Retail — the type of small business that's started most often — accounts for $69 billion worth of business annually.

Real estate may not be for you — however, there are countless other options. Consider, for example, the Internet.

Ordinary people are scared to jump on the bandwagon. Don't be...

The Internet will surely go down in history as the most oversold economic phenomenon of the 20th century. Yet, there has never been a better time than now to capitalize on the dot-com economy. That's because the first phase — the time of hype and sensationalism — is pretty much over. The dust is clearing. It's getting easier to distinguish a good business from a bad one.

Of course, it is also harder to raise capital. Investors are looking for profits (imagine that!), not just growth. But the good news is that the best business ideas — the ones you will most likely succeed at — do not require millions of dollars in start-up money.

So, what is the Internet economy?

Basically, the Internet is a communications medium — a way to transmit information. Like the telegraph, the telephone, and television before it, it has actually expanded the business and consumer marketplace by making it easier for people to buy and sell things.

This has spelled big money for some of the entrepreneurs who jumped in early during the first phase. A short list of top performers would have to include Jeff Bezos, creator of Amazon.com ($7.8 billion); Jay Walker of Priceline.com ($4.1 billion); Pierre Omidyar and Margaret Whitman of eBay ($4.9 billion and $1 billion, respectively); Joe Ricketts of Ameritrade ($2.4 billion); Steve Case, Barry Schuler, Robert Pittman,and Ted Leonsis of America Online (hovering around a measly billion dollars each); and Silicon Valley venture capitalists Johan Doerr and Vinod Khosla at a billion each.

Technical changes in media create selling opportunities — and there have never been more than there are right now with the Internet

Not every one of these lucky billionaires created good businesses. Some of them got rich simply by selling a hot idea into a frenzied market.

So, if you want your own Internet fortune, you have to choose the right success story. One I'd recommend is that of Jerry Yang and David Filo — two young men who not long ago were graduate students at Stanford. To fill their spare time, they created a list of their favorite websites, which they shared with some friends and fellow students. The response was positive, so they developed it some more. Before long, thousands of people were using their site for guidance.

Netscape and America Online, among others, offered to buy them out. But they weren't interested. Instead, they renamed the site Yahoo and hired a CEO, Jeff Mallett, who still runs it today. Filo, Yang, and Mallett are billionaires. (Yang and Filo are estimated to be worth $3.7 billion each.)

What's the lesson here?

What's great about what Filo and Yang did was this:

1. They developed a useful service — one that benefited from Internet delivery.
2. They spent most of their early years establishing a market for it.
3. They found a business model that allowed them to sell it cheap.

What started as a simple service to their friends developed quickly into something the whole world wanted. Before they got their first public dollar, they had proven that there was a market for their service.

It is highly unlikely that you are going to make your Internet fortune by starting a new portal. And it is equally improbable that you will create anything very large. There is simply too much competition from the established superpowers.

How to start your own successful Internet business

To make your own little Internet fortune, you should follow the Yahoo model.

First, think of something you can do or sell that

(a) interests you,

(b) has genuine value,

(c) can be sold at a discount, and

(d) can be tested inexpensively.

Let's use *Early to Rise* as an example. I began this service as a free benefit to some friends and colleagues. They found it useful. I figured out a way to price it more cheaply than comparable services, and I tested it before I spent any money on it.

ETR benefits from Internet delivery. It arrives early in the morning in your mailbox. The kind of benefit *ETR* delivers is best appreciated in small, daily doses. I'm banking on the hope that it will work better than books and seminars and that the success my readers have will translate to more profitable back-end sales.

The Internet economy is just beginning

The Internet economy will surely have some significant ups and downs. But there is no doubt that it will provide many, many opportunities for new business.

The best time to get into a boom is early — but not too early. If the Industrial Revolution lasted 100 years and the Computer Revolution lasted 50, surely the Internet Revolution can be counted on for 25 good years. That gives you 20 more years to get rich.

What are you waiting for?

Think about what you want to do. Then think about how it can be better accomplished via Internet delivery. Toss around some ideas with your friends. Take some time to think about it. But not too much. Tempus fugit.

Other Self-Employment Businesses to Consider

1. Nurse-placement agency

Because of the growing need for nurses and the shrinking supply, Taipan, a newsletter for forward-thinking investors, recommends Cross Country, a business that places nurses with over 2,500 hospitals, pharmaceutical companies, and other health-care providers in the United States.

I've been interested in this business since 1991, when my neighbor sold half of his nurse-placement business to *Grace & Co.* for $25 million. It was a business that he and his wife and another couple put together on their own and grew pretty much on the basis of instant demand.

A study published in the *Journal of the American Medical Association, Taipan* reports, projects that by 2020, the nationwide registered-nurse work force will be nearly 20% below anticipated requirements. The current nurse pool is getting older and retiring, while the baby boomers are fast moving toward the age at which they will need nurses. At the same time, enrollment in nursing-education programs in America is decreasing.

This spells opportunity for someone who can find a fresh supply of nurses. I'm thinking Third World. There's got to be a way to meet this rising demand.

2. Internet-expert employment agency

Some of the fastest fortunes of the past 50 years have gone to people who have developed specialized employment agencies. Like the couple I just told you abut who were partners in a placement agency for nurses that was sold for $50 million (after less than five years). Similar stories exist in the marketing business, the sciences, the computer industry, and even in the field of entertainment.

The Internet industry is in its infancy — but the demand for talented people is already skyrocketing. This business takes very little start-up capital. Just a lot of energy and the willingness to make many, many phone calls.

3. Internet job-referral service

There are literally thousands of Internet job-placement services on the Web. Maybe tens of thousands. One new twist involves reward systems.

Recommend someone for a job and if/when the deal is made, you get paid. This has long been a policy among large companies, but now it's a fledgling Internet industry.

One such upstart is Refer.com. On this site, companies post job openings free of charge, offering compensation of at least $1,000 (through Refer.com) to anyone who helps them fill an empty position and paying a matching fee to Refer.com. Individuals sign on as members, peruse the listings, and refer friends and colleagues who look like good fits. Members who apply for jobs themselves get the referral reward in the form of a signing bonus.

4. Auto-purchase consulting

This is a very easy business. You get a call. You spend 15 minutes on the Internet. You send out a report. And, you collect $50 to $500.

All the information you need is available on the Internet. Prices. Costs. Technical specifications. Do some local advertising. Pass out a lot of cards. Award referral bonuses and your business will grow.

5. Yacht-cleaning service

Yacht cleaning works like auto cleaning and detailing, but you can charge a lot more money — and the perks are unbelievable! All you need is some basic cleaning supplies, a book on how to maintain boats, and a list of good local trades people. You will enjoy working in beautiful surroundings and get to meet some very wealthy people.

Be nice, smile a lot, and sooner or later, you will become best buddies with a Donald Trump or a Jack Nicholson.

6. Local computer service

Why aren't there any local businesses that can take care of any problem you might have on a computer? Hardware. Software. Internet. Whatever. Techies are becoming easy to hire. You could pay them $15 each per hour and charge (at least) $60. This is a good opportunity if you would like to build a nice, clean service business.

Suggestion: Hire someone smart over someone with a lot of specific information. A smart guy will always be able to find out how to get an answer he doesn't have. A highly informed person will sometimes be stymied by problems he doesn't know the solution to.

7. Broker for car billboards

People get paid $200 to $400 a month to put vinyl ads on their cars. The amount they earn for being a mobile billboard depends on how much driving they do. The business opportunity is to broker the ads. One company reported in the Highlander Club newsletter has 200 ad cars driving around with another 2,000 on the waiting list. Check it out at www.autowraps.com.

8. Temp service for project management

All businesses have occasions when they need a project done but don't have anyone to do it. In such cases, what they should do is ask the busiest manager in the company — but many CEOs don't have the understanding or nerve to do this.

Solution: a temporary service that employs specialists who want to work on limited duration projects in their areas of expertise.

Say you're a VP of marketing and you want to try a new promotion but you can't get your marketing people to talk to you. You call the agency and explain the project. The agency posts your description on its website, which is read by thousands of qualified people looking for part-time, temporary work.

Everybody is a winner. And you have a growing business.

9. Rent-a-tank

Buy an old tank. Figure out how to make it street-legal. Rent it out as a novel birthday gift for aging baby boomers.

If this works, think of something else you can rent out — something equally weird. Pretty soon, you'll have a business.

10. Dog-sitting theme park

Instead of being cooped up in a cage for days on end, dogs are treated to fun and freedom in a wonderland of doggie delights, including a large, open, play area where they can frolic with other captive canines; an obstacle course for fitness training; a grooming center; a training facility; and more.

Troublesome dogs are segregated and given "special attention." Bathing, grooming, housebreaking, and other services are provided at extra cost.

Aging yuppies who feel guilty about putting Fido in a cage while they sip Cabernet in Napa Valley are going bonkers over these guiltless dog jails where so much more is provided at very competitive rates.

The secret to the program is that it ends up costing less than a conventional facility to house the dogs in groups — yet, because of the seeming benefits of all that freedom and mobility, you can actually charge a little more.

The typical rate for overnight lodging is $20 plus extras; half that for a daytime stay. If you can get 100 dogs at an average of $15 a day each, you'll have revenues of $45,000 a month. Rent on an 8,000-square-foot facility might be $4,000. Three full-time employees might set you back another $7,000 or $8,000. Food, insurance, utilities, and extras would come to maybe $5,000. And advertising — that's always the big "if."

Ultimately, it's a real-estate play (as so many retail businesses are). If you can get a good location — preferably near a major highway or airport — at a good price (think warehouse-space pricing), it's just a matter of making your warehouse look like doggie heaven with cheap props and cement floors and some good hoses. Sublet the pet shop, bathing, and grooming services. Keep an attendant working 24 hours a day to keep the mutts from killing one another. That's it. (I say this with the confidence of an outsider.)

11. Making money from teenyboppers

The size of the U.S. teenage market has doubled in the last 10 years (according to Michael Wood of Teenage Research Unlimited). The current market is approximately $150 billion big. And it's getting bigger. Ten years from now, there will be 35 million American teens.

What I like about the teen market is that they are naturally rebellious. This means they favor what is new and have an aversion to name brands. Good news for the entrepreneur.

If you think you might want to get in on this market, you'll be interested

to know that teens spend a third of their income on clothing, about 20% on entertainment, and 15% on food.

12. Catering to the echo boomers: the new market

There are about 32 million people aged 12 to 19 in the United States alone. This is about 11% of the population. They are the children of the baby boomers. As our children, they are perhaps a bit easier to understand than earlier teenagers were. That's because they've been forced to learn our culture as they were developing one of their own. Always self-centered, we baby boomers have seen to it that our children are as fluent about Simon and Garfunkle as they are about Nine Inch Nails. And that presents a business opportunity for anyone interested in catering to that market.

Get in now — and as they age and start making money, you'll do better and better. Maybe you can fund your own kid's emerging entrepreneurial interests.

Why This Is the Best Time Ever to Build Wealth

Some see economic recovery just over the next hill. It doesn't look that way to me. Still, I'm certain that now is the best time ever to build wealth.

Why? Because now is always the best time.

Now is always the best time to start something good. Good things take time, and time is one thing that is definitely limited. The sooner you begin, the faster you'll get there.

This is universally true, but it's especially true when the goal is to build wealth. You can't control the economy. You can't predict the markets. You can't ultimately protect yourself from disaster. But you can make yourself richer tomorrow than you are today.

There's always something you can do. Work an extra hour in the morning. Work another extra hour before you go home at night. Sell an extra widget. Start a partnership. Cook up a moneymaking idea.

Remember, every dollar you earn today is more valuable than a dollar you earn tomorrow — because of the value of compound interest. And every financially valuable secret you learn today is more valuable than it would be if you learned it tomorrow — because of the value of compound knowledge.

Some specific business ideas are certainly better delayed. (I've decided to put off buying an apartment house in my neighborhood because I'm convinced local real-estate prices will be lower next year.) But wealth-building action — taking positive steps to achieve your financial goals — is always best done immediately.

Be cognizant of the times we live in — the slowing economy, the burgeoning debt, etc. — but be equally aware of the passing of time. Every day that passes is 24 hours of opportunity you won't have again. Why not put a bit of that time to work for you right now?

I Don't Want You to Just Dream Your Dream — I Want to Help You Make It Happen

You have a dream. Maybe it's to become mayor of your town. Maybe it's to make a living as an artist. Or to make a million dollars.

You think about your dream at work. You talk about it with friends. You dream your dream when you're sleeping.

But it never happens.

Your 20s turn into your 30s. Your 30s soon become your 40s. Your 40s quickly run into your 50s — and, before you know it, your dream is gone. You have lived a life someone else has figured out for you, not your dream, and you wonder, "Where did I go wrong?"

Nine times out of 10, dreamers fail — not because they don't have a goal but because they need something to get them going.

That's what I hope I have just done for you — gotten you excited and optimistic and ready to do the important work that needs to be done to achieve your wealth-building dream.

Take the first step, today, by identifying your No. 1 Goal. Write it down. And make a commitment — a promise to yourself — that you are going to turn that dream into a plan of action. Develop your own Wealth-Builder's mindset.

With the *Early to Rise* staff behind you — and with the support of the many resources and programs (www.earlytorise.com) that we have developed to help you achieve your goals, you are finally going to make it happen.

PS: I'm working on a more detailed version of my wealth-building strategies. These tips and formulas will be published with worksheets, more real-life examples and suggestions for easy implementation. If you're interested in learning more about this Automatic Wealth program, please contact us at: support@earlytorise.com

Be sure to mention "Automatic Wealth" in your email and we'll let you know when this program is available.

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