

***Automatic Wealth: The 6 Steps to Financial Independence***  
**Michael Masterson**

According to Michael Masterson the six steps to Automatic Wealth are:

1. Recognizing Reality
2. Plan to Become Wealthy
3. Develop Wealthy Habits
4. Radically Increase Your Personal Income
5. Get Richer While You Sleep
6. Retire Early

- 1. Recognizing Reality** - Michael begins by helping the reader understand the importance of income and having a financial plan. Michael identifies four basic income levels:

1. *If you have a family income of less than \$50,000, it is tough to make ends meet.*
2. *If you earn between \$50,000 and \$150,000, you are getting by. Your bills are paid and you can afford some small luxuries, but you have to be careful.*
3. *When your family income exceeds \$150,000, you are living well and want for nothing (unless you have 10 children).*
4. *When your family income exceeds \$1 million, you can spend money without much thinking. You don't need a budget. You can be extravagant.*

Michael says that one of the critical habits needed to become successful is to learn to act quickly. Ready....Fire.....Aim. *"Because the right decision made too late is sometimes worse than no decision at all."* Michael explains that many people never make a decision because they fear that they will make the wrong decision. This fear is what prevents most people from ever making the necessary decisions to become successful.

- 2. Plan To Become Wealthy** – Michael explains in this chapter that if you want to be successful then you must learn to live like successful people. Here are a few steps that he recommends:

*Wake up earlier- and get to work earlier.  
Set monthly, Weekly and Daily Objectives - "Once a month, you'll sit down for two or three hours to map out your goals for the next four weeks. Once a week, you'll spend one hour establishing your goals for the next seven days. And you'll spend about 10 or 15 minutes each morning organizing your day."*

In order to plan to become wealthy you must learn to first plan your day.

- 3. Develop Wealthy Habits** – The most important principle in this chapter is:

*It is how you act, not what you think, that will determine your success.  
It is how you think, not what you do, that will determine your happiness.*

Here are the eight characteristics of people who build wealth:

1. They work hard.
2. They are good at what they do.
3. They have multiple streams of income.
4. They live in (relatively) inexpensive homes.
5. They are moderate in their spending.
6. They are extraordinary in their saving.
7. They pay themselves first.
8. They count their money.

Michael points out that the habit that is most important to becoming wealthy is learning to pay yourself first. **Your First Saving Goal: Every year, I will save more than I saved last year.**  
**Your Second Saving Goal: Every year, I will increase the amount I save in terms of a percentage of my income.**

- 4. Radically Increase Your Personal Income** - Michael gives some great advice on how to increase your personal income. Five Habits of Successful Employees:
1. Work longer hours.
  2. Understanding your responsibilities.
  3. Working harder.
  4. Working smarter.
  5. Helping your boss do better.

Michael explains the importance of making sure that your job is directly related to making the company more profitable. He advises that you should stake your success and income in the company's success and profit.

In this chapter Michael also discusses the importance of developing additional lines and streams of income. The more streams of income that you have coming in the more likely those streams will turn into a river.

- 5. Get Richer While You Sleep** – This chapter Michael lays out several different investment options that make you money while you sleep.
1. Investing in stock for equity appreciation.
    - a. Invest in what you know.
    - b. Be suspicious of stock stories.
    - c. Be conservative with each investment.
    - d. Have a Plan B

2. Three Characteristics of Great Start-Up Ventures
  - a. Efficiency of customer acquisition.
  - b. Gross profit margin.
  - c. Back-end potential.
  
3. The Potential of Real Estate
  - a. Buying and Managing Local Rental Properties: An Overview
    1. Buy properties in your local area.
    2. Invest in good or up-and-coming properties.
    3. Whenever possible, buy newer, solid structures.
    4. Develop a network of reliable contractors.

These are the three main investment vehicles that Michael recommends. His favorite is real estate. Michael points out the benefits of not only equity in properties but also the monthly rental income. Michael gives numerous formulas to determine if the investment properties are a good buy. His years of real estate investing insight are great to read out. He tells several personal stories from his real estate investing. These stories are not only inspiring but provide the opportunity to learn from other people's mistakes.

6. **Retire Early** - In this final step Michael gives an overview of everything that he has taught in his book. He gives different model portfolios based on where you are in terms of building your personal wealth.

Overview: *Automatic Wealth* is a great book with practical advice from someone who has amassed great personal wealth. Michael lays out a plan to achieve personal wealth within a 7 – 15 year time frame. Not only do I feel his plan is practical but I also feel that is plan will work if followed.