"Continuous effort, not strength or intelligence is the key to unlocking our potential." Liane Cardes

So, do you want to be a millionaire? A real one, no kidding. You can be. This is not some television show play on words or the hype of an overzealous salesman. We're not going to wait for some distant unknown relative of yours to die and suddenly, out of the blue leave you a huge inheritance. This is involves some common sense, but powerful tools you can use today to start amassing real wealth for yourself.

One of the first things you have to get firmly implanted in your subconscious is that money can work harder than you can. That may seem a little far-fetched, but it's true. Despite all the effort you put forth at work, your money can be silently outperforming you in the value it produces – if it is given the chance. That is a good thing.

How would you like to be able to work 50 weeks this year (considering two weeks off) and yet earn the equivalent of 53 weeks. Obviously, this depends on your actual income and may vary. (If you make $500 per week now, you can earn an extra two weeks earnings. If you make $1000 per week you can get one extra week.) Let me explain. If you have $10,000 and you put it in an investment at 10% then it will earn $1000 for you the first year. How long does it take you to earn $1000 at your work?

This reflects back to the idea I mentioned early In this book about money as a tool. Now we're going to take a closer look at just how money can produce some powerful and almost unbelievable results when used properly. To do so I want to introduce you to an amazing mathematical phenomenon called the Magic of Compounding. Let's begin with an old tale:

> In a land far away, and a time long ago, a wise and clever man saved the life of a young woman. She happened to be the King's daughter. The king was thankful and offered to reward the man with whatever he asked within reason. Now this man was indeed very wise for he asked the King simply for one grain of rice placed on a chessboard. Then he asked for the King to double the amount of rice, or give him two grains of rice on the second square. Next he asked for the King to give him four grains of rice on the third square and to double the amount of grains of rice on all the remaining squares of the chessboard. The King, who was generous but not so wise, agreed because he thought it would add up to no more than a bag or two of rice.

What do you think is the outcome of this story? Was the King correct that it would add up to only a few bags of rice? Here's the answer:

It's estimated a sack of rice holds 18 million grains. Surely that would be more that enough to pay the debt, don't you agree? Sadly, we never hear from this King again because as the result of paying this reward, he is financially ruined. To pay the reward takes more than one trillion sacks of rice.

Incredible? No, the story above just illustrates the power of compounding. The big mistake the King made is that the rice didn't add up at all. It compounded. The king was ignorant of what has been called the eighth wonder of the world - the power of exponential growth. It illustrates how growth can begin small and accumulate slowly at first. Buy soon the compounding effect takes over and the results can be exhilarating, especially if it is your money that is doing the growing. The numbers look like this:

1* 2 * 4 * 8 * 16 * 32 * 54 * 128 * 256 * 512 * 1024 * 2,048.

Admittedly the rice story and these numbers are based on 100% compounding but the principle is the same regardless the rate it compounds. The above numbers could represent the first 12 months growth of your money. Not too exciting, is it? Yet, look at the end of the next twelve months.

4,096 * 8,192 * 16,384 * 32,768 * 65,536 * 131,072 * 262,144 * 524,288 * 1,048,576 * 2,097,152 * 4,194,304 * 8,388,608

Read that last number carefully. That is over 8 million.

This can work for you too, regardless of the amount of money you have to start. It can be a lump sum, or monthly amounts. The magic of exponential growth will still work and do amazing things. Here is why it happens:

- Your principal earns interest
- Your interest earns interest

In the real world taxes reduce the compounding effect. So wisdom dictates you must invest in accounts that help you reduce taxes when possible. By doing so you can add one other item to the list

- You also earn interest on money you would otherwise send to Uncle Sam for taxes.

There are three ingredients that determine just how magical the compounding is for you.

1. How much money you invest
2. How much time it spends growing
3. Its rate of growth

Obviously, the amount of money you start with is a big factor. The more you can start with the sooner, the better. It doesn't take a rocket scientist to know that. The more years you have left to invest, the more enjoyable your retirement will be. However, in case you haven't been sufficiently disturbed about how important it is to get started right away, take a look at the following chart.

This chart shows twin brothers Jim and John age at age 55. Jim starts now with a monthly investment of $100 per month and continues for 20 years at 9% earnings. John is a procrastinator and waits 10 years to start. He thinks he can catch up to Jim by investing $200 a month earning the same 9%. Both brothers continue to invest for another 10 years, or until they are age 65. Unfortunately, John is in for a disappointment. The chart shows that even if John could earn 12% he still can't catch up to what his brother Jim has accumulated by starting early.

	Jim $100/month 9%	**John $200/month 9% / 12%**
5yr	$7,599	$0.0
10Yr	$19,497	$0.0
15Yr	$38,124	$15,198 / $16,497
20Yr	$67,290	$38,993 / $46,468

"Beware of little expenses; a small leak will sink a great ship." Benjamin Franklin

At this point some of you may say that it's difficult to find the spare money to invest. If that's you, go back to the chapter about budgets. Follow the exercise there to list all your monthly expenses and get control of your spending habits. It is a rare person who doesn't find extra money each month to invest. The money is there being siphoned off by undisciplined impulse buying habits.

Even some of the purchases many deem "necessary" really are not. Instead of buying the biggest television, or the most expensive entertainment center, do some math and see how much you could save buying a smaller system. Do the same with your automobiles. That shiny new car looks impressive now, but will be junk in ten years. How good an investment is that? Make it a habit never to invest in a depreciating asset unless absolutely unavoidable.

One last thing on this subject – free yourself from the false notion that you have to keep up with the Jones. Studies have shown that the people who have real wealth in your neighborhoods – the millionaires next door – don't show it. They live on a budget and wear inexpensive suits. Only a minority drives current model year cars, or ever leases motor vehicles. Overall, they live below their means. It has always amazed me why anyone would insist on wearing clothes,

shoes, or carry a handbag that advertises some else's business. Who is Gucci anyway?

As for the interest rate you earn on your money. The result of different rates can be an eye-opener. Look below and see for yourself. Here is an illustration of $10,000 invested for 10 years and 20 years at four different rates. The lowest rate is what you can expect on those "safe" investments discussed in an earlier chapter.

$10,000 Invested at Different Rates

Compounded Monthly

	4%	7%	9%	12%
10 Years	$14,908	$20,096	$24,513	$33,003
20 Years	$22,225	$40,387	$60,091	$108,925

Here we see that at 10 years the 12% earnings is double earnings at 4%. Plus, at 20 Years the difference jumps to a whopping five times as much! Which would you rather have in your account when it's time to retire? $22,225 or $108,925?

A warning is in order here. The wonderful power of compounding interest can work either for you or against you. For instance, if in the chart above you withdrew $5,000 from the accounts at the 10-year mark, the 20-year value would be diminished more than you imagine.

	4%	7%	9%	12%
20th Year	$14,770	$30,336	$47,824	$92,408
Amount Lost	$7,455	$10,051	$12,267	$16,517

The lesson we learn here is to resist the temptation to remove any of our accumulation. Even a small withdrawal early in the investment can have staggering effects later.

Unfortunately, this same power of compounding is working against us - in the form of our Federal debt. It took 194 years to rack up the first trillion dollars or debt. After that is was only five years to the second trillion of debt. Today the chart of Federal Debt looks like a straight line – straight up! Sort of reminds you of the King in the story above doesn't it?

So keep in mind that you have to take care of yourself. You have to be the wise man in the story. Don't delay getting started because you think you can always fall back on Social Security. It's doubtful it'll be there since the government has already robbed it to help pay their massive debts.

Fortunately, this is still a land where you have the opportunity to take the lemons that are sometimes handed to you, and make lemonade out of them. You can do that by seizing every opportunity to put your money in places where it can go to work creating a retirement for you.

Lastly, this quote sums the whole idea of making your money work for you. This person evidently understood the power of compounding.

"The entire essence of America is the hope to first make money- then make money with money – then make lots of money with lots of money." Paul Erdman

Well said. Now, go do it.