EPISODE 517

[INTRODUCTION]

[0:00:32.9]

FT: Welcome back to So Money everyone. How are you doing? I'm your host, Farnoosh Torabi. Hope it's been a great start to 2017 so far. Today's guest, he's an old friend, and he is going to set us straight in the New Year. David Bach is here. You know him well. David was featured during this podcast's inaugural week back in January of 2015, along with just some random people like Tony Robbins and Robert Kiyosaki.

Since then, David's been very busy traveling the country, meeting with his readers, his fans, and from that experience, he's released a revival of the book that really, I think in many ways, set off his fame and changed the way that we think about becoming rich. You know this book. He debuted it on the Oprah Winfrey show in 2004, and now, *The Automatic Millionaire* has been expanded and updated to reflect this really fast-paced and in some ways very challenging financial world that we live in today.

How have things changed exactly? We get into this in our conversation, as well as the evolution of technology and how it's impacting our wallets. How to manage your money during a Trump presidency, he three words David says that will determine if you will be rich. This is a good episode. Here we go, here is David Bach.

[INTERVIEW]

[0:01:57.6]

FT: David Bach my friend, welcome back to So Money.

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DB: Farnoosh, it's so good to be back with you! Congratulations! I mean, I know you're over 500 podcast episodes. Like, you and I were together, I think I was one of your first podcasts.

[0:02:15.9]

FT: You were, you were one of my first. You helped me launch this show, so you bring good luck to this show, and I'm really honored that you are coming back, and with such great news. Relaunching *Automatic Millionaire*, and before we get into that book and all that's new about it, how are you? We haven't caught up since pretty much 2015, you stopped by in January, so what's a personal development that you're really excited about?

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DB: God, it's crazy, two years go by so fast. Personal development, it's funny. I sent my kids off to school, I can't — you know how it is if you're a dad, I live to be a father. I've got this incredible six-year old who is in first grade, whose name is James, and Jack's in 7th grade, and so like just really being a dad and spending amazing amount of time with my kids is like what I love to do.

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FT: My gosh, Jack's in 7th grade?

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DB: I know, it's crazy. I have to tell you, honestly, Farnoosh, I'm still giving this kid lots of hugs and kisses, even though he's starting to pull away from me because he's 13. I came into the kitchen today, I gave him another kiss on his forehead, and I know he was having that 13-year old moment where he's like, "Dad, come on, seriously dude?"

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FT: It's never enough.

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DB: Yeah, I just can't get over it, I just love being a dad. That's probably the biggest thing, and then work wise, my gosh, since I've seen you, there's been so much. We went out, we relaunched *Smart Women Finish Rich*, our seminars, which have, you know, half a million women have gone through these classes, and we took those back out on the road again, and then I relaunched *Smart Couples Finish Rich*.

I think we've had a quarter of a million, this is over the lifetime of these seminars go through that program, and that was remarkable. Actually went on the road, got to be personally on — out there doing this seminars again, and really getting to meet my readers, and meet people taking these classes, and that was just like so incredible for me, because my books now, they've been out for so long, a lot of people come and see these speeches and see me, and they're telling me success stories that have been built up over a decade or even 13, 14, 15 years, and they're so incredible, some of this stories.

Truthfully, what happened to me on that last tour for *Smart Couples Finish Rich* is that I felt like more people were actually talking to me about the *Automatic Millionaire* book. Even though they were coming to a *Smart Couple*'s seminar, a lot of them were holding the *Automatic Millionaire* book.

They were holding a book in many cases that was 10 years old, right? *Automatic Millionaire* came out in — I wrote it in 2003, I launched it on *Oprah* in 2004. They have their like, 10-year old book completely like, tattered up and highlighted, and they would tell me their stories and then they'd go like, "When are you updating these books? Because you haven't done an update in a decade," and I'm like, "I know, I need to do an update."

I made that a goal for last — really, 2016, to update the book and put it back out into the world, because I really want to reach the next generation. All of the sudden I've turned 50. I don't' know how that happened, and I was starting this whole career in my 20's, and I'm like, you know what? Now I want to reach the next generation. I want to reach 20-year olds and 30-year olds, and I want to get the millennials on this *Automatic Millionaire* program, because I know it can change their life forever. That was a long…

[0:05:42.0]

FT: 50 is the new 30, so whatever 50.

[0:05:47.2]

DB: Exactly. 50 and free baby, this is my year. I'm so jazzed on this year. I'm like, this is the year I'm going to crush it like a teenager, and I can't wait for all the new things we're doing this year. Go ahead.

[0:06:02.4]

FT: The millennials are easy now to — they're going to believe this. They — we're automating everything, and in some ways your book, the *Automatic Millionaire* was ahead of its time, I think I heard you say something in a previous interview that while 10 years ago, it may have taken us an hour to automate our finances, now it just takes minutes, and now we're not automating just our finances, but so much of our lives. In some ways, this is an easy audience for you.

[0:06:29.3]

DB: Well you know, you're right. That's part of the reason why I updated book is because technology has changed everything. If you go back to the *Automatic Millionaire*, how it was created, I learned being a financial adviser at Morgan Stanley that my clients who had all — my ordinary clients, who had become what I would call extraordinarily rich. They had built a net worth of over a million dollars, not including their home. The clients that I had that had done that, they had done it through saving money automatically.

It used to be called a systematic investment plan. That's still what people sometimes call it, but you know, you had to fill out paperwork. It was like this big process, you had to sign all this documents and then money would be pulled form your account, and moved like by transfer to another account. It seemed very overwhelming 20 years ago to do that. That's why not everybody did it. Today, you need to get on your little iPhone, and you can go click, click, click and literally, in like less than 10 minutes today, most people can open an account and start paying themselves first automatically.

In some cases, doing it for little to no cost. The cost to get a lot of these accounts started for people with as little as a dollar, by the way, because now you can start investing with live companies with as little as a dollar. It's just become completely frictionless, and that's the exciting thing about technology. Like there is a company in this book that I featured that I kind of got a crush on called Acorns.

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FT: Love Acorns.

[0:08:03.2]

DB: Acorns, when I saw Acorns, this example like, updated the book. Acorns basically took my concept of the latte factor, which is let's take your change, let's take the money that you spend on small things, let's round it up for you automatically, let's help you invest it automatically in a portfolio, and you'll see that saving small amounts of money automatically can change your whole life. It was very similar to the "keep the change card" that Bank of America did, which I was involved in launching years ago, but that money moved into a savings account.

You go back to Acorns, I'm like, does this really work right? I immediately went on the phone, I went through the click process to see how long it would take me to open up an account. I think it took me literally like, I want to say eight minutes, I couldn't believe it, it was sort of like wow. Then I called the company, called the founders, and said, "I have to come meet with you guys." Flew out to Irvine, got the downlow on what they were doing, ultimately I invested in the company as a personal investor, but that's just an example of one company.

Acorns is not the only one doing this. In the *Automatic Millionaire*, I've got lots of these companies. Betterment, Wealthfront, Stash, there are so many great new fin-tech companies that are making the process of making your financial life automatic, that it's going to change, I think, for especially millennials, the way we all save, invest, and track where our money goes.

[0:09:31.8]

FT: Yeah, there was actually an article in *The New York Times* this week about it, mentioning some of the companies that you've talked about, and also Mint in some ways, and you know, Mint was kind of like the first of its kind, but now you're right, Acorns, I love Digit too. Digit lets you save automatically on the go, rounding up, I guess it sort of looks at your income and your expenses and figures out like, a nominal amount to save for you every week, but that's the thing, you know?

Left to our own volition, we would not be saving a dime, and so thanks to fin-tech for changing that. Of course, your book. There are more millionaires now, David, than ever before. Do you think that you had something to do with that?

[0:10:15.1]

DB: I would love to think that just the *Automatic Millionaire* book alone has a million and a half copies out, and the whole Finish Rich series, you know, Smart Women Finish Rich, Smart Couples Rinish Rich, Start Late Finish Rich, has over seven million books out. At this point, between those seven million books and the million people who have come through my seminars, honestly Farnoosh, I do feel like I've made a small little dent in the world in terms of financial education.

There's so much more work to be done. I mean, my biggest single complaint is that we don't have financial education in the school systems. I hope with Trump, I keep talking about this, I actually hope that Trump, as our president, that he will push to give financial education in the school systems, because if we start teaching, if everybody was taught what's in the *Automatic Millionaire* book before they got out of high school, we could change the face of this country financially.

The recent numbers, you probably saw this, the Federal Reserve came out with this numbers and everybody talked about it, how 47% of Americans can't get their hands on $400 in case for emergency purposes. That's terrifying. There's one in two Americans have less than six days of savings. Half of America is like really struggling, and then we have 10 million people who are now millionaires, and we actually have more wealth in our country than we've ever had. The number just went over 90 trillion dollars in total net worth.

If you're investing, if you're an owner, if you're practicing the things that I teach in the *Automatic Millionaire* book, you should be wealthier today than you've ever been, because the stock market's at an all-time high, and the real estate market's in an all-time high. Those two single things basically determine the net worth of most people in America. That's a big part of we had a remarkable seven and a half year run now.

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FT: You touched on Trump, you touched on housing. I want to talk about both of those things, but just now you talked about how we've had this incredible run in the market, and that obviously is not going to last. I think we're anticipating that to some extent. There has to be a correction, there has to be some softening. What can we do to help ourselves in that predicament, given too that Trump, let's be honest, he's going to be helping the rich. So for the masses, how do we help ourselves? Especially in those harder times that are maybe down the road soon?

[0:12:45.4]

DB: Okay, this is going — first of all, people, you should go to my website, davidbach.com, and put your email into our list. The reason I'm just saying that right now, or you can visit me on Facebook to join our community. The reason I'm saying that is because I've just spent the last month creating a webinar that will get released when we have the next market correction.

Actually, I created it for my financial service clients, because I'm now the director of investor education for our new financial service firm that we launched about six months ago, and we're literally preparing all the financial education pieces for our clients to go over how to prepare for a correction. Here's some things I can tell you about preparing for a correction?

First of all, markets go up and markets go down. Really important to know that. Corrections, which are considered markets of over a drop of over 15% to 20% roughly. Bear markets are 20% or more corrections, or generally comes through between 10% to 20%.

That actually happens a lot, and big thing to know is that yes, markets go down and then they recover. We've been on a roughly seven and a half straight year up run, we're up over — the bottom was in February of 2009 I think, we'\re up over 300 and some odd percent right now from that time, which is worth pointing out too, because when that correction happened, people didn't believe the market's been recovered. You and I talked, I was all over the media, doing *Start Over Finish Rich*. Literally sitting on shows like *The Today Show* saying, "Recessions mint millionaires. Corrections create massive opportunities, so it is important to know that if you are just getting started and we get a correction, that's great for you."

That's called a market being put on sale. It's the same thing that happened with the real estate market when the recession hit. Homes got put on sale. You could go out and buy a home, in some cases below replacement cost, and people were like, "I'm never going to buy a home, I'm going to be a renter." Meanwhile, all those markets that got crushed, the average home price is up over 57%.

The markets nobody wanted to go to originally, the markets like Miami, and Phoenix, and Vegas, and San Diego, all these markets that were these great markets but then go hit, smart investors rushed in and bought homes. Thing to know is this, you got to reprogram your brain. First of all when the market's correct, seriously, don't panic. You need to breathe, turn off the negative news.

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FT: Light some candles.

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DB: Yeah, don't spend a lot of time watching the financial news, because it will all be scary. They exacerbate it, because the media makes it worse often than it is. They try to come up with explanations. They get this negative talking heads on saying, you know, it's going to get worse, and the market's going down 50%. There are all these pundits out there that are always negative, you got to stay away from that negative news, because you've got to know long term in this country, the greatest country in the world, where we have the economic engine of the world, things always improve and get better.

As I sit here today Farnoosh, the dollar has had a 14-year high. Our value of our dollar. You know, eight years ago, when Obama was being elected, people are like, this is the end of the world. The American dollar is going to get destroyed, we are just a laughing stock. We have the strongest dollar that we've had in 14 years.

We have the highest employment rate that we've had now in eight years. We have the strongest stock market we've ever seen in seven and a half years. Actually, ever. We have the highest cash sitting on company balance sheets that we've ever had. There is so much good news, which by the way, is why the Federal Reserve is about to raise interest rates.

One thing you have to start preparing for is the fact that the federal rates will raise next year. That will start to impact a lot of people who are listening to this podcast right now. We should probably talk about that.

[0:16:44.5]

FT: Yeah, I do want to talk about the impact on housing, also because you are still advocating for people to become homeowners as a way to secure wealth, whereas over the years, many people have come out saying that's actually a terrible idea. You should rent, because it creates more lifestyle flexibility, more cash liquidity. It's not for everybody, and then we obviously have recent history to scare us from doing that.

You just also debunked that for us on the show. You know, it is true that we're going to see a cooldown in housing, not that because interest rates directly impact mortgage rates, but we're already seeing mortgage rates go up. We're already seeing there are a little bit of a slowdown in home sales, and I just think again, we've had it so good the last four, five years that it's time in that new market that we're headed into. Higher interest rates, maybe some lower prices on housing. For a seller, that's not so great. What do you do? Do you buy? Do you rent? Do you shore up your cash and then wait to pounce? How do you tackle this?

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DB: Okay, now I'm going to be really careful how I answer this question. I don't want to freak people out or scare anyone. In 2010, really, 2009 when things were all on sale. I was absolutely raving, "Bull market! Like you've got to take advantage of this guy!" I was out there beating the drum to buy a home and investment market, because it was obvious. Everything was cheap. You had companies trading at four, five, six times multiples that traditionally traded 12, 13, 14, 15 times revenue. Today, the stock market is trading an average of 27 times. It's one of the highest multiples we've ever seen in the last 50 years. The market's fully priced right now. Stock market.

We've had a movement since Trump got elected, up nearly like, I don't even know, what's in front of me. Like we're up like, 2,000 points. People thought the market was going to drop after Trump was elected. With real estate prices at an all-time high, I'm running around today doing what I've always told people, which is you've got to be a long term investor. I am not telling people that right now because the things are cheap. I don't think things are cheap. It's hard to find anything that's cheap right now.

Let's go back to the basics, you shouldn't invest in the stock market unless you're investing for at least for three-year time rise, and ideally five years or longer. If you are, then you can ride out markets going up and markets going down. Most people who are listening to this, who are investing like in a 401(k) plan. You know what? Just keep investing every two weeks, leave it alone, don't worry about it.

If you're approaching retirement or you're retired, you need to then be thinking about this. You need to be sitting down with your financial adviser, truly digging in to your overall risk tolerance, and looking at your asset allocation. How much money do you have in stocks, how much money you have in bonds? How much money is global? In terms of the bonds, are you short term? Are you medium term bonds, or longer term bonds?

You really needed to go in to that, the micro part of that with an adviser and look through. Do almost like an x-ray vision of your portfolio. I think that's really important, but those who are closer to retirement. Your listeners, your 20's and 30's, don't even worry about this. Just keep paying yourself first automatically, and the key rule, one hour a day of your income. That's the key formula. We should talk about that in a second, but let me just go to the housing for a moment.

You shouldn't buy a home if you're going to move in a year or two, that's just a given, but if you're going to live somewhere for five years or longer, then even though housing right now might be an all-time high in your market, you might still want to be looking at buying a home. You've got enough of a down payment, 10% to 20%, you could still buy a home and get a really — even though if the rates go up, they're still going to be much cheaper than they were 10 years ago.

Rates will get back up to four or four and a half percent on a 30-year mortgage, my last home, when I first moved to New York, I went back and pulled my mortgage in 2002. The rate on my mortgage was 5.85%. That was 2002. So even if we get up to four, 4.5%, it's still really cheap money. Long term home investing works. It works because it forces people to save automatically. You're always paying your mortgage and you are paying down your debt if you do it correctly.

And long term, the value of homes go up. What homes become for people is a forced piggy bank. You turn around, and you pay that home off early, which is what I teach you how to do in the *Automatic Millionaire*. I use what's called a biweekly form, and the biweekly mortgage formula is to pay your mortgage half every two weeks. You pay your mortgage off sooner, and when you do that, you get to retire sooner.

So if someone is listening in their 30's, and I get emails all the time from people in their 30's. 10 years later, they've followed my program, and they have accelerated it, and they own their home free and clear at 40. You have a lot more options when you have no real overhead cost to where you live. Yes, you might have insurance and taxes, but that's way less than renting and renting always goes up.

The cost of rent, you and I live here in New York. The cost of rent has gone up 50% since the recession. The value of a home has doubled in many areas here since the recession.

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FT: Well say though, if you're looking for a nice two-bedroom in Brooklyn right now, they have overbuilt on just my block alone. There's three new condos, and so you can strike a little bit of a deal if you go in now, and maybe have some cash to wave around. These landlords, I think they overestimated the demand, but I know, yes, you're right. I mean you've preached to the choir here.

I am a home owner, and in fact, my interest rate in 2004 when I first bought in New York was 6%, so you did even better than me. I have sold that property for a nice little stash, and I held onto it for 10 years. That's why. So yes, you have to be a long-term owner in order to really be able to reap the benefits of home ownership. It's not for everybody. People come to me on the show, they've got debt, credit card debt, student loans, and they're just razor focused on becoming a homeowner.

I'm like, "It's not on your to-do list right now. That's a nice goal to have, but you have a lot more on your plate to deal with, unfortunately."

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DB: But I think it's important for people to have their big dream in front of them, because it's true, it might not be on there. This is not your 12-month to-do list, but I'll tell you what, I'm a big believer in funding a dream account, and so the person who wants to buy a home and I've got a credit card debt, cool. No problem. Where if you've got 200 bucks, we're going to take one third of that money, we're going to put it towards pay yourself first account. Then take one third of your money, we're going to put it towards your pay debt down account, and then one third of your money, we're going to put it in your dream account, and your dream account is going to go buy that home someday.

That kind of automated system allows people to go for their dreams, and the only way you get to your dreams is you start working on it, because time goes by really fast. And I will tell you what, even if it's five years from now, you're not working towards that dream of buying a home five years from now, you're going to turn around and you'd still be renting. Your rent will be 50% more and you will have no money in an account to go buy a house, and the markets will correct, and there will be times where you will be able to get better deals, and you just brought up a great example.

There are a lot of markets that have gotten overbuilt. Things will cool down again. Prices will come down. That's why everything is always cyclical. So if you're building up a dream account for that opportunity, maybe it's two, three years from now where things start to go on sale. Maybe it's 12 months from now, or whatever it is, you just start to build that dream account up then you will have that money to go and do that.

You and I are living examples of how lucky sometimes you can get. If you live in a great city like New York, you just bought a place in New York, you just bought a place in San Francisco. So many of these markets where if you just got into something, it could be 500…

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FT: It could be a parking lot. It could be a parking space.

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DB: You know if you just got into a 500-square foot studio, you got on the escalator to building wealth. I mean, I have friends, they lived in multimillion dollar apartments in the city, but they're starting. One of my friends started in a $300,000, just amazing how much potential that was, a $300,000 studio. I have another friend who started in a $150,000 studio. Now lots of parts of the country that buys you a house.

So in some parts of the country, you can still buy homes for $50,000, and many markets today, it's actually cheaper to have a mortgage than it is to rent. So I haven't lost my enthusiasm for home ownership. I think it's a fundamental part of the American dream. I realize that it is not for everybody, and I realize a lot of people are still moving around quite a bit especially millennials but the challenge is you're constantly moving around, and you are not ever putting money in your savings account, an investment account, or real estate. Then you're going to be one of these 47% of Americans who basically have one week's expenses set aside.

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FT: Barely. Something you are not enthusiastic about, David, though, is budgets. Tell us why.

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DB: Because they suck, can we say that on the podcast?

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FT: Yes, of course. I always say that on this podcast.

[0:26:32.3]

DB: You know budgets. First of all, people got all leashed on the budget. I know there are exceptions, because when I say I don't know anybody, somebody wants to email me. My experience in the real world is that people try to create budgets, they go in for a month or two, and then they just go off of them. They give up. It gets worse. It's almost like going on a bad diet, and I find that, for couples, budgets are really not effective.

Because in most relationships, one person wants the budget and the other person doesn't. I always say that people are born one of two ways. You're either born to spend or you're born to save, and those people usually fall in love and get married. So what I've seen in the real world and you go back to the *Automatic Millionaire* book, it was the most important lesson that the McIntyre's taught me.

We haven't even talked about the McIntyres. Jim and Sue McIntyre are the couple that basically taught me the system of how to become an automatic millionaire, and that changed my life.

When they came in my office, and they were 52, and able to retire, and they had no debt, and they were worth nearly $2 million, I said to them, “What did you do to be in this position?” and they looked at me, Farnoosh, and they said, “We just did everything that you taught in that four-week class”.

I’m like, “Really? That’s it? You really did all of that?” They’re like, “All those things. We paid ourselves first automatically. We used our 401(k) plan, bought a home and paid the debt down, we didn’t sell that house, we bought a second home, we rented the first. What we didn’t do is we didn’t budget,” because you spent an hour on budgeting, and that class used to be 10 hours long.

They said, “You know, it’s interesting, and you gave out all those worksheets, and it made a lot of sense. Well, it doesn’t work. We tried that. In fact, we almost got divorced our first year trying to have all that budgeting. We tried the envelope system, and it just didn’t work. What works for us is we’re saving every day, saving the money automatically, and once it was automated then we couldn’t fail,” and that was my biggest lightbulb, Oprah, ah-ha moment, because I walked back into my office and I’m like, “Of course”.

Look at all my clients who are rich. I had a huge book of business at Morgan Stanley, and I had hundreds of clients who are self-made millionaires. I started asking them, “Did you budget to get here?” None of them budgeted to get there. The secret thing they did, which is not a secret anymore, they paid themselves first automatically. Then I started teaching people to not just pay yourself first automatically, instead you can automate everything.

So in the *Automatic Millionaire* book, there’s a part called the Automatic Millionaire Blueprint, and there are seven places that your money should go to automatically. It takes about less of an hour to hook that all up, and once it’s done, you can have 90%, 95% of your financial life automated, and you can look at everything and monitor it in less than 10 minutes a month, and then go on with your life and not have to worry about the money part.

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FT: So automating was sort of a secret back when you brought it to the masses with the launch of the *Automatic Millionaire*. What do you think, just from your perspective, you've seen a lot with a lot of people, you're completely entrenched in this industry, what's a secret still that we don't know enough about as far as managing our money, achieving millionaire status, achieving wealth? Is there something that you just wish people would inherit and adopt as they have with automation? What's something that we can do better with?

[0:30:03.8]

DB: Okay, I'm going to give you two words. Write these two words down. I'm getting the chills as I am about to share these two words. The words are benign neglect.

[0:30:19.9]

FT: Ignorance? Can I give you one word for that?

[0:30:23.8]

DB: No, it's not. Benign neglect means you create something, and you leave it alone. So the interesting thing is that I got that tip from a guy named Bob Gardiner, who was the head of Dean Witter. When I was a kid — I'm sure you want to get a chance to spend some time with somebody who's a legend, who is a CEO. After his key note speech, I asked him if I can take him to the airport, because nobody ever does that.

So this guy is the head of our firm, I go running up to him, like, "Do you have a ride to the airport?" He said, "No." I'm like, "Can I give you a ride?" He's like, "Well, I've got a car coming." I'm like, "Well, can I go in the car with you?" He's like, "You know what? Sure kid, come along," and I said, "In your entire career in this business, if you could give me one tip what would it be?" and he said, "Benign neglect".

And I said, "What do you mean?" He said, "You know what? When you set something up right in the beginning, if you just leave it alone, it will do fine usually." He's like, "People look at their investments and they're constantly — like, imagine like instead of pulling out the weeds, every time you put a seed in the ground and it started to grow just a little bit, you pull it up to look at it. Then it would be dead." He's like, "People do this with investing all the time".

Now I was young. I was in my 20's when he gave me that lesson. I don't even know that I really always followed it well enough, but now that I am older, now at 50, I look back and I'm like, every single thing, practically, that I have sold, has gone up in value more than what I sold it for. In some cases, 10, 15, 20, 30, 40, 50, a hundred times more. Even though I made money, if I had just left it alone, I would have so much more money today than I even have now.

What most investors do that screws everything up is they try and time the market. They're actually constantly fiddling with their investments, even though everybody says they're going to be a long term investor. Even people who hire financial advisers and they say, "Well, we're going to be long term with this," when the going gets tough, when the markets crack, people make changes, and I mean drastic changes.

They try and time the market. Go to cash when the market cracks, hoping that they'll then get back in when everything calms down, and they'll somehow catch the ride back up. The average investor, when you dig into the data on investing shock, it's quite depressing, actually, because the average investor, if you look at the markets and you go, "You know, if you just bought an S&P 500 index fund and you left it alone, it averages over 11%." It's just remarkable.

You've done great in an average index fund if you just left it alone, but an average investor hasn't left it alone. Their return would have been half of that at best. In some cases, when you go into DALBAR's research, the average investor's returns have been 3.5, 4, 4.5%.

[0:33:24.6]

FT: And then after fees, forget it.

[0:33:26.6]

DB: And taxes, so why has the average investor done so poorly? It's because they're constantly fiddling with their investments. So the secret is, you can't time the market. It's not going to work.

You have to be right not once, but twice. You're not going to figure out when to sell and when to buy, and this is important information, because you just said this is going to air the first week of January.

I don't know if we'll have anything happen before the day this airs, or if something will happen right after the day this airs, but at some point the market is going to correct, and look, we're up over 300%. If the markets drop 50% from here, which would be a disaster, we would all hate to see that happen. I don't want to see that happen, it's not an inconceivable thing, though, that it could happen again.

History shows that markets go up and markets go down, so you have to do a gut check on yourself and be like, "Whoa, did he just say the markets could drop in half?" No, I am not predicting that, but I am telling you that you have to look at history and know it's happened before, and you either have to be like, "Okay I'm cool. I'll put a seatbelt on, I can ride through this," or if you're like, "You know what? I'm not cool. I can't handle this market going down 50%."

Then you redo your portfolio, and make it more conservative, but the key thing, get something that you would be comfortable with for a long period of time, and then leave it alone.

[0:35:01.5]

FT: Yes, set it and forget it, and maybe the secret is that there is no secret. Just have contacts, look at history. History repeats, and history has been good. We come out on the bright side with time.

[0:35:16.6]

DB: History has been phenomenal. Let me tell you something, it pays to be an optimist, alright? Optimists are the ones that get wealthy in this country, not pessimists. So it pays to be optimistic, and I think the secret to everything is financial education, which is why you're such a blessing, which why this podcast is so valuable, which is why you and I do what we do, which is that, I think the secret is financial education.

When you know better, you can do better, and financial education is not a one-stop, learn this and you're done. It's constantly learning it, and learning it, and learning it, and 90% of what I've talked about today, I've talked about it a thousand times before. I keep saying the same thing, and the lessons haven't changed. Repetition is the mother and the father of all life skills. Sometimes you've got to hear things over and over again. And sometimes you've got to be reminded of what you know you should do that somehow you stopped doing.

[0:36:21.5]

FT: Well, David, we could just end there, because you just did a nice little conclusion for me. Thank you so much. Before I let you go, I do want to know the three words that determine if you'll be rich. I wanted to get that before we leave.

[0:36:33.8]

DB: Oh, it's very simple. How do I know if I'll be rich? I'll go, "Very simple, do you pay yourself first?"

[0:36:38.5]

FT: Do you pay yourself first.

[0:36:41.1]

DB: Because if you don't, I don't know how you're going to get there. Pay yourself first is the absolute three key words to building wealth for life, and the formula to pay yourself first is, here's the magic formula: One hour a day of your income, you keep for yourself. So you go to work at nine, you're going to work until five. Most people go to work for the government until about lunchtime, which makes you want to come to work after lunch, but you can't.

The government takes your money from you automatically, and what I teach in the *Automatic Millionaire* book is go jump in front of the government legally. Take that first hour a day of your income, automatically move that money, and you pay yourself first to count, and that could be the 401(k) plan, that could be an IRA account. If you're self-employed, it can be SEP IRA, or one person 401(k) plan, but that is the formula.

[0:37:31.9]

FT: Well that's part of your magic, too. You put things so neatly, and these things like these concepts and these terms that we can actually believe in. Like yes, I have an hour a day. If that's all it really takes, I can do that. So thanks for just helping us shift our minds a little bit around this, because it does require that. David Bach, thank you so much. Everyone, David's got a virtual book signing in just a few days, January 10^{th}.

Go to livesigning.com/david, and we have all the information about his free virtual class at somoneypodcast.com. Definitely check that out. That is also free to attend, and it's called Start Late Finish Rich. David, I hope you have a blessed New Year. Thank you so much and congratulations!

[0:38:14.8]

DB: Farnoosh, you too. Continued happiness and success to you, and love to catch up with you again. Be well.

[END]

