



*“This book is probably the best book on financial planning in existence today! It takes the theory of finance and makes it easy to understand and follow with achievable results.”*

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Adapted from Chapter 5 of the book *80 Proven Ways to Become a Millionaire*

## WEALTH CREATION *The Miracles of “Compounding Interest”*

If you struggle to survive financially, you are not alone. Isn't it amazing that in the two most important areas of our lives—finances and relationships—most of us have not had even one hour of training. This is crazy!

I'm sure you've heard about the Law of Attraction and you know the Law of Gravity. Did you know there are also Laws of Wealth Creation? Perhaps you were never taught them or you do not use them.

Let me share what I learned from one of my favorite books.

### THE SECRETS of THE RICHEST MAN IN BABYLON

You can succeed financially! It is quite simple, boiling down to three simple secrets that go back to old Babylon. The book, *The Richest Man in Babylon*, by George S. Clason, shares Arkad's secrets to becoming wealthy and makes the financial concept of compound interest fun to read and easy to understand.

What makes his story so interesting is that Arkad did not begin life wealthy. Poor when a young man, he wanted to experience more of life than what his childhood circumstances had to offer.

Arkad's friends were confused as to why he had so much more money than they did. As children, they had been equal. They had played, studied, and worked together. Nothing had set Arkad apart. So, what was his secret? How come Arkad had all the “luck”? Didn't they “deserve” to be wealthy?

To Arkad's childhood friends, it seemed very unfair that ordinary little Arkad somehow became the richest man in Babylon, while they struggled daily to survive.

Arkad shared with his friends that when he was younger he had observed that many things were possible when one had wealth. Being happy and content was a great way to live and having wealth made it even easier. He consciously made the choice to be happy and wealthy! He set out to learn wealth creation and then focused on doing it well.

Arkad doesn't try to defend his good fortune or to apologize for it. Instead, he sets out to share his secrets. And what he makes very clear is that these “secrets” aren't really secret at all. They are simple formulas anyone can learn. Yes, you can become wealthy.

## **SECRET 1**

**Arkad decided “A part of all I earn is mine to keep.”**

He found the road to wealth when he kept and invested for himself one-tenth of all he earned. Start with 1% and work up to 10% or more as quickly as you can. Just start!

## **SECRET 2**

**He invested wisely.**

Arkad learned to save and invest and reinvest his money. He told his friends they should put their money and that money's children (i.e., the interest or return on their money) to work for them.

Make your money work hard for you rather than you working hard for your money. Have the patience and persistence to let your money grow, compounding each year.

Have a large money tree. The more money you save, the more money you can put to work for yourself.

## **SECRET 3**

**He enjoyed his wealth.**

Arkad was famous for his wealth, kindness, and generosity. He gave graciously to charities, was generous with his family, and liberal with his own expenses.

If you are serious about your wealth creation and becoming a millionaire, you will quickly differentiate between your needs versus your wants, and you will not be involved with instant gratification.

## **THE AMAZING SECRET of COMPOUNDING**

Compounding can work for you or against you. When you borrow money, compounding works against you and takes more of your money, sometimes far more than the amount you initially borrowed. When you save and invest money, compounding works for you, paying you more money every day.

You can become very wealthy. Compound interest grows gigantically faster than simple interest. The younger you are, the more you can use this “secret” to your advantage. Start now compounding interest and watch how fast your investments will grow.

When comparing simple and compounding interest, imagine a duck and a jet, both ready to fly. The duck takes off slowly, staying close to the ground while gradually picking up height. The jet speeds down the runway, starts climbing rapidly, eventually climbing so high and so fast it appears to be going straight up. The jet is like compounding interest.

## TIME is MAGIC

“Compound interest is the greatest mathematical discovery of all time,” said Dr. Albert Einstein. The results are determined by time, not just how much you invest! Time really is magic.

The Rule of 72 developed by Dr. Albert Einstein is an easy way to estimate how long it will take for your money to double with annual compounding. (Divide 72 by the percentage growth rate.) For example, with a 15% return your money doubles every 4.8 years. Round it to five years (for simplicity’s sake). This means a \$5,000 one-time investment made at birth by parents and grandparents would grow to \$2,560,000 when the child is 45 years old. This awesome result is based on two major factors—compounding earned interest and time.

*Remember that Wealth is a Matter of Choice—Yours Alone.  
Choose today to become a millionaire, to focus on your wealth creation,  
to create a life you love for you and your loved ones.*

### NOTE

This article is designed to inspire you into action and to provide accurate and authoritative information in regard to the subject matter covered. Factual material has been obtained from sources believed to be reliable, and is not guaranteed. All examples are for illustrative purposes only and are not to be construed as recommendations, advice, or tax counsel. The author is not engaged in rendering legal, accounting, or other professional service. If legal or other expert assistance is required, the author strongly recommends that the reader should contact his own professional advisors.

Past performance should not be taken as being representative of future results. Anything tax-related should be discussed with your accountant before it is used for tax purposes. All information provided in this article is for informational purposes only.

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Paul Damazo

*80 Proven Ways to Become a Millionaire* was published in May 2007. It is an Award-Winning Finalist in Personal Finance category of the National Best Books 2007 Awards by USA Book News. Included are Paul’s proven investment strategies that earned him an annual average return of 15% or more for the past 50 years. Flip to any easy-to-glean page and find neatly divided charts, actual results, and action lists that can be implemented today. It is a “brain dump” of what he taught for over 20 years at his Wealth Creation and Wealth Preservation seminars. He loves to help people, especially young people, to have a more rewarding, happy life as they make better financial decisions. He wants to improve the financial literacy of each person in this country.

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