JOHN R. BURLEY

THE SEVEN LEVELS OF INVESTOR

LEARN THE SEVEN FAST TRACK STEPS TO AUTOMATIC

FINANCIAL FREEDOM

Edited by Simon E. Hall

The Seven Levels of Investor

> "If you reach for the stars, you might not quite get one, but you won't end up with a handful of mud, either." Leo Burnett

In this report you are going to learn how to quickly, simply and easily put yourself on the **FAST TRACK to *AUTOMATIC* FINANCIAL FREEDOM**. You are going to be given a **PROVEN SYSTEM** to easily identify where you are and how to get to where you want. Tens of thousands of people throughout the world have successfully mastered **John R. Burley's Seven Fast Track Money Steps to *AUTOMATIC* Financial Freedom.** Let the Journey Begin!

What type of investor are you? Have your investment experiences been positive, negative, or mixed? Would you like to know why you get the results (positive or negative) that you get when you invest? Of course you would!

MAKE SURE TO CHECK OUT THE FREE BURLEY CHRONICLES NEWSLETTER OFFER AT THE END OF THIS REPORT.

Good news. In this report you will learn why you get the financial results (for better or worse) that you do! Over the past 20 years, I have devoted myself to the study of money. I have driven myself to know exactly how it works and why. I have read every book, watched every video, and listened to every tape I could find on the subject. Over that same period, I have interviewed, counseled, and trained tens of thousands of people throughout the world on how to build wealth.

During my in-depth study of what I refer to as the ***"Money Game,"*** I made a startling discovery. Despite the many and varied personality types in the world, there are really only Seven Basic Types (or Levels) of Investor. And while it is common for an individual to drift a little from one investor type to another, most people will stay fixed at one level for their entire lives. The bad news is that they are often "stuck" at a level which prevents their financial success. The good news is that anyone, with a little effort, including you, can easily upgrade his or her investment skills.

The first step to upgrading yourself is to identify what type of investor you really are. Knowing this will give you a clear awareness of why you

To summarize, the first step in the process of change is ***Awareness***. Awareness of where you are and where you want to go to. The second step is to adopt the ***Attitude*** of the people whom you would like to emulate (model). The third step is to take positive ***Action.***

get (or do not get) the investment results you desire. With this new awareness you can adopt (or maintain) the attitudes required for your desired level. You can then invigorate this awareness with appropriate action, to give yourself the results you so richly deserve.

Always carry with you the **Three A's:** ***Awareness***, ***Attitude***, and ***Action***. I have found that when people are off track, it is because one of the **Three A's** are not being properly applied.

As stated, the great thing about your investor type is that it can be easily changed. So as you read on, do not despair if you are one of the lower levels of investor. You can always upgrade to a higher level. Think of the process as an *evolution*. All of us begin at the bottom and progress upwards. The key to your own progress, or evolution, is to first determine where you are and where it is you want to go.

People often get caught up in the "I need to make more money" trap. In fact, your income actually has very little to do with your ability to obtain Financial Freedom. Let me be clear, the **Seven Levels of Investor** have *nothing* to do with income. Rather they relate to what you do with the income you make. I know people who make millions of dollars per year who are financial failures (I know, I agree, this is ridiculous, yet true.). I also have a graduate of mine who is a multi-millionaire yet he never made more than US$18,000 per year from his job.

So remember, it is not what you make but rather what you keep and what you do with it.

So don't get hung up on your income. Instead work on putting money into investments that will grow.

As you read through the **Seven Levels of Investor** I want you to know that at various times in my life I have been at every single one of these levels. It was only as my knowledge increased that I was able to upgrade myself to where I am today. Thus, at some point in the descriptions of each level you may recognize yourself and the people in your life. I recommend that you write down the names of the people in your life and what level of investor you think they are. Include your name and level.
It will really help you to open up your awareness.

Here are the **Seven Types (Levels) of Investors**.

Level Zero: The Non-Existent

(This first Level of "Investor" actually does not exist as an investor. They are Level Zero).

This type of investor is the **Non-Existent**. This person lives their Financial Life with their head in the sand like an ostrich. They essentially have **NO** investments or savings. They are completely unconscious or oblivious in relation to money in general and their spending habits in particular. Their financial lives are so completely mismanaged that they do not even qualify for the simplest credit products and so, ironically, though their financial outlook is bleak, they are often in a better financial position than the person for whom credit is all too easily available.

When asked what their problem is, they will invariably state that they just don't make enough money. That if they just made more money, they would be OK. The fact is that in many cases they are now "*starving*" on what they "*dreamed*" they could make 5 short years ago.

> "…the taxes are indeed very heavy, and if those laid on by the government were the only ones we had to pay, we might more easily discharge them; but we have many others, and much more grievous to some of us. We are taxed twice as much by our *idleness*, three times as much by our *pride,* and four times as much by our *folly,* and from those taxes the commissioners cannot ease or deliver us by allowing an abatement." Benjamin Franklin.

This person fails to see that the problem is not necessarily their income (or lack of it) but rather their ***Money Habits***.

Level One - The Borrower

(Also not, technically speaking, an Investor.)

As implied above, the **Borrower** is often in a far worse financial position than the **Non-Existent**, though their potential for change may be greater. The **Borrower** often has very high debt. They spend all that they make and more besides. What they know how to do best is consume. When they have money, it gets spent. At best, they "*survive*" on a month to month basis. Their solution to a money crisis is to either attempt to spend their way out of it or to take on more debt, oblivious to both the short and long-term consequences of their actions. Their idea of "*financial planning*" is to get a new Visa Card or MasterCard or to refinance their home in order to buy more things on credit.

> "You can't build a solid, substantial house with decayed planks, no matter what kind of a veneer is put over their rottenness." Benjamin Franklin

Similar to the **Non-Existent**, the **Borrower** refuses to see that the problem is not necessarily their income (or lack of it) but rather their ***Money Habits***. I personally know of one individual who was making over US$3 million per year and yet still was a Level One – the Borrower. ***Your Money Habits*** (what you do with your income) are far more important than the level of income you make, or do not make, in any given year.

The Borrower often gets themselves caught in a vicious cycle of spiraling debt, coming to believe that their situation is hopeless, and as a result, giving up all hope. This person usually lives in complete financial denial. Unless they are willing to change, their financial future is bleak and they are accelerating towards financial oblivion.

Level Two - The Saver

The third type of Investor is the **Saver**. This person usually puts aside a "small" amount of money on a regular basis. The money is generally deposited into a very low-risk, low return vehicle such as a checking account, savings account, money market account, certificate of deposit (CD) or term deposit. If they have a personal retirement account IRA, 401K, Pension, etc.(Superannuation Fund, CFP, as they are known in other countries) they usually hold it with a bank or insurance company.

The **Saver** usually saves to consume rather than to invest (i.e. they save for a new TV, stereo, etc.). They are very afraid of financial matters and are unwilling to take any risks. Even when shown that in today's economic environment, cash investments give a negative return (after inflation and taxes), they are still unwilling to alter their investment habits.

Their idea of an a*ggressive* investment is to buy investment life insurance such as whole life, universal, or variable life insurance (a horrible investment that almost no individual should ever do as described in John Burley's *Automatic Wealth Manual* and *Winning the Money Game Tape Set*). From my years in the business, I can tell you that the insurance industry loves this type of person because they can prey on their conservatism and deep-seated need for "Security" and make **HUGE COMMISSIONS** in so doing.

> "The drifters slip along until they float into some quiet by-water, or they go over the falls – and that is the end of them. Ambition is something more than *looking* at the point you want to reach. Ambition is taking off your coat and pulling and dragging your boat up the stream."
> Henry S. Firestone

Although the strategy of *saving* worked well for my Grandfather (way back in the first half of the last century when inflation was low and the temptation to consume was minimal), it no longer works in today's economic environment.

> "Money is like...an arm or a leg. Use it or lose it." Henry Ford

We need to face the facts: the days of old are gone. No longer do we work for the same company all of our lives and then retire with a nice pension (as was commonplace throughout the 1950's, 1960's and 1970's). And unlike people retiring in the middle and towards the end of the twentieth century, few people working today will retire to live in the same home (mortgage free) that they've lived in for the majority of their working lives.

In addition, my grandparent's generation was able to receive the full benefit of Government Social Security (with nominal contributions) and/or Company retirement plans that were almost entirely funded by the Government and Companies (vs. today's plans that are almost entirely directly employee funded). And they benefited from Medicare health plans that were mainly paid for by the Federal Government. All of these benefits of old were provided with only nominal contributions by the employee.

Thus, for them, the strategy of saving for the long term worked well. Over the course of their lives, by diligently saving (without having to invest) and only paying cash (except for modest borrowing to buy their home and possibly automobiles), they were able to live comfortably when they retired.

Would the same be true today? Very doubtful. Let's look at the six main reasons why:

1. **Inflation –** During the last 30 years inflation has proven to be very volatile. The luxury days of old of counting on bank interest rates to keep up with inflation are over;

2. **Consumption -** Throughout the world, consumption has exploded. The last two generations have become the "ultimate consumers," eating up much of the money they should have saved for retirement. Unbelievably, the average US "Baby Boomer" (born between 1940-1960) has less than $2,000 saved towards retirement as of June 1999;

3. **Income taxes –** Throughout the world the "average" family loses between 20%-50%+ of their lifetime earnings to Local, State and Federal Governments in the form of direct and indirect taxation;

4. **Social Security Plans –** Most countries offer some form of Social Security. When Social Security was set up in the United States there were 15 people paying in for every one receiving benefits. Benefits began at age 65 and the average American male was dead at 62. Thus, there was plenty of money to fund the program. Today this is not the case. Today there are 2.5 people paying in for every one receiving benefits. To make it worse Congress takes the money and puts it in to Treasury Certificates, which do not even keep up with the rate of inflation! The Social Security behemoth is doomed. Currently 15.3% of every dollar in wages paid in America goes to fund this dinosaur. Nonetheless, most experts predict its demise between the years 2010 and 2020 unless the government takes more tax and/or radically reforms the system (for the better). And I don't for a second think that the current youth of America, Generation X and the younger Baby Boomers (like myself) are going to pay the 20-30% Social Security tax experts say will be needed to keep the system alive long term. There will be a revolution first!

   The potential for the failure of over taxed, under funded Social Security systems is occurring throughout the world. Make no mistake; the Governments of the world are keenly aware that they cannot continue to fully fund retirement. Many countries have gone to the introduction of compulsory employee/employer, non-Government contribution superannuation (retirement plans). Which shows the Governments' of the World clear intention for the individual to take responsibility for our own retirement;

5. **Increased Longevity -** People are living longer and requiring extra funds to sustain their lives beyond their retirement age. Conversely, employment opportunities for older citizens to extend their working age (at their current pay level) and provide for their longer retirement are diminishing for social and skills-related reasons;

6. **Higher cost of Housing -** Housing costs for the average family, within city environments where employment opportunities are available, have risen dramatically in relation to the wages offered by that employment. It takes the average family many more years to pay off their home than it would have taken for their grandparents with a similar quality of life.

Because of the above factors, unless **Saver's,** have already saved enough for their "golden years," they are destined for financial mediocrity. Their retirement will require family, Government, and employer subsidies (if available) just to provide the basic essentials for survival.

Level Three - The Passive Investor

The fourth type of investor is the **Passive Investor**. These investors are aware of the need to invest and usually participates in their Company/Government retirement plan (IRA, 401k, Pension, Social Security, Superannuation, CFP, etc.). Sometimes they even have outside investments in Mutual Funds, Stocks, and Bonds.

Generally speaking they are intelligent people. They make up the two-thirds of the population that we call the "Middle-Class." However, when it comes to investing they are ***Financially Illiterate***. The **Passive Investor** falls into three typical categories:

A. The "Gone into a Shell" Passive Investor

The ***"Gone into a Shell"*** category is comprised of people who have convinced themselves that they do not understand money and never will. They make the following types of statements:

> "Opportunity, for most of us, doesn't knock just once; she raps a continual tattoo on our doors. The pity is that much of the time we're either too preoccupied to hear or too lethargic to answer." Benjamin F. Fairless

"No one ever taught me what to do"
"I'm just not very good with numbers."
"I'll never understand how this [blank] investment works."
"I'm just too busy to follow everything."
"There's too much paperwork."
"It's just too complicated."
"I prefer to leave the money decisions to the professionals."

They then follow up these comments with the following type of justifications:

"But that's okay because I have a great accountant."
"My stock broker picks all my investments and she is a pro."
"We have a great financial planner."
"I have the best financial advisor in town I don't need to understand everything that is going on, he is a great guy."
"The Government will take care of me in my old age."
"My friend Charlie is a great insurance agent he handles everything for me."
"The Benefits Department at work handles everything, it will be fine."

The excuses and justifications go on and on. All designed to relieve them from having to take responsibility for their own money...and future.

Due to their beliefs, they have very little idea where their money is invested or why. This type of investor blindly follows the market like a *sheep* and then squeals (a lot like a *pig)* before running to their own slaughter. **Professional traders actually do commonly refer to this type of investor as "*PIGS*" because of this behavior.**

The most amazing consequence of their blind following of the farmyard mentality of investing is that over the last decade or so (1987-early 2000), during the greatest Bull Market in history, these "investors" have *literally* amassed *no* net returns on their investments!

B. The "It Can't Be Done" Passive Investor

The **"It Can't Be Done" Passive Investor** has determined that all investments involving more than the most basic research by the investor, that promise much more than bank interest rates of return are beyond them. They believe that higher rates of return "can't be done" by other than the most "gifted," "lucky" or "connected" business people, "corporate highfliers" or "shady wheeler dealers."

> "He who tries to seize an opportunity after it has passed him by is like one who sees it approach but will not go to meet it."
> Kahlil Gibran

They truly believe that high rates of return on investments are either impossible, probably illegal or available only to the chosen few. They believe that the knowledge and skills required to even recognize such investments are beyond **THEM**, in their present circumstances.

Their usual defense to demonstrations of successful investing by friends or high profile investors is that the investor knew something that they could not have possibly known or had an opportunity or available money that they were not given in order to make the investment so profitable. What a convenient justification.

Typically you will hear them state, right in the face of irrefutable evidence to the contrary, that the successful investment strategy they have just heard described in complete detail, cannot be successfully or indeed legally undertaken in their state or by them in their particular circumstances or financial position. They are very willing to defend their position to the death while their friends, the higher level investors, continue making great investment after great investment. It seems often as if they take some form of perverse delight in thinking that they are right by trying to poke holes in *well-proven* investment opportunities.

It is common for these people to whine and complain about missing out on an investment opportunity (after the fact), as if some barrier other than their own psychology (in regards to investing) was to blame for them missing out.

I do have compassion for this type of Investor, but let me be frank. **The bottomline is that these people are COWARDS.** Often vocal, they are quick to try to bring others down…to their level. Because they are afraid and unwilling to gain the knowledge they need to invest successfully. They choose instead to “shoot down” and criticise others in an attempt to make themselves, and their beliefs about investing, right.

My advice is to spend as little time as possible (discussing money or investments) with these people. When they see you moving forward their natural tendency is to put you down and try to convince you of all of the reasons (their reasons) why “it can’t be done”.

The reason they do this? If the people around them become financially successful they believe that that makes them *wrong*. And thus in their minds it makes them losers. As a form of self-preservation they instinctively (at a conscious and sub-conscious level) strike out to pull down all who are trying to escape the “Rat Race.”

So avoid discussing matters of finance and investing with this person at all costs (if your spouse or significant other happens to be one of these people, please don’t argue with him or her. Don’t fight it, just let them be right in their own mind for the time being. Just go out there and be a successful investor. When you “Show them the Money”, maybe then they will begin to come around to your way of thinking. Again though, if positive results still fuel their negative fire, don’t waste your time and energy trying to put the fires out, you will probably only succeed in fanning them.

Bottomline: Don’t ever let the “It Can’t Be Done” Investor take away from you the opportunity to become a successful investor.

C. The “Victim” Passive Investor

> “Most people would succeed in small things if they were not troubled by great ambitions.”
> Henry Wadsworth Longfellow

The **“Victim”** is the third category of **Passive Investor**. Like the people who have **“Gone into a Shell”** or those who fight for the truth of **“It Can’t Be**

Done," they are intelligent people. However, these investors have no *Principles* or *Rules* for investing. They impulsively buy high and (in a panic) sell low. They look at the stock market about the same way as they look at a Las Vegas Craps table. It's just luck. Throw the dice and hope. They are endlessly searching for the "secret" to investing. Constantly looking for new and exciting ways to invest.

My good friend Dr. Van K. Tharp, The Trainer of Traders whom was featured in the book *Market Wizards* teaches many of the world's elite investors in shares, futures and other derivatives markets. He calls this "the pursuit of the Holy Grail." For "**Victim" Passive Investors** this pursuit occurs, usually with repeated failures (and without accompanying behavior changes), as a consequence of superficial and quick reliance on others for what investments to buy and sell and how to buy and sell them.

With stars in their eyes distorting their view of investment *opportunities*, the "**Victim" Passive Investors** believes that finding the "Holy Grail" is all about striking gold somewhere in the outside world, through some amazing new investment that they were quick enough to recognize and jump into. They are always searching for the *secret* to investing outside themselves, rather than within by changing their unsuccessful behavior.

Because they are not afraid of risk (far from it, they actually find risk exciting and often actively pursue it), they are easy "marks" for brokers. They often fall for investment telemarketing schemes, direct mail opportunities and the "hot" offerings in newspapers and magazines.

They are quick to jump into: initial public offerings (IPOs or floats); commodities and futures trading, mining, gold, gas, and oil stocks (and other low probability/high-risk mining ventures); ostrich farms; wine growing; timber and tea tree plantations; and every other risky, trendy, exotic or 'tax-effective' investment known to mankind.

They love to use "sophisticated" investment techniques such as margins, short-sells, puts, calls, warrants and other options, without proper knowledge of exactly what it is they are committing to or the *real* investment risks.

These people are easily the worst investors the planet has ever known. They are always trying to "Hit a Home Run"; they usually "Strike Out" in a big way. When asked how they are doing, they will always state that they are "about even" or "a little bit up." The truth is that they have lost money. Many times and often in huge amounts.

"Victim" Passive Investors type of investor lose money over 90% of the time! They will never discuss their losses but will *always* brag about their big win during the "Wheat Drought of '98." Despite the rarity of such wins they will eagerly keep coming back for more (like Bart Simpson to a hot-wired cupcake-Bzzz Ow!). They believe that all they need is just one "Big One" to be on easy street. Society refers to this person as an "Incurable Gambler." I refer to them as a "Financial Failure."

Dr. Tharp describes this type of person - the pursuer of the "Holy Grail" of instant success based on hitting some magic formula or investment opportunity - as someone who fails to appreciate their own "ability to think and be unique." They jump on any and all investment schemes, sufficiently convinced by the sales pitch of the investment representative to shut down their own inner wisdom and instincts long enough to blindly hand over their money.

Always searching for the "Holy Grail" in entirely the wrong place, they run around so fast that their inner abilities and powers of independent thought cannot catch up with them long enough to show them, as Dr. Tharp best puts it, that "People make money by finding themselves, achieving their potential, and getting in tune with themselves so that they can follow the flow of the market."

4. The Automatic Investor

When you reach the level of **Automatic Investor,** your investment success is assured. You are truly on the path to ***Automatic* Financial Freedom**.

> "Money, which represents the prose of life, and which is hardly spoken of in parlors without an apology, is, in its effects and laws, as beautiful as roses."
> Ralph Waldo Emerson

Automatic Investors are clearly aware of the need to invest. However, unlike **Passive Investors**, they are *actively* involved in their investment decisions. They have a clearly laid out **Written Long Term Plan** that will enable them to reach their financial objectives.

They follow ***The Seven Fast Track Money Steps of the Rich***. The Powerful ***Seven Fast Track Money Steps of the Rich*** allow anyone to achieve *Automatic* ***Financial Freedom***. Each step is a simple action step that the Level Four **Automatic Investor** must *always* follow when managing their money.

Financially Successful People Follow The Seven Fast Track Steps to *Automatic* Financial Freedom Religiously!

The Seven Fast Track Steps to *Automatic* Financial Freedom are set out more fully in my manual, ***Automatic Wealth*** and explained step-by-step for easy implementation to allow you to produce financial results that will astound you.

The 7 Fast Track Steps

- ***Paying Yourself First***
- ***Re-investing Your Investment Returns***
- ***Receiving Level Four Automatic Investor Rates of Return***
- ***Knowing What Your Money is Doing***
- ***Adopting the Automatic Money System***
- ***Financial Competence (Intelligence and Responsibility)***
- ***Avoiding Debt and Living Debt-Free***

Make no mistake; these people are not what you would think of as glamorous big-time investors. Far from it. It is doubtful that they invest in futures, mining and oil, or gold stocks, or any other “exciting” investment vehicle. They are unlikely to be interested in speculation, and if they are, will only speculate with small percentages of their total investment capital (less than 5%) with clearly defined parameters for minimizing losses (risk).

Rather, they have adopted the intelligent long term approach used by investors such as Peter Lynch of Fidelity’s Magellan Fund fame (one of the largest and most successful Mutual Funds in history) and Warren Buffet (the world’s best investor and one of the wealthiest men in the world).

> “In the long run, its not how much money you make that will determine your future. It’s how much of that money you put to work by saving it and investing it.” Peter Lynch.

> “To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What’s needed is a sound framework for making decisions and the ability to keep emotions from corroding that framework.” Warren Buffet.

The approach is to keep investment *simple*. Invest in Equity positions (such as stocks or stock mutual funds) that provide the opportunity for realistic investor returns (12%+) over the long term.

Level Four **Automatic Investors** are not concerned with what the "in crowd" is doing. They look for a "good story" and then invest via a systematic **Automatic Investment Plan (AIP)**. They do not get fancy. They rarely use options or margin accounts or any of that other stuff that the "sophisticated" money managers use. They just buy good stocks (or Mutual Funds) and hold it for the long term. And they do so without overcomitting themselves.

They are the people living next door to you driving the three year old used automobile (I strongly recommend you confirm this by reading *The Millionaire Next Door* by Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D.).

I know that you are probably not yet convinced. You are thinking "Come on John, let's get real. You're saying all I have to do is invest in a good growth Mutual Fund (also known Internationally as a Managed Fund, Unit Trust, etc.) on an **Automatic Investment Plan (AIP)** and I'll become rich? No way!" If that's how you are thinking let me give you an example of what this simple strategy can do for you.

> Please understand that a long term **Automatic Investment Plan (AIP)** in concert with *Financially Competent (Intelligent and Responsible)* money management strategies will provide you with all the money you will need to retire rich. You're understanding and acceptance of this reality is critical to your financial well being.

If you had given Warren Buffet $10,000 just 30 years ago, today you would have **$68,417,563.30!** That's not a typo, that is over 68 million dollars! If you had given him $200 a month in an **AIP**, starting 30 years ago, today you would have **$47,165,321.69!** And if you had done both, given him $10,000 plus the $200 per month, today you would have a tidy **$115,582,885.00!!**

Compound Interest - 8^{th} Natural Wonder of the World

Never again question the power of money invested over time. This power is known as ***Compound Interest***. According to Albert Einstein, Compound Interest is the "8^{th} Natural Wonder of the World" and the most powerful thing he ever encountered (including the atom). With as little as $100-$200 per month, you too can **Unleash the Power of Compound Interest** and become a millionaire over time. All you need to do is become an **Automatic Investor**.

> "If, in order to succeed in an enterprise, I were obliged to choose between fifty deer commanded by a lion, and fifty lions commanded by a deer, I should consider myself more certain of success with the first group than with the second."
> Saint Vincent de Paul

If you are not yet an **Automatic Investor**, become one as fast as you can. Read on and take notes. (If you are already at this level, congratulations! You have already unleashed the Power!)

We will talk in greater detail in my Automatic Wealth Manual and Winning the Money Game Tape Set about the **Automatic Investment Plan (AIP)**. For now simply set out a plan of how much you will need per month for how many months (at a realistic rate of return) to get you to where you want to go.

As stated before: at Level Four keep it simple. Don't get fancy. Avoid the "sophisticated" investments (until you gain proper knowledge). Stick to owning solid stocks and proven growth Mutual Funds. Do not attempt to outsmart the market. Use a fund like the US Vanguard Index 500 fund that closely 'mirrors' the S & P 500 Index. This index outperforms two-thirds of all Mutual Funds, year in and year out. Over 10 years this will historically provide you a return that will exceed 90%+ of the "professional" Mutual Fund managers.

Vanguard can be contacted at 1(800) 662-7447 or vanguard.com. I particularly like this company because they offer no-load (no commission) funds that consistently perform at the top of their sector while having among the lowest administrative costs (under 0.20%) in the business.

For independent information on the performance of a particular fund contact mutual fund rating and analysis companies and services (look in the phone book and on the Internet). In the US, you can contact Morningstar at 1 (800) 735-0700 or morningstar.com.

Stop waiting for the "Big Deal." Get into ***The Game.*** If you are just beginning, start with small deals (like Mutual Funds). You can always move up to a bigger game, but you can never get back the time (and money) you lost by waiting for that illusive big deal. It is the life-changing habits represented at first by these smaller investment decisions and initiatives that are the true "Holy Grail" of the Level Four **Automatic Investor**. They are your foundation.

> "Procrastination is a total barrier to the acquisition of purposeful action. Nothing should be put off until another time, not even for a few minutes. That which ought to be done now should be done now. This seems a little thing, but it is of far-reaching importance. It leads to strength, success, and peace." James Allen

If you don't have an **AIP** my firm advice is to start today. Contact a proven Mutual Fund or Discount Broker and order the forms to open an account. Then begin putting away money for yourself (even if it is just $50 per month). Many funds offer low and no-load (commission) programs. In the US, try companies such as American Century Funds at 1(800) 345-2021 at americancentury.com, Strong Funds at 1 (800) 368-3863 estrong.com or T Rowe Price at 1(800) 541-6627 at troweprice.com. All operate a program, which allows you to begin an **AIP** for just $50 per month with no minimum investment required to start.

Surely you can you can afford at least $50 per month to guarantee your financial future. No excuses. Take action now. Make those decisions and make that one phone call.

The longer you wait, the harder it will be for you to become financially successful. The difficulty becomes exponential too, like compound interest in reverse! So get going! Every month you will enjoy a compounding sense of achievement while your assets grow.

Level Five - The Active Investor

> "There are few ways in which a man can be more innocently employed than in getting money."
> Samuel Johnson

The top two levels of investor are reached by only a very small percentage of people on planet Earth. Contrary to what most people (who don't have money) believe, you do not have to become a Level Five or Level Six Investor to become wealthy. But you do at least have to master the habits or ***Money Steps*** of a Level Four **Automatic investor.**

The **Active Investor** is the sixth type of investor. This is the level where thousands of my students are. These people have become highly successful private investors, on either a part-time or full-time basis.

Under no circumstances whatsoever should you forego upgrading yourself to the Level Four **Automatic Investor** because you are sure you can become a "big-time investor." I have personally seen friends take this approach and the results have been disastrous. If you want to become a Level Five or Level Six Investor that's great, I even teach you the *Principles* and *Rules* involved in this report. You must become a Level Four Investor first. You must not skip this stage. Remember the golden rule of Level Four: **If You Skip You Will Trip!**

For further information on Educational Investment Products and upcoming events contact in us at Prosperity Training, Inc. at 1.800.561.8246, (International) 1.623.561-8246 Fax 1.623.561.1575 or on the web at www.johnburley.com

Level Five Active Investors understand that to move to this level they must become very clear on their *Principles* and their *Rules* for investing. Their vehicle of choice might be Real Estate, Discounted Paper, Businesses, or Stocks. Their investments may vary but their *Principles* and *Rules* seldom do.

This level of investor *actively* participates in the management of their investments. They consistently strive to *optimize* performance while *minimizing* risk. It is normal for this type of investor to have long-term annual rates of return of 20%-100%+. They intimately understand money and how it works.

A major distinction they have made is that:

> **Rich People**
> **work hard to have their money work hard**
> **while**
> **Poor/Middle-Class People**
> **work hard for money**

Level Five Active Investors become very wealthy. Their main working focus is on increasing their assets and thus their cash flow. Their money philosophy varies dramatically from that lived by the poor and middle class: rather than investing what is left of their money *after spending*, they believe in spending what is left of their money *after investing*. This shift in perspective is a fundamental one for the budding millionaire.

Level Six - The Capitalist Investor

The seventh and final level of Investor is the **Capitalist** (remember we start at level Zero-The Non-Existent**)**. Few people in the world ever reach this level of investment excellence.

Capitalist's have two principle motivations with regard to investing: t, to be a ***Good Steward*** of their money and to ***Create a Legacy*** **(while they are living)**. The main purpose of their money is to make more money. These people are the "Movers and Shakers" that have propelled many western nations to become economic and industrial powerhouses.

> "The surplus wealth we have gained to some extent at least belongs to our fellow beings; we are only the temporary custodians of our fortunes, and let us be careful that no just complaint can be made against our stewardship." Jacob H.

These are the Rockefellers, the Kennedys, the Fords, the Carnegies, the J. Paul Gettys, the DuPonts, the Ross Perots, the Bill Gateses and the Rupert Murdochs. These great **Capitalists** have provided more jobs, more homes, and more financial benefit to the world than all the poor people who ever lived combined.

> "A hundred times every day I remind myself that my inner and outer life depend on the labors of other men, living and dead, and that I must exert myself in order to give in the same measure as I have received." Albert Einstein

Consider for example Australia's second richest man, Frank Lowy, the driving force behind the mighty Westfield empire for 40 years. If you had invested $1,000 (around $9,500 in 2000 dollars) with Westfield Holdings in 1960 and reinvested all dividends and taken up all rights issues and bonus offers, not only would you would have enjoyed 40 consecutive years of profit increase, you would also now be sitting on more than $90 million for your trouble!

These great Capitalists also contribute hundreds of millions (if not billions) of dollars to causes and charities throughout the world. The Rockefeller Foundation for example generates more money for charitable distribution from its investments each year than the Gross Domestic Product (GDP) of many Third World Countries (US$177 million in 1999). And it never spends it's capital.

> "Some men see things as they are and say "Why?" I dream of things that never were, and say "Why not?"
> George Bernard Shaw

The Charter of the Rockefeller Foundation stipulates that it must "spend at least 5% of the market value of its investment portfolio each year on grant programs and supporting activities. Investment returns must be sufficient to offset grantmaking of at least 5% per year plus the rate of inflation." The foundation was worth $3.8 billion at the end of 1999. Have a look at their website at rockfound.org what the Foundation is worth today and some of the programs they support.

> "No person was ever honored for what he received. Honor has been the reward for what he gave." Calvin Coolidge

Here is an extract from the Rockefeller Foundation website current at July 2000 which shows both their philanthropy and long-term (Level Four) rock solid investment focus:

> The Foundation's endowment was $3.8 billion at year-end 1999, a beneficiary of double-digit investment returns for the fifth straight year. The Foundation's return was 21.5 per

cent in 1999: investment returns for the past five years were 19.1 per cent per year. From 1995 through 1999, the endowment has increased by US$1.7 billion, after providing for record-level grantmaking and related expenditures of US$700 million during this five-year period. Since inception (1913), the Foundation's grantmaking has totaled more than $US11 billion in 1999 dollars.

<u>Bottomline</u>: The **Capitalist** not only creates large amounts of wealth, they invariably also create vast legacies of innovation, efficiency, economic prosperity, employment opportunity and philanthropy, thereby greatly increasing the standards of living for hundreds of millions of people throughout the world every year. Are you the next great **Capitalist**?

The 7 ***Fast Track*** ***Steps*** To ***Automatic*** Financial Freedom from ***Winning the Money Game*** and ***Automatic Wealth*** By ***John R. Burley***

The 7 *Fast Track* Steps to *Automatic* Financial Freedom will allow you to create all the riches you desire for yourself and your family. By simply adopting the mindset and following **The 7 *Fast Track* Steps to *Automatic* Financial Freedom** you will create the riches that you desire. These **7 Steps** are simple, they are common sense, but they are far from common. While not glamorous, the results of their use are spectacular! By applying these **7 Steps**, anyone can improve their current financial position from one of scarcity and uncertainty to one of prosperity and security.

The following is a brief introduction to John Burley's **7 *Fast Track* Steps to *Automatic* Financial Freedom** as found in the Manual Automatic Wealth and the Tape Set Winning the Money Game**:**

- ✓ ***Paying Yourself First***
- ✓ ***Re-investing Your Investment Returns***
- ✓ ***Receiving Automatic Investor Rates of Return***
- ✓ ***Knowing What Your Money is Doing***
- ✓ ***Adopting the Automatic Money System***
- ✓ ***Financial Competence (Intelligence and Responsibility)***
- ✓ ***Avoiding Debt and Living Debt-Free***

✓ *Fast Track Step #1* - Paying Yourself First

Paying Yourself First means investing *your* money so that it can grow for *you*. This is a very powerful concept. For example, did you know that $1,000 invested at 15% compounded, would be worth $19,962 in just 20 years? That's almost a 20-fold increase in value.

The best way to **Pay Yourself First** is via an **Automatic Investment Plan (AIP).** This is simply any program whereby money is withdrawn automatically and regularly from your paycheck or your checking (or savings) account and invested on your behalf.

The Advantages of Automatic Investment Plans (AIP's)

- Easy to set up.
- You only have to "think" one time.
- It is simple and painless.
- Hassle free.
- It is fun to watch the account grow.
- Your investment account has more money added every month.
- Your Asset column grows automatically.

✓ Fast Track Step #2 - Re-investing Your Investment Returns

Reinvesting Your Investment Returns is absolutely critical to your long-term financial success. Many investors start out on a good path. They set up the **Automatic Investment Plan (AIP)**. They watch their investment account grow. Everything is working exactly like it should. Then it all comes to a grinding halt when they sabotage the entire program by 'stealing' the earnings, to consume.

The most exciting thing about applying ***Step #2*** is that it will allow you to retire early and rich with very little effort. All you have to do is allow your money to fulfill its only purpose: to make more money.

Don't steal your financial future! Leave your **AIP** money alone until it has grown into a pile of money so large that you can live off the income for the rest of your life.

✓ Fast Track Step #3 - Receiving Automatic Investor Rates of Return

As an **Automatic Investor** your objective is to earn a minimum of 12-15% return on your investments. I am not talking about for a year or two, but for the *long term*. This is actually much easier than it sounds. For example, did you know that the S&P 500 Index (500 of the largest companies in America) has grown an average of 14.5% per annum for the last 45 years? In fact, over the last 20 years it has averaged 19% growth per year! And over the last 5 years, 28%!

The **Automatic Investor** understands that they will have to spend *some* time actively managing their investment portfolio. How much time? Stanley and Danko in *The Millionaire Next Door* state that "prodigious accumulators of wealth" spend an average 8.4 hours per month researching and managing their money and investments versus "underaccumulators of wealth" whom spend only 4.6 hours. **Isn't it worth an additional 4 hours per month to become RICH?** Of course it is!

✓ Fast Track Step #4 - Knowing What Your Money is Doing

Most people have very little idea where all their money goes. All they do know is that they do not have enough of it. When they take a quick snapshot of their financial situation they know they should have more money left than they do.

Could a Public Company survive if it could not account for 10-50% of its income each month? That's what most families lose every month: 10-50% of their income gone. Spent. Not sure on what, but it is gone anyway. This is because most families do not follow **Fast Track Step #4 - Knowing What Your Money Is Doing.**

✓ Fast Track Step #5 - Adopting the Automatic Money System

In order to succeed in properly structuring your Personal Finances, you must have a system for controlling your money. To most people *Budget* is an ugly word. Simply stated, *a Budget is just a tool.* It is a system used to achieve, monitor and maintain financial goals. It is not a magic wand, nor is it a slave driver's whip. It will only work as effectively as the person operating it.

Most people view a Budget as a negative imposition on their lifestyle. In actual fact, the Budget is their creation and hence their servant, not their master. The reality is that without a simple, flexible Budget, most people will have a very difficult time surviving financially. After all, what would be the prospects for a Public Company that had no Budget and no System to monitor and manage Income and Expenditure?

The **Automatic Money System** is designed to be loose enough to allow for any of life's surprises, but tight enough to warn you of potential problems before they get out of control. The **Automatic Money System** is comprised of just 5 steps:

The 5 Step Automatic Money System

1. **Automatic Investment Plan (AIP*).*** An automatic investment of at least 10% of your (gross) income that systematically increases your wealth every month. Throughout the world students share with me that they don't even notice that this money is gone. The reason, they used to just spend it anyway. Try if for yourself;

2. **Debt Elimination Plan (DEP*).*** A contribution of at least 10% of your (gross) income that systematically reduces your debt every month. This one step when applied as part of the **Debt Elimination Plan (DEP)** will have you **Completely Debt-Free in 3-7 Years Including Your House and Cars**;

3. **Charitable Giving (or tithing) (CGP*).*** An automatic contribution of at least 10% of your (gross) income as part of the responsibility and reciprocity associated with creating wealth and being a good steward of that wealth;

4. **Debt Avoidance Lifestyle Strategies (DALS*).*** Living within your means and only buying that which you can truly afford. Meaning if you can't afford it – Don't Buy It! Paying for your consumption in cash (or the 21st century equivalent – a charge card that is paid in full every month or a debit card). Avoid the addition of consumer debt. And restrict the increasing of credit card balances.

5. **Spend the Rest (PARTY*)!*** That's right! The flexibility to spend all the rest of your money on whatever you want!

✓ Fast Track Step #6 - Financial Competence (Intelligence and Responsibility*)*

Financial Competence (Intelligence and Responsibility*)* is actually quite simple to achieve. Use your God given common sense and follow The **Seven Fast Track Steps to *Automatic* Financial Freedom** you have learned about in this handout. For further insight seek the information taught in John Burley's products such as Automatic Wealth, Winning the Money Game, and Australia's Money Secrets of the Rich. Always remember to follow **The Seven Fast Track Steps to *Automatic* Financial Freedom** in your day-to-day money decisions.

By applying **Fast Track Step #7 - Financial Competence** *(Intelligence and Responsibility)* you will enhance your ability to make higher rates of return while reducing unwanted expenses.

✓ Fast Track Step # 7 - Living Debt-Free

Living Debt-Free consists of following two **Financially Competent** practices: Never using consumer credit on the lender's terms; and eliminating your debt by adding 10% of your gross income to your minimum monthly debt payments (as part of the ***Automatic Money System***). Both Automatic Wealth and Winning the Money Game provide the step-by-step plan on **How to Become Totally Debt-Free (including your House and Cars) in 3-7 Years!**

I trust that this initial introduction to **The 7 Fast Track Steps to *Automatic* Financial Freedom** has given you a pathway that will allow you to blaze a trail to Financial Freedom!

Thank You and God Bless,

John R. Burley

The preceding pages are based on excerpts from John R. Burley's Winning the Money Game Tape Set and the Automatic Wealth Manual.

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