



Posted on Sun, Apr. 02, 2006

## BOOK REVIEW

# How to be an 'Automatic Millionaire'

BY ROBERT J. BRUSS  
[www.bobbruss.com](http://www.bobbruss.com)

• **The Automatic Millionaire Homeowner**, by David Bach. Broadway Books. 244 pages. \$19.95.

If you read only one real estate book this year, it should be *The Automatic Millionaire Homeowner*. Whether you are a renter considering purchase of your first house or condo, a current homeowner, or a seasoned investor, this common-sense book will reinforce what you probably already know even if you resist facing the facts.

The book has two themes: 1) ordinary renters can become millionaires by investing in their first home, and 2) that home can become the foundation for buying a better home and/or investment property in future years.

As the book's introduction says, "Homeowners get rich and renters stay poor." Bach builds on that simple statement, backing it up with facts and examples.

"Nothing you will ever do in your lifetime is likely to make you as much money as buying a home and living in it," the author emphasizes. In the first chapter, Bach relates the powerful true story of John and Lucy Martin, now retired in Phoenix, who bought their first home and used it to pyramid their way to a better home and even rental property.

After explaining why smart home buyers finish rich, the author then proceeds to explain how to automatically save for a down payment. He emphasizes the key is depositing your paycheck directly into your checking account and then automatically having the bank take out a specified monthly amount and putting it into a separate home down payment account.

Bach calls this the "latte factor" and the "double-latte factor" to determine the minimum amount to be saved each day and each month. To illustrate, he says if you spend \$7 a day on a morning latte and nonfat muffin at Starbucks, that's \$210 a month minimum, which can be automatically saved. "If you're looking for a fast way to save for a home, the bottom line is that it's all about the small stuff," Bach advises.

While you're saving for the down payment, Bach suggests looking for a mortgage advisor you can trust. He explains the differences between a direct lender mortgage banker and an independent mortgage broker, who can shop among many lenders to find the best mortgage for your situation. Most important, Bach advises to never pay up-front loan fees and junk charges.

The author explains the types of mortgages available, such as fixed and adjustable, and when each is best. He goes into considerable detail about the pitfalls of adjustable rate mortgages and why they can be dangerous for homeowners. He also discusses the pros and cons of "interest-only" and "option" mortgages.

Bach says, "*The Automatic Millionaire Homeowner* is a long-term buyer who plans to live in his house for many years like the Martins did and weather the cycles of a real estate market that goes up and down. This means getting yourself a mortgage that makes sense for the long term." In other words, this is not a book for "fast-flip" speculators.

Almost half the book is devoted to obtaining a lender's written preapproval letter before beginning to shop for a home.

The author is not opposed to buying a home for nothing down if you qualify. But he explains how to avoid the dreaded PMI (private mortgage insurance) premium by using several alternatives.

This is one of the few real estate books that cannot be recommended too highly for both beginner and experienced homeowners. It simplifies what can seem complicated. So far, this is the best real estate book of 2006. On my scale of one to 10, it rates an off-the-chart 12.