The Basics
Start on your first $1 million at age 16

It's easier than you think to become a millionaire. The magic combo? Getting an early start saving and having the discipline not to raid the piggy bank.

By Scott Burns

Here's a simple recipe to become a millionaire:

- Work four summers, starting at age 16
- Save the income in a Roth IRA account
- Invest it in a simple, low-cost equity portfolio
- Simmer slowly for 47 years
- Serve ungarnished (and untaxed) at age 67

This is the first recipe in my new Small Change Millionaire Cookbook, an occasional series of columns with a single purpose -- demonstrating different ways small amounts of money can be turned into a large amount of money. Just as a mere 10 calories a day of additional food can pack on a pound a year, small change can become large amounts of money.

The good news is that money grows faster than fat. Calories don't have the benefit of compound annual growth.

Many people fail to diet because the end goal seems so far away. So it is with saving and investing: Most people fail because it is nearly inconceivable that a few dollars a day or a well-timed gift can be turned into that magical sum.

Fast-food millionaires

A million dollars. It has such a nice sound.

So let me show you how four summer jobs can become your first million.

Let's suppose that you are 16 years old, in high school, and willing to work. Let's also suppose that you can clear about $2,000 over the course of a summer, if only because a doting grandparent puts money in the Roth while you take your earnings to school. If you invest in a Roth IRA, it will grow, tax-free, for as long as you have the account. All withdrawals from the account after age 59 1/2 will be tax-free.

If your money is invested in common stocks and you achieve the average compound annual rate on large-capitalization U.S. stocks, 10.7%, your account will grow to $9,378 at the end of the fourth year. You will be 20 years old. Invested in the same way, with no additional savings, the account will grow to:

- $25,917 by the time you are 30
- $71,625 by the time you are 40
- $197,943 by the time you are 50
- $547,037 by the time you are 60
- And $1,114,423 by the time you are 67

And you will have started and finished all of your saving before turning age 21.

Worth the risk

Note that this plan does not require investment brilliance. It does depend on two things, an early start and tenacity. If you invested in small company stocks, whose long-term annual return clocks in at 12.5 percent annually, you could have much more money. (Try $2.4 million.) Similarly, you could diversify to reduce your risk and make your 47-year ride more comfortable. But you would do it at the expense of a somewhat lower return.

The "Yes, but" crew will be happy to tell you that $1 million isn't what it used to be. I can remember people telling me this in the '60s. It is as true now as it was then. Millionaires are, well, just dreadfully common.

Even so, the number of millionaires is relatively small. And being a millionaire is a better choice than being a pauper.

The same crew will be happy to tell you that the future won't repeat the past, that SARS, terrorism or some other misfortune will cripple the future, or that we will be crushed by a rising China. Similarly, an actuary might tell you that you have a substantial chance of being dead by 67.

Perhaps.

But so what?

All you've got to risk is four summers.

See Scott Burns' Web site.