HOW TO BE A CAPITALIST WITHOUT ANY CAPITAL

The Four Rules You Must Break to Get Rich

NATHAN LATKA
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When I was twenty-three, in 2013, that company I started in my dorm room (called Lujure, later renamed Heyo) passed $939K in annual sales. Politicians love tax returns so I figured I’d share mine:

Two years later, in 2015, my company passed $5M in total sales and I’ve now bought four companies over two years to drive more revenue, faster and cheaper. I now make $100K in passive income every month, and I work about fifteen hours a week.
My point isn’t that dropping out of college pays (although it did for me). It’s that you, or I, or anyone can join the New Rich if we just decide we want to.

So, do you want to?

WEALTHY PEOPLE SOLD YOU THESE FOUR LIES

There’s a secret many of the New Rich don’t want me to share: You don’t need to be Ivy League educated, have money, be creative, or even have an idea to reach their level of financial success. You just need to be willing to break the rules and start looking in the right places.

To start, forget most of the business or money “rules” you’ve learned because they’re dead. It amazes me that a book like Rich Dad Poor Dad, which has sold twenty million copies, is no longer relevant. That book was my bible growing up, but it simply doesn’t work today because it gives old business advice that’s rooted in the old economy. One example: A big message in Rich Dad Poor Dad is that your home is a liability, whether you rent or own. Today, the New Rich would categorize their home as an asset because the few days they’re traveling each month, they can put it up on Airbnb and generate cash flow. When I was in college, I rented the most expensive apartment in town and lived there for free while earning $1,300 a month off the rental. Liability? My bank account didn’t think so.

The New Rich baffle so many people because they don’t play by the old rules of business that the masses follow. You’ve been sold these rules by “mentors,” but you must forget them to join the New Rich:

- Focus on becoming an expert at one thing.
- Come up with a remarkable idea.
- Set goals and work toward them.
- Give customers what they want.

I’ll unpack each of these in the chapters ahead and arm you with this new set of rules for joining the New Rich:
All that being said, we’d have an acquisition offer of $6.5M+ go to a final board meeting and a valuation of $10.5M just one year later when I was twenty-two. More on that later (including a scan of the actual deal so you can read it yourself on page 243).

**SYSTEMATIZE THESE THINGS ONLY**

Build systems around the things that take up most of your time. Sadly, most people don’t even know what those things are. How many of us are constantly busy but can’t look back on our day and say what we did? It’s all a blur. If that’s you (and even if it’s not), spend a week documenting what you’re doing. This kind of awareness forces you to be reflective and intentional, not reactive to whatever thing is in front of you.

When I’m first coming up with a system, I use Apple Notes and my BestSelf notebook:
Drill down to the little things you have to do daily or weekly to produce what you want, whether it’s saving for a house, launching an e-commerce store, getting fit—whatever. Go as small as you possibly can: how you respond to a customer when an order comes through, how you print your mailing labels, what you eat for breakfast.

OUTSOURCING: MY “STARBUCKS PROCESS FOR SYSTEM TESTING”

If you find yourself doing the same related tasks every day or every week, create a Google doc and document what that task looks like. Don’t get lazy when trying to document what you’re doing. You want to be so detailed that someone else should be able to read your document and execute the task completely, without your help. Don’t take details for granted, such as:

1. The login info needed for a tool you use. When you pass this task to someone else, they’ll need login info.
2. The personal details of your relationship with another person who is part of the process. This sort of thing is very difficult to pass off.
3. Any subconscious steps.
HOW TO BE A CAPITALIST WITHOUT ANY CAPITAL

PROCESS:

1. Nathan uses NathanLatka.com/acuity to schedule podcast guests in a batch format. (Red are interviews—I interview about fifty software CEOs every week.) I pay Aaron on my booking team $12 per booked guest.

2. When it’s time to do the interview Nathan records it via Skype using Ecamm.

3. Nathan puts Ecamm files into Audacity, then exports audio files to Google Drive, where Sam takes over.

4. Sam finalizes each audio file by adding the pre- and post-roll open loop, intro, and sponsor mentions, then uploads the final version onto Google Drive, YouTube, Libsyn. I pay Sam $7 per episode for this step.

5. The release schedule is managed in a massive Google spreadsheet. When the episode goes live on Libsyn, I pay a virtual as-
6. The same virtual assistant then posts the episode on LinkedIn and emails the guest that the interview went live. This costs another $5 per episode. Steps 5 and 6 come out to $10 per episode. You can see the invoice below for thirteen episodes is about $130:

**RULE 3: QUIT SETTING GOALS—THEY'RE KEEPING YOU BROKE**

assistant to publish the guest's bio, headshot, and SoundCloud embed on my blog. This costs about $5 per episode.
they help you raise, but considering you'd only have made a fraction of that without them, it's worth it. CEO Zach Smith says their success rate is well over 95 percent. It works because they have email lists of millions of people who have already donated to Kickstarter and Indiegogo campaigns. When you work with them, they market your launch to those lists and can essentially guarantee funding.

**Turn $100 into $1K Using Smart eBay Trading-Up Strategies**

This one's fun, and you can go as far as you want with it. Go on eBay and look for an auction or first sale that's about to close. Then look up the same item on Amazon. If it's more expensive on eBay than it is on Amazon, buy one or two on Amazon and then list them immediately on eBay.

This isn't totally hassle-free. eBay takes a cut of your earnings, and you have to deal with shipping the item. There's also the risk of your buyer wanting to return the item. But it's worth it if you resell big-ticket items like electronics. You can make an easy $1K or $2K in one weekend if you focus solely on flipping expensive items.

**HOW I TRAVELED ASIA FOR FORTY-FIVE DAYS SPENDING ALMOST NO MONEY**

Traveling on the cheap, or for free, is the only way to do it. But this doesn't mean roughing it. Far from it.

I recently left Austin, Texas, en route to Bangkok for a forty-five-day trip. I traveled in first class and very much enjoyed the Hello Kitty–themed bed I slept in, dishes I ate off, and TV shows I watched. For normal people who haven't figured out the ways of the New Rich, they'd pay $9K for this sort of first-class ticket. I got it for free. How?
Hey Tommy -

My intent is to host a 10 person mastermind the night of the 23, 24, and 25th.*

24th night: Will be inviting CEO’s of San Francisco based Creative Agencies, will have dinner catered via http://www.kitchit.com/bay-area
25th night: Will be inviting CEO’s of SF based Tech Companies, will have dinner catered via Kitchit
26th night: Will be Inviting thought influencers and speakers I am sharing the stage with at eMA summit, dinner catered by Kitchit

I absolutely don’t want to take advantage of the gorgeous property you own. $799/night puts me over my budget though.

Do you have interest in joining in on the masterminds (these will all be movers and shakers, for example Rick Rudman, CEO of Vocus $200MM market cap came to the last one I had - this is the profile of folks I’ll get there) in exchange for a discounted rate?

All the folks I’ll be inviting are also all potential future renters of your penthouse too - great marketing opportunity.

Let me know. I understand if you don’t have flexibility though.

Thanks,

Nathan

Mar 5, 2014

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TOMMY SENT A SPECIAL OFFER $550/NIGHT

Nathan:

that sounds like a deal. let’s do $1500 for all nights and I’ll plan on sitting in. I’m actually running something called Milnsu, which is a hosting and hospitality layer on top of Airbnb-like services for aparts like this one, and networking is both a need and a despised activity 😜

Let me know if that works. The cost includes cleaning which is normally $180 on top of everything else.

tommy

Mar 5, 2014
So in summary, I got a place for $1K ($333/night) that was listed for $2,400 ($800/night). That's more than a 60 percent discount!

Try this, even if it sounds absurd to you. Anyone can do cold outreach to anyone else. Most people, CEOs included, are willing to meet you if you
just ask. They may even come to your party at your swanky Airbnb penthouse. Reach out, give them a good reason to show up (like the chance to meet other like-minded CEOs), and see what happens. Never mind the sick property you’ll get to rent in the process. You’ll likely make long-term connections with people who become business partners, clients, or mentors in your New Rich journey.

$4,500 Balmain Jacket from Paris

My favorite way to take a bathroom selfie is in the $4,500 Balmain biker jacket that I got to wear for free. Hair coiffed, selfie posted, I hit the streets of Austin in my Rolls-Royce Ghost—a $350K car that I’m driving, you know . . . for free.

I got both of these things so easily, it’s almost embarrassing. I didn’t even ask for the jacket. Someone else encouraged me to take it.

Sure, I had to return both items after a couple days. But who cares? None of my Instagram followers knew the jacket wasn’t mine, especially since I’m standing in my bathroom while wearing it. Looks like I just pulled it out of my closet where it sits alongside my Tom Ford suit.
I don’t need to fake being rich—I’m already there—but if you’re still working on it you can easily fake a rich lifestyle through your clothes. You see this all the time on social media even if you don’t know it. If you’ve ever wondered how someone affords their crazy expensive clothes, the answer is that they don’t. The clothes aren’t even theirs. And if they can afford them, they probably still don’t own them. Why buy when you can borrow for free? I’d rather put that $4,500 into my next business investment.

The next time you need to buy a nice suit or dress do it through a stylist. That’s the easiest way to get access to hot clothes. Once you buy one thing from them they’ll want you to buy more, so they’ll bring you new clothes every month and try to get you to wear them. If there’s something you see that you kind of like, tell them you want to think about it. They’ll usually tell you to take it home and try it out for a few days.

That’s exactly what happened with the Balmain jacket. I’d recently bought a suit through my stylist when he told me about the jacket he’d just gotten in. I said I didn’t want to pay that much and I probably wouldn’t buy it. His response: “No, no, take it for the weekend and try it.” Boom—bathroom selfie.

That’s how you live like a king and feel filthy rich without putting up a penny. It’s called leverage, and if you’ve ever bought a suit or a dress, you have that leverage. Make sure you’re maximizing it.

Now, your stylist will be on to you if you try to exploit that leverage too much. But it’s a reliable way to get superexpensive clothes on occasion. If you want to flaunt designer clothes more often, you still don’t have to buy
“Hey, I’m looking to lease a place for the fall semester,” I said. “Do you know if there are any spots open here?” When she said there weren’t, I asked if she could give me the landlord’s contact info so I could ask about future openings. I got the number and left. My plan was on.

I took the owner out for coffee just to get to know him. His house wasn’t for sale, but I wanted to be at the top of his mind when he did think of selling. I learned that he ran a charity and was trying to figure out how to get more cash into the organization. Even better—the charity owned the property.

“Well, when you’re ready to sell,” I said, “I’m willing to give you $200K.” We reconnected not long after that and struck a deal. Now the house is mine and his charity fixed its cash problem. Keep reading and you’ll see that I didn’t actually spend $200K—not even close.

This scenario isn’t that unusual. The best real estate deals are found by door knocking and it’s the number one way I suggest you look for your first properties. I’ll show you exactly how to find your first deal even when it’s not on the market, how to finance the deal even when you have no money, and how to manage your property even if you have no time for it.

What I love about real estate is that if you do it right, whether you’re a college student with no savings or someone else with very little money, you can actually set yourself up to live for free while others pay your rent.

My biggest concern before owning property was how much time it would take me to manage it. I didn’t realize then that you could outsource pretty much all of the work and still make passive income. The only time I put into the investment properties I now own is fifteen minutes per month to analyze the income and expense reports my property manager sends to me. Here are my February 2018 reports for two of my properties.

**INCOME REPORT FROM MY FIRST REAL ESTATE DEAL**

209 Otey monthly report (Feb. 2018): $661 in free cash flow:
Here’s my beautiful cash cow:
710 Roanoke (Feb. 2018): $1K in free cash flow each month:

Beauty #2:
When thinking about real estate investing you should always think about how to maximize cash flow. In the above negotiation you see me do a few things:

1. Lock in a 4.25 percent rate (or whatever the current rate is) for as long as possible (five years). Lower rate means lower cost of capital, which means more cash flow for me.
2. Cap the potential interest rate increase at 8 percent (this would be a worst-case sort of deal but important to protect downside).
3. Minimize cash down at 10 percent.

So there you have it. Two of my early deals: one good, one not as good! Now let’s get you your first deal and let’s make it really good. Follow these steps.
THE NO MONEY, NO LAWYERS WAY I BUY COMPANIES

Four days later, we had a deal. No lawyers, no accountants. Just an email agreement and me sending $1K via PayPal. It was an incredible setup because that $1K included a working Chrome extension and a 75,000-person email list. A lot of marketers would pay $20K to $30K or more just to build an email list of that size. I was getting it as a side product for free. Here’s how the full conversation played out:

2016–06–17 15:51 GMT+02:00

Nathan Latka <nathanlatka@gmail.com>:
I’d be interested in buying it then investing more time energy and money to commercialize it.
Let’s chat via Skype? Username?

. . . . .
Our call was just a few minutes and I asked Manuel the kinds of questions I walk you through later in this chapter—I inquired about annual revenue (it was zero, since SndLatr was a free tool at the time), user base (75,000), how much time he spends on developing the software each week (just a couple hours), his team size (Just him. I like! He was willing to sell because it was a side project that he didn’t know how to monetize. I did).

Then we picked up the conversation again on email:

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2016–06–20 14:40 GMT+02:00

Nathan Latka:  
Great chatting!

To sum up what we discussed:

Nathan will pay a total of $1000 USD for the SndLatr business which includes but is not limited to:

1. Manuel making Nathan admin of the Chrome Extension
2. Manuel sending Nathan an Excel file of the approximately 75,000 users
3. Manuel sending Nathan the source code as is (Manuel will not be expected to update/change code)

The payment will be $500 when this document is signed (Manuel replying “I agree”) and will be to Manuel’s PayPal account. After the transition of 1–3 has occurred, the second half of the $500 will be deposited into Manuel’s PayPal account.

Manuel, if you accept this, sign by replying with “I agree” and we can move forward.

Best,

Nathan

.

He came back with a minor technical snag, which I didn’t see as a problem because it didn’t affect my ability to run the software and commercialize it (my whole purpose in buying it).
On Mon, Jun 20, 2016 at 8:10 AM,
Manuel Braun wrote:

Hi Nathan,

There is one concern that I did not think of before. Sndlatr uses some common source code that I use in some projects as well. So we’d have to make sure I can continue to do so. Would it work for you to agree that the source code is licensed under a permissive open-source license (APACHE2), instead of being sold completely?

Best,
Manu
. . . .

2016–06–20 15:16 GMT+02:00

Nathan Latka <nathanlatka@gmail.com>:
Yes. I’m ok to agree that the source code is licensed under a permissive open-source license.
. . . .

We jumped on Skype once more to talk through the details, then I followed up with this email:
Done. SndLatr started printing money for me just a few weeks later (more on how in the pages ahead).

I’ll walk you through everything you need to do to buy companies, from finding them to negotiating a deal. Stick with me even if you’re worried this is over your head. It’s not. I’d like to believe my mom when she tells me I’m brilliant and special. That’s why I’m so successful at this while you aren’t, right? Maybe . . .

More accurate: I just had the balls to make these companies offers and see what happened. It doesn’t always work—like the time I tried to buy Success magazine for $5M—but even when I fail I learn something from the experience. The only thing separating me from you (if you’re still doubtful) is my willingness to try.
GOLDEN GOOSE OR TRAIN WRECK?

A company acquisition usually goes through these steps. It doesn’t always happen in this order (when I offered to buy Success magazine I jumped straight to the letter of intent, or LOI) but this is the basic breakdown:

1. **Inquiry**—“Hey, are you interested in selling X company?”
2. **Offer and Negotiations**—Back and forth until you agree on a sale price.
3. **Letter of Intent (LOI)**—I usually make this a quick email outlining the terms I want, but it can be an official letter. Once all agree to the terms in the LOI you will usually sign a nondisclosure agreement (NDA).
4. **Due Diligence**—Post-NDA, when you scour their books and internal systems. This is where you’ll discover any liabilities that will give you leverage to decrease your purchase price or renegotiate other deal points. If both sides can’t come to an agreement, you walk away. Nothing lost except your time.
lose five thousand of those users because of something the previous owner did that is out of your control. If you suspect there is a risk of something like this happening you can put a clawback in the deal that says the seller has to pay you back 50 percent of the deal if the number of users declines by over 50 percent in the first six months that you own the company.

DO THESE SIX THINGS AFTER YOU BUY A COMPANY

Once I take over a company I run it through my playbook to get it operating at top efficiency. I’ve accumulated this playbook over nearly a decade of taking over and running companies, and The Top Inbox and SndLatr are prime examples of how these moves can turn a mediocre company into a golden goose.

You can juice revenue from a newly acquired business by focusing on these five steps from my playbook, which I apply every time I take a company over:

» **STEP 1: Double pricing.** Do this the moment you take over a company—only for addicted users. If the product was free, start charging. If pricing was already established, double it. As consumers we love “free,” but we also believe that we get what we pay for. And we’re willing to pay for something that brings us value.

Zendesk SVP Matt Price and his team witnessed this when they experimented with adding free features to their customer service platform. They discovered that doing this made customers feel they were overpaying because they were getting things they didn’t want. So now they use a pricing structure that allows companies to pay for the value they’re getting out of the software. Their Answer Bot feature follows this model. Answer Bot automatically answers customers’ questions by tapping into available resources. The value to customers to not have to send that query to a support agent is very high—they’d usually have to spend $10 to $20 per query for a human to answer it. So instead of bundling Answer Bot with the features customers get in their software subscription; they price it out separately, at $1 per resolution.

Zendesk also spiked revenue by matching price tiers to the value
a product brings to customers. “You can enter into pricing decisions with your eyes very wide open as to what people are using and set thresholds based on types of businesses,” says Price. “Typically there’s an opportunity to add a premium price into features that have very specific utility to a small number of customers.”

Today Zendesk has two thousand employees, but start-ups can easily adopt similar strategies. One that’s doing this is Gus Chat, a customer service company that specializes in chatbots—that is, automated customer service reps. CEO Pablo Estevez is growing the company by specializing in Spanish-speaking chatbots for enterprise clients. Gus Chat started with small-scale clients paying around $1,500 a month for their service, but now Estevez is scaling by offering those same services to larger clients who pay $10K to $25K a month. Estevez explains, “One of our focuses has been finding a niche in the market. We’re realizing there’s a big demand in enterprise deals for us to come in, get to really know the company, and create a custom solution.”

It’s fine to start small when you’re still getting the kinks out, but aim to scale by finding new customers who are willing to pay a premium for the value you offer.

STEP 2: Focus on getting current customers to pay more. Step 1 is about scaling your prices for new customers. But you can double your business without adding a single new customer by getting your current user base to pay you more, or to buy more from you. It’s why your Netflix and Amazon Prime subscriptions creep up by a few dollars every year. But aside from raising prices, top CEOs know it takes less energy to expand their footprint with current customers than it does to find new ones—and the success rate is much higher.

Manny Medina, CEO of the sales engagement platform Outreach, has made this his growth mantra: “Reduce your land and accelerate your expand.” He grew Outreach from $0 to $10M in annual revenue over just two years (from 2015 to 2017), and today he has more than doubled revenue year over year focusing on current customers alone. “Our job is to land as fast as we can in the smallest thing that we can and then expand,” says Medina. “The phrase we have here is ‘make them a customer.’ The moment you make them a customer the magic shows up.” Once a customer is in,
By the way, at that time I did not have $5M, but if I had negotiated to buy Success for that amount I knew I could reach out to my network and raise enough money to do the deal. But in this case I got rejected and moved on to the next deal. There will always be another deal.

Also, my new magazine is a massive hit. Sometimes you have to bet on yourself and go from scratch! Take one look at the magazine landing page and you can probably figure out why it’s doing so well: http://NathanLatka.com/magazine.

BUYING BUSINESSES VERSUS STARTING OR INVESTING IN ONE

If buying a business sounds intimidating, know that it’s actually way smarter, easier, and less risky than starting one. I’m not saying you shouldn’t launch a new venture. Most of this book is advice on starting and running a business. But buying a business, by comparison, is much more efficient. Once you take a company over, all the groundwork is done. Your systems are in place and running themselves. You have a built-in customer base. All you have to do is tweak and monetize what’s already there. If a company needs more than that, you’re not going to buy it. It’s that simple.

You might wonder why you would ever start a company if I’m advocating for just buying. Well, remember, I started Heyo from scratch when I
was nineteen. And while I was building Heyo to eventually do more than $5M in sales, I learned things like how a team works; how vesting and equity work; how to get ten thousand customers from the ground up; and how to deal with pricing.

Starting a company from the ground up teaches you what’s needed to run one well. I recommend that before you buy a business, try starting one yourself just so you can learn. If you never obsess over creating a system that kills inefficiencies and generates cash flow you won’t know how to recognize one when you see it in another company. It also helps you appreciate what you’re getting when you do buy one. These companies already have systems set up. They already have customers. You’re just running tweaks on them.

But remember that the goal isn’t to be a prolific entrepreneur. It’s to be rich. And you get there by having several revenue streams that you’ve put on autopilot. Buying businesses is a smart and fast way to multiply your cash flow if you do it wisely.

One way to not do it wisely: getting stuck in a business. A lot of people will buy a company and their ego is so big that they think they have to do everything themselves. So they end up in the weeds every day, answering support emails, returning phone calls, recruiting people, updating designs, pitching salespeople, traveling to get clients. That’s working in your business and that is not what you want. You’re buying companies to build up revenue streams that free up your time, not hijack it. The only way to do that is to buy a business with an infrastructure that lets the business run itself, like an assembly line that prints you money.

Buying is also much more of a beginner’s game than investing. It sounds counterintuitive, but you need more cash in hand to invest in a business than you do to buy one. CEOs won’t waste time talking to someone offering a $1K investment in their company. They want at least six figures. Even very small businesses need a good chunk of cash before they’ll consider forking over equity. Ming’s Yummy Thai Food, a two-person operation, needed $6K for my investment to have a meaningful impact on their cash flow. Firehouse Hostel needed $11K.

By comparison, you can buy a company for very little money, or no money at all, if you find a motivated seller. So focus on buying companies if you’re just starting out. As you keep doing it you’ll eventually start writing investment checks with the extra cash flow. One revenue stream spawns another. Exactly what you want.
That day I wrote a $6K check to Ming, owner of the Yummy Thai Food Truck. She’d pay me $0.75 per meal until I earned back my investment, and if we liked doing business together, I would get $0.10 per meal in perpetuity.

Our partnership started with me randomly walking up to her, ordering Pad Thai (Ming’s recommendation), and striking up a conversation about her business. The whole deal was done in less than twenty minutes.

Ming now sends me checks every month that I don’t have to think about. And my Facebook Live video that captured the deal was picked up as a reality show called *Latka Money*. New episodes post every Tuesday at 8 p.m. EST on Facebook. You can watch at NathanLatka.com/facebook.

Most people who hear this story have one of two reactions:

Dude, you’re an idiot.

Or:

Tell me more—I want to do that.

Then there are the people who want me to write them a check. If that’s you, we’re casting for *Latka Money*. Send your pitch to sarah@nathanlatka.com. I’m always looking for ways to invest my money that the herd isn’t thinking of. It’s a big part of how I—and most megamillionaires—got rich.

If your dream is money in the bank and an empty calendar you’ll have to start thinking this way, too. Your business ventures will get you far, but remember the goal is to do as little work as possible. That won’t be because
Ultimately, Ming wants more money to expand. I’d be happy to write a $100K check and tie my return to growth: $2 per meal until I’m paid back, then $.25 per meal in perpetuity. The numbers might change, but I’d keep that same structure. I make money if Ming makes money. And like the guys at Firehouse, I know Ming is all in on growing her business. It’s her only source of income and she’s built her legacy on it.

**FINDING CASH WHEN THERE’S NONE TO SPARE**

I know the idea of investing sounds impossible if you’re just getting by. But if that’s you, the fact that you’re reading this book proves you’re itching to break your slump. You can do it immediately, and while you’re at it build contacts who can later turn into business partners.

My top suggestion for bringing in cash builds on the idea of trading exposure that I talked about in chapter 7. If you have a big email list or online following you can sell email spots to build your income. But what if you don’t have a big following? That’s when you play the broker.

You can do this with no money. Literally anyone can profit from being a broker between two groups that each want what the other has. You’re just smart enough to have thought of it. Here’s what you’ll do:

1. Reach out to people with big email lists.
Facebook released Marketplace, which is a better-designed version of Craigslist. Stripe is a payments processor with an easier-to-use API. Venmo, PayPal, Square Cash, and Google Pay all do the same thing with a twist. Rockefeller copied other people’s steel mills, then changed one procedure related to oil refining and sulfur to print money.

Have you seen those sections at the bottom of major blogs that showcase sponsored content, or “related posts”? Companies like Outbrain and Taboola have dominated this space for years, but it didn’t stop John Lemp at Revcontent from throwing his weight into the competition.

In 2017, Revcontent processed $184M of ad spend through its platform, collecting 25 percent of that as revenue. This is a prime example in which a big thinker ignored the conventional wisdom that “you must have a new idea!” Instead, he went right after business models already proven and is now chipping away at their lead.

Don’t let your ego be so big as to think your idea has never been done before. If no one else is doing it, there may be a reason. And even if you do have a brilliant new idea, you’ll make a profit much quicker by building on something that already exists. You’ll have plenty of time (and money) to launch your genius invention after you’ve made bank by copying.

FROM AFFILIATE TO COMPETITOR
($18M BIZNESS APPS VS. $2.4M BUILDFIRE)

Copying your competitors can make you rich even if you never scale to their size. Ian Blair proved this when he launched BuildFire while still in college. BuildFire is drag-and-drop software that lets people create mobile apps without any tech expertise. Think WordPress for apps. BuildFire is a lot like another company, Bizness Apps, which Ian previously used to build apps for small businesses. After about a year of creating one-off apps, Ian realized that the big money was not in client work, but in building a software competitor to Bizness Apps.

I love the story that the numbers here tell. Since launching BuildFire in 2012 Ian has raised $2.5M in investor funding and has thirty-one employees at age twenty-five. His annual revenue in 2017 was $2.4M and his current monthly recurring revenue is $300K. When we chatted on Skype, Ian called me from his $850K apartment with a full view of the San Diego skyline behind him.
While Ian built his empire by copying a competitor, Bizness Apps’ numbers show that they’re still killing it. Andrew Gazdecki launched the company in 2010 with $110K in investor funding. Today Andrew has ninety employees at age twenty-eight with $18M in 2017 annual revenue. His current monthly recurring revenue is $1.5M.

<table>
<thead>
<tr>
<th></th>
<th>BIZNESS APPS</th>
<th>BUILDFIRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/Founder</td>
<td>Andrew Gazdecki</td>
<td>Ian Blair</td>
</tr>
<tr>
<td>Year founded</td>
<td>2010</td>
<td>2012</td>
</tr>
<tr>
<td>$ Raised</td>
<td>$110K</td>
<td>$2.5M</td>
</tr>
<tr>
<td># employees</td>
<td>90</td>
<td>31</td>
</tr>
<tr>
<td>2017 revenue</td>
<td>$18M</td>
<td>$2.4M</td>
</tr>
<tr>
<td>Monthly recurring revenue</td>
<td>$1.5M+</td>
<td>$200K–$400K</td>
</tr>
<tr>
<td>Revenue per employee</td>
<td>$80K</td>
<td>$77.4K</td>
</tr>
<tr>
<td># customers</td>
<td>3,000+</td>
<td>1,000–5,000</td>
</tr>
<tr>
<td>ARPU (avg. revenue per user)</td>
<td>$500+</td>
<td>$400–$500</td>
</tr>
</tbody>
</table>

I’m a numbers geek so I can go on (if that’s you, too, you can see the full Bizness Apps versus BuildFire comparison above). The takeaway here is that even though Andrew’s business is more successful, Ian was still able to create a multimillion-dollar enterprise by directly copying Andrew’s idea. And Andrew’s idea wasn’t all that new, anyway. Other drag-and-drop app builders existed before Bizness Apps and the whole concept is a riff on drag-and-drop website software like Wix, Squarespace, and Weebly.

I’m going to show you how to do the same, and how I did it with my past two companies. Much of my advice in this chapter is related to the software space since that’s where I do most of my work, but you can apply these tactics to any industry, whether you’re running a restaurant, knitting company, professional services business, or software.

Whatever you do, your first step is to find an idea to copy. And ideas are lurking everywhere—you just need to know where to look.
I immediately learn that the majority of Todoist.com traffic comes from LifeHacker.com and Ifttt.com. Go make friends with the CEOs/authors of those blogs/websites. It’s a double whammy to persuade those people to write about your new tool while at the same time hurting your competitors’ traffic. Later in this chapter, I’ll show you how I did and got more than fourteen new customers to pay $360 each in under twenty-four hours.

Ahrefs is a tool that tells you which Google searches make your competitors pop up. Going to https://Ahrefs.com and typing in “Todoist.com” generates this report:

Fifty-three thousand organic keywords means there are fifty-three thousand words people type into Google that Todoist ranks for—meaning Todoist.com will appear in the organic search results for those terms. You can quickly look at what those terms are by clicking “Organic keywords”:
Todoist.com gets 4,600 unique views per month from the keyword “to do list.” Now you’ve quantified your potential gains and their potential losses if you outrank them for the words “to do list.” This book is not about content marketing or search engine optimization, but those are the tactics you’d Google and use to outrank Todoist for any keyword.

Use App Annie if you’re trying to study a market in the mobile app space. For example, if I were analyzing the document signing space, I might explore how HelloSign ranks so well in the App Store. Going to App Annie and searching “HelloSign” creates this word cloud that tells me what people search in the App Store to find HelloSign:

Keyword optimization in the App Store is a fine art. Nobody quite knows how Apple ranks apps, but it’s certainly a combination of the title of your app, the subhead, the description, and the number of reviews you have. So you’d want to make sure your subhead and your description contain the same keywords that drive people to HelloSign.

At the end of this chapter, I’ll show you how I built Heyo.com to $5M in cumulative revenue, ten thousand customers, and $2.5M raised using these tactics.

First let’s talk about how you get your product built. Again, I’m going to focus on the tech space in this example, but many industries could follow this same process.
There are plenty of resources on how to get a minimum viable product built so I won’t go into detail here. You should force yourself to spend no more than $5K before getting your first customer. Ideally less.

I brought in my first $5K with GetLatka by selling this initial, very ugly prototype of my database as a CSV file:

My first customer started paying $1K/month on June 12, 2017, for access to my database of company metrics and deal flow:

Include early customers in product discussions so they get emotionally invested in you and the product. You want them to be proud that they were first. If you do this right, they’ll brag to their friends about how they “discovered” you. When I pushed new updates on GetLatka.com I’d always ask my early customers what they thought:
Then sign up new customers and always be increasing your price. My second GetLatka.com customer paid $2K/month:

Today I’m charging $20K a month for this kind of data. And I increase my costs on the company only in tandem with revenue growth. For every dollar in revenue, I’ll spend $.10 on developers to improve the product. I’ve easily invested $50K into growing GetLatka.com without ever dipping into my personal cash.

Once you’re done using Toptal to build your minimum viable product, you want to start figuring out ways to attack your competitors.

1. Read their support forum if they have one and see what their most requested features are that don’t exist yet. I call this the “support-driven business launch guide.” You can literally launch
Look at who is selling a lot of your products. If you’re paying someone a cut and they’re driving a lot of volume, you might offer to sell them your whole company.

So make sure to look at these three channels if you’re not sure where to start your hunt for a good buyer: competitors, other players in the same space (the hamburger), and distributors. You’ll likely find more options than you think.

SELL WHILE YOU’RE YOUNG AND HOT

By young, I mean you. By hot, I mean your company. (But it can’t hurt if you’re hot, too. You’d be shocked how many deals I get because of my hair.)

I learned this lesson the hard way with Heyo.com. Back in 2012, iContact offered me $6.5M to buy Heyo. At the time, all of our competitors were exiting with huge offers. Salesforce bought Buddy Media for more than $600M. Wildfire sold to Google for $350M.

Seeing those deals inflated my ego. I thought, If Mark Zuckerberg could turn down Yahoo’s billion-dollar offer to buy Facebook in 2006, and my peers were getting nine-figure deals, $6.5M was nothing. I could do so much better. At the time I was twenty-two years old and new to all of this. I didn’t try to negotiate or spark a bidding war. I just passed on iContact’s offer.
It was one of the biggest mistakes of my life.

Never underestimate the timing of a market. Salesforce bought Datorama in July 2018 for $800M. At the same time, Babak Hedayati crossed $15M in revenues and three thousand customers for his competing tool, TapClicks, which helps media companies like Scripps manage real-time reporting. Companies are using it for scalable deployment of client reporting, data aggregation and visualization, and workflow management to bring intelligence and automation to their operations. It would not surprise me to see Babak take advantage of market timing and exit for six to ten times his $15M in annual revenues in the near future.
I wish I’d realized how important market timing was back in 2011. Social media marketing platforms were hot at the time. That was obvious from all the deals happening around. But once my competitors got out of the game the market cooled. Google even shut down Wildfire in 2014. I’d completely missed my window to make a big profit because the cliché is true: timing is everything.

By the time I got another offer for Heyo, in 2016, it was much smaller. We got $300K for just a part of the company’s assets and the $1.4M that we had in the bank was returned to investors. I had to sell because the company was taking up all of my time. Being a young, single guy with no responsibilities, I knew that putting all my effort into one business was not going to make me rich.

**MY PAY STUB: I WAS TWENTY-SIX, CEO**

It would have been so easy to stay at Heyo. At twenty-six years old, I was making more than all my friends but I knew I could never get really rich off a paycheck. It’s funny looking back at when I was persuading the board to raise my salary from $80K to $100K, as if that would make a huge difference to me.

Here was that beautiful $100K pay stub:

I felt very “good” about this income, but it didn’t do much going from $80K to $100K since the government kept so much in taxes. It also made me see that I was an employee in a flat business. The potential upside of my equity (how you get rich) was very little because I missed our shot in 2012.