THE NATIONAL BESTSELLER

The Millionaire Maker



Act, Think, and Make Money the Way the Wealthy Do

"Loral is the real deal...she actually makes millionaires."

T. Harv Eker, author of the *New York Times* #1 bestseller, *Secrets of the Millionaire Mind*

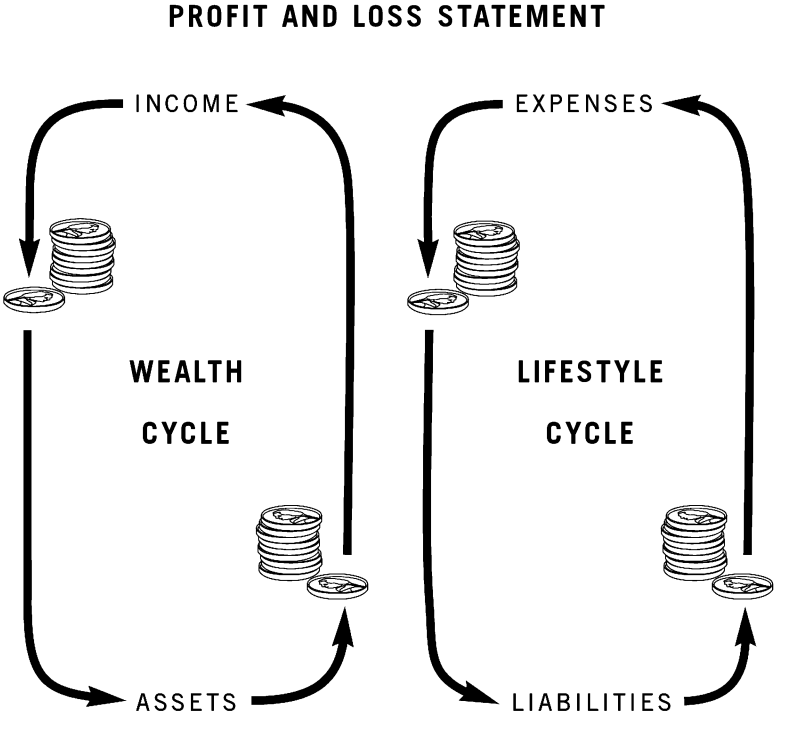
LORAL LANGEMEIER

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THE WEALTH CYCLE
Money in Motion

Even without winning the lottery, your chances of becoming a millionaire are a lot better than you think. In fact, if you have the desire and conviction to be wealthy, you have a better chance of generating and, more important, sustaining wealth than someone who has won the lottery. This book will take all the mystery out of wealth building. I believe that anyone can take a prescriptive, step-by-step approach to eliminate financial hardship and build wealth of a million dollars or more. And I don't mean just net worth; I mean cash flow—cold, hard cash in your pocket. Those of you who know that cash flow is king understand that I am talking about something real. This book provides that prescription. It's not a magic wand. There are no platitudes or clichés, slaps on the backs or pom-poms. Most wealthy people get that way not by chance, but by taking specific, tangible action. This book is about taking action to generate wealth and make you a millionaire, precisely and methodically.

If I handed you $10,000 right now and you did not understand how to put it into the Wealth Cycle Process, then you would be no closer to generating wealth than you were before you had it. That's because most of us grew up living in a Lifestyle Cycle.



In the Lifestyle Cycle, wealth can never be built because money that comes in goes right out again to support perishable, one-time-use consumption. And in many Lifestyle Cycles, money is spent, thanks to credit cards, even before it's earned. Conversely, in the Wealth Cycle, money coming in supports assets—that is, money-making resources—that will generate cash flow and create wealth.

The difference between having wealth and not having wealth is the difference between living in a Lifestyle Cycle and living in a Wealth Cycle. A person earning $14,000 a year who understands the concept of a Wealth Cycle has a 100 percent better chance of building and sustaining wealth than a person who makes $1 million a year and lives in a Lifestyle Cycle. And so although it would be nice of me to hand you $10,000, it's better if I teach you about the Wealth Cycle Process.

You Want Passive Income, Not a Passive Life

The Wealth Cycle Process shows you how to continually make money by increasing your assets, thus creating a Cash Machine to feed those assets and steadily building your passive income so you can expand your wealth and live larger. Too many experts tell you to live small, spend nothing, and barely breathe as you dawdle off into the horizon. That sounds just awful to me. I believe it is possible to achieve wealth and have a latte with breakfast. Even if your debt seems utterly daunting, the Wealth Cycle Process will help you spiral your debt down while you spiral your wealth up. That is how the wealthy do it, and it's how you'll do it too. In 1991, when Donald Trump was $900 million in debt, it's pretty clear he didn't shrink his life and focus on reducing his debt. Instead he found a way to rebuild his wealth so that it surpassed and soon eliminated his debt, creating one of the greatest financial turnarounds in history.

While many financial experts are earnest professionals trying to make a living, they can't help the fact that they are commission-oriented and tend to be conservative. Their interest is to keep your money in safe-and-sound accounts. But safe-and-sound accounts

aren't so safe and sound anymore. The behavior of a few executives at a handful of companies can cause the entire stock market to swing. Global events, such as terrorism or instability in emerging markets, can cause bonds to sink. Pension funds default, the Social Security system seems shaky, and retirement plans can disappear. These days, all those planning strategies that seemed secure and conservative aren't. Sometimes, putting your financial plan in the hands of someone else is the riskiest thing you can do.

The United States of America was founded on the principles of initiative, resourcefulness, teamwork, and leadership. Abdicating responsibility to a sovereign was shunned, and accountability and opportunity celebrated. Yet less than 7 percent of our population knows how to generate wealth. There was never a class in this, your parents weren't given a special wealth manual to pass down to you, and financial planners have no incentive to teach you what they get paid to do for you. If you make the decision to do for yourself, you create the capacity to be wealthy.

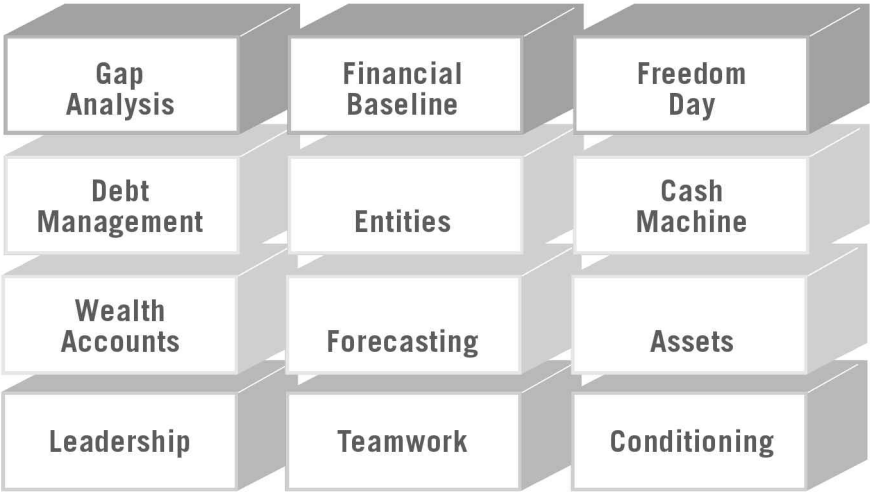
A Year from Now You'll Wish You'd Started Today

You can make the decision to make a lot of money at any age and in any stage of your life. The Wealth Cycle Process will meet you wherever you are. Whether you have a solid net worth and are looking to increase your returns or are deeply in debt, can't forego your day job, and want to be free of money worries once and for all, I will help you become a millionaire, a multimillionaire, and beyond, depending on your personal goal. No matter who and where you are, wealth building is well within your grasp. You just need to step up to the plate.

The 12 Building Blocks of the Wealth Cycle

Just as every person's life is particular to them, so must each person's wealth plan be tailored to the individual. The Wealth Cycle Process is based on 12 building blocks that you will employ in your own fashion, depending on your specific requirements and objectives.

Building Blocks of the Wealth Cycle



Each building block is explained in detail throughout this book, but briefly they are defined as follows:

1. **Gap Analysis:** An innovative financial model that will create a map from where you are to where you want to go.
2. **Financial Baseline:** An overview of your current financial situation in the form of a basic profit and loss statement that includes revenue and expenditures and a balance sheet that includes assets and liabilities.

3. **Freedom Day:** The realization of each goal, starting with 120-day objectives and accelerating beyond millionaire status.
4. **Debt Management:** A Five-Step Debt Elimination Plan that erases consumer debt, the greatest barrier to wealth building.
5. **Entities:** The organization of trusts, partnerships, and corporations that hold and service wealth and take advantage of the tax strategies devised by Congress and state legislatures to protect companies and help businesses grow.
6. **Cash Machine:** The fuel that accelerates the Wealth Cycle, which comes from your capacity to create more revenue from a legitimate business venture. You must learn to earn.
7. **Wealth Account:** The concept of pay-yourself-first by consistently committing a portion of earnings for investing, a portion we call *WAPP*, the Wealth Account Priority Payment.
8. **Forecasting:** A projection of your revenue, expenditures, assets, and liabilities and how to direct those numbers into companies that make full use of the tax code.
9. **Assets:** Direct and diversified asset allocation, which is essential to create passive income to feed the Wealth Cycle.
10. **Leadership:** You must learn to "lead your wealth." Though you may, and should, choose to delegate your wealth building, no one can drive the Wealth Cycle Process like you can.
11. **Teamwork:** You must build and direct a team of professionals to help you develop and execute your strategies and reach your goals. Wealth building is a team sport.
12. **Conditioning:** Financial way of thinking. As you accumulate the experience that gets results and gain the confidence

> to commit even more significantly to your wealth plan, you will develop a positive and healthy relationship with money.

When you begin the Wealth Cycle Process, you engage each and every building block: they are codependent and indivisible. You will always keep track of a Gap Analysis that will tell you how to get from where you are—your Financial Baseline—to where you want to go—your Financial Freedom Day. You will always employ Debt Management, and if you have or create consumer debt, you will always make it a priority to eliminate it immediately while simultaneously building your wealth. You will always have Entities (legally established companies), which means you'll always run your life like a business. And that means you'll always have a business, a Cash Machine, that will create more money for your Wealth Cycle. You will always run the right expenses through the right Entities, which means you will always be Forecasting. You will always be prioritizing a portion of your money into a Wealth Account used only for investing. And you will always be investing in Assets, and those assets will create more assets, and more and more assets. You will always support these activities with Leadership and Teamwork and be mindful of your financial way of thinking, or Conditioning.

All wealth plans begin with the first three blocks: Gap Analysis, Financial Baseline, and Freedom Day. These three blocks are continuously revised and adjusted throughout the process. Additionally, each person's wealth plan requires the bottom three foundational blocks: Leadership, Teamwork, and Conditioning. The middle building blocks, though engaged simultaneously, are used in different sequences and with different emphasis, depending on the needs and wants of the individual wealth builder. Proper sequencing is essential to the Wealth Cycle Process.

The Right Thing at the Right Time

The most common mistake I see in wealth building is people doing the right thing but at the wrong time: for example, paying down all existing debt before beginning to build wealth. In the Wealth Cycle Process, you begin the Five-Step Debt Elimination Plan and *simultaneously* create a Wealth Account that starts generating wealth for you.

I also see people maximizing their 401(k) payment and holding all the equity in their house. As you'll come to see, this is the wrong thing at the wrong time. In our sequence, you jump right into direct asset allocation. Other wealth advisors might call this irresponsible, but I believe you need as much cash available as you can pull together so you can invest now and start building wealth right away. Those who advise that you live in fear and maximize your money in qualified plans are actually hindering your efforts to accumulate wealth and build a millionaire plan.

Doing the right thing at the right time, namely, *sequencing,* is the foundation of the Wealth Cycle Process. This book will help you understand which building block sequence is right for you. The examples used throughout are selected from the thousands of people I've helped make millionaires and specifically highlight particular building blocks, as well as reflect the entire range of possible sequences. More important, at least one of the examples featured will mirror your own financial realities and goals. My hope is that the next time you and your friends are sitting around a dinner table, you'll be able to identify one another with one of these types, for example, "Oh, you are so Rick Noonan, you'd better start looking at your assets."

In every case we start with a Gap Analysis and the eight questions: (1) What is your monthly income? (2) What are your monthly expenditures? (3) What assets do you have? (4) What are your lia-

bilities? (5) What else? (6) What do you want? (7) What skills do you use to make money? (8) Are you willing to create and execute the Wealth Cycle Process?

From these questions, we sequence the 12 building blocks of the Wealth Cycle. You'll examine this process through the stories of seven different people, each representing seven different routes to wealth. We start with the Leonard family members, who were threatened by a job loss and wanted to generate more income. Their case provides us with an introduction to the entire process and an overall look at each of the building blocks.

In each of the subsequent chapters, we show a different sequence and emphasize a different building block. For example, the Assets building block is brought into focus through the case of Rick Noonan, who made a good living but had several underperforming investments. The Cash Machine is explained in the discussion of Patricia Beasley, a single mother who started her own Web design firm. Kerry Kingsley, a business owner who was not retaining much of the revenue she brought in, portrays the need for Entities, and Forecasting is represented by Jim Quinlin, a victim of taxable money. The importance of the Wealth Account and the Wealth Account Priority Payment are clarified through the opulent lifestyle of Jean and John Jones, and math teacher Chuck Wallace's scenario sheds light on Debt Management.

You Don't Have to Be Ready—Just Go

After you've read through the examples, you will better understand sequencing and choose the right path for your specific needs. In fact, you'll probably start to anticipate your own sequence as you read through the examples in each chapter. But if by the time you're finished with this book you're still unsure of your personal se-

quence, I will connect you with one of my strategists for a free half-hour telephone session. The contact information is listed in the Resources section at the back of this book.

Getting Started

Wealth building is a dynamic, continuous process that consistently engages each building block. While some of the building blocks of the Wealth Cycle Process are more fun and exciting than others, they are all critical *and doable.* I know, because I did them by pushing my way past the same mental, emotional, and material stumbling blocks that you will encounter. I was a farm girl who knew it was much better to grow your own tomatoes than buy them, and I knew I had to plant my own seeds. I invested a small amount of money, I took a chance, and I've never given anyone sole power over my money since. The 12 building blocks of the Wealth Cycle give you control over your money and help you establish a lifelong wealth plan.

Eight minutes to a wealth plan for the rest of your life....

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THE GAP ANALYSIS
Mapping Your Way to Millions

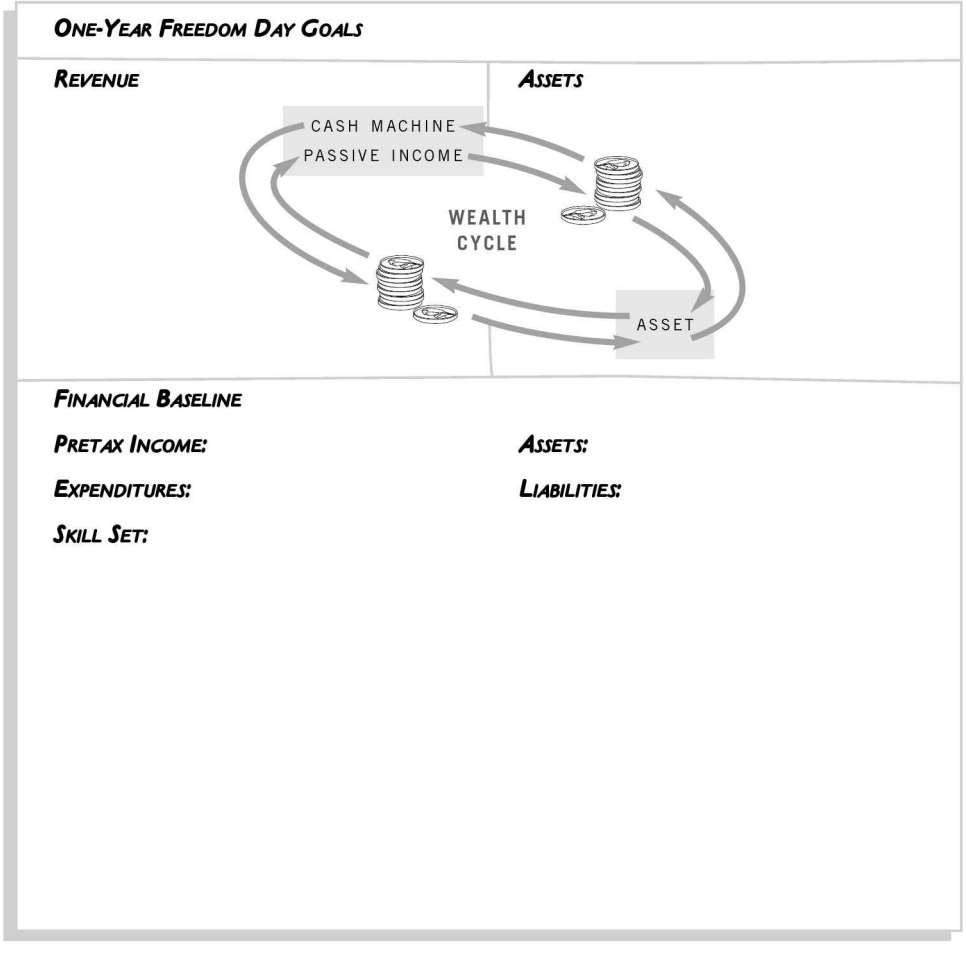
A few days after I spoke to the television producer, I collected some members of my wealth team who are experienced finance and investing coaches and we drove to Oakland, California to meet the Leonard family. As I was getting out of the car, I felt like John Wayne approaching some small town that needed saving. We strode up the walk, ready to face off against the family's financial frustrations and perceived failures.

Mary and Mike Leonard were all that the producer had promised. The couple was smart and dynamic, and they both wanted to start taking their financial situation seriously. Though they had a little bit of savings and a home that had appreciated over the years, they also had credit card debt, a salary that was going away, two sons in high school hoping to go to college, and no plan for their financial future.

After getting to know the family a little, talking to their sons, and seeing their home, I was ready to ask them eight questions that

would help them map out a wealth plan they would use for the rest of their lives. I went right to the drawing board to create the schematic for these questions.

This schematic, or map, is the Gap Analysis:



At the bottom is the Financial Baseline—your current financial situation. At the top is the One-Year Freedom Day Goals—where you see yourself in one year. And in the middle we create a Wealth Cycle of assets that will in turn be used to create more and more assets, fed by a constant revenue stream coming from passive income and a Cash Machine.

Mary and Mike Leonard were intrigued but apprehensive. Mary's number one concern was losing her job.

"Losing your job was the best thing that ever happened to you," I said.

"It was?" Mary said. Her eyes scanned mine for a sanity check.

"Yes," I said. "You've been given the gift of urgency."

"That's a gift?" Mike said.

"Didn't you hear me?" Mary said. "I lost my *job*. I need to get another one."

I shook my head. "You are not going back to a job."

"I'm not?"

"No," I said.

She started to cry. Mary had always worked. She'd been brought up to believe that she had to put in 9 to 5, at least, for her money. I could sympathize. I had been similarly conditioned. I grew up in a large midwestern family with very traditional values. Whether I was plucking weeds from the bean field or tending to the cows, sheep, pigs, chickens, or rabbits, I was always reliably, unfailingly, living my myth—the same myth that Mary Leonard lived: work hard for your money.

Given my upbringing, it made a lot of sense that I would think like this. I was born to teenage parents who had little money. As a child, I did not know any wealthy people and I didn't have access to any Ivy League or country club networks. What I *did* have, what was handed down to me from my parents, was a strong work ethic. I started working hard for my money when I was young, helping with the family farm business. At 17, I established a health-training company, and when I was 19 and still in college I created a business that specialized in corporate wellness and human performance. I went on to study and receive various degrees in finance, human performance, exercise physiology, and organizational psychology, and by most measures I had a fairly good career, working

for a major oil company, first as an employee and then as a consultant, and then learning my current business of wealth education and mentoring.

I'd always planned to be a millionaire by the time I was 35, but my plan took on a new meaning when I became a single mother. Terrified at the prospect of looming responsibilities, during my pregnancy I decided to put all my efforts into attaining more success in my business, finances, and personal life. And I did it. When I was six months pregnant and just two weeks shy of my thirty-fourth birthday, my net worth passed the million-dollar mark. I had to convince Mary and Mike Leonard that they needed to make this same commitment.

"Boy, is your glass half full," Mike said.

I laughed. "You bet," I said. "There's abundance all around, and I'm shocked how few people take advantage of the opportunity to create wealth." I turned to Mary. "You are not going to get another job."

"I'm not?"

I shook my head. "Most of us want wealth, right?" I said, and Mike and Mary nodded. "But there's activity involved. You don't get to lie on the couch watching TV and eating bonbons and still become a millionaire."

I've never seen real wealth come to those who wait. If you look at many wealthy people, and I'm talking about the ones who are going to keep their wealth for generations, you will see that they are engaged, active human beings. In fact, they're rarely sitting still. I've seen too many people scared of becoming wealthy because they don't want to be responsible for it or "do all that work." And it's true—money takes responsibility and activity. I always tell people, "It's your choice: You can do paperwork or you can be poor."

"We're willing to do the work," Mike said. "We know how to work. But with Mary not having a job and you telling us she's not going to get another one, that seems a bit scary, Loral."

"I bet," I said. "And I also promise that some of the things I'll ask you to do to build wealth will be uncomfortable."

Mary smiled. "Now it really sounds appealing."

Mike nodded. "But, I guess if you're not uncomfortable, you're not growing," he said.

"Exactly," I said. "Given the prospect of the unknown and the requirement of effort, most people choose to stay with what they know and expend less effort. In the short term, it's more comfortable. But in the long run, it's the same old thing over and over: too little income, too many expenses, credit card debt, and no plan for the future."

"That's us," Mike said.

"That's a lot of people," I said. "And it's too bad. Because once a person kick-starts in the direction of a Wealth Cycle, the process has a momentum all its own and the wealth is generated and accelerates faster than you can imagine."

"Sounds good," Mary said.

"It's fabulous," I said. "And every single one of my clients who engages in the Wealth Cycle Process says the same thing. They can't believe they haven't been doing this their entire lives. Not one of them would even consider going back to their old ways."

"I'm in," Mary said.

Mike was a little less certain. "It's not that I don't want to make the effort, Loral," Mike said. "But I don't want to lose anything."

"I don't want you to lose anything either," I said. "Worst thing I ever saw was a 60-year-old man who walked into my office having lost almost everything. He'd worked 35 years as a pilot for one of the major airlines, had trusted his earnings to the airline's pension plan, and lost over a million dollars of savings when the airline announced the default of its pension plan. And people call that security."

Something heavy must have landed on Mike's chest, because he leaned back into the couch with a deep sigh. "I'm not sharing any-

thing new, Mike," I said. "Long before Enron, it was public knowledge that pension plans are not safe or secure. And it's not just pension plans. Look at the mutual fund scandals of 2004. It's not enough that most mutual funds actually underperform the market, but the safekeeping of those investments has now come into question."

"And what do you think is going to happen with Social Security?" Mary asked.

"Exactly," I said. "Let's look at what security really is. I think wealth building means taking matters into your own hands. At least then you're in control. You know what's going on with your money."

"Can we do that?" Mary said. "I don't know the first thing about investing."

"You can learn," I said. "It's just not that hard, and it's fun. The good news is, getting that knowledge is easier than you think."

The Leonard boys came in from outside and sat down with their parents. It was time to secure a wealth plan for the Leonard family for the rest of their lives.

Eight Questions in Eight Minutes Equals a Lifelong Wealth Plan

Eight questions in eight minutes is the first exercise I conduct with my clients. In fact, at my company's Team-Made Millionaire seminars we often pull someone out of the crowd and do the exercise right there in front of a live audience. Participants learn immediately how to conduct a new conversation about money, because we ask them to share not only their vision but their current financial situation, right down to everything they own and owe, everything they have coming in and flowing out. And then we devise a wealth plan for them.

As you will see from the following exercises, answers tend to be top-of-mind estimates, as do the subsequent wealth plans. When par-

ticipants leave the seminar, their first step is to uncover their Financial Baseline so they can better understand their current financial situation. When our clients work with us in one-on-one coaching or in our Big Table workshops, they usually come in with their Financial Baselines prepared, so their answers are more detailed. For purposes of this book, we will prepare Gap Analyses for all the case studies the same way we do it at the seminars. Our intention is to show you a pattern of sequencing so you can better understand the building blocks and the Wealth Cycle Process. The examples in the book are drawn from actual scenarios I've had with clients, but they are a fictionalized blend of several real clients. In other words, the names and situations have been changed to protect the innocent. These profiles serve only as examples; none of these case studies or numbers should be viewed as actual investment opportunities.

All the building blocks of the Wealth Cycle are associated with each of the eight questions I ask, but in each question, certain building blocks are emphasized more than others. The important ones have been graphically represented after each question so that you can begin to see how we construct a wealth plan.

Question 1:What Is Your Monthly Income?



The parents looked over at their sons, and I sensed they were not sure about sharing this information. "Money conversations have been taboo too long," I said. "It's time we started having these conversations out loud, so that we can get help, learn, and teach our children about money."

Mary nodded. "I make, or made, $25,000 a year and Mike makes $50,000 a year."

When I ask this question, I'm looking for flat information off tax forms, that is, W-2s for salaried employees or 1099s for those who are self-employed. I also want to know how much their business makes.

In the middle columns of the Gap Analysis we call this *revenue*, not income, because as we create the wealth plan, we will start looking at pretax dollars the way a business does, as revenue—not the way an individual does, as pretax, or gross, income.

In the United States there are two tax systems. One for the poor and uneducated:

Make money → pay taxes → spend money

And one for the wealthy and educated:

Make money → spend money → pay taxes

Americans overpay billions a year on taxes because they don't know how to structure their finances. Forecasting and Entities, two of the building blocks of the Wealth Cycle, focus on tax strategies that will help you retain more of your earnings.

As I showed with the Leonard family, the question "How much money do you make?" causes most people to balk. Many of us have been brought up to believe that conversations about money are in bad taste and that financial success and failures are personal subjects that shouldn't be discussed. As a result, most of us are not knowledgeable about wealth building. This is where the Wealth Cycle Process starts, by talking out loud about money. In fact, the company I built, which is called just that, Live Out Loud, has the purpose of creating a "new conversation about money."

I filled in the bottom of the Gap Analysis with Mary and Mike's answers.

ONE-YEAR FREEDOM DAY GOALS

REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: *$6,250/month*	**ASSETS:**
EXPENDITURES:	**LIABILITIES:**
SKILL SET:	

- *$2,080, Mary's monthly pretax salary*
- *$4,170, Mike's monthly pretax salary*
- *No entities, no business, personal bank account*

Question 2: What Are Your Monthly Expenditures?

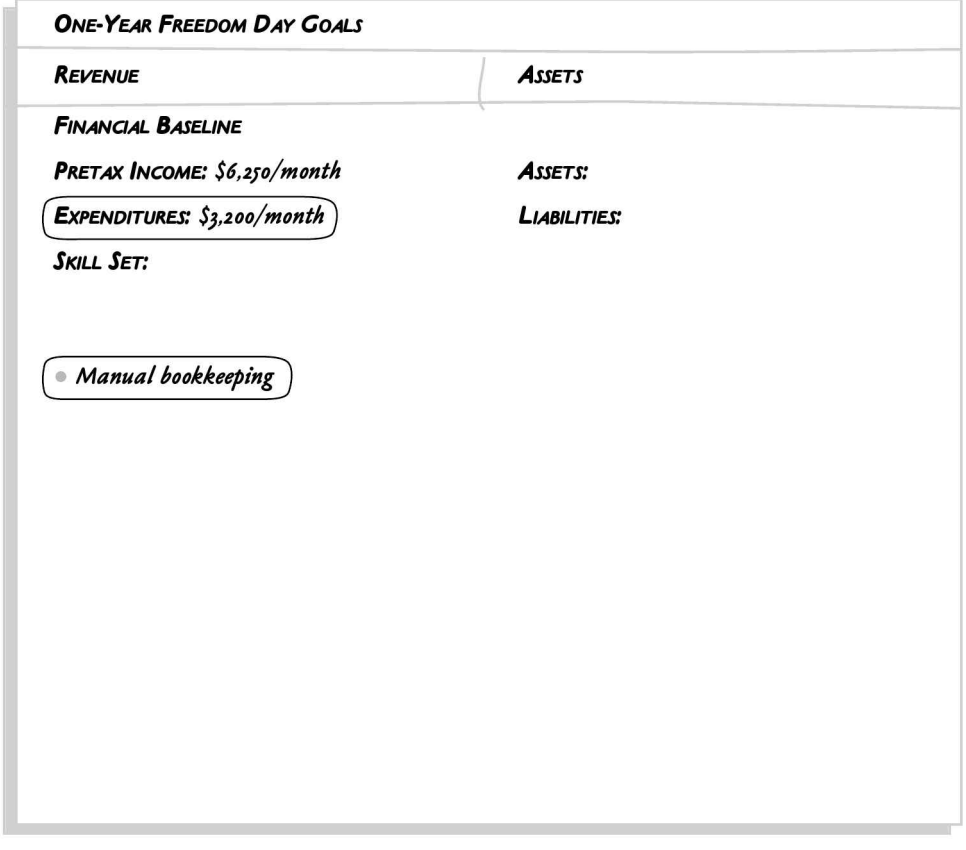


Mary pulled out some papers and her checkbook. "This is our budget," she said. "I think we spend about $3,200 a month."

"First of all, from now on you're going to know exactly how much you spend each month. And second of all, you'll never use a

budget again," I said. "This process is not about budgeting and cutting down your life. It's about creating more money to make that life a bigger and better game."

I can't think of a more limiting and unappealing concept than budgeting. A budget is like a diet: no one does it, they don't work, so let's stop it. In the Wealth Cycle Process we do not think about what you *can't* do, which is what budgeting forces you to do, but instead challenge you to deliberately and purposefully plan how you will spend your money. If you want to eat, drink, and be merry, that's fine, but then you need to "learn to earn" more money like millionaires do. "Moving forward, we're going to throw out that budget and introduce you to a spending forecast," I said.



Question 3: What Assets Do You Have?



This usually crops up in the form of home equity, mutual funds, individual retirement accounts (IRAs), and savings. The Leonard family's home had appreciated quite a bit since they purchased it, and they had about $350,000 of equity in the house. Additionally, they'd saved money for their boys' education and also had some money in the bank. I could already see the first step in the sequence of their building blocks and knew that to activate the Leonard family's Wealth Cycle, we'd start with the Assets. This would mean taking some of the equity in their home and the money from their IRAs and mutual funds and investing that in more direct, less conventional, assets to create a greater return on their investment. By engaging in direct and diversified asset allocation, we'd wake up these lazy assets and easily replace Mary's income of $25,000 a year.

ONE-YEAR FREEDOM DAY GOALS

REVENUE	*ASSETS*
FINANCIAL BASELINE	
PRETAX INCOME: $6,250/month	*ASSETS: $397,500*
EXPENDITURES: $3,200/month	*LIABILITIES:*
SKILL SET:	

- *$350,000 in equity in their house*
- *$30,000 in IRAs*
- *$16,000 in mutual funds for the boys*
- *$1,500 in cash*

Question 4: What Are Your Liabilities?



I'm looking for good and bad debt. Bad debt is consumer debt, usually in the form of credit cards, used to support a lifestyle and not used to build assets. Good debt, usually a mortgage on the house, is leveraged against assets.

ONE-YEAR FREEDOM DAY GOALS

REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $6,250/month	ASSETS: $397,500
EXPENDITURES: $3,200/month	LIABILITIES: $210,000
SKILL SET:	

- $10,000 in credit card debt
- $200,000 mortgage on the house

Question 5: What Else?



I continually ask, "What else?" It's amazing how many people take a lot of prodding to truly uncover the real situation and allow us to capture all they bring in and take out—all they own and all they owe. Suddenly, they will say something like, "Oh, I have this stock my grandmother gave me when I was 10," or "I owe my uncle money." This is where we see saving accounts and IRAs come into play, as well as SEPs (Simplified Employee Pension Plans used by small business owners for themselves and their employees), children's educational savings accounts, Social Security income, and even alimony payments. Here also is where all the little orphan 401(k)s show up—you know, the ones left behind at each company you've ever worked for. A business owner I know had 80 employees, but managed over 100 401(k)s on his books; in other words, he had almost two dozen 401(k)s from past employees who'd probably forgotten they were even there. And one couple I know realized, in preparing their Gap Analysis, that they had nine separate 401(k)s from past jobs. The grand total of these nine accounts they'd totally forgotten about was, to their surprise and delight, $109,000. That was a happy day. From this question there are also often side jobs that surface, online auction buying and selling that needs to be accounted for, or other revenue or spending habits that are overlooked.

Mary and Mike looked at their Financial Baseline and shrugged. They had no idea if it was good or bad. I made it clear that I wasn't in the business of judging their situation, nor should they be. Our only concern was where they were going.

ONE-YEAR FREEDOM DAY GOALS

REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $6,250/month	**ASSETS:** $399,500
EXPENDITURES: $3,200/month	**LIABILITIES:** $211,000
SKILL SET:	

- $2,000 in blue chip stocks from Mary's grandmother
- $1,000 owed to an uncle of Mike's with 7% a year interest

Question 6: What Do You Want?



Now that we knew where the Leonard family was, I asked them where they wanted to go. While Freedom Day represents the light at the end of the tunnel, we want to create an actionable, doable wealth plan that gives results immediately. I often ask clients to come up

with 120-day plans that get them toward a year-end goal we call One-Year Freedom Day Goals. The ultimate Freedom Day can be anything you want it to be. For some people, it's as clear as getting out of debt, replacing a salaried job with a more interesting business, and having enough cash flow every month to cover all expenditures. For others, it's a plan to pay for all of their children to go to college or to travel around the world. Or it's a bigger vision, like developing a new product idea or starting a charitable foundation. For many, it's all of these things. And that's fine. But again, to get things started, we're looking for a plan that can be accomplished in the next 12 months. I asked the Leonard family to share their wealth objective. We filled the answers in the top square of the Gap Analysis.

ONE-YEAR FREEDOM DAY GOALS

- *No new job for Mary*
- *Passive income to replace Mary's salary*
- *College tuition plan*
- *Debt elimination plan*
- *Owning and running their own profitable business*

REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $6,250/month	**ASSETS:** $399,500
EXPENDITURES: $3,200/month	**LIABILITIES:** $211,000
SKILL SET:	

In the next two to three years, as the Leonard family moved forward in the Wealth Cycle Process, I could already see what their Freedom Day would include: no job for Mike; a $1 million business; $500,000 of invested assets (that is, the total assets available and used for investment); $6,250 month in passive income; and no bad debt. They could achieve this easily within three years.

Question 7: What Skills Do You Use to Make Money?



"I work for—" Mary said.

But I stopped her. "Whom you work for is interesting, but not helpful, Mary," I said. "Especially since you're leaving there and never going back. I want to know your skills and how you make your money."

"I'm an administrative assistant," Mary said. "Organization, basic administration."

"And?"

"And? And, well, I have good communication and computer skills."

"I'm a mechanic, and I have construction skills," Mike said. "I'm always fixing our houseboat. I built that shed in our backyard. I fix and build things, I guess."

"Like our dune buggies," said Carey Leonard, the older of the two boys.

"They're way cool," his brother, Colin, said.

"Well, yeah," Mike said. "But I mostly fix air conditioning and refrigeration systems."

"Tell me about the dune buggies," I said.

Mike perked up, surprised. Mike, Mary, Carey, and Colin led me to the garage. There were several all-terrain vehicles that seemed to be collecting dust, but in the back was a custom-built dune buggy.

"People freak over dune buggies, and we're like the Jesse James of dune buggies," Colin said, referring to the owner of West Coast Choppers and star of the Discovery Channel's Motorcycle Mania.

"We can build ones way sweeter than what I've seen on the Internet. And those sell for like $20,000" Carey said.

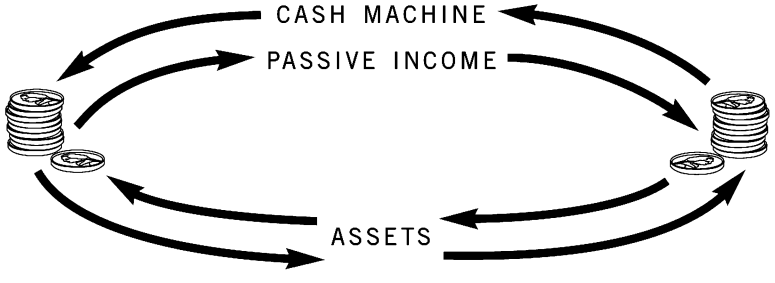
"At least," Colin said. "I've seen some that are $100,000."

"Is that right?" I said. I turned to his parents. "Mary and Mike, it's time to get serious about creating your wealth." I knew with the dune buggies we'd discovered the fuel for the Wealth Cycle.

"This could be your business," I said. "Your Cash Machine."

There are two sources that feed the Wealth Cycle. One is the passive income generated from assets, and the other is the Cash Machine, the business venture. If only passive income from assets circles back into the Wealth Cycle, the Wealth Cycle will not accelerate. It requires multiple streams of revenue, and one of the best sources of that money is a business.

WEALTH CYCLE



"Well, if I'm going to do my own business," Mary said, "then I want to run a restaurant. Not sell dune buggies."

"Well, you don't get to do that, Mary," I said. "Not yet. Before you get to do what you want, you need to learn to earn."

In creating a Cash Machine, you can set foot on one of two learning curves:

- Entrepreneurship with known skills
- Entrepreneurship with new skills

I don't understand why people would choose the latter when they can nail down the former by creating a business in a familiar field with a skill set they already have, even if it's a less appealing business. This is just a starter business to learn how to earn, and in order to begin its task of feeding the Wealth Cycle, the Cash Machine must generate revenue immediately. The key to finding the right venture is to pick a skill set that you could use to create revenue within a week, even if I pick you up and place you anywhere in the country. That's a Cash Machine.

Later, after you've learned business-building skills in a familiar sector, you can apply them in any arena—in Mary's case, to a restaurant. When I see a person trying to learn how to run a business in an arena in which they have no experience, and with no skill set at their disposal, I'm pretty sure I'll see them quit before they see a penny or learn a thing about entrepreneurship. For those who already have a business, we have to make sure it is in fact a Cash Machine, and that usually means a heavier emphasis on, and an escalation of, marketing and distribution. You can have the best product in the world, but if it's not on the shelf, no one is ever going to see it.

In my eyes, the dune buggy business was going to be this family's fastest path to cash. With their skill sets, this was a business opportunity the entire family could pursue. Mike and the boys could

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $6,250/month	ASSETS: $399,500
EXPENDITURES: $3,200/month	LIABILITIES: $211,000
SKILL SET: ADMINISTRATION, ORGANIZATION, BUILDING AND FIXING MECHANICAL ITEMS	

design and build the vehicles; Mary and the boys could market and sell them. I could see that we could replace Mike's income of $50,000 by making and selling just three of these a year. Carey and Colin were excited about the idea of starting a business with their parents. They'd always enjoyed helping their father make the dune buggies, and they were energized by the thought of working with their mother to market them.

Question 8: Are You Willing to Create and Execute the Wealth Cycle Process?



Both boys were happy to learn they were going to leapfrog their previous aspiration to "go from a blue-collar job to a white-collar job" and skip straight to a "no-collar job."

"It's not enough to think this is a good idea," I said. "We have to create action so that you can prove to yourself, through doing, that you can, in fact, be wealthy. You can't just want it—you must commit to it." Ninety percent of the people I meet are in financial disarray. The fastest way to get clear on what you want and to get your financials organized is to execute. I've found that most of my clients need to act, even if they don't think they're ready. You'll never organize your financials as fast as when you have a mortgage meeting set up at the bank. But if you wait to get organized before you set up the meeting, the wait can become too long. That's why a team approach to making money, with support and knowledge from those who've done it before, is imperative to moving forward fast. You can avoid making mistakes when working with those who know the process.

The couple looked at each other, then at their eager-eyed sons.

"Are you willing to create and execute the Wealth Cycle Process?" I asked. "Say, 'Yes.' "

"Yes," Mike said.

"Yes," Mary said.

"Congratulations," I said. "Yes is the right answer."

Getting down
to brass tacks . . .

3

SEQUENCING
The Right Thing at the Right Time

The television producer asked me to come back and film the second segment where we would map out the plan for the Leonard family to enjoy wealth for the rest of their lives. But she was concerned about Mary not getting a new job.

"This family will have more income than they had when she was working," I said. "And not only that, we'll eliminate their debt, have the college tuition ready to go, and get Mike out of his job."

"Loral, I'm sorry. I hope I told you that we're only filming for six months."

"You did," I said. "We'll have everything up and ready to go so it will be very clear how this will all come to fruition within the next year."

Ready, Hire the Set—Just Go

Once we had an understanding of the Leonard family's current situation and their financial objectives, we began devising ways to increase their earnings. The objective was to create as many income opportunities as possible, through both passive earnings and active businesses. With the information from the eight questions, I suggested a strategy that would not only replace Mary's old salary, and eventually Mike's, but get the family on the road to abundance and prosperity. The Leonard family Gap Analysis is shown below.

ONE-YEAR FREEDOM DAY GOALS

- *No new job for Mary*
- *Passive income to replace Mary's salary*
- *College tuition plan*
- *Debt elimination plan*
- *Owning and running their own profitable business*

REVENUE	***ASSETS***
FINANCIAL BASELINE	
PRETAX INCOME: *$6,250/month*	***ASSETS:*** *$399,500*
EXPENDITURES: *$3,200/month*	***LIABILITIES:*** *$211,000*

SKILL SET: *Administration, organization, building and fixing mechanical items*

The next step in the Wealth Plan was to create the Wealth Cycle. To do this, we need to put the right building blocks in the right order. As I've noted earlier, the order of the building blocks differs depending on the person and his or her individual needs and objectives. You'll soon be able to see the sequence that's right for you, as noted in the highlighted sequence below, for example.

With the Leonard family, I saw their sequence as follows:

Gap Analysis → Financial Baseline → Freedom Day

Assets → Cash Machine → Entities → Forecasting → Debt Management → Wealth Account

Teamwork + Conditioning + Leadership

As we walk through the Leonard family's sequence, we will take a deeper look at the building blocks, and we will also cover each one in more detail in subsequent chapters.

The Leonard Family's Wealth Plan

The first building block for the Leonard family, and for everyone in the Wealth Cycle Process, is the *Gap Analysis*. The Gap Analysis uncovers the financial gap between where you are now and where you want to be—between your current financial situation and your long-range objectives. This may be a small gap for some of you, but for most of us with a big healthy vision, it's usually a large gap. And believe me when I tell you, this is good news. This gap is not a threat to your ambition; it is, in fact, a necessary element to fueling that very ambition. It should be a motivator.

With the Gap Analysis we cut right to the chase. We don't ask you how you grew up, or what you think about money, or if you

truly believe you can be wealthy. We prompt you to take immediate massive action in order to change your situation and move forward. You will believe it when you see it.

For the Leonard family the second building block, the *Financial Baseline,* meant a disappearing salary, credit card debt, and not enough money for the boys to go to college. When you uncover your Financial Baseline, you will understand much more than how much money you have in the bank. You will build your own financial statements, and begin to understand your revenue and expenditures, your assets and liabilities, and know exactly where you are financially. Specifically, you will understand how much money it takes, and what you must do, day-to-day, for you to live the type of life you want.

The third building block for the Leonard family was *Freedom Day*. The one-year goal of this building block was to create enough passive income to replace Mary's salary, get the business going, get rid of debt, and have the college tuition plan in place. A good goal has enough tension to keep you interested and motivated, but it can't be too daunting or you'll get stuck. And getting stuck is not allowed in the Wealth Cycle Process. For years the model of living and dying has been job building, family building, home building, and finally retirement building. Retirement literally means "to retreat from" or "go to sleep" and that just can't be a good goal. Although "retirement" is attached in our society to the age of 65, we want you to enjoy financial freedom at any age. In the Wealth Cycle Process you will forego the idea of retirement and instead envision a Financial Freedom Day.

Now the foundational building blocks for the Leonard family were in place.

Gap Analysis → Financial Baseline → Freedom Day

The next step was to activate the Wealth Cycle. We started with *Assets.* I wanted to assure Mary that she could afford not to go back

to work so she could start building their business. The key would be to take current nonperforming assets and get their money working for them. Traditional financial planning ensures that you'll continue to derive 80 percent of your earning capacity after you stop working. I find that very unsatisfying. I have no desire to limit my income and be poorer as I get older. I want to be able to create wealth at any age, and progressively create more as I get older. The Wealth Cycle requires wealth acceleration that goes beyond traditional investment options, such as stocks, bonds, and mutual funds. It requires direct asset allocation into a broader spectrum of opportunities that includes all types of investing in all kinds of industries to build an active and continuous escalation of cash flow and appreciation. Of course, this goes hand-in-hand with building a team of knowledgeable professionals and field partners. No one can get into direct asset allocation without knowledge of those assets—it's too risky. But an experienced wealth-building team, such as the kind we are building in our Team-Made Millionaire community, can give the little guy the same information, leverage, and risk reduction that the big guys have always enjoyed.

Park and Pray and Plan for Poverty

Traditionally, financial advisors have been treated as experts who take care of your money for you, and many of us seem content to let these experts call the shots. I call this the park-and-pray method and I can think of nothing riskier. In this day and age, taking your hard-earned money, parking it with a financial institution, and praying that it increases is, frankly, pathetic. I believe any plan that requires you to cross your fingers is not a good plan. That's like dropping your kids off with someone when they're infants, taking them back when they're 18, and hoping they turned out all right.

The potential for direct investing and asset allocation is infinite. Once you've firmly established your money rules—which are the investing criteria based on both your vision and your values—and your financial goals, then you know the investments that will be right for you. You could become involved in almost any product that offers a return on investment (ROI) that fits your strategy. I usually recommend that one's asset allocation include capital-intensive assets, such as real estate, because these provide the tax benefits of business depreciation with the bonus of cash flow and possible appreciation. My personal investments have always included a lot of real estate, oil and gas, and other capital-intensive businesses.

This type of investing demands the accumulation of a lot of knowledge. This means engaging mentors who've done it all before, because reinventing the wheel is just ridiculous. It means finding field partners who can connect you with the right people in the right assets, because getting inside the community of investors rather than peering over the wall is a much more realistic course of success. And it means putting together a team of experts who will pull you up the learning curve fast, because the Wealth Cycle Process is about action, not theory. The Wealth Cycle Process demands direct investment in a diverse number of assets. The difference between direct and indirect investing is the difference between driving a car and holding onto the back bumper for dear life.

In order to activate the Wealth Cycle Process, the Leonard family needed to make direct investments that met their goals. There are generally two types of investments: income investments that create cash flow and growth investments that build equity. Because Mary had lost her job, the Leonard family needed cash flow. In order to replace Mary's income, we needed to shift some of the Leonard family's assets, such as the equity in their home and their mutual funds,

into these cash flow–producing assets. As we saw earlier, Mike and Mary had $399,500 of assets:

- $350,000 in equity in their house
- $30,000 in IRAs
- $16,000 in mutual funds for the boys
- $1,500 in cash, savings account
- $2,000 in stocks

and they were willing to

1. Take $100,000 of the equity out of their house through a refinancing.
2. Shift the $30,000 from their IRAs into a self-directed IRA that would allow them to choose the investments. (While there are many self-directed IRAs at large brokerage firms, there are only a handful of *true* self-directed IRA companies that will support the type of asset allocation we're doing here. To find one of these, you can email me at IRA@liveoutloud.com.)
3. Move the $16,000 in the boys' mutual funds to a better income-producing asset for their college tuition.
4. Use the $2,000 in stocks from Mary's grandmother for something else.

These measures allowed a total of $148,000 to be directly allocated into a diverse range of unconventional income-generating assets. My wealth team and I helped Mike and Mary consider several choices. The Leonard family wealth-building measures are shown below.

Leonard Family Choices for Wealth Building

ONE-YEAR FREEDOM DAY GOALS

- *No new job for Mary*
- *Passive income to replace Mary's salary*
- *College tuition plan*
- *Debt elimination plan*
- *Owning and running their own profitable business*

REVENUE	ASSETS
CASH MACHINE	SHIFT $148,000 OF ASSETS
PASSIVE INCOME	
CASH FLOW: $2,000/month cash flow from real estate properties $300/month cash flow from real estate properties $320/month from note APPRECIATION: Year 1: $52,000 Year 2: $67,600	• $60,000 to real estate, for 10 cash flow–producing rental properties. ($200/month) • $16,000 to real estate for 2 cash flow–producing rental properties ($150/month) • $32,000 in promissory note at 12% • $40,000 to real estate, for appreciating properties

FINANCIAL BASELINE

PRETAX INCOME: $6,250/month

ASSETS: $399,500

EXPENDITURES: $3,200/month

LIABILITIES: $211,000

SKILL SET: *Administration, organization, building and fixing mechanical items*

By simply reallocating a little more than half of the family's assets, Mary's one-year Freedom Day goal of not having to go to work was already in motion. We'd more than replaced Mary's monthly income of $2,080 a month with passive income of $2,620 a month. Additionally, by buying assets with depreciation and expenses that once the family's business entities were structured, could be written off as expenditures against the revenue, Mike and Mary would retain much more of their earnings. And that was just shifting assets. We hadn't even begun to create the Cash Machine.

Turning Assets into Other Assets

1. Equity into cash. The question that may be in your head right now is how to turn equity—in this example we're talking about home equity—into the cash to actually make these direct asset allocations—in this example, real estate investments. There are several ways to take equity out of your home to create cash: for example, through a home equity loan or by refinancing at the higher valuation. There are pluses and minuses to both approaches; the former would increase your liabilities and the latter would increase your mortgage payment. My wealth-building team includes several good mortgage brokers and direct asset allocation specialists who know how to think creatively about these transactions. You should include these professionals on your team.

Converting equity to cash is not difficult, and the benefits of pumping up an underperforming asset far outweigh any extra paperwork. If you choose a solid, performing asset to invest the cash in, you don't increase your risk. Many of us have been conditioned to believe that a home is the nest egg of all nest eggs and the equity in it is too fragile to touch. The only way to wealth, though, is to invest in assets that generate healthy returns. Your home equity can

help you do that, and if you conduct careful research and get the help of experts, you're doing with your own money exactly what the bank would be doing with it if they had it. There's no one better than you to make money from your money.

2. Cash flow–producing assets. Real estate that creates monthly cash flow is usually inexpensive real estate with little appreciation and a steady stream of reliable renters. In the Leonards' case, we paid $6,000 in cash for each of the 10 homes. This $6,000 bought a home valued at $45,000, with a 10 percent down payment, $4,500, plus $1,500 for closing costs. The rent on the property was $695. The principal, interest, taxes, and insurance (PITI) plus the equity line payment for the refinancing, and management fees equaled $495. The remainder was the $200 monthly cash flow. These numbers will vary depending on the investor's credit rating and other factors. In the case of the second property, you may wonder why we didn't just put all the money into that first asset, which cost less and is producing more. But in direct asset allocation, you may not always have access to all the properties you desire, and you may want to diversify with other field partners.

3. Promissory notes. Within our community of wealth builders, businesses constantly lend other businesses money. This provides a convenient source of funds for the borrower and a nice healthy return for the lender. Obviously, the borrower must agree to full disclosure and the lender must embark on due diligence to ensure a successful transaction, and both parties must have experienced legal and tax advice regarding the transaction.

4. Appreciating assets. It's important to note that the type of real estate appreciation we're seeing in our community requires direct investment in bread-and-butter regions. Investing in super-

appreciating markets such as Florida, Nevada, and Arizona in 2005, for example, would have put you in a situation where rising interest rates could slow those markets down. Not only can this get you turned upside down, paying out more cash than you're taking in each month, but it can send housing prices down rather than up. If you're smart about your strategy and the markets you choose, you plan for market fluctuations.

Teamwork: Less Risk, More Reward

This is the type of hands-on, nontraditional, direct investing the Wealth Cycle requires. Although many financial advisors may scream that there is risk involved in taking money out of one's home, and most people are using their equity to pay down debt, why not use it for growth assets? I believe it is much less risky to actively manage your investments than to park and pray. There's no market swinging up and down at the whim of a few Dow Jones industrials, no mismanagement of assets, and no hodgepodge bundle of good and bad assets under one umbrella. It's your money, your field partner, your team, your revenue, and your say. I can't stress enough the importance of teamwork and due diligence—that is, the practice of researching and investigating every investment—in this approach. The investor must be fully engaged; the Wealth Cycle Process does not allow for passivity. And because most of us don't have all the time in the world to build our wealth, especially when we have to work a full-time job in the meantime, the team approach is the only approach to money making that really works. By working side-by-side with experienced millionaires, you put yourself in a position to create wealth faster than you ever thought possible.

Back to the Leonards. In a few minutes, we'd given the family a strategy that didn't include replacing Mary's job, but did generate

almost $32,000 of passive income a year. Mike and Mary Leonard couldn't believe it. While passive income from the direct asset allocation was great and the Leonard family could certainly have lived on this, this shifting of assets would only sustain them at, or slightly above, their current income level. This was not enough. A wealth builder needs to build wealth, and that means accelerating the Wealth Cycle by making more money by establishing a *Cash Machine.* To begin with, this would mean creating a business and getting one's hands dirty. But very soon, it would mean running the business and hiring others to do the work. For example, a teacher may start a tutoring business, even if that's the last thing she wants to do, just to learn entrepreneurship and generate immediate revenue. But then she'll hire others to do the tutoring, probably colleagues, and focus on marketing and managing the business.

Wealth builders become entrepreneurs who know how to run a business. In the Wealth Cycle Process, you must learn to earn more money from a business venture. Not only will the business revenue supplement the passive income from the assets, but the business entity will provide a vehicle for maximizing tax strategies. The business is the Cash Machine in that it creates money to fuel the Wealth Cycle.

You've Got Skill$

Entrepreneurship is the single biggest source of wealth in this country, and by establishing your own business you can increase and keep more of your cash. I coached the Leonard family to establish their Cash Machine. It can take a business venture several months to get up and running, but the marketing initiative has to start immediately. I always try to get my coaching clients to shoot for a 120-

day goal of finding buyers and generating cash. It seemed to me that the Leonards' Cash Machine was dune buggies.

"I'm not sure I want to run my own business," Mike said. "That's too risky."

"And I just want to get a job again, something like my old job," Mary said.

"No, you don't," I said. "You are putting your financial future at too great a risk by working for other people and letting money managers handle your investments. You have the ability to be millionaires, so why not do it?"

Mike shrugged. "I guess we're scared."

"Well," I said. "At least that's a reason I can understand."

They are not alone in being scared. Though I have made more money than I ever thought possible, I've also made many mistakes along the way. I've made bad investments and bad choices, and I've lost money. Most wealthy people have. It's part of the learning curve. But ultimately I made good investments and good choices, and I never made the same mistake twice. By giving myself permission to fail as part of my overall learning experience, I began to live outside of my comfort zone. As a result, that comfort zone expands daily. One of my mentors once told me that when my annual income becomes my monthly income, I'd just be getting started with wealth building. That seemed unbelievable to me. Now there are times when I make that kind of money in a single day.

Action has created the experience that gave me the evidence to know that I am on the right track. And because I've built a great team of trusted professionals and colleagues—as you will do—I'm constantly supported and able to weave around the landmines as I grow. In the Wealth Cycle Process we focus on businesses that can contribute to the Wealth Cycle immediately. As exciting as it may seem to run your own ice-cream company, open a hotel, invent a

new running shoe, or even establish a charitable organization, those ideas are long-term goals toward which your Wealth Cycle Process will propel you—not the short-term strategies that help you learn to earn.

In order to learn to earn and keep what they earn, I require my clients to create an entity, that is, a corporation or partnership or limited liability company (LLC) that supports a viable business strategy based on their existing skill set, so that they can make real money and gain experience running a business. Then they can achieve bigger and more exciting entrepreneurial visions. Again, it's important not to let the need to create an entity scare you away from this process. It's easy. And the resources in this book give you all the information you will need to get started. Billionaires don't go home at night and pay the bills out of their personal checking account. Those tycoons are where they are today because they mastered the skill of creating companies to support their visions.

My wealth team and I sat down with the Leonard family and built a business directive, a scaled-down version of a business plan, to develop and market the business. (Creating a business directive is covered in more detail in Chapter 5.) It seemed to me that the Leonards' number one task in refocusing this hobby into a viable business would be marketing and distribution—finding customers. In order to stem start-up costs, the Leonards would have to presell their first dune buggy. In addition, our team thought that by customizing the product, the family could consider an initial price point of $20,000 per dune buggy. As they learned how to market and sell their product, they could forecast to sell more sophisticated models at $100,000 each.

Potentially, the Cash Machine could generate more than $5,000 in revenue a month, allowing Mike to leave behind the $4,000 a month he was getting from his job. Eventually, as their volume and prices increased, the Leonard family could reach their now seem-

ingly too small goal of $6,250 a month of cash flow, just from the Cash Machine. It's interesting to note the risk Mike would really be taking in starting this business. With his skill set, he would always be able to find a salaried job as a mechanic. That's his real safety net. But safety nets aren't the road to wealth. Though Mike may have a little to lose in his pursuit of a Cash Machine in terms of time, energy, and money, he has a huge amount to gain. For instance, the entity established for this business would provide a structure to protect a lot of the family's revenue.

Next, the Leonard family needed to structure *Entities* for the management of their direct investments (for example, real estate) and for the manufacturing and marketing of the dune buggies. For example,

1. Trusts
2. C corporations, S corporations, and limited liability companies (LLC)
3. Limited partnerships

Under the U.S. Tax Code, assets held in these entities are treated differently than an individual's personal assets. These entities often retain more cash than an individual possibly could; this helps the entity, and its assets, to create more cash flow. Most people were encouraged and trained to become sole proprietors and salaried workers—that is, good employees. Few of the wealthy are good employees. Every single wealthy person I know has done it inside a corporate structure, taking full advantage of the highest tax savings allowed by law. Having a job or being a professional need not be mutually exclusive from creating an optimal tax entity for your wealth generation activities. Entity structuring is imperative in the Wealth Cycle Process in order to take full advantage of the Tax

Code and hold onto more of your hard-earned money. Entities are the difference between having your money going into your Social Security account or into your company's employer identification number for federal tax identification.

In the Wealth Cycle Process, you need to get your house in order. By setting up your life as a business you start thinking like a business, and that means becoming a profitable and productive entity. With entity structuring, you will establish companies, partnerships, and trusts that will give your money a place to flow into and out of. This will help you better manage your millions and keep you focused on your asset allocation and passive income. For the Leonard family, we recommended they set up several entities:

1. An LLC for their real estate properties
2. An LLC for the boys' real estate properties
3. An S corporation to market the dune buggies
4. A trust to serve as an umbrella for all of their companies and holdings

As the Leonard family increases their business and their profitability we'll also consider bringing in a C corporation to manage the other businesses, a strategy we'll explain in Chapter 6. The initial cost for setting up each of these entities, usually around $600 with the help of a knowledgeable professional, will be more than covered by the revenue they retain each year.

The next building block *Forecasting*, sets up your tax strategy by building a chart of accounts. For every wealth builder this means a full accounting of revenue generation from business and investing activities as well as a projection of spending to support these activities.

The chart of accounts for the Leonard family looked like this:

	PERSONAL	LLC (REAL ESTATE)	LLC (BOYS' REAL ESTATE)	S CORP. (MARKET DUNE BUGGIES)	C CORP. (MANAGE DTHER BUSINESSES)	TOTAL
REVENUE						
EXPENDITURES						
ASSETS						
LIABILITIES						

While the family would have to hire a bookkeeper and therefore code their expenses, they should not be caught up in doing this paperwork. It is not a good use of any wealth builder's time. This chart is what will establish the fine line between what you keep and what you give to the government.

For the next building block, *Debt Management,* the Leonard family would follow the Five-Step Debt Elimination Plan, as described in Chapter 9 so that they could rid themselves of their credit card debt. This step, which would begin immediately, shows how each phase of the wealth-building process is carried out almost concurrently. The sequence of the Leonard family's building blocks is as follows:

Assets → Cash Machine → Entities → Forecasting → Debt Management → Wealth Account

Yet debt management begins almost the day that asset allocation is set in motion, and the Wealth Account Priority Payment (WAPP) is made at the same time that the debt payments are made.

Bad Debt Is the Greatest Barrier to Wealth

Eliminating bad debt is an essential building block of the Wealth Cycle. If you're paying high interest on credit card debt, you are losing precious dollars that could be used to invest and make much more money. The compounding interest of money is exponential, as those of you in debt know all too well. But interest also compounds up, so spending money before you've earned it, or spending money before you've invested it, is like stealing from yourself. Bad debt has got to go. The Wealth Cycle Process's Five-Step Debt Elimination Plan removes debt and creates wealth simultaneously, so you do not have to wait for one to get to the other.

The next step in the sequence for the Leonard family was to set up a *Wealth Account*, as well as a WAPP, to ensure that a portion of the earnings from Mike's salary, as well as the income from the new business and investments, would be set aside for investments. This is essential in order to keep fueling the assets. As we structure this family's wealth plan, we'll set up their personal and corporate Wealth Accounts and priority payment systems.

A Dollar Saved Is a Dollar of Delayed Spending

By spending what we earn most of us are skipping over this fundamental action necessary to generate wealth—namely, creating the Wealth Account. The Wealth Account is a specific interest-bearing account in a brokerage firm from which you can draw to invest in even more rewarding opportunities, such as real estate and business ventures. Even if the money is only in an interest-bearing cash account, and there are now institutions that give as much as 3 percent interest, you'll soon be able to accumulate enough money to

start investing. Once the Wealth Account is established you will start the practice of paying yourself first. Every month you will deposit a fixed amount into your Wealth Account, preferably an amount automatically withdrawn from your paycheck or corporate account.

As the money in the Wealth Account grows, it is put to work in assets that generate cash flow. In the Wealth Cycle Process you will invest in assets that produce passive income and reinvest that passive income into new assets to produce more consistent passive income. This cycle of turning income into assets, and assets into income, is the key to building sustainable wealth. The money works for you, not you for it, and you focus your attention on maximizing your rates of return.

There's No Such Thing as a Self-Made Millionaire

The Wealth Cycle Process must include three other essential building blocks: Teamwork, Leadership, and Conditioning. The Wealth Cycle Process is contingent upon the concept of *Teamwork*, that is, Team-Made Millionaires. People who tell you they built wealth without a team to help them are not telling the whole truth. In order to redirect their assets, start their business, and structure entities and forecast, the Leonard family was going to need a good team.

Professional advisors, colleagues, and field partners with opportunities, not to mention lawyers, accountants, and supportive partners, are crucial to creating wealth. In the Wealth Cycle Process it is your job to direct a team of professionals that helps you to develop and execute your strategy for building wealth. You cannot and should not try to be an expert in all the fields asset generation requires. You just need to find the experts, get them on your team,

and lead them to your goal. The lone rangers ramming their way to wealth are a myth. No one does it alone. Even those who stand alone, whether a national tennis champion or the CEO of the largest software company in the world or the president of the United States, have a team providing guidance, assistance, and support. Wealthy people realize that experienced and skilled professionals are worth their weight in gold. Not only does this minimize the tedium, but it gives the money the best chance to succeed.

And it's not just the skilled professionals who are necessary to make a team flourish. It also means bringing in the utility players. In my view, if you are a wealth builder, you should never clean your house again. Those are tasks you can pay someone else to do and you can spend those hours creating wealth. I call it the $400 Solution. If you hired out work, such as housecleaning, gardening, or shopping, at $10 an hour, then just an extra $100 a week would free up 10 more hours for you. In a month that's $400 to give you 40 more hours to focus on your wealth. That's a whole workweek you just got back to build wealth. In my work with clients, the number one excuse I hear is, "I don't have enough time." The $400 Solution makes that excuse go away. And if $400 seems like too much, try $200, or $100 a month. Those hourly fees will more than repay themselves. I always say, "If you don't have time, you need a team."

Wealthy people also create a circle of trusted field partners and advisors with whom they discuss deals and create opportunities. Contrary to popular opinion, you don't want to be the smartest person in the room. You want to be with people who have bigger, better brains, not to mention more experience. That's what creates Team-Made Millionaires. If you are spending your time with people who have the same net worth as you do and who make you feel comfortable, you are not going to stretch and grow. You want to be constantly learning with a team, which is the most efficient and effective road to wealth.

Because the Wealth Cycle Process is contingent upon direct investing, a good team is vital. In order to locate the optimal direct investments, you need a cadre of field partners. These are people who are in the field, who know the industry, the region, and the players in the arena you want to invest in. They provide the connections, legwork, and oversight, while you provide the cash, the credit, or the network of investors. Field partners include such people as realtors, chamber of commerce members, business brokers, and regional financial planners.

Finding the best people for your wealth team is crucial to your success, and once you've voiced your vision and taken action to move toward it, others will be compelled by your leadership to join your pursuit. And you'll join others in their pursuit, because you'll also discover that helping others helps you. That's what we do in our Team-Made Millionaire community. For those who swirl in the highest socioeconomic circles, sharing opportunities has always been part of the status quo. For centuries, the wealthy have understood that since it takes money to make money, and more money makes more money, it's smart to spread the word— and the wealth. All who are on the way to greater wealth should find, cultivate, and network with like-minded people.

Obviously, the Leonard family had a lot of *Conditioning* to do. They saw themselves as a blue-collar family working until the day they die. They needed to see themselves as wealth builders with a million-dollar business. Most approaches start with psychology, with changing your mindset and making it the genesis for changing your behavior. Now, while I'm a big fan of psychology, I've also studied enough human behavior to see that this approach gives you permission to fail, and I don't want you to fail. I only succeed if you succeed, and I won't ask you to try to think your way to success. This building block is about where you've been and your relationship to money, that is, your conditioning.

As we move forward with your Wealth Cycle Process we will create a new conversation around money that restates past beliefs culled from where you've been, and clarifies your vision of where you're going. Together, we will take a step-by-step, action-oriented approach that will change your behavior, then change your thinking and make you wealthy. But it will not be done in your head. It will be done through your hands, and you will make this happen. You will, in fact, run into your psychology as you create a positive cycle of wealth acceleration. Your financial conditioning, the psychology and relationship you have with money, is something that you must begin to be aware of, to manage and steer the rest of your life. Mike and Mary Leonard took the first big step in confronting their conditioning by agreeing to be coached by me, take a new approach to wealth, and have a new conversation about money.

When my clients want to be coached by me, the first requirement is that they are willing to do it my way. While their way has been interesting, it hasn't been helpful; otherwise, they would already have reached their goals. In following the Wealth Cycle Process, you'll notice that you have to first surrender and then relearn what you know, and this will be a little uncomfortable. But then you will own it.

Wealthy people take a *Leadership* role in their wealth plan: they literally lead their wealth. Though you may, and should, choose to delegate the activities that support your wealth building, no one can drive it like you can. If you do not keep consistent and constant pressure on the gas, the wealth engine will sputter to a stop. No one cares as much as you do about your wealth and your leadership is crucial to your success. You, and only you, will assume the leadership role to learn about and execute the building blocks in the Wealth Cycle. Inertia is easy in the short term but painful over time. It's your decision to remain where you are, but if you dig in your heels and take charge of your life, you will arrive at a better place.

The Bigger, Better Game

After the second segment was shot, the television producer called. "I can't believe what you did, Loral," she said. "You took a blue-collar family that was dealing with a job loss and totally replaced the mom's salary by—what did you call it? Oh yeah, waking up their lazy assets. And their kids are now walking around with business cards that say Daredevil Dune Buggies Company and explaining these sophisticated business entities and tax strategies to me that I thought were only for guys like my boss. You've got them climbing up out of debt, and they're actually building wealth. Real wealth."

"That's a happy day," I said.

"Think you could do this trick again?"

"It's not a trick, and yes. I can do it again and again and again."

Money makes
money go round . . .

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4

DIRECT ASSET ALLOCATION
Assets to Income, Income to Assets

The secret to building wealth is investing in assets that create more assets, and Assets are an integral building block of the Wealth Cycle.

Albert Einstein said, "The eighth wonder of the world is the compounding power of money." Investing is a lifelong process that you should begin as early as possible and manage throughout your life. It's the process of continually building your asset pool. As you become more sophisticated, you will reallocate those assets to get higher and higher returns. If you are starting late in this process, there is no need to be discouraged: this approach will work for you wherever you are in life. I believe you can become a millionaire in three to five years after establishing your Financial Baseline and freeing yourself of consumer debt. Most successful investors got that way by investing small amounts of money consistently, year after year, until they accumulated increasingly larger amounts. They con-

tinually reinvested their profits and added additional money to their accounts when possible. The majority added to their investment choices monthly and consistently reallocated their funds to diversify their assets.

Patterns of Money

There's never been a better time to create wealth. This information age in which we live has spawned global opportunities never before available and the technology to collect the information to access these opportunities. It's time to understand how to create a Wealth Cycle.

In order to activate and sustain the Wealth Cycle mechanism, you must

1. Earmark a portion of your earnings to put into a Wealth Account every month. This is your Wealth Account Priority Payment (WAPP), which we detail later in Chapter 8.
2. Invest the money in the Wealth Account directly into carefully investigated and researched cash-creating and cash-appreciating investment opportunities, that is, assets that produce passive income and/or equity.
3. Reinvest the passive income you make to create more assets and produce more passive income.
4. Set up Entities to protect these assets and the passive income they generate.
5. Maximize tax strategies, given the entities you've established, by Forecasting the right spending into the right accounts.
6. Create a Cash Machine—an entrepreneurial venture—to accelerate the Wealth Cycle. Earmark a portion of your company's revenue to go into a special Holding Account that will act like a personal Wealth Account and will be used to

invest in assets. Soon, this holding account will essentially become your own bank, lending money to your other companies for investments.

This cycle of turning income into assets and assets into income is the process of building sustainable wealth. The money works for you, not you for it, and you focus your energies and attention on maximizing your rates of return. Rick Noonan, a member of our Team-Made Millionaire and Big Table communities, was a classic example of someone who didn't understand effective asset allocation.

Busy but Not Productive

Rick and his wife live outside Seattle with their three kids. When I met Rick, he had a whole lot of assets and absolutely no clue. He was worried. Though their finances seemed under control, at age 36, he felt that he and his wife were constantly "busy, but not productive," that he'd become indentured to his job at a consumer products company, and that he'd created a lifestyle he wasn't sure he could sustain into retirement. Driving two hours to and from work every day for a 10-hour-a-day job that was neither here nor there for him, he seemed to me a man committed to the commute. I see that a lot. People are so busy racing to do what they're trapped into doing that they don't step back to realize that the running and racing about isn't working. Few of us rarely take the time to reevaluate our lives. I asked Rick what better use could he make of those 20 hours a week of driving time and how much improved his life might be if he weren't pushing through five days to live for a weekend crammed with activities.

Many people sitting on more debt and a low five-figure salary might look at Rick's situation and wonder what he has to complain

about. But as most of us know, whether you're spiraling in debt or consistently uncertain about your capacity to cover your monthly nut, finances can create a good deal of stress and worry. The better situation would be to have wealth and abundance and financial freedom, and the capacity to focus your attention and energies on family and friends, health and adventure, spirituality and other life-affirming experiences. The nice thing about the wealth-building process is that when people reach their Freedom Day, having changed their behavior and subsequently their way of being, they become whole new people.

We drew out the schematic for his Gap Analysis, and Rick answered the eight questions in just under eight minutes with no problem.

Question 1:What Is Your Monthly Income?



"My wife makes $70,000 a year, I make $80,000 a year, but that's before taxes."

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $12,500/month	ASSETS:
EXPENDITURES:	LIABILITIES:
SKILL SET:	

- $5,800 Rick's wife's salary
- $6,700 Rick's salary
- No entities, no business, personal bank account

Question 2: What Are Your Monthly Expenditures?



"After taxes, we barely break even. We spend about $7,000 a month," Rick said. Then he shrugged. "Though I don't really know. We should really get one of those software programs, shouldn't we?"

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $12,500/month	ASSETS:
EXPENDITURES: $7,000/month	LIABILITIES:
SKILL SET:	
• Manual bookkeeping	

Question 3: What Assets Do You Have?



"A lot, actually," Rick said. "I know we have about $300,000 of equity in our house, and I'm positive I have about $50,000 in my current company's stock. But I can't get that out."

Unless he left the company, which I knew I'd be convincing him to do sooner rather than later. I'm always amazed when couples invest in real estate while both work as salaried employees for companies. Under IRS rules, real estate depreciation is limited to $25,000 a year unless a person is a professional real estate investor. The Noo-

nans were likely giving up thousands in deductible dollars, just to keep their jobs.

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $12,500/month	ASSETS: $350,000
EXPENDITURES: $7,000/month	LIABILITIES:
SKILL SET:	

- $300,000 equity in his home
- $50,000 in company stock

Question 4: What Are Your Liabilities?



"We still have an $85,000 mortgage on the house, but we're paying that down."

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $12,500/month	ASSETS: $350,000
EXPENDITURES: $7,000/month	LIABILITIES: $85,000
SKILL SET:	

- $85,000 mortgage on his house

Question 5: What Else?



"We have $10,000 in the bank. And I have $40,000 in an IRA and my wife has $30,000 in her IRA," Rick said. "And I actually have a few 401(k)s from past jobs. Between my wife and me, there are four of them: we have $60,000 there."

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $12,500/month	ASSETS: $490,000
EXPENDITURES: $7,000/month	LIABILITIES: $85,000
SKILL SET:	

- $70,000 in IRAs
- $60,000 in old company 401(k)s
- $10,000 in cash

Question 6: What Do You Want?



As with everyone, this took Rick a few minutes to conjure up. I've noticed that it takes a lot of prompting to get people to dream these days. They usually answer this with a safe and doable goal, because they're feeling trapped and frustrated, so they stop dreaming. Most people have a vision of only what they don't want, and position themselves away from, not toward, their dreams. It's time to dig around

in your attic of lost dreams and reconnect with them, because if you want to be in a bigger, better game, you have to think bigger and better. Given a realistic, reasonable, but insistent time frame and specific accountabilities, I believe these dreams can come true.

"My wife and I would like to take care of the college tuition for our kids and pursue a fun life, with no jobs," he said. I asked him to quantify this. "I would like two million bucks to invest and five thousand dollars a month in passive income."

"Five thousand a month?" I said.

"Yeah," Rick said. "Is that too much?"

This is very common. People just have no ideas what the reality is for viable returns. If Rick wanted $5,000 a month on $2 million, he was looking for a pathetic annual return. Egads, shoot me.

"Rick, in my community of wealth builders we're going for 10, 20, 30 percent returns, at least. That's the kind of asset allocation we're doing. Aggressive, unconventional, direct. If we don't get those kind of returns, we don't play. We move on."

"Ah, so you're saying that my number is too low?"

"Right," I said. "But let's get realistic. Let's double your net worth from approximately $400,000 to $800,000 and give you a conservative 12 percent return."

His fingers danced on a calculator. "That's $10,000 a month. Hey that's double what I said I wanted."

"Is that big enough for you?" I said.

He shifted back in his seat. "Are you guaranteeing me that type of return?"

I shook my head fast. "I'm educating you to look for that type of return. I'm your mentor and your coach, and I'm going to show you how millionaires scour for assets that generate wealth. You are not going to play someone else's game, Rick. You're going to lead your own. Instead of giving the market or anyone else all those commissions and fees to make money with your money, you're going to do

what they do once they have your money. You're going to go invest in direct and diversified assets and get those higher returns for yourself."

ONE-YEAR FREEDOM DAY GOALS

- *Net worth doubled*
- *$10,000 month cash flow*
- *Three college tuition plans in place*
- *One less employee in the family, either Rick or his wife*

REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: *$12,500/month*	**ASSETS:** *$490,000*
EXPENDITURES: *$7,000/month*	**LIABILITIES:** *$85,000*
SKILL SET:	

Question 7: What Skills Do You Use to Make Money?



"I'm in marketing, and so is my wife. Consumer brand products."

"But what are those skills?"

"Basic marketing, I guess," Rick said. "Brand management, budgeting, pricing the product, product development and packaging, distribution, promotions, ads, stuff like that."

ONE-YEAR FREEDOM DAY GOALS

- *Net worth doubled*
- *$10,000 month cash flow*
- *Three college tuition plans in place*
- *One less employee in the family, either Rick or his wife*

REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: *$12,500/month*	**ASSETS:** *$490,000*
EXPENDITURES: *$7,000/month*	**LIABILITIES:** *$85,000*
SKILL SET: *Marketing, brand management*	

Question 8: Are You Willing to Create and Execute the Wealth Cycle Process?



"Yes," he said.

"Yes is the right answer," I said.

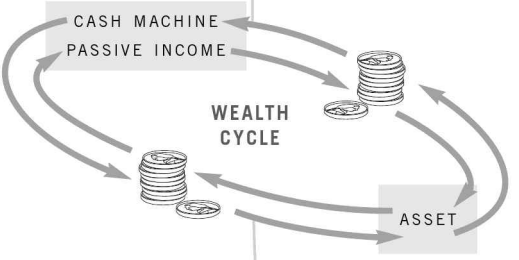
Eight questions in eight minutes. Rick's Gap Analysis looked like this:

ONE-YEAR FREEDOM DAY GOALS

- *Net worth doubled*
- *$10,000 month cash flow*
- *Three college tuition plans in place*
- *One less employee in the family, either Rick or his wife*

REVENUE

ASSETS



FINANCIAL BASELINE

PRETAX INCOME: *$12,500/month*

ASSETS: *$490,000*

EXPENDITURES: *$7,000/month*

LIABILITIES: *$85,000*

SKILL SET: *Marketing, brand management*

- *$300,000 equity in own home*
- *$50,000 in company stock*
- *$70,000 in IRAs*
- *$60,000 in old company 401(k)s*
- *$10,000 in cash*
- *$85,000 mortgage on own home*

Given that Rick had such badly invested assets, and no structure to his wealth, I saw the building blocks of his Wealth Cycle sequence in this way.

Gap Analysis → Financial Baseline → Freedom Day

Assets → Entities → Forecasting → Wealth Account → Cash Machine → Debt Management

Leadership + Conditioning + Teamwork

Rick Noonan's Wealth Plan

As for everyone in the Wealth Cycle Process, the first building block for Rick was the Gap Analysis. In Rick's *Gap Analysis,* we were able to uncover several lazy assets, a lack of entities and tax strategies so that he was retaining little of his income, and a need to focus more on his life and less on his job. In addition, the fact that Rick had come to me alone, without his wife, made me think that she was uninterested in their finances, unwilling to talk about their money with a coach, or content with the status quo, seeing no need to engage in a financial conversation. Fully 76 percent of divorces are because of money issues, so I wanted to be sure Rick and his wife were having the money conversation. I knew this would have to come up in Rick's conditioning, leadership, and teamwork building blocks if he was going to fully engage in, and accelerate, the Wealth Cycle Process.

The *Financial Baseline* revealed that Rick was asset-heavy and those assets were not doing much for him. We needed to increase their capacity, through better asset allocation, entities, forecasting, and the creation of a Cash Machine to invest in more assets. The extent of his expenditures also indicated that he could benefit from better tax strategies and expense management. It was evident that Rick, a man committed to the commute, was going to run headlong into his conditioning, not to mention his wife, on his way to his *Freedom Day.* Given his current situation, he could start replacing his own salary with passive income with just a small shift of his assets. If Rick traded his commitment to his commute for a commitment to his wealth, his wealth could explode. We had to get Rick's money working hard for him, instead of him working hard for his money. His next building block was *Assets.*

The wealthy are not in the market—the wealthy control the market. If Rick wanted to do what the wealthy do, he could no

longer park-and-pray his money at 6 percent with a broker. To me, that's like fast-food finance. It's convenient; you drive through, order from a limited menu, and consume predictable mediocrity. Rick had to increase his passive income by fueling and accelerating his Wealth Cycle with a specific plan of direct and diversified asset allocation. Rick had a lot of opportunity to engage the Wealth Cycle through his Assets. Rick's total assets of $490,000 consisted of

- $300,000 equity in his own home
- $50,000 in current company's stock
- $70,000 in IRAs
- $60,000 in old company 401(k)s
- $10,000 in cash

And Rick was willing to

1. Take $140,000 of the equity out of his house, in a refinancing
2. Shift the $70,000 from their IRAs into a true self-directed IRA
3. Move the $60,000 from old 401(k)s for a total of $270,000 in assets that could be directly allocated into a diverse range of unconventional and aggressive income generating assets

My wealth team and I helped him consider several choices.

ONE-YEAR FREEDOM DAY GOALS

- *Net worth doubled*
- *$10,000 month cash flow*
- *Three college tuition plans in place*
- *One less employee in the family, either Rick or his wife*

REVENUE

PASSIVE INCOME

CASH FLOW:

$2,800/month
$600/month
$3,000/month

APPRECIATION:

Year 1: $56,000
Year 2: $67,000

ASSETS

SHIFT ASSETS OF $270,000:

- *$70,000 into a start-up company, 48% return*
- *$60,000 promissory note at 12%*
- *$90,000 in 15 bread-and-butter cash flow houses, in two different markets, at $6,000 each, $200/month cash flow*
- *$50,000 in four preconstruction houses*

FINANCIAL BASELINE

PRETAX INCOME: *$12,500/month*

EXPENDITURES: *$7,000/month*

SKILL SET: *Marketing, brand management*

ASSETS: *$490,000*

LIABILITIES: *$85,000*

- *$300,000 equity in own home*
- *$50,000 in company stock*
- *$70,000 in IRAs*
- *$60,000 in old company 401(k)s*
- *$10,000 in cash (to be used for Cash Machine start-up costs)*
- *$85,000 mortgage on his home*

This shifting of assets gave Rick $6,400 in cash flow a month, several aggressively appreciating direct assets, and great depreciation to use against his income. Also, because each of these investments would be held within an entity, he would be able to deduct several of his expenses associated with these assets, such as the lease on the car he would use to drive to all the meetings. The day we did the eight-minute exercise with him was a happy one for Mr. Rick

Noonan. And once he got his entities and forecasting in order, Rick was able to have his assets create more assets until he was finally ready to be a W-2 no more. That's when his wealth really took off.

Asset Addicts

Some of these asset allocations may seem daunting and inaccessible to you. But nothing in the finance world is as sophisticated as it appears, and no one in the finance world is smarter or more capable than anyone who has the capacity to read this book. When you collect information by reading the trade newspapers and magazines and start engaging in conversations with people in these fields, you'll see that, if everyone stopped talking so fast, the simplicity of it all would surface.

The tactics we suggest for asset allocation are not mainstream tactics. But we believe that this is one arena where not following the crowd can be the most profitable choice of all. I personally use these techniques, as do many of my peers and clients, even those with little previous finance or investing expertise, let alone available cash. In fact, I can safely say that most of us have joined the Asset Addicts program. Though they may seem aggressive, these investment opportunities are legal, sound, and well within the customary risk-reward scale.

Diversification and Flexibility

Diversifying is the art of investing in many opportunities, rather than just one or two investments. Some people are wary of overextending their interests. Fortunately, growing up in a small town, I was conditioned to do this. If we didn't play sports, act in the school

plays, or help write the newspaper, there wasn't much of anything that was going to happen.

Most wealthy people invest in a wide range of asset types and classes. They are always looking for purchases that will provide strong returns, and they will consider opportunities in many areas. And the many investors who like to concentrate on just one field usually diversify within that field. They identify a number of investments in that area and select those they feel will perform best. Though I understand this focus on one arena, and believe it works quite well, I still think it's limited in its thinking. A good wealth builder can increase opportunities many times over by diversifying outside of a specific asset type or sector.

The world will constantly change around you, and part of the investing process is in understanding that you cannot be married to any single idea. You must be prepared to stay aware, be flexible, and reallocate portions of your portfolio accordingly. For a simple example, when interest rates are low, it might be a great time to borrow, and when interest rates are high, it might be a great time to lend. When your needs and desires change, your investment strategy must adapt to follow suit and meet new conditions and demands. Flexibility is an asset and many investors will pay a premium for it. The ability to make quick, well-reasoned changes holds value and will help you to confidently take charge of your investment strategy in spite of changes that may occur.

The Team and the Knowledge

Every investment plan is different. Once you clearly communicate your current situation and objectives to your wealth-building mentor and team, you should be able to choose a strategy that resonates

with you. Your main job in creating wealth is to confidently take the lead in directing your wealth plan. You cannot turn this important role over to anyone else, because no one will look after, care about, or give the attention to your investments that you will. Nor will they fully understand your investing objectives as well as you do, or have as much to lose.

In many areas, others will have greater knowledge, more experience, or better insights than you, at least at first. But you must always lead the team and lead your wealth. A good wealth-building team should have a business broker who can scout out private placement, leveraged buyout, and franchise and licensing opportunities as well as an investment banker in the deal flow, various sector analysts, and various field partners. Your field partners should include commercial and residential brokers, project scouts and managers, contractors, builders, developers, and others with tentacles that can reach out to investment opportunities ranging from oil and gas to ostrich farms, from cash equivalents to collectibles. Regardless of how well you know your brokers or field partners, it is very important to have contracts with each member of your team for each deal. Keep it all legal.

Many investing opportunities may resonate with you but not work for others. In order to lead your team most effectively, you must choose members who work best, given your investment disposition. An accountant who strongly recommends investing in stamps makes no sense to the investor who thinks stamps are for canceling, not collecting.

Due Diligence

"I don't know" doesn't play well in the world of wealth building. If you and certainty have been somewhat estranged lately, it's time to

invite it back over. You need to change "I don't know" to "I'll find out" and shift limited thinking to decisive thinking. Certainty is just confidence that comes from experience and knowledge. I've heard too many people tell me that they think investing is too risky for them, before they've even studied or explored their options. There are many people who do not ski because they believe it is too risky. Yet for those of us with the skills and experience to ski, this seems a shame.

Risk can be measured, quantified, and often removed, but too often it serves as permission to be lazy with one's life and money. In fact, I think some of it is the subconscious mind saying "I don't deserve it," "It's too hard," and "I don't know." That's where I advise you to spend time with the wealth community and elicit informational interviews and conversations. If you communicate only with people who are doing the same things you're doing and achieving the same results you are— you'll stagnate.

It's time to stretch and expand your thinking. "It's too risky" is no longer permission to not try something. In building your wealth, I want to help you to redefine risk as something that has to do with experience and education more than anything else. The more you educate yourself through due diligence—that is, through research, investigation, inquiry, and exploration—the more knowledge you have about something. And the more knowledge you have about something, the less risk it seems to have. You can start by reading as much as you can about a given area of investment. Sources include investment and finance books, financial sections of the newspaper, financial and investment newsletters and magazines, and online, print, television, and radio finance and investment programs. Every world has its own language, and you'll need to start to learn the finance and investing vocabulary. For example, the language of real estate revolves around occupancy rates, local property values, current rental ranges, loan-to-value ratios, mortgage terms, and man-

agement costs. It will seem daunting at first, but once you realize it's just tribal language such as any group tends to create, you'll be deciphering the words in no time.

It's important to keep your critical eye open when conducting research. I've read articles in respected newspapers that tell people not to invest, but to save their money because in retirement they're going to have to live on less and they can't afford to take any chances. I don't know about you, but I do not want my life to narrow—I want it to expand. And to me, savings, with the ever-present potential for inflation to outrun my returns, is more risky than investing. I've also seen advisors who suggest you pay off all your consumer debt before you even think of investing. To me, that's fear-based advice that will keep you from ever creating the opportunity for your wealth to erode your debt as the Wealth Cycle does. Another great way to gain knowledge is to attend courses, lectures, workshops, and seminars. Again, you must lead your wealth by being particular about those groups or organizations to which you give your time and your ear, not to mention your entrance fee. If anyone tells you the money is going to roll in fast, let me remind you that it will probably roll out just as fast.

The next step after collecting knowledge is to conduct due diligence on every single investment you ever consider. Never skip this step. Ask any investment banker or equity analyst how he or she studies the value of a company, and due diligence will be the answer. You must do due diligence.

Traditionally, due diligence referred to the review and verification of certain details in any given deal and was usually performed by lawyers and accountants. As individuals began to make their own deals, outside of the investment banking and brokerage firm inner circle, they started to conduct their own due diligence on investments. And though you will rely on a team of accountants and lawyers to help you with your due diligence, as the leader of your

wealth team, you always want to do some of the initial inquiry and research yourself. But that's not as hard as it sounds. There are plenty of people who can help you learn and perform due diligence, especially those in the industry or those who have done similar transactions. Your lawyer probably has a checklist to which you can refer, but ultimately the responsibility is always with the investor, that is, you.

Due diligence usually begins with a checklist of certain financial, operational, organizational, and sector details, but it can run a gamut of specifications, depending on the type of business and the industry in which it runs. It's not a standard checklist and usually takes some experience to compile and execute. There has never been a better time to collect information. Just a few short years ago, investment information was available only to the few who had access to the investment banks and brokerage firms through which the deals and trades were flowing. Now, thanks to the realization that the retail market of regular folks is a great source of capital, banks and other organizations are reaching out to individuals like you who are eager to generate wealth.

All forms of media, including television, radio, and print, as well as interactive platforms, such as the Internet, provide a wide reach for the banks, businesses, and idea generators to reach potential investors. Interactive platforms also provide the investor with an active channel through which to obtain information. Unfortunately, this also means that there is equal access for both good and bad opportunities to find their way to you and your money.

You must be vigilant about collecting knowledge and filtering the good from the bad, especially if you are leveraging other people's money to enhance your own investments. Though it may seem that money is the most precious thing you have to lose, your reputation is a much more valuable commodity. You can lose money

over and over and still stay in the game, but if you lose one bit of your reputation the game may be over for you before it's begun. As a novice investor, you may not be able to differentiate a real deal from a bad investment idea, and that's why you have a mentor and a team to help you synthesize the information you're collecting. Elite investors engage only with this inner circle, and in your leadership role, it's your duty to make sure that you are an elite investor. There is no need for you to play in the outer circles of predators and get-rich-quick schemes. With the right information, the capacity to do due diligence, and the right support system in place, you'll make good choices.

I suggest you try this on a very small level, just to gain some real experience with this model. In many areas throughout the United States, you can buy cash flow–producing houses for as little as $6,000. Members of our Team-Made Millionaire community often hop on a plane to spend time scouting out these markets with knowledgeable field partners, so I know a lot of these opportunities exist.

Value, Growth, Income

All investors have different objectives. Some have enough cash to live on, and just want to build up net worth. Others need cash flow coming in every month. I know people who have net worth, over a million dollars of it, and because they've been trained to believe net worth is so great, they think they're set, yet they wonder why they are consumed by credit card debt. They are millionaires with no money. You can't eat your house or take off a shingle to buy a car. Most of us need cash flow. For some of us, it might be better to rent in the place we want to live and put the money into assets that can

create cash flow. Sitting on one highly appreciating asset is not part of the Wealth Cycle process.

Some investors will only pursue what they see as value opportunities, and invest solely in businesses and properties that they believe have unrecognized potential and are being offered at a discount to others in their sectors. Growth investors will only play in opportunities that have consistent, above average returns, but usually also like to see the money pumped back into operations. Income investors are looking for immediate cash out in the form of rental, lease, interest, or dividends payments; they see appreciation of the asset as icing on the cake. Many investors are not aggressive, favor caution, and just want the basic level of security. Others will take more risk in the hope of more reward. Some investors will only play the opportunities the masses play, and others are open to learning about more unconventional approaches. There are those who will only buy in a specific industry or arena, or look at assets with a minimum or maximum size or valuation.

As you consider the opportunities, you must be sure that they fit in with your money rules, that is, investing criteria based on

1. Your visions, by satisfying the return on investment that will get you to your financial goals
2. Your values, so that you can still be who you are when you get to where you want to be

If you know your own requirements, it helps you to sift through the myriad of offers that will start to flow your way. Finding investment opportunities is not the problem. They will surface everywhere you look. There's probably someone with a compelling voice and a dazzling deal dialing your phone number right now. The challenge is choosing the right opportunities at the right time.

Active versus Passive Investing

In order to choose the investment strategies that are right for you, you need to determine if you want to be an active or a passive investor. Neither is better than the other, but one might appeal to you more. Though these approaches are somewhat self-explanatory, let's just make sure we're all speaking the same language.

1. The active investor has a direct involvement in the investment. The active investor may become a general partner or take roles in the management of a business or particular venture.
2. The passive investor has a passive involvement in the investment. The passive investor essentially puts up money and relies on others to do the work. Since you must always lead your Wealth Cycle, this means you monitor the progress diligently.

Surprisingly, most investors do not decide beforehand whether they wish to invest actively or passively. But if you don't make that decision, it will be made for you by default. For example, the manager of the property you own could make decisions without consulting you. Or, you could be called upon to contribute time, energy, and expertise to enterprises that you have no desire to become directly involved in.

Wealthy people usually have both types of investments, and you will probably be both a passive and an active investor. Every decision on your overall investment strategy, and on each investment, must be based on your personal objectives, values, and circumstances. There is no one-size-fits-all financial plan. Whatever your overall wealth objective, you need to select the investment strategy

that gets you there in the best way. The following criteria will help you decide if you want to be an active or a passive investor:

1. Enjoyment of, and interest in, a particular niche
2. Time and energy availability and ability
3. Capacity to confront and overcome the learning curve
4. Willingness to take responsibility for the results
5. Desire to work with others on the plan
6. Willingness to cede control to others

Multiple Streams of Revenue and Entity Structuring

Most wealthy people do not invest in just one thing. They have multiple streams of revenue. And this means they have a systemized and organized structure for each. For each investment you consider, you're going to set up an entity—a business that will manage and oversee these investments. There is no getting around the fact that entities will help you accumulate more wealth. However, you cannot just create an entity because you think that it's fun to make up the names of companies. The purpose of a business is to create commerce for a business activity such as investing, product development, or a service offering.

In creating a business to focus on investing, you will create companies for each of your specific investments. This will model the habits of the wealthy, who build wealth by using assets to generate more assets. You might, for example, create an entity to start a business to fund a real estate investment. Then you might take the returns from that venture to invest in another company you run, one that invests in oil and gas. In the process, you will diversify your

portfolio and end up with many legal entities that own your investments. By creating your own company or companies, you are contributing to your Wealth Cycle and helping to form the foundation to generate assets that will accelerate that Wealth Cycle. This is the new way, a strategy to forecast and move toward a Financial Freedom Day that will come sooner, and last longer, and be bigger and better than any budgeting to retirement plan could ever offer.

Asset Allocation

Too many people believe that if they buy stocks through a broker they are investing for their wealth. Last I looked, the stock market was generating single-digit, sometimes low-double-digit, returns. That's interesting, but not helpful. Though I do own several stocks, stocks I manage myself and not through a broker, I also like to look at who else wants my money and how much they're willing to pay for it. It seems to me that the possibilities for participating in profit potential are infinite.

I could choose to own a $40,000 house in the middle of the country that spits out $2,000 a year in cash flow, or own a deed in an oil head that's going to give me 25 percent return on my investment, or participate in a vitamin manufacturing plant and watch 48 percent of my money come back in the first year. These are just some of my investments, direct investments I made into assets, without paying fees and commissions or giving up control to someone sitting behind a bank of computers. I like managing my own wealth; it's just too much fun. It gives me a sense of security, control, and responsibility. Of course, you will not start at these high numbers. When people start to invest, their money sits in the Wealth Account generating 1 to 3 percent returns. Then, they ramp

it up to ROIs of 10, 20, 30 percent and beyond. I'm in projects that have 50 percent returns for which I've put no money or credit down. But those kinds of deals do not come to beginners.

When you look at investments you need to do so from the perspective of having income goals and asset goals, depending on whether your objective is to create net worth or cash flow. You should also decided how much money you want to make this year, how much you can invest, and then, based on potential returns, how you will invest it. This is all about self-direction and being creative about opportunities. The number one way to do a deal, though, is to have a plan. You need to get organized; then you can play. Most people with whom you play, who are putting deals together, want others in their deal, but only if these others have their own plan. Everyone on a team has to be responsible for him- or herself. If you cherry-pick your deals based on the appeal of the deal and those doing it, rather than choosing deals that strategically fit into your asset plan, you will end up with a hodgepodge of assets that don't make sense.

Direct diversified asset allocation is a slow, but sure, systematic approach. It takes time, and it happens over time. You move with decisive care, but also act with swiftness when necessary. When things are bad, you get out. We're not doing park-and-pray—you are in control. Give it a "Wasn't that interesting?" and move on to something else. This is an overview of the concept of direct asset allocation, and in no way reflects my portfolio or suggests one I think you should have. Investing is very personal, and only you know which assets match up with your financial objectives and values. I have some partners in my community who invest in some of the above and others who invest in none of the above. We even have some folks who look at assets completely outside of these categories, such as accounts receivable factoring, mobile homes, and tax-lien certificates. There is a bounty of asset opportunities. With research, you will discover them.

I believe that an optimal Wealth Cycle is built on an asset allocation strategy that contains a diverse blend of assets. If you create a diverse portfolio, you won't be married to any single investment type, so your purchases will be based on potential returns and less influenced by subjective factors. In addition, if you diversify, you won't be as badly burnt when a particular category spins into a bad cycle, as most investments are likely to do. And I can't say it enough: to control a diverse portfolio you must lead your wealth team. It's essential for you to work with others because you cannot do it all expertly yourself.

Creating the Bucket of Risk and Reward

How you diversify your assets is a decision that will depend on you and your situation. I'm often asked how diverse a portfolio should be and what that diversity looks like. Because I favor more nontraditional assets, I'd consider the following to be good diversification strategies.

	REAL ESTATE	STOCKS	OIL & GAS	CASH	BUSINESSES
A	30%	20%	10%	10%	30%
B	60%	20%	10%	10%	—
C	20%	50%	—	5%	25%

Again, your preferences will depend on you, as well as on the influence and backgrounds of the mentors you choose. A top-notch wealth team will help you to look at all your options and get the expert help and advice you need. But it starts with you. You might work with the most talented investors in the world, but you still need to be reading the books, the magazines, and the newspapers

and collecting all the general and specific information you can in order to best lead your wealth team. Given that risk is aligned with education and experience, smart investors are well-educated about the marketplace and stay connected to their communities. They can read the numbers, and they know what constitutes a good investment. For real estate investments, savvy investors look at the numbers first, and if they check out, they then look at the property.

Making your wealth grow is an educational process. As you build wealth, you will develop new understanding and learn how to vary your strategy according to the investment climate and your particular needs and circumstances. When it comes to risk, remember these rules:

1. **Enhance opportunity.** Whenever possible, operate with other people's money (OPM) and spend as little of your own as you can. We also recommend using other people's credit (OPC). Get knowledge and experience on your team so as to reduce risk for everyone involved, and do not take reckless gambles.
2. **Know the market.** Educate yourself about a market so that you can be strategic in that market. Study, get advice, and create action so that you can gain experience and evidence. But realize that each opportunity is different. For example, investing in oil and gas takes patience. Some of these investments can take anywhere from 18 months to 5 years to start bringing in money, but once they do, the returns can be stunning.
3. **Specialize.** Become an expert in specific investment areas and specialize within those areas. Learn how to diversify your investments in these fields. Again, I believe you can learn about many fields, but only you know your capacity to absorb and use a range of information.

4. **Watch the details.** Always maintain detailed and complete records.
5. **Do the math.** Treat numbers as your friend, not your foe. Understand how to read and calculate numbers to analyze investment opportunities. Like everything else in the investing field, the numbers are not that complicated once you learn what they represent and gain experience using them.
6. **Follow the rules.** Stick to the money rules you've established.
7. **Listen, learn, and lead.** Communicate well with your mentors, your wealth team, and your asset-specific experts. Utilize all the resources around you and gain conviction in your decision making.

As you build your empire of entities, whether they are businesses for your investments in other people's assets or your own, you should think about what you want your Wealth Cycle to look like. This means defining the asset allocation.

Consider Real Estate

I tell people to buy real estate to learn how to run a business, set up entities, and diversify their assets, as well as reap some immediate cash flow, depreciation, and tax deductions. Real estate is a slow game, and I recommend you first create a real estate business that will then become your investment. While it is absolutely possible to create tens of thousands of dollars of passive income per month and a net worth of hundreds of thousands of dollars, you need to have a real estate management action plan in place and be very clear on your financial goals and goal achievement investment plans.

Many real estate owners and investors begin in their own backyards and suggest others do the same. Given that I live on the water and escape to another home in the mountains, I believe you should live where you want but invest where it makes sense. In only a few short years, I have developed a diverse portfolio of real estate assets in several states. This, though, works only if you believe in the Team-Made Millionaire approach, because it takes a network of field partners around the country to make it work. Field partners are the professionals in the streets who know the real estate and the opportunities. The benefit of national real estate is that by investing with field partners you get inside information as if you are in your own backyard, but you also diversify your risk, you leverage a variety of market economies, and you strategically partner with teams with a vested interest in the performance of the properties. Additionally, I recommend learning how to leverage your own money with OPM—other people's money. Leverage is a great route to success in real estate and in all investments. In addition to other people's money, you should also try to garner other people's creativity, knowledge, connections, know-how, time, and resources.

In real estate, as with all asset opportunities, you need to get a mentor, get a team, and get your know-how before you get on with it. Doing real estate right or doing it wrong can be the difference between a happy day and a very sad one. Though it may seem exciting and productive to buy real estate, holding assets without an entity plan or financial strategy in place could be detrimental to your broad objective. I knew a guy who owned 34 houses and held all of them as rentals. He'd reached the point where he was losing a lot of money and the banks wouldn't lend him any more. The houses were all in his name and his tax situation was untenable. I worked with him to reverse his financial situation. First, we talked about his psy-

chology about money and exposed him to the idea of working with others to buy and invest in real estate. He needed to understand that if he had good deals, then using other people's money was good for him and good for the other people and their money. Second, we took everything out of his name and helped him create several separate LLCs that owned the properties and an S corporation that managed them. As a result of creating entities and using OPM, he was able to borrow again, double the houses he owned, and see his colleagues get returns of 8 to 10 percent on their investments. He continues to use OPM and bank debt to purchase a dozen or so houses at a time.

There are a variety of opportunities in real estate, some bigger games than others, but as your experience grows, so can your game. You can consider land development, preconstruction, and preforeclosures. Preforeclosures are a good example of how you can make the pie bigger for everyone. Foreclosures are worse than bankruptcy and not something anyone should endure if they can avoid it. We have a field partner in a small town down south who knows almost everything that's going on with everyone. When we hooked up with her, she was the one to call if you were having trouble with finances and were worried about losing your home. We watched as she sat in the kitchens of these frustrated folks and talked with them over coffee. She was transparent and candid as she explained that it was a good investment and a profitable venture for her to help them repair their credit and keep them away from bankruptcy by paying them a fair price for the equity in their house and taking over their mortgage. Time and again, this was perceived as the biggest gift they'd ever received. They were free to figure it out again, with money in hand and debt off their backs.

For all the reasons I mentioned, including depreciation and the real cash flow I receive monthly, real estate is one of my favorite in-

vestments. Though I've lost money on several properties, and I continue to learn as I play in this field, overall I've done very well. There's even a mortgage lender on my wealth team who used to make $52,000 a year who now makes that much in a month. There's no better team exercise than real estate, simply because it requires so much expertise and legwork. But it's a great arena in which to underscore the fact that you don't have to do all that legwork—you just need to lead it.

The Opportunity for IRAs

Though the money you've locked away in savings, through IRAs, pensions, Social Security and other withholding plans, must remain out of your hands, there are ways to create even more wealth using IRAs. In recent years, self-directed IRA plans have blossomed. As I mentioned in Chapter 3, there are many self-directed IRAs at large brokerage firms, but only a handful of True Self-Directed IRA companies that will support the type of asset allocation we're doing here. As you can guess, since I encourage you to manage your own wealth, I strongly suggest you move your IRA over to a True Self-Directed IRA. Tax-deferred IRA money, or preferably a tax-free Roth IRA, can accelerate your wealth accumulation. By using your Roth IRA to invest in assets, you allow your money to build up on a tax-deferred basis and then withdraw it tax-free.

With True Self-Directed IRA plans you can invest directly in assets, not just mutual funds, REITs, or other indirect vehicles to participation. You can also partner with your IRA and put together investment plans where both you and your IRA benefit. For example, if your IRA participates in the purchase of a rental property,

not only does a portion of the monthly cash flow go back into the IRA, but the IRA can pay all the fees on the house, such as taxes, because incoming expenses flow to ownership. I've also seen people use IRAs in oil and gas deals, accounts receivable factoring, and a variety of assets. IRAs can also create a note and lend other people money, providing the IRA with interest payments that are, again, tax-free. You should also scout about for other tax-free opportunities: for example, if you invest in educational savings accounts, you can pay for your children's schooling with pretax dollars. For information on these and True Self-Directed IRAs, see the Resources at the back of the book.

Back to Rick's Wealth Plan

The next building block in Rick Noonan's Wealth Cycle Process was *Entities.* For Rick's assets we set up several entities:

- An LLC for his real estate properties
- An LLC for his start-up company investment
- An LLC for his four preconstruction houses
- An S corporation for his business
- A trust to serve as an umbrella for all his companies and holdings

We would also consider a C corporation when Rick's businesses grow, a strategy discussed in Chapter 6.

Forecasting was the next building block. A little expense management could do wonders for Rick's life. We set him up with a chart of accounts.

	PERSONAL	LLC REAL ESTATE	LLC START-UP	LLC PRE-CONSTRUCTION	S CORP. MARKETING	TOTAL
REVENUE						
EXPENDITURES						
ASSETS						
LIABILITIES						

Rick would need to stay on top of this process by coding each expense as he spent, so that he would drive his expenses for the bookkeeper he would need to engage.

Though direct asset allocation was Rick's first step in activating his Wealth Cycle Process, the real acceleration of his Wealth Cycle, through increased asset allocation, couldn't really begin until several other building blocks were in place, such as his entities, his Cash Machine, and, of course, the Wealth Account. If Rick were to try to accelerate his Wealth Cycle without getting his Wealth Account in place, he'd be building on a foundation that wasn't solid, and his acceleration would falter. He might be able to spot deals and opportunities, and even close a few, but if his source of cash—his Wealth Account—was not up and running, his options would be severely limited and he'd miss out on great investment opportunities. Even worse, he might see his financial foundation crumble beneath him.

For Rick, the *Wealth Account* step was critical. Without the Wealth Account, all his money would most likely have flown right back out in the form of taxes or expenditures. Rick's Wealth Account was going to feed his Wealth Cycle and keep that money cycling into more money, forever.

The *Cash Machine* was the next building block for Rick. Getting a man committed to the commute to quit his job is nearly as much fun as pulling gum out my kid's hair. Rick Noonan had been a company man for years. The idea of venturing out into his own business did not appeal to him.

"I wouldn't mind doing my own business if it was an investment fund, like owning real estate," Rick said.

"Well, that's interesting, but not helpful, Rick. We need you to learn to earn by using skills you already have, in an industry you already know. You've got to learn how to run a business. Once you know how to do that, you can have a business in any arena you want. You need a Cash Machine that will immediately generate revenue to accelerate your Wealth Cycle. You're going to create a marketing firm."

"I don't want to help people market."

"Fine," I said. "Even better. You know other marketers and brand professionals, probably some who don't have jobs right now or are retired and looking for something to do?" He nodded. "Great," I said. "You'll hire some marketing and brand management professionals you know to work with other businesses so that you can learn how to run a business without having to do any of the actual service yourself. You just need to learn how to market the concept and build a company."

"I'll try it," he said, shaking his head.

"You'll use the $10,000 in cash you have to pay for setting up the business and finding clients. Let's give it two months to ramp up. And let's see if we can make you a $250,000 business in the first year. That would mean six clients, each of whom needs 20 hours of marketing assistance a month. If you charge $200 an hour for those 20 hours, that's $4,000 per client per month, which gets us to $24,000 a month gross revenue. If you pay your contractors half, that's $12,000 a month in pretax income to you."

ONE-YEAR FREEDOM DAY GOALS

REVENUE

CASH MACHINE

MARKETING FIRM: *$12,000/month in pretax income, after two-month ramp-up to six clients*

PASSIVE INCOME

$6,400/month cash flow from →

ASSETS

Use $10,000 in cash for start-up costs

$270,000 shift of assets into real estate, business

FINANCIAL BASELINE

PRETAX INCOME: *$12,500/month*

EXPENDITURES: *$7,000/month*

SKILL SET: *Marketing, brand management*

ASSETS: *$490,000*

LIABILITIES: *$85,000*

If Rick could nail his marketing strategy and get clients, his Cash Machine could be a $250,000 business that potentially generated $120,000 of pretax income in the first 10 months of business after paying his contractors. Plus, the Cash Machine gave Rick another business against which to manage his expenses and his tax strategy. I also suggested that Rick put $1,000 a month from the business into three separate educational savings accounts to fund his children's college tuition, for a total of $3,000 a month.

Finally, we focused on *Debt Management.* Rick's mortgage was at a low 5 percent interest rate leveraged against a continuously ap-

preciating asset. We were going to leave that alone. Rick had no credit card debt, and I would just suggest to him that he continue to manage this process in the way he'd been doing.

Now it was time for Rick to lead his wealth—to fully incorporate the *Leadership* building block. Because Rick was already making a good salary and had shifted some assets to create a nice bit of passive income, keeping up the momentum would be his biggest challenge.

Conditioning was a key factor in how Rick would manage his Wealth Cycle. Rick's father had worked for a company his whole life and Rick was comfortable with that model, and so was his wife. His courageous shifting of assets was already the subject of a difficult conversation with his wife, but it was a good thing that Rick and his wife were now having these conversations. However, for Rick to (1) take advantage of the depreciation of his real estate, (2) better utilize the $50,000 sitting in his company's stock, and (3) lead and build his team and generally focus more time and attention on his Wealth Cycle, he was going to have to leave his job.

To make him more comfortable with this inevitability and manage his Wealth Cycle properly, Rick needed *Teamwork*. He needed a coach to help him create a weath plan, a mentor to support him in the process, field partners in oil and gas, real estate, and small businesses to find those direct and diversified asset allocation opportunities, a CPA who understood entity structuring, a bookkeeper to help with the forecasting, a good lawyer for the paperwork, and a supportive wife. The man was going to be immersed in the world of team building.

Taking Charge

Without leaving his job, Rick now had the capacity to create $18,400 a month in additional revenue as well as build his net worth—a task

accomplished by just a quick shifting of assets and the infusion of a Cash Machine. With the entity structure and Wealth Account in place, Rick would be in a position to retain and recycle a lot of that income to accelerate his Wealth Cycle. The Wealth Cycle can't be inactive. In order to flourish, it must grow, and this means more and more streams of income must feed it. As we saw with the Leonard family and now with Rick, one great source of fuel to accelerate the Wealth Cycle is a legitimate business venture—soon to be the Cash Machine.

Activation is good, acceleration is better . . .

About the Author

Loral Langemeier is a master coach, financial strategist, and multi-millionaire who reaches many thousands of individuals each year. She is the founder of Live Out Loud, a coaching and seminar company that teaches her trademarked Wealth Cycle program one person at a time.