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

LORAL LANGEMEIER

THE MILLIONAIRE MAKER

Praise for *The Millionaire Maker*

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— T. HARV EKER, author, NY Times #1 best seller, *Secrets of the Millionaire Mind*

"Read The Millionaire Maker and create the wealth of your dreams today."

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"I personally know countless people who are millionaires today and credit Loral with their financial success. Read this book and become a member of Loral's millionaire's club!"

— BOB PROCTOR, author of *You Were Born Rich*

"The Millionaire Maker shows you how to quickly take control of your financial future and achieve all your dreams."

— BRIAN TRACY, author of *Getting Rich Your Own Way, Million Dollar Habits,* and *The Psychology of Selling*

"With the financial makeovers performed in The Millionaire Maker you'll find 12 new building blocks to create your own wealth."

— CHET HOLMES, CEO Chet Holmes International

THE MILLIONAIRE MAKER

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

Loral Langemeier

To Dianne,

You left this planet much too soon. Your presence still resonates through everything we do and the memory of your humor, kindness, brilliance, and grace guide us forward. Thank you for your extraordinary impact and all you gave to Live Out Loud, Logan, and me.

To Logan,

You are truly the gold at the end of all my rainbows.

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ACKNOWLEDGMENTS

To write a book like this takes a lot of support and encouragement and I want to thank all the amazing people who surround my life.

Of course, to include everyone who has cheered on this effort would take too many pages, but I'd like to thank a few.

Thank you to everyone who helped put this together. Jeanne Glasser, thank you for your vision and for finding me. Thank you to Mary Glenn, Lynda Luppino, Jeffrey Krames, and Philip Ruppel for your support and for being on the edge of your seat when I showed you your first Gap Analyses. Thank you also to Caroline Sherman, for doing what you do, and the PR and marketing firms for their great efforts.

I am very grateful to every member of our Live Out Loud community, including members of Loral's Big Table, who have trusted me to mentor and coach them on their various routes to millions. They've shared their stories and their dreams, and together we've made them one and the same.

Thank you to the wonderful team that works with me every day to create Team Made Millionaires, including Jay Pearson, our recovering financial planner and IRA guru; Sue Walker, with whom I share coffee and discuss saving people from financial distress every day; Fred Auzenne, our cactus king who can make any old widget look exciting, as long as it's got a great ROI; Wendy Byford, whose knowledge of entities has been invaluable; Ken Starks, our mortgage broker who's

opened up his world to include the exciting ideas coming from our team; Paul Rogers, the best land-buying firefighter I have ever met; and Steve Parker, who is the epitome of a great team player.

Thank you to my many terrific field partners, whom I know will be helping me create a lot of wealth for a lot of people for many years to come.

Thank you to the great Live Out Loud Coaches, who help our clients reach their Freedom Days every day.

I'm very grateful to have Mark Myerderk on my team; his bigger, better brain and capacity for all things lawyerly has kept me sane.

I so appreciate the home team at Live Out Loud and in remote locations around the world. Your support and team effort have been and continue to be invaluable to our success.

Lots of thanks to my mentors, Bob Proctor, Jay Conrad Levinson, Sandy Botkin, Chet Holmes, Robert Kiyosaki, Mark Victor Hansen, and Brian Tracy, who have taught me innumerable lessons in invaluable skills.

Big thanks to Jay P., Wendy B., Lori W., Joni K., Sue W., David Z., Steve P., Jennifer M., Mark M., Fred A., Aaryn H., and Gary H. for putting your eyes on this book, guiding me forward, and reining me in.

Thank you to my mom and dad and my siblings, Jeff, Doug, Kent, and Holly, who saw me through those endless mornings of walking the beans and gave me the courage to walk west and sow my own harvest.

I owe more gratitude than I can ever express to my Aunt Bev, who gave me the confidence to just say yes and figure it all out later.

A very special thanks to my California family, Shea S., Jim N., Serene C., and, of course, Clare and Tim B., who have supported my life's work by helping care for my son and having such a significant impact on his life.

And the biggest thank you of all to my son, Logan, first and foremost in my life, for sharing his vivid imagination, healthy perspective, and unconditional love for me and this spectacular life we're living.

— Loral Langemeier

INTRODUCTION

Hi, this is Loral, and we are about to relaunch our Millionaire Maker series. So, I have the Millionaire Maker Cash Machine, which is how to build a six, seven figure business, and Millionaire Maker Wealth Cycle Book, how to have money rules and learn how to invest off Wall Street. All these educational books were designed in 2006, seven, eight, extraordinary books, if I do say so myself, and we've been asked for updates. A lot of people want to know how many more people are successful? So, in our book at the conclusion, we have testimony after testimony after testimony of people becoming millionaires in the study of the Millionaire Maker series.

So, from the original book, The Millionaire Maker, to Cash Machine, build a Business, to Wealth Cycle Investing, and How to Put Your Money to Work, we've added three asset education classes. Cryptocurrency, you're going to hear a little bit about that. You're going to hear about cannabis and the CBD and hemp side. Those three are very, very new asset classes as of about 2017 to the playing field. And it's time we addressed them and put them into the Millionaire Maker Matrix.

So, we'll have some updates on our matrix, our integrated team, how people are working inside our financial literacy education program to become millionaires. So, enjoy the next version of The Millionaire Maker.

1

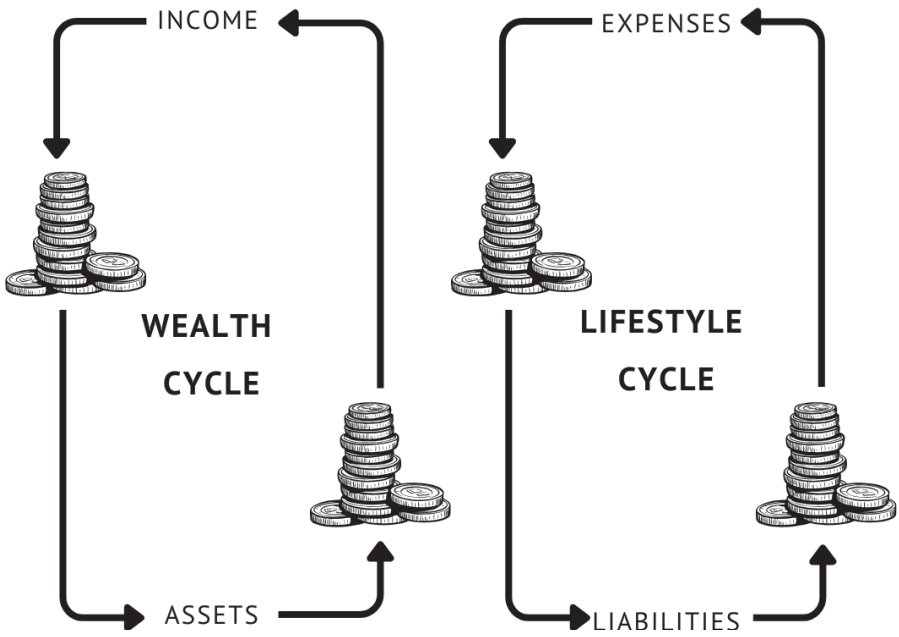
THE WEALTH CYCLE
Money In Motion

Even without winning the lottery, your chances of becoming a millionaire are a whole 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 importantly, sustaining wealth than anyone who's ever 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.

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 key to understanding that I'm talking about something real. This book provides that prescription. It's not a magic wand. There are no platitudes or clichés. There are no slaps on the back, and I don't have any pom-poms. Most wealthy people get that way not by chance, but by taking specific and 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 didn't understand how to put it into the Wealth Cycle Process, then you would be no closer to generating wealth than you were before I had handed it to you. That's because most of us grew up living in a Life Cycle.

PROFIT AND LOSS STATEMENT



BALANCE SHEET

In the Lifestyle Cycle, wealth can never be built because money that comes in goes right out 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, the left-hand side of what you just created, money coming in supports assets, things

that are money-making resources that will create 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 the Wealth Cycle. A person earning $14, 000 a year who understands the concept of the Wealth Cycle has a hundred percent better chance of building and sustaining wealth than a person who makes a million dollars a year and lives in the 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 build your passive income so you can expand your wealth and live longer and larger. Too many experts tell you to live small, spend nothing, and barely breathe if you dawdle off into the horizon. That sounds awful to me. I believe it's possible to achieve wealth and have a latté in the morning. Even if your debt seems utterly daunting, the Wealth Cycle Process will help you spiral your debt down, while you're spiraling your wealth up. That's how the wealthy do it. And it's how you'll do it too. In 1991, when some guy by the name of Donald Trump was $900 million in debt, it was 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 and created 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're commission oriented, and they 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 all the time. The behavior of a few executives at a handful of

companies can cause the entire stock market to swing. We've seen that. Global events such as terrorism or the inability in emerging markets or the instability, so back up, global events such as terrorism or instability in emerging markets can cause bonds to shrink and sink. Pension funds default. The social security system seems a little shaky. And retirement plans can disappear. These days, all those planning strategies that seem secure and conservative really aren't. Sometimes putting your financial plan in the hands of somebody else is the riskiest thing that 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 was celebrated. Yet, listen to this, less than 7% of our population knows how to generate wealth. There was never a class in this. Your parents probably 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 it for yourself, you create the capacity to be wealthy.

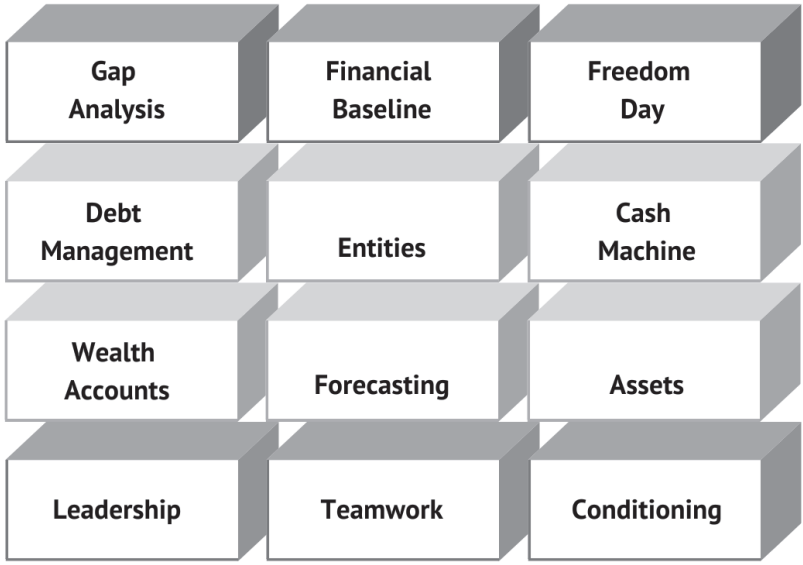
A Year from Now You'll Wish You'd Started Today

You can make the decision to make a lot of money at any age and at 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, cannot forgo 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 them. The Wealth Cycle Process is based on 12 building blocks that you're going to employ in your own fashion, depending on your specific requirements and objectives.

Building Blocks of the Wealth Cycle



Each building block will be explained in detail in this book, but briefly let me define them as follows:

1. Gap Analysis: It's an innovative financial model that will create a map from where you are to where you want to be.
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, which is the greatest barrier to wealth building.
5. Entities: This is the organization of trusts, partnerships, and corporations that hold and service wealth and take advantage of the tax strategies devised by our Congress and state legislatures to protect companies and help businesses grow.
6. Cash Machine: This is the fuel that accelerates your Wealth Cycle, which comes from your capacity to create more revenue from a legitimate business venture. You must learn to earn.
7. Wealth Account: This is the concept of paying yourself first by consistently committing a portion of your earnings for investing. A portion we call Wealth Account Priority Payment. W-A-P-P.
8. Forecasting: This is a projection of your revenue, expenses, 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 your Wealth Cycle.
10. Leadership: You, you my friend, 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: It's a 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 every building block. They're codependent and they're 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 have created 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 have 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 assets, 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, Freedom Day. These three blocks are continuously revised and adjusted through the process. Additionally, each person's wealth plan requires the bottom three foundational blocks: Leadership, Teamwork, and Conditioning. The middle blocks, though engaged simultaneously, are used in different sequences with a different emphasis, depending upon the needs and wants of you, the 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're going to begin a Five-Step Debt Elimination Plan and *simultaneously* create a Wealth Account that starts generating wealth for you.

I also see people maximizing their 401k payment and holding all the equity in their house. As you will come to see, this is the wrong thing at the wrong time. In our sequence, you jump right into the direct asset allocation. Other wealth advisors might call this irresponsible, but I believe you need as much cash as possible so 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 to understand which building block sequence is right for you. The examples used throughout are selected from 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 importantly, at least one of the examples featured will probably 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 liabilities? (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 overview look at each of the building blocks.

In each of the subsequent chapters we're going to talk about, we'll 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 mom 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 Quinlan, a victim of taxable money. The importance of the Wealth Account and the Wealth Account Priority Payment, the WAPP, 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're going to 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 finish this book, you're still unsure of your personal sequence, let me connect you with one of my strategists for a free half hour phone discussion. 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 through the same mental, emotional, and material stumbling blocks that you're going to 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 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.

After you've read through the examples, you're going to 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 finish this book, you're still unsure of your personal sequence, let me connect you with one of my strategists for a free half hour phone discussion. The contact information is listed in the Resources section at the back of this book.

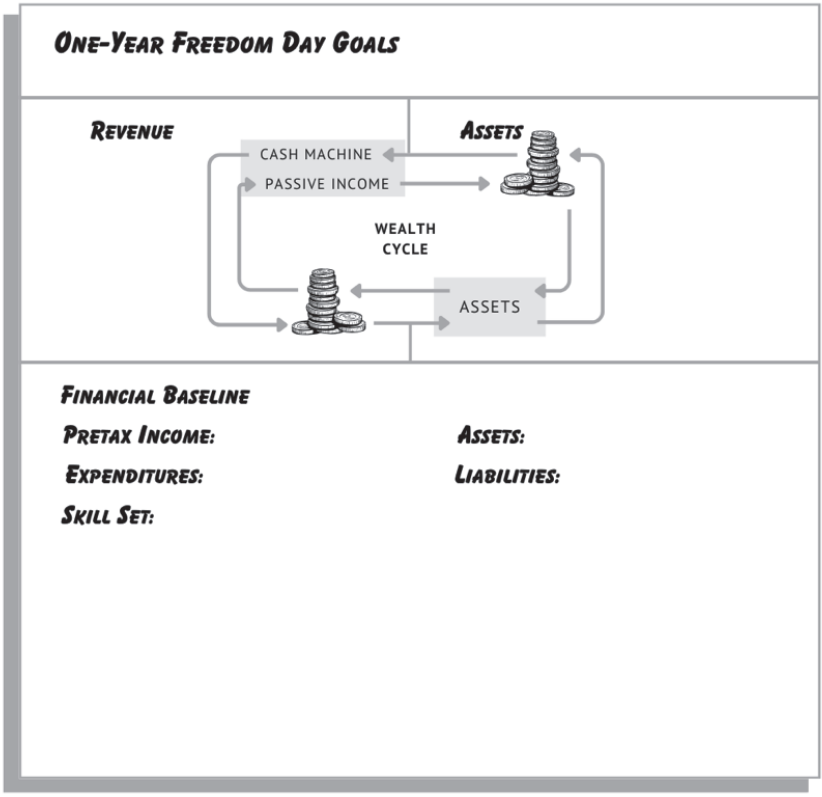
2

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 take 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 just a little bit and talking to their sons and seeing their home, I was ready to ask them the eight questions that would help them map out a wealth plan they would use for the rest of their lives.



At the bottom is the Financial Baseline. That's the bottom half of what you just drew. At the top is the One-Year Freedom Day Goals, where you see yourself in one year. And in the middle, we're going to 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 the 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 to her. Mary looked at me like I required a sanity check.

"It was?" she asked.

"Yes, you've been given the gift of urgency."

"That's a gift," said Mike.

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

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 had been brought up to believe that she had to put in nine to five 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 and the sheep and the pigs and the chickens or the 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 didn't 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 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 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 mom. Terrified at the prospect of looming responsibilities during my pregnancy, I decided to put all of my efforts into attaining more success in my business, finances, and personal life, and I did. When I was six months pregnant and just two weeks shy of my 34th birthday, my net worth passed a

million dollars. 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."

There's abundance all around and I'm shocked by how few people take advantage of the opportunities to create wealth.

I turned to Mary, "You're not going to get another job."

"I'm not?"

I shook my head. "Most of us want wealth, right?" And Mary and Mike nodded. "But there's activity involved. You don't get to lie on the couch, watch TV and eat 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're going to say that they are engaged, they're active human beings. In fact, they are rarely sitting still. I've seen too many people scared of becoming wealthy because they don't want to be responsible for it and quote, do all that work, end quote. And it's true. Money does take responsibility and activity. I always tell people, "It's your choice. You can do paperwork and be poor."

"Mike said, "We're willing to do the work. 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 little 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."

"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 term, 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," said Mike.

"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 of its own, and the wealth is generated and accelerates faster than you can imagine."

Mary finally said, "It sounds good."

"It sounds fabulous," I said. "And every single one of my clients who engages in a wealth cycle process says the same thing. You can't believe they haven't been doing this their entire life. Not one of them would even consider going back to their old ways."

"I'm in," Mary 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 term, it's the same old thing over and over. Too little income, too many expenses, credit card debt, and no plan for the future."

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"I'm in," Mary said.

Mary asked, "What do you think is going to happen with Social Security?"

"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. It's just not that hard and it can be fun, lots of 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're going to see with the following exercise answers tend to be top of mind estimates, as do the subsequent wealth plans. When participants 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. But for purposes of this book, we're going to prepare Gap Analyses for all the case studies the same way we do 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 this book are drawn from actual scenarios that I've had with clients, but they're fictionalized, and they blend several real clients. In other words, the names and the 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 those eight questions that I ask. But in each question, certain building blocks are emphasized more than others. The important ones have been graphically presented 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 sense that they were not sure about sharing this information. "Money conversations have been taboo for long," I said. "It's time we started having these conversations out loud, so that we can help and learn and teach our children about money."

Mary nodded, "I make, or I made twenty-five thousand dollars a year, and Mike makes fifty thousand dollars a year."

When I ask this question, I'm looking for flat information off the tax forms. That is the W2s for salaried employees, or the 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'll start looking at pretax or gross income.

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

Make money → pay taxes → spend money

And one for the wealthy and educated:

Make money → pay taxes → spend money

Americans overpay billions of dollars 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 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, and in fact the company that I built Live Out Loud has as its purpose of creating a "new conversations about money."

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

ONE-YEAR FREEDOM DAY GOALS

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

- $2,080 MARY'S MONTHLY PRETAX SALARY
- $4,170 MIKE'S MONTHLY PRETAX SALARY
- NO ENTITIES, NO BUSINESS, PERSONAL BANK ACCOUNT

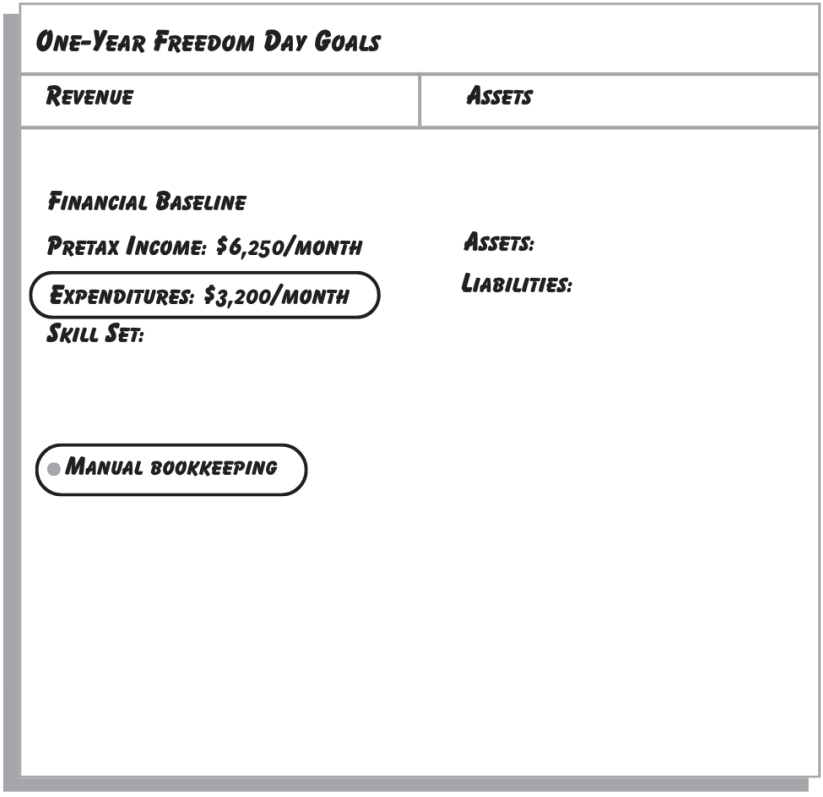
Question 2: What Are Your Monthly Expenditures?

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

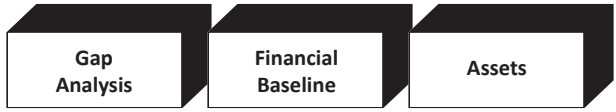
"First of all, from now on, you're going to know exactly how much you spend each month and second of all, you'll never use a budget again," I said. "This process is not about budgeting and cutting down

your life. It's about creating more money to make that life 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. 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 purposely plan how you will spend your money. If you want to eat and 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?



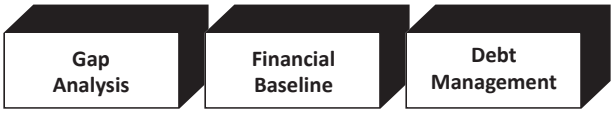
This usually crops up in the form of home equity, mutual funds, individual retirement accounts (IRAs), and savings. The Leonard family's home had appreciated quite a bit since they purchased it, and they had about $350,000 of equity in their house. Additionally, they had saved money for their boy's education 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, I know, yeah, 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

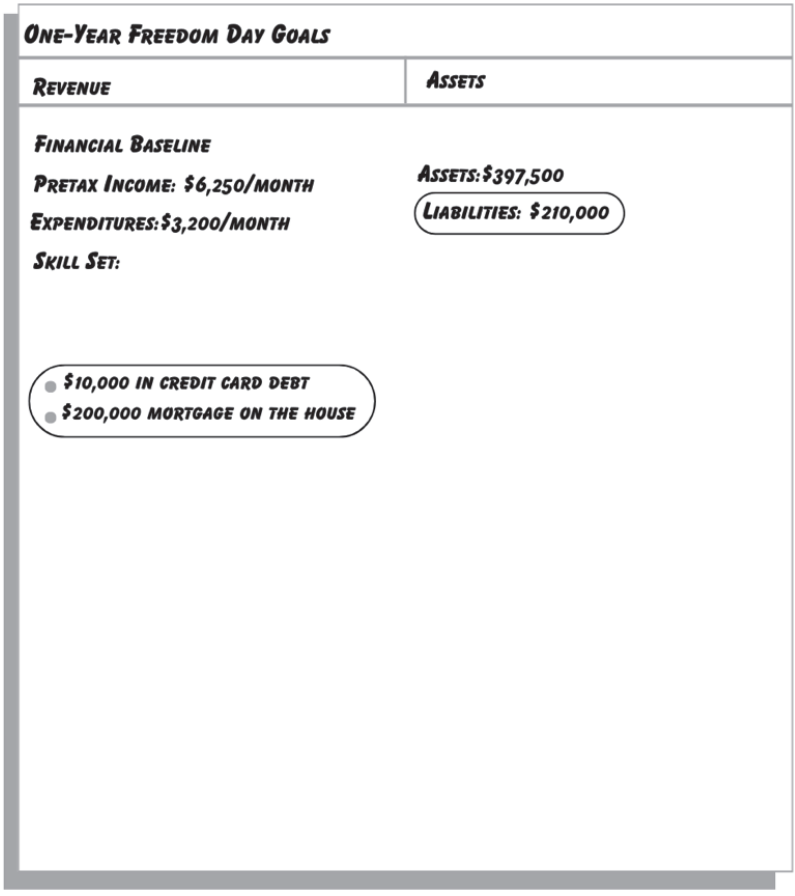
Revenue	Assets
Financial Baseline	
Pretax Income: $6,250/month	**Assets: $397,500**
Expenditures: $3,200/month	**Liabilities:**
Skill Set:	

- $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 here for both good debt 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 a house, is leveraged against assets.



Question 5: What Else?

I continually ask what else because 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 were willing to say things like, oh, I have stock my grandmother gave me when I was 10 or I owe my uncle money. This is where we see savings 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 is also where all the little orphan 401Ks show up. You know, the ones that are left behind at each company you've ever worked for. A business owner I know had 80 employees but managed over 100 401Ks on his books. In other words, he had almost two dozen 401Ks from past employees who'd probably forgotten they were even there. And one couple I know realized in preparing 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, $190,000. 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 often 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

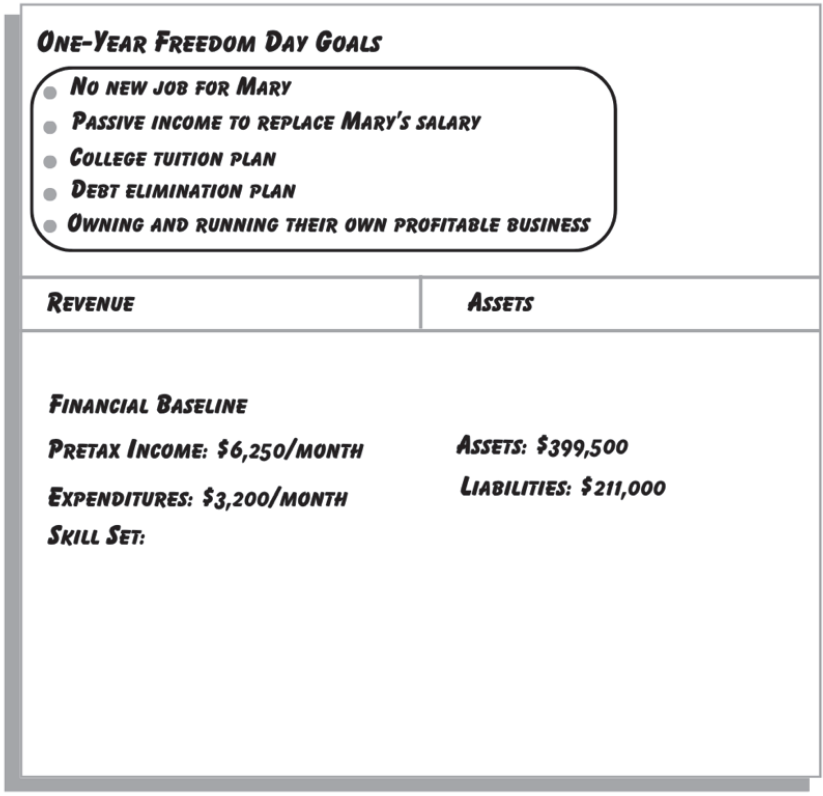
Revenue	Assets
Financial Baseline Pretax Income: $6,250/month Expenditures: $3,200/month Skill Set:	Assets: $399,500 Liabilities: $211,000

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

Question 6: What Do You Want?

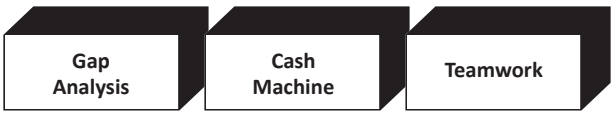
Now that we knew where the Leonard family was, I asked them, where they wanted to go. While Freedom Day represents the light at the end of the tunnel. We want to create an actionable doable account plan, a wealth plan that gives results immediately. I often ask clients to come up with a 120-day plan that gets them towards 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 salary job with a more interesting business, and having enough cash flow every month to cover all expenses. Where for others it's a plan to pay for all of their children to go to college or to travel around the world. Maybe it's even 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 completely fine. But again, to get things started, we're looking for a plan that can be accomplished in the next 12 months. So, I asked the Leonard family to share their wealth objective. We filled the answers in at the top of the Gap Analysis.



In the next two or 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 million-dollar business. $500,000 of invested assets (that is the total assets available and used for investments): $6,250 a month in passive income, and no bad debt. They could easily achieve this within three years.

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



"I work for…," I stopped her.

"Whom you work for is interesting, but it's not helpful, Mary, especially since you're leaving there and never going back. I want to know your skills and how you make 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 have construction skills," Mike added. "I'm always fixing our houseboat. I built that shed in our backyard. I fix and build things, I guess"

"Like our dune buggies," the older son, piped in. "They're way cool," the younger boy, Colin said.

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

I turned to them and said, "Tell me more about the dune buggies." Mike perked up. He was a little surprised. Mike, Mary, and the sons,Carrie, 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 custombuilt dune buggy.

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

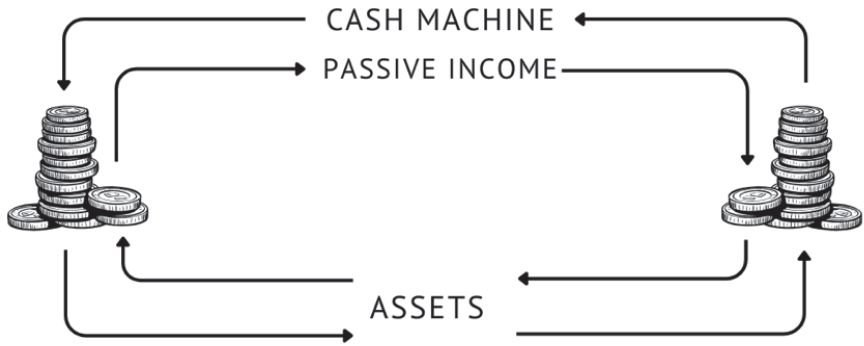
"We can build ones way sweeter than what we've seen on the internet. And those that sell for like $20,000 head carry, at least," Colin chipped in.

"I've seen some that are $100,000."

"Is that right?" I turned to the parents, Mary, and Mike, "It's time to get serious about creating your wealth."

I knew with the dune buggies we discovered the fuel for the Wealth Cycle. "This could be your business," I said. "This could be your Cash Machine."

There are two sources that feed the Wealth Cycle. One is the Passive Income generated by Assets. And the other is from Cash Machines, a business venture. If only Passive Income from Assets circles back into the Wealth Cycle, the Wealth Cycle will never accelerate. It requires multiple streams of revenue and one of the best sources of that money is a business.



"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 the skills that they already have, even if it's less appealing as a 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 quickly and immediately. The key to finding the right venture is to pick a Skill Set that you could use to create Revenue within a week. 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 earn or learn a thing about entrepreneurship. For those who already have a business we have to make sure it's 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 is a business opportunity the entire family could pursue. Mike and the boys could 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

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	

and selling just three dune buggies a year. Carrie and Colin were pretty 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 of the boys were happy to learn that they were going to leapfrog their previous aspiration to "go from a blue-collar job to a white-collar job" and skip straight to the "no-collar job."

"It's not enough to think this is a good idea," I said. "You 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 finances organized is to execute. I 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, 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 and then at their eager-eyed sons. "Are you willing to create and execute the wealth cycle process," I asked. "Say yes."

"Yes," said Mike.

"Yes," said Mary.

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

3

SEQUENCING
The Right Thing at the Right Time

The television producer asked me to come back and film the second sequence where we would map out the plan for the Leonard family to enjoy wealth for the rest of their life. 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, "But not only that, we'll eliminate their debt and have the college tuition ready to go and get Mike out of his job."

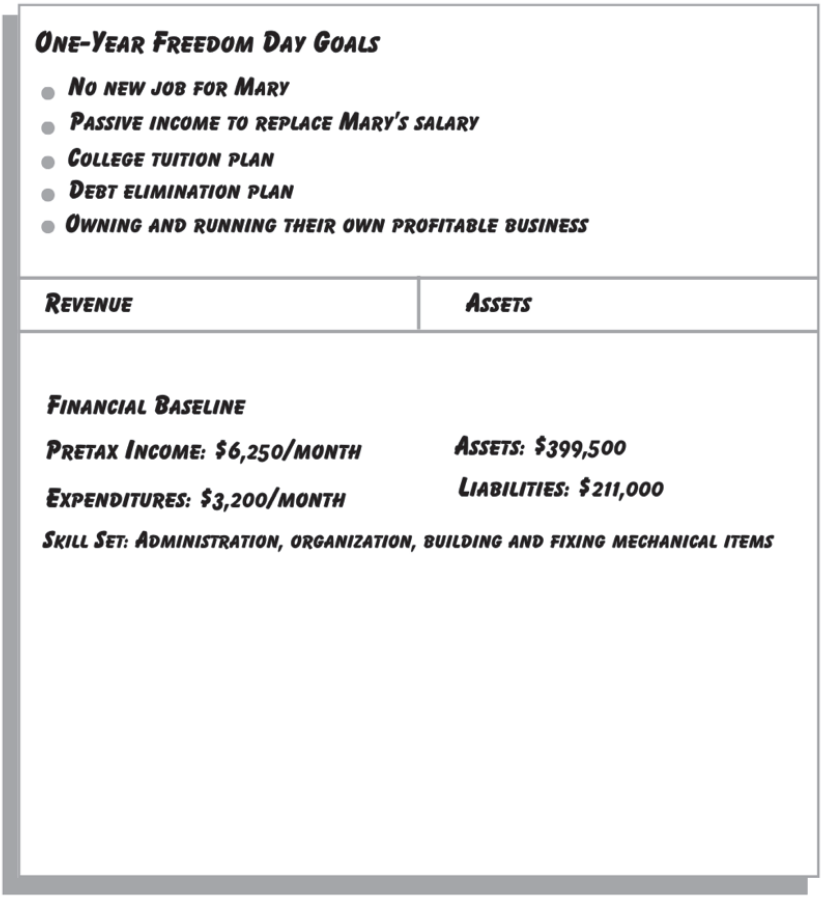
"Loral, I'm sorry. I hope I told you that we're only filming for six months."

"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 understood the Leonard family's current situation and the financial objectives, we began devising ways to increase their earnings. The objective was to create as many income opportunities as possible

through both passive earning 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.



The next step in the wealth plan was to create the Wealth Cycle itself. To do this, we need to put the right building blocks in the right order. As I've noted with you earlier, the order of the building blocks is going to differ depending upon the person and his or her own 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 →
Deb Management → Wealth

Teamwork → Conditioning → Leadership

As we walk through the Leonard's family sequence, we're going to take a deeper look at the building blocks, and we're going to discover each one in more detail in subsequent chapters.

The Leonard Family's Wealth Plan

The first building block for the Leonard's and for everyone in the Wealth Cycle Process is the Gap Analysis. The Gap Analysis uncovers the financial gap between where you are and where you want to be between your current financial situation and your long-range, but for most of us with a big healthy vision, it's usually a pretty big 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 become your 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're going to 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 your liabilities, and know exactly where you are financially. Specifically, you're going to 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 is Financial 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're going to 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 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, take current non-performing assets and get their money working for them. Traditional financial planning ensures that you'll continue to derive 80% of your earning capacity after you stop working. And I find that, I don't know about you 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 broad 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, because no one can get into direct asset allocation without knowledge of these assets, because it's just too risky. But an experienced wealth building team, such as the kind we're 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 a 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 kind of 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 and taking them back when they're 18 and hoping they turned out all right.

The potential for direct investing and asset allocation is, frankly, 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, an ROI, that fits your strategy. I usually recommend that one's asset allocation include capital-intensive assets like 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 kind of crazy. It means finding field partners who can connect you with the right people and the right assets, because getting inside the community of investors, rather than peering over the wall, is a much more realistic course of success. 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 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 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 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)
3. Move the $16,000 in the boy's 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 Mary and Mike 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

Expenditures: $3,200/month

Assets: $399,500

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 her 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 constructed could be written off as expenses against the revenue, Mike and Mary would retain much more of their earnings. And that was just from shifting assets. We hadn't even begun to create the Cash Machine.

Turning Assets into Other Assets

1. **Equity into cash.** The question that could be in your head right about 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 case, real estate investments. There are several ways to take equity out of your home to create cash. For example, you could through a home equity loan or by refinancing at a 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 kinds of transactions, and you should include professionals like them on your team.

Converting equity to cash is not difficult and the benefits of pumping up an under performing asset far outweigh any extra paperwork. If you choose a solid performing asset to invest the cash in, you don't need to increase your risk. Many of us have been conditioned to believe a home is a nest egg and it's a 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 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. It's usually inexpensive real estate with little appreciation and a steady stream of reliable tenants. In the Leonard's case, we paid $6,000 in cash for each of 10 homes. This $6,000 bought a home valued at $45,000 with a 10% down payment, $4,500, plus $1,500 in closing costs. The rent on the property was $695. Taxes and insurance, also known as 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 money into that first asset, which costs less and frankly 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 like California, for example, or in 2005 in Florida and Nevada and Arizona would have put you in a situation

where rising interest rates could slow down those markets, not to mention what happened when the economy slowed in 2009. Not only can this get you turned upside down, paying out more cash than you're making 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, non-traditional, 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 to grow assets? I believe it's 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 is your money, your field partner, your team, your revenue, and I cannot stress enough the importance of paperwork and due diligence. The practice of researching and investigating every investment, that's what you're doing 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 a full-time job to work, the team approach is the only approach to making money 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 Leonard's. In a few minutes, we'd given the family a strategy that didn't include replacing Mary's job, but it did generate $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 could only sustain them at or slightly above their current income level, and 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 your hands dirty. But very soon, it would mean running the business and hiring others to do the work. For example, a teacher could start a tutoring business, even if that's the last thing she wants to do. She's going 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 coach 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 seems to me that the Leonard's cash machine was dune buggies.

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

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

"No, you don't," I said. "You're 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 and spoke something I think is very honest. "I guess we're scared."

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

They're 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. I've made bad choices. 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've 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 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 was on the right track, and because I've built a great team of trusted professionals and colleagues, as you will too, 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 be and may seem to run your own ice cream company or open a hotel or invent a new running show or even a charitable organization, those ideas are long-term goals towards 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've earned, I recommend that my clients create an entity, that is a corporation or a partnership or a limited liability company, an LLC, that supports a viable business strategy based on their existing skill set so that they can make more 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 because it's easy. And the resources in this book give you all the information you're going to need to get started. Billionaires do not go home at night and pay the bills out of their personal checking accounts. 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 something we're going to talk about in Chapter 5.) It seems to me that the Leonard's number one task in refocusing this hobby into a viable business would be marketing and distribution, finding customers in other words. In order to stem startup costs, the lenders would have to pre-sell 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 learn how to market and sell their product, they could forecast to sell even more sophisticated models at $100,000 each.

Potentially, the cash machine could generate more than $5,000 in revenue in 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 seemingly too small goal of $6,250 a month in cash flow just from the Cash Machine. I think 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 salary job as a mechanic. That's his real safety net. But safety nets aren't the road to wealth. Though Mike might have a little to lose in the pursuit of his Cash Machine, in terms of time and 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 the direct investments, things like real estate, and for manufacturing and marketing 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 be solopreneurs and salaried workers, you know, good employees. Few of the wealthy are good employees. Every single wealthy person that 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 and, I might note, legal advantage of the Tax Code and hold on to more of your hard-earned money. Entities are the difference between having your money going into the 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 begin to start thinking like a business, and that means becoming a profitable and productive entity. With entity structuring, you're going to establish companies and 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 the 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 that we're going to cover when we get to Chapter 6. The initial cost for setting up each of these entities, usually around $600, depending upon the state that you live in and the help that you get from a 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 businesses and investment activities, as well as a projection of spending to support these activities.

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

	PERSONAL	LLC (REAL ESTATE)	LLC (BOYS' REAL ESTATE	S CORP. (MARKET DUNE BUGGIES	C CORP. (MANAGE 0THER BUSINESSES)	TOTAL
REVENUE						
EXPENDITURES						
ASSETS						
LIABILITIES						

While the family would have to hire a bookkeeper and therefore code their expenses, they shouldn't get caught up in doing this paperwork. It's just 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 that we're going to cover, so that they could rid themselves of their credit card debt. This step, which would begin immediately, shows how each phase of the Leonard's family building blocks are 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're 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 earn 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 reduces debt and creates wealth simultaneously, so you don't 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 the WAPP, to ensure that a portion of the earnings from Mike's salary, as well as the income from their 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, which is namely creating a Wealth Account. A Wealth Account is a specific interest-bearing account in a brokerage firm from which you can draw to invest in even more rewarding opportunities, things like real estate or business ventures. Even if the money is only cash account and there are institutions that give you as much as 3% interest, you'll soon be able to accumulate enough money to start investing. Once the Wealth Account is established, you're going to practice the art of paying yourself first. Or maybe I should call it the science. Every month you're going to 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's put to work in assets that generate cash flow. In the Wealth Cycle Process, you're going to 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 rate 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 you the truth. In order to redirect their assets, start their business, and structure entities and forecasts, the Leonard family was going to need a really good team.

Professional advisors, colleagues, field partners with opportunities, not to mention lawyers, accountants, and supportive partners are crucial to creating wealth. In the Wealth Cycle Process, it's your job to direct a team of professionals that helps you to develop and execute your strategy for building wealth. You cannot and you should not try to be an expert in all the fields that 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 total 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 tension and 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're a wealth builder, you should never clean your home again. That's a relief to some of you. Never clean your home again. Those are tasks you could 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 housekeeping, gardening, or even shopping at $10 an hour, and that's totally possible, then just an extra $100 a week would free up 10 more hours for you. In a month, that $400 to give you 40 more hours to focus on your wealth. That's a whole work week. 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 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 the 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 millionaires, team-made millionaires. If you're spending your time with people who have the same net worth as you and who make you feel comfortable, you're not going to stretch and grow. You want to be constantly learning from 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 that you want to invest in. They provide the connections, the 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 towards 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 the Live Out Loud community. For those who swirl in the highest social economic 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 their way to create 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 died. 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, and that is your conditioning.

As we move forward with your Wealth Cycle Process, we're going to create a new conversation around money that restates past beliefs, called from where you've been, and clarifies your vision of where you're going. Together, we'll take step-by-step, action-oriented approaches 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're going to 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, the relationship you have with money is something that you must begin to become 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 me to take a new approach to wealth and to have a new conversation about money.

When my clients want to be coached by me, the first requirement is that they're willing to do it my way. I won't coach just anyone. If you are willing to do it my way, you become a good candidate to be coached by me, maybe my team. While their way, the Leonard's, has been interesting, it has not been very helpful, has it? Otherwise, they would have already reached their goals. In following the Wealth Cycle Process, you're going to 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, no

one can drive it like you can. If you don't keep consistent and constant pressure on the gas, the wealth engine is going to sputter to a stop. No one cares as much as you do about your wealth and your leadership role. engine is going to sputter to a stop. No one cares as much as you do about your wealth and your leadership is critical to the 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 really 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're going to arrive at a better place.

The Bigger, Better Game

After the second segment was shot the television producer called and she said, "I can't believe what you did, Loral," she said. "You took a bluecollar family that was dealing with a job loss and totally replaced their 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 Buggy 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 out of their 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."

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, and you should begin it as early as you possibly can and so should your children because then you can manage throughout your life. It's the process of continually building your asset pool. As you become more sophisticated, you're going to reallocate those assets to get higher and higher returns. If you're starting late in this process, don't be discouraged. This process will work for you wherever you are in your life because 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 after year until they accumulated increasingly large amounts. They continually reinvest their profits and additional money to their accounts whenever possible. The majority add to their

investment choices monthly and consistently reallocate their funds to diversify their assets.

Patterns of Money

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

So, it's time to understand how to create a Wealth Cycle. In order to activate and sustain a 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 cash appreciating investment opportunities. So that's assets that produce passive income and/or equity.
3. Reinvest that 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 your 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.

This cycle of turning income into assets and assets into income is the process of building sustainable wealth. Money then 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 millionaire team, and our big table community was a very classic example of someone who didn't quite understand effective asset allocation.

Busy but Not Productive

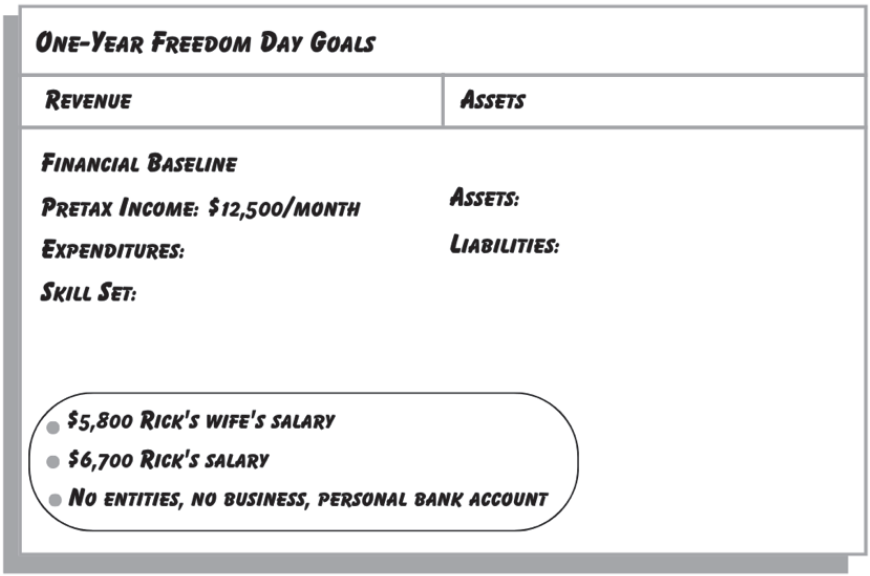
Rick and his wife live outside of Seattle, and they have three children. When I first met him, he had a whole lot of assets and absolutely no clue, zero. And he was worried, he should have been. Though their finances seemed under control at age 36, he felt he and his wife were constantly busy but not productive. That they become indentured to their jobs. He worked at a consumer products company and that he created a lifestyle he wasn't sure he could sustain into retirement. He drove two hours to and from work each day for a 10-hour day job that was neither here nor there for him. He seemed to me a man who was committed to that commute and 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 the racing 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 more improved would his life be if he wasn't pushing through five days to live for a weekend crammed with more activities.

Many people sitting on more debt and a low five-figure salary might look at Rick's situation and wonder what the heck he was complaining 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 great 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 much more life affirming experiences. The nice thing about wealth building and 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.

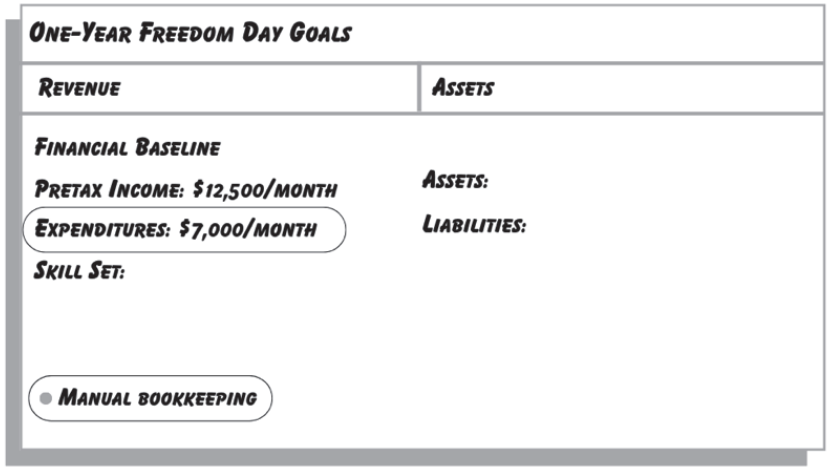
Question 1: What is Your Monthly Income?

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



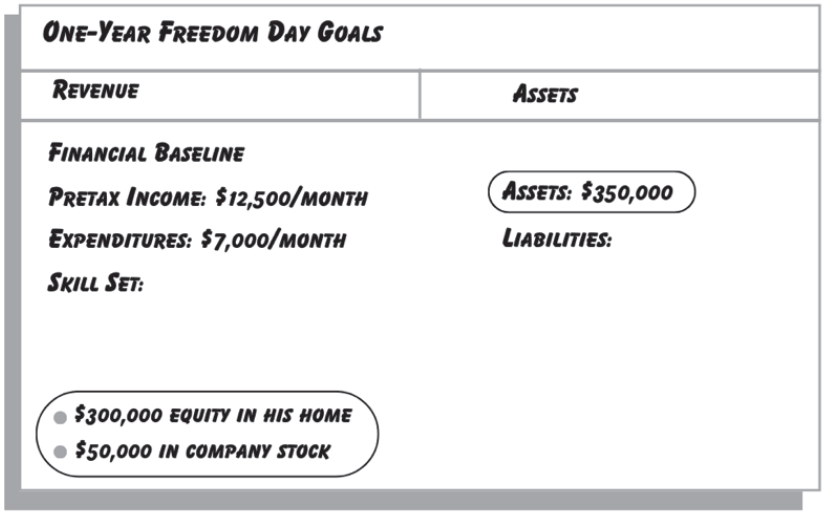
Question 2: What Are Your Monthly Expenditures?

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

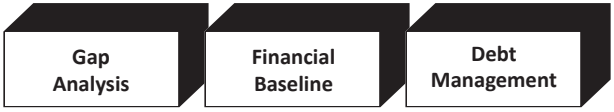


"A lot, actually. I know we have about $300,000 of equity in our house, and I'm positive I have about $50,000 in my current company's stock, but I can't get that out."

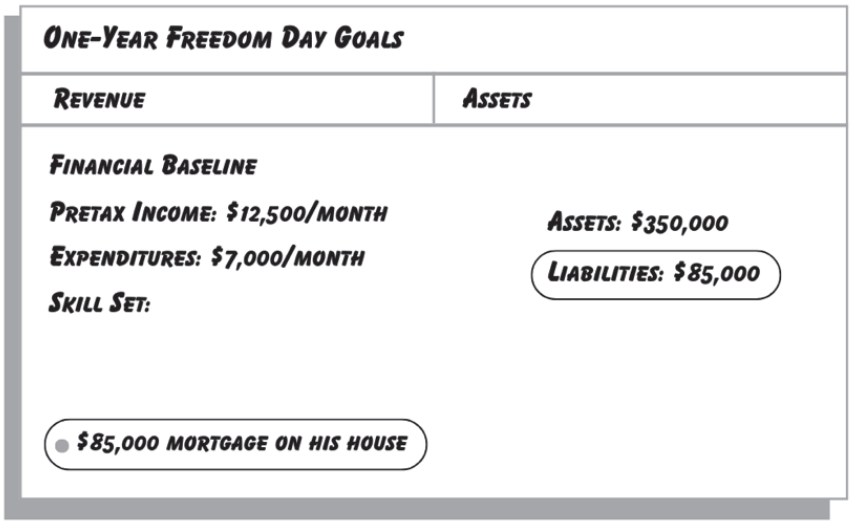
Unless he left the company, which I knew I'd be convincing him to do sooner or later. I'm always amazed when couples invest in real estate while both work as salaried employees for companies, because under the IRS rules, real estate depreciation is limited to $25,000 a year unless a person is a professional real estate investor. The Noonans were likely giving up thousands of deductible dollars just to keep their jobs.



Question 4: What Are Your Liabilities?



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



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 about four of them and 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?

And 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 very doable goal because they're feeling trapped and frustrated and so they've stopped 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 consistent, insistent time frame and specific accountabilities, I believe these dreams can come true.

Rick said, "My wife and I would love to take care of the college tuition for my kids and pursue a fun life with no jobs."

I asked him to quantify this.

"Well, I'd like two million dollars to invest and $5,000 a month in passive income."

"$5,000 a month," I asked.

And he said, "Yes, is that too much?"

This is very common. I hear it all the time. People just have no ideas what the reality is for viable returns. If Rick wants $5,000 a month on $2 million, he was looking for a pathetic annual return.

"Rick, I said to him, in my community of wealth builders, we're going for 10, 20, 30% returns. And that's the kind of asset allocation we're doing, aggressive, unconventional, direct. If we don't get those kinds of returns, why are we playing? We don't play, we move on."

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

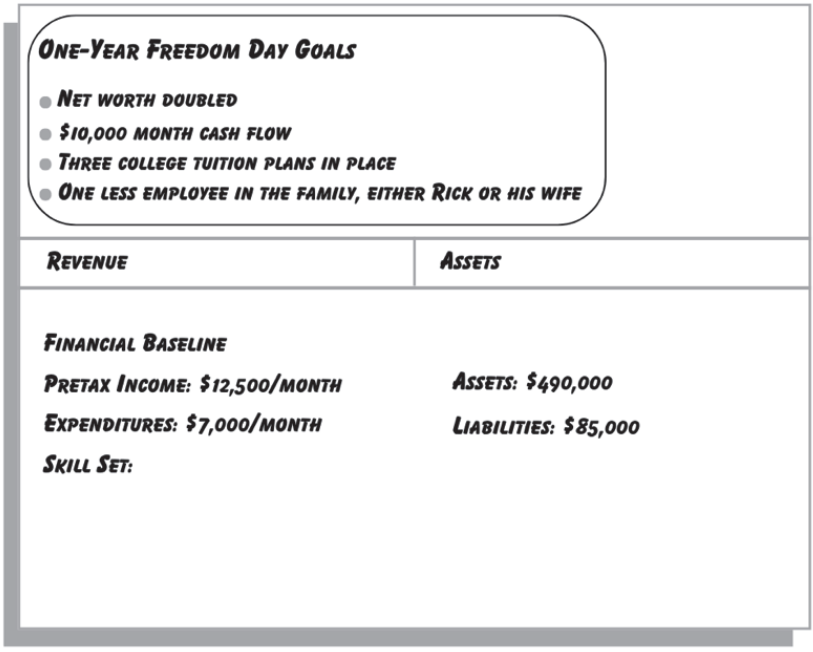
"That's right," I said. "But let's also get realistic. Let's double your net worth from approximately $400,000 to $800,000 and give you a conservative 12% return."

He pulled out his calculator and started punching some numbers. "That's $10,000 a month, and that's double what I said I wanted."

"Is that big enough for you," I asked. I could see him getting a little fidgety and he shifted in his seat.

"Are you guaranteeing me that kind of return?"

I shook my head really fast. "I'm educating you to look for that type of return. I'm your mentor. I'm 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 of 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."



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 the skills?" I asked.

"Basic marketing, I guess," said Rick, "And brand management, budgeting, pricing the product, product development, 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

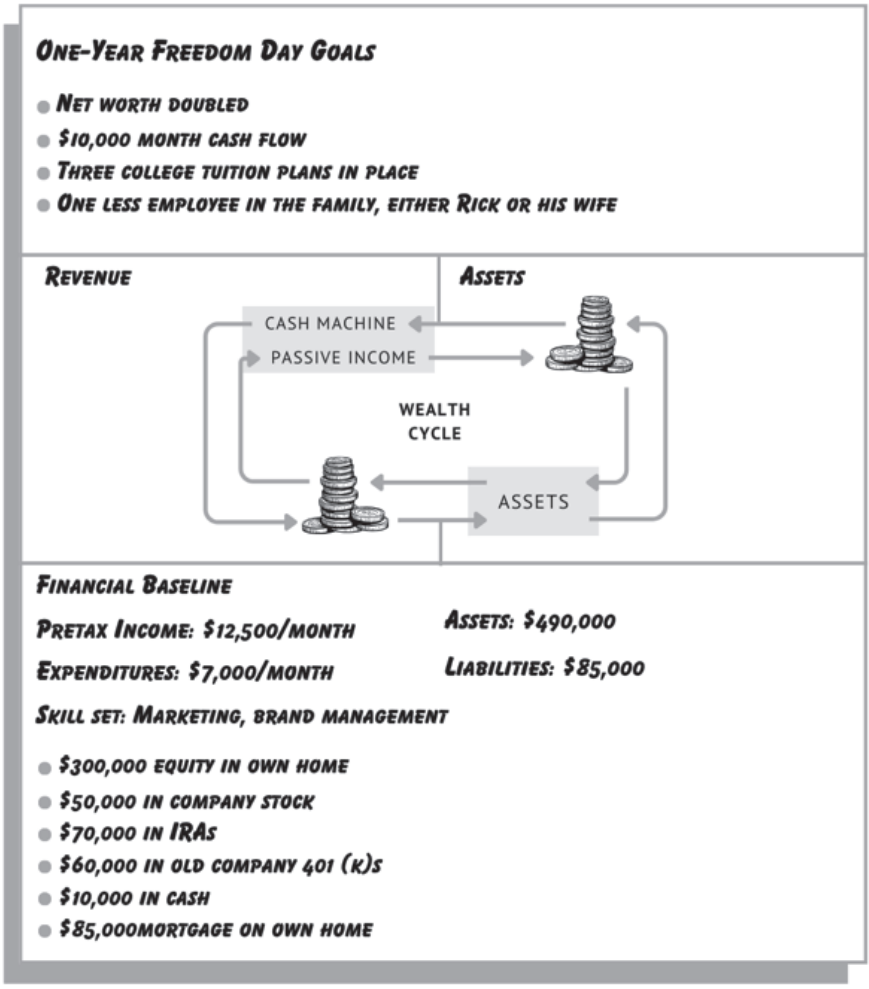
Revenue	Assets
Financial Baseline	
Pretax Income: $12,500/month	Assets: $490,000
Expenditures: $7,000/month	Liabilities: $85,000
Skill set: Marketing, brand management	

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

"Yes," said Rick.

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

Eight questions in eight minutes. Rick's gap analysis looked like this:



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

Gap Analysis → Financial Baseline → Financial 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 very much for him. We need 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.*

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, you order from that 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 CASHFLOW
- THREE COLLEGE TUITION PLANS IN PLACE
- ONE LESS EMPLOYEE IN THE FAMILY, EITHER RICK OR HIS WIFE

REVENUE	ASSETS
PASSIVE INCOME CASH FLOW: $2,800month $600/month $3,000/month APPRECIATION: Year 1: $56,000 Year 2: $67,000	SHIFT $148,000 OF ASSETS • $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 cashflow • $50,000 in four preconstruction houses

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 (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 in an entity, he would be able to deduct several of his expenses associated with the assets, things like the lease on his car, which could

be used 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 create his assets and create more assets until he was finally ready to be a W-2 employee no more. That's when his wealth really took off.

Asset Addicts

Some of these asset allocations may seem daunting and may be 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 online or the printed versions and start engaging in conversations with people in these fields, you're going to see that if people stop talking so fast, if everyone just stopped talking so fast, the simplicity of all of it would start to 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. It's an unofficial program, but it's out there because once you start, though they may seem aggressive, these investment opportunities are legal, they're 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, for me, growing up in a small town, I was

conditioned for this. If we didn't play sports, act in the school play, or help write the newspaper, frankly, 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're always looking for purchases that will provide strong returns. And they'll consider opportunities in many, many different areas. And so 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. And though I understand this focus on one arena and believe it works quite well quite often, I still think it's limited in its thinking. A good wealth builder will increase opportunities many times over by diversifying outside of a specific asset type or sector.

The world of ours will constantly change around you and part of the investing process is an understanding that you cannot be married to a single solitary idea.

You have to be prepared to stay aware, be flexible, and reallocate portions of your portfolio accordingly. For a simple example, let me offer this. 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 care of and charge of your investment strategy in spite of the changes that may occur.

The Team and the Knowledge

Every investment 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, take the lead, you take the lead, in directing your wealth plan. You can't turn this important role over to anyone because no one will look after, care about, or give the attention to your assets that you will. No one will. Nor will they fully understand your investing objectives as well as you do, nor have as much to lose.

In many areas, others will have greater knowledge, more experience, or better insights than you, at least in the beginning. But you must always lead the team. You must always lead your wealth. A good wealth building team should have a business broker who can scout out private placement, leverage 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 people like commercial and residential brokers, project scouts and managers, contractors, builders, developers, and others with tentacles that can reach out into investment opportunities ranging from oil and gas, hey, to ostrich farms, why not? From cash equivalents to collectibles. Regardless of how well you know your brokers or field partners, it's mandatory to have every one of your team who's in the 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're going to 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.

Value, Growth, Income

All investors, all of you 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 a 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're millionaires with no money and you can't eat at your house or take a shingle off to buy a car. Most of us need and want 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 valuable 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 sector. 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 dividend payments. They see appreciation as an asset, kind of like icing on the cake. Many investors are not aggressive, and they favor caution and just want the basic level of security, where 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 more about unconventional approaches. There are those who will buy only in a specific industry or arena or area or look at assets with a minimum or maximum size of valuation.

As you consider the opportunities, you must be sure that they fit in with your money rules, that is your 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 will aid you in shifting through all of the offers that will start to flow your way. Finding

investment opportunities, believe me, is not a problem. They will surface everywhere you look. There's probably someone with a compelling voice and dazzling deal dialing your telephone number right now. The challenge is choosing the right opportunities at the right time.

Active versus Passive Investing

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

1. The active investor has a direct involvement in the investment itself. The active investor may be a general partner and take roles in the management of the business or a particular venture.
2. The passive investor essentially puts up money and relies on other people to do the work. Since you must always lead your Wealth Cycle, this means that you're monitoring the progress and doing it diligently

Surprisingly, most investors do not decide beforehand whether they want to invest actively or passively. But if you don't make that decision, it's going to be made for you by default. Let me give you an example of what I'm talking about. The manager of a property that you own can make decisions without consulting you. Or you could be called upon to contribute time and 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 probably will be a passive and an active investor. Every decision on your overall investment strategy and on each investment will be based on your personal objectives, values, and circumstances. There's 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.

So, let me share the following criteria which is going to help you to decide if you want to be an active or passive investor:

1. Enjoyment of and the interest in that 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, most do not invest in just one thing. They have multiple streams of revenue, and this means they have a systematized and organized structure for each. For each investment you consider, you're going to set up an entity, which is a business that will manage and oversee those investments. There is no getting around the fact that entities are going to help you to accelerate your wealth, to accumulate more wealth. However, you can't just create an entity because you think it's fun to make up the names of companies. The purpose of a business is to create commerce for business activity, such as investing, product development, or a service offering.

In creating a business to focus on investing, you're going to 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, let's say, in oil and gas.

In the process, you're going to diversify your portfolio and you're going to end up with many legal entities that own your investments. By creating your own company or companies, you're 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. This is the strategy to forecast and move towards a Financial Freedom Day that will come sooner and last longer and be bigger and better than any budgeting to retirement plan will ever offer.

Asset Allocation

Too many people believe that if they buy stocks through a broker, they're investing in their wealth. Last time I looked, the stock market was generating single digits, sometimes low double-digit returns. That's interesting, but not very helpful. And though I do own several stocks, stocks that I manage myself, 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% return on my investment, or I could participate in a vitamin manufacturing plant and Watch 48% of my money come back in the first year. These are just some investments direct investments into assets without paying fees and commissions or giving up control to somebody sitting behind a bank of computers. I like managing my own wealth because it's just too much fun. It gives me a sense of security and control and responsibility. And of course, you won't start with these high numbers. When people start to invest, their money sits in a wealth account generating 1 to 3% returns. Then they ramp up their ROIs, their return on investments, to 10, 20, and 30% and maybe beyond. I'm in projects that have 50 percent returns for which I've put up no

money or credit down. But those kinds of deals don't come to beginners. When you look at investments, you need to do so from the perspective of having income goals and asset goals, depending upon whether your objective is to create net worth or cash flow. You should also decide how much money you want to make this year, how much you can invest, and then, based on potential returns, how you're going to 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 the team has to be responsible for him or herself. If you cherry pick your deals based on the appeal of the deal and doing it, rather than choosing deals that strategically fit into your asset plan, you're going to end up with a hodgepodge of assets that really don't make much 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're 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 that you should have. Investing is very personal and only you know which assets match up with your financial objectives and values. I've got 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, things like accounts receivable factoring and mobile homes and tax lien certificates. There is a bounty of asset opportunities and with research you're going to discover them.

I believe that an optimal Wealth Cycle is built on asset allocation strategy, and that contains a diverse blend of assets. If you create a

diverse portfolio, you're not going to be married to a single investment type. So your purchases will be based on potential returns and less influenced by subjective factors. Further, if you diversify, you won't be as badly burned when a particular category spins into a bad cycle, as most investments are likely to do at some point in time. And I can't say it enough, to control a diversified portfolio, you must lead your wealth team. It's essential for you to work with others because you can't do it all expertly yourself.

Creating the Bucket of Rick and Reward

How you diversify your assets is a decision that will depend on you and your situation. I'm often asked how diversified a portfolio should be and what that diversity should look like because I favor more non-traditional 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 that you choose. A top-notch wealth team will help you to look at all of your options and get the expert help and advice that you want, but it starts with you. You might work with the most talented investors in the entire world, but you still need to be reading books and magazines and 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, then they look at the property.

Making your wealth grow is an educational process. As you build wealth, you'll develop new understanding, and you'll 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 don't take riskless gambles.
2. Know the market. Educate yourself. Educate yourself about the 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 going to be 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 could be stunning.
3. Specialize. Become an expert in specific investment areas and specialize within those areas. Learn 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 friends, not your foe. Understand how to read and calculate numbers to analyze investment opportunities. Like everything else in the investment field, the numbers are not that complicated once you learn what they represent and gain experience with them.

6. Follow the rules. Stick to the money rules that 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're 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. And 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 to reap some immediate cash flow depreciation and tax deductions. investment. While it's 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 investment action plan in place and be very clear on your financial goals and goal achievement investment plans.

Many real estate owners and investors begin and suggest others do the same. Given that I live in the mountains, I believe you should live where you want, but invest where it makes sense. In only a few short years, I've developed a diversified portfolio of real estate assets in several states. This 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 real estate and the opportunities. The benefit of national real estate is that by investing with field partners, you get information that's inside, inside information as if you were in your own backyard but you're also diversifying your risk, you leverage a variety of market opportunities and economies and you strategically partner with teams with a vested

interest in the performance of the properties. Further, 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 because 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 investment opportunities and all asset opportunities, you need to get a mentor, get a team, get your know-how before you get on with doing it. Doing real estate right or doing it wrong can be the difference between a very happy day and a very sad one. And though it may seem exciting and productive to buy real estate, holding assets without an entity plan or financial strategy in place is probably going to be detrimental to your broad objective.

I knew a guy once who owned 34 houses and held all of them as rentals. And he'd reached a point where he was losing a lot of money, and the banks wouldn't lend him money anymore. The houses were all in his name and his tax situation was pretty untenable. I worked with him to reverse his financial situation. First, we talked about his psychology 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 to create several separate LLCs, entities, that owned the properties and then an S Corporation that managed them. As a result of creating these entities and using OPM, he was able to borrow again. He was able to double the number of houses he owned and see his colleagues get returns of 8 to 10% on their investments. He continues now to use OPM and bank debt to purchase a dozen or more houses at a time.

There are a variety of opportunities in real estate, some bigger games than others, and as your experience grows, so can your game. You can

consider land development, pre-construction, and pre-foreclosures. Preforeclosures are a great 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. And as she explained, 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 home 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've mentioned including depreciation and the real cash flow I receive monthly, real estate frankly is one of my favorite investments. And though I've lost money on several properties, and I continue to learn as I play this field, overall, I've done pretty well for myself with real estate. There's even a mortgage lender on my wealth team who used to make $52,000 a year who now makes much of that 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 the legwork. to learn to lead it.

The Opportunity for IRAs

Though the money you've locked away in savings through IRAs and pensions, Social Security and other withholding plans must remain out of your hands, frankly there are ways to create even more wealth using IRAs. In recent years, self-directed IRA plans have really blossomed.

If you remember from Chapter 3, there are many kinds of self-directed IRAs at large brokerage firms, but only a handful of true self-directed IRA companies that will support the type of asset allocations we're talking about here.

And as you can guess, perhaps, since I encourage you to manage your own wealth, I'm also going to strongly suggest you move your IRAs 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. 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 of the fees on the house, such as taxes, because incoming expenses flow to ownership.

I have also seen people use IRAs in oil and gas deals, accounts receivable factoring, and a variety of other kinds 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 for other tax-free opportunities. For example, you could invest in educational savings accounts. You can pay for your children's schooling with pre-tax 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 kinds of entities:

~ An LLC for his real estate properties

~ An LLC for his startup company investment
~ An LLC for his four pre-construction houses
~ An S-Corporation for his business
~ A trust to serve as an umbrella for all of his companies and holdings.

We would also consider a C-corporation when Rick's business starts to grow, and we'll discuss that more when we get to 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 could 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 and his Cash Machine and, of course, his 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 particularly solid, and his acceleration at some point in time would start to 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 start to crumble beneath him.

For Rick, the *Wealth Account* step was critical. Without the wealth account was going to feed his Wealth Cycle and keep that money cycling into more money forever and ever.

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 of my child's hair. Rick Noonan had been a company man for years. The idea of venturing out onto his own in a business of his own didn't particularly 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 to run a business. Once you know how to do that, you can have a business in any area, 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."

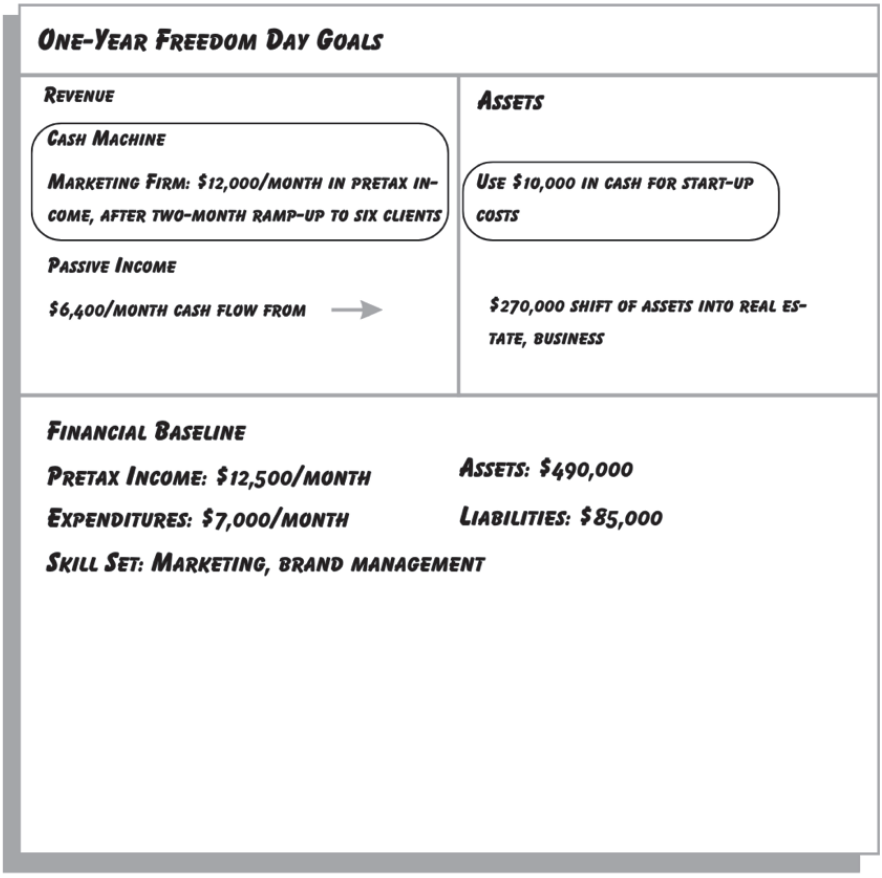
He nodded.

"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," 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 you can make a $250,000 business in the first year. That would mean six clients, each of whom needs about 20 hours of marketing assistance per month. You could charge $200 an hour for these 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 of that, which frankly might be too high, that's $12,000 a month in pre-tax income to you."



If Rick could nail his marketing strategy and get clients, his cash machine could be a $250,000 a year business that potentially generated $120,000 in pre-tax 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 suggested

to him that he put $1,000 a month from the business into three separate educational savings accounts to fund his children's college tuition. So that's a total of $3,000 a month.

Finally, we focused on *Debt Management*. Rick's mortgage was at a low 5% interest rate leveraged against a continuously appreciating 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 that 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 for himself, keeping up the momentum would be really his biggest challenge.

Conditioning was the key to 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 very difficult conversations with his wife, and 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 (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 wealth plan, a mentor to support him in the process, field partners in oil and gas, real estate, small businesses to find those direct and diversified asset allocation opportunities. 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 have 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 cannot be inactive. In order to flourish, it has to grow, and this means more and more income and it must be fed by streams of income. 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 you're going to know it by the name we call it a Cash Machine.

5

THE CASH MACHINE
Learn to Earn

In the Wealth Cycle Process, it's imperative to have a Cash Machine. To do this, you must move out of our permission-based society to make it happen. There's no longer room for you to wait for someone to give you more money. You can increase your income by improving the business you currently have or by starting a new venture. Now wait, stop. I don't want to hear your protest. I know that this may sound like a deal breaker, but I assure you it isn't. I'm talking about a business venture that works comfortably with a skill set you already have. In fact, of the many definitions of wealth I've heard over the years, the one I like best defines wealth as "the act of profuse abundance through the actualization of one's skills and gifts." I believe and use and should use your skills to make money.

Our goal is to take those skills and gifts that you already have and put you in immediate action so you can learn a whole new skill set, that of running your own business. Then when you do become wealthy, you'll have the business skills, marketing, sales, operations, management, and so forth to run your life, which will look a lot like a business, and to

create a business for any widget that winds its way out of your brain. For those of you who already have a business, we'll make sure you get that business revved up so that you're a true marketing machine generating revenue, creating cash.

Here's the sequence:

1. Use a known Skill Set
2. Create a viable Cash Machine
3. Learn business skills.
4. Take those business skills into any arena that you so desire.

In this book, I'm going to teach you how to earn. This will not take over your life; the initial goal is just to create a small venture that will grow slowly. Like the Leonard family, it might already be a hobby that will formalize and develop into a Cash Machine.

Own Your Outcome

I met Patricia Beasley during a Team-Made Millionaire seminar in Philadelphia. Patricia was 40, divorced, and the mother of a teenage daughter. A project manager for a web design firm, she was making about $45,000 a year and was eager to start her own summer camp. She came to the event hoping I'd show her the way. I showed her the way all right, which was away from owning her summer camp, at least for now. That was the right move, but at the wrong time.

As you've seen in each of the Gap Analyses that we've done, the Wealth Cycle Process requires both passive income from Assets and money from a business venture, what we call in this community a Cash Machine, to sustain and continuously create wealth. The Entities and Forecasting chapters will describe the multiple tax advantages open to you once you have established your own business.

Bring Your Brain

Though many people understand that a key catalyst to creating more wealth is to make more money, most people tell me they have no idea how to do that. Most of us were exposed to some aspect of the working world when we were growing up, but most of us never learned to earn. And considering your own options for a Cash Machine, you may have some big dreams, maybe a pie in the sky vision. And although I think you should make it a goal to eventually create a wonderful business venture. When I talk with you about starting your own business, I'm not talking about that, at least not yet. You get to do what you like only, only after you make money and gain business skills doing what you already know. If you've never owned or managed a business before, chances are your skill set is quite limited. You just don't have the experience. I strongly recommend that you start your first business in an area you are familiar with. Then you can take the skills you've learned into the field of your dreams.

Patricia Beasley's Wealth Plan

Patricia answered my 8 questions in eight minutes flat.

Question 1: What is Your Monthly Income?

"Whatever 45,000 divided by 12 is," she said.

One-Year Freedom Day Goals	
Revenue	**Assets**
Financial Baseline	
Pretax Income: $3,750/month	**Assets:**
Expenditures:	**Liabilities:**
Skill Set:	

Question 2: What Are Your Monthly Expenditures?

"Whatever a bit more than $45,000 divided by 12, as you said."

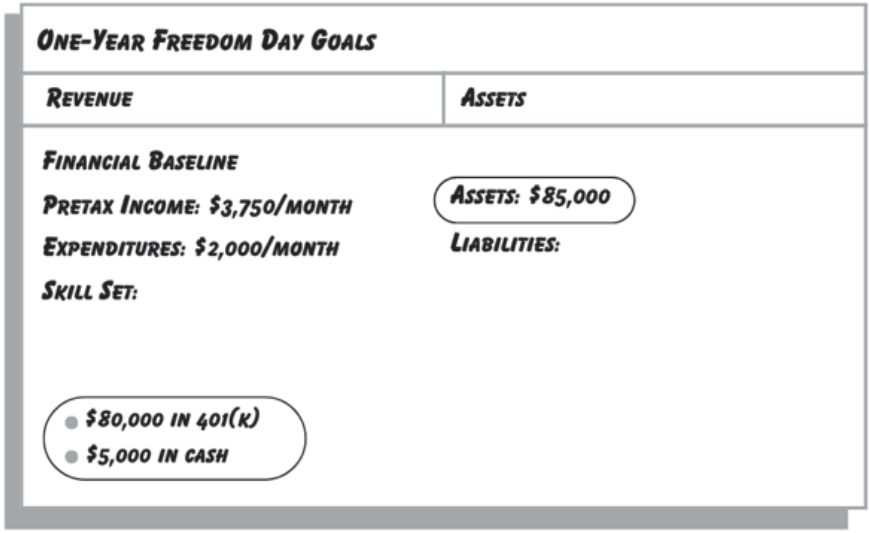
One of the first steps I knew I had to take with Patricia would be to clean up her approach to her financials. People with sloppy personal financial habits have sloppy business habits.

"No, it's more like $2,000 a month," she said quickly.

One-Year Freedom Day Goals	
Revenue	**Assets**
Financial Baseline	
Pretax Income: $3,750/month	**Assets:**
Expenditures: $2,000/month	**Liabilities:**
Skill Set:	

Question 3: What Assets Do You Have?

"I have $80,000 and a 401k at my current job and $5,000 in savings. That's it, I rent my apartment."



Question 4: What Are Your Liabilities?

"I have $10,000 in credit card debt and growing," I'm sure she said.

One-Year Freedom Day Goals

Revenue	Assets
Financial Baseline	
Pretax Income: $3,750/month	**Assets: $85,000**
Expenditures: $2,000/month	**Liabilities: $10,000**
Skill Set:	
$10,000 credit card debt	

Question 5: What Else?

"That's it, really"

"Any IRAs?"

"Who?"

She was serious. I shook my head and went to my sixth question.

Question 6: What Do You Want?

"I'd like ten million dollars and two hundred thousand dollars a month in cash flow."

"You're on fantasy island," I said.

To say that her gap from Financial Baseline to Freedom Day was huge would be a gross understatement. We talked about lowering her one-year financial Freedom Day to a goal that would still create tension and inspire her to move ahead. But that wouldn't feel so daunting that she would quit.

She agreed. "I still have my vision of running a summer camp. A nonprofit for underprivileged kids," she said, almost in a very nervous whisper.

"Stunning," I said. "Now let's bring some reality to your fantasy island."

Though it may not seem so, I was actually very supportive of Patricia's desire to create that non-profit summer camp. In fact, I'm a founding board member of a business called Life School, an outdoor youth education program with a very similar vision.

I believe a huge part of wealth building is philanthropy. Creating your own success and helping others is the most rewarding venture. And if you create communities of people who also believe you have to give to get, you keep the circle around you filled with genuine and sincere people. But if Patricia pursued her nonprofit summer camp before she had her own feet on the ground, they would both sink.

She had the right idea. She just wasn't ready for it. Patricia needed to find her sequencing and do the right thing at the right time. I knew I couldn't get Patricia to a $10 million a year goal. I'm into steady and sure wealth building. That's sustained, not some get-rich-quick scheme that will evaporate as quickly as they're produced. I also knew we would change her life and get her well on her way. So, we wrote in her new, more realistic goals.

One-Year Freedom Day Goals

- Create profitable business
- Get out of debt
- Establish a college fund for her daughter
- Provide $2,000/month of passive income

Revenue	Assets
Financial Baseline	
Pretax Income: $3,750/month	Assets: $85,000
Expenditures: $2,000/month	Liabilities: $10,000
Skill Set:	

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

"I'm a project manager," she said. "So, I oversee the design guys and the technical guys at the web design firm. I drive traffic, organize, administrate, and I'm fluent in techie talk."

ONE-YEAR FREEDOM DAY GOALS

- CREATE PROFITABLE BUSINESS
- GET OUT OF DEBT
- ESTABLISH A COLLEGE FUND FOR HER DAUGHTER
- PROVIDE $2,000/MONTH OF PASSIVE INCOME

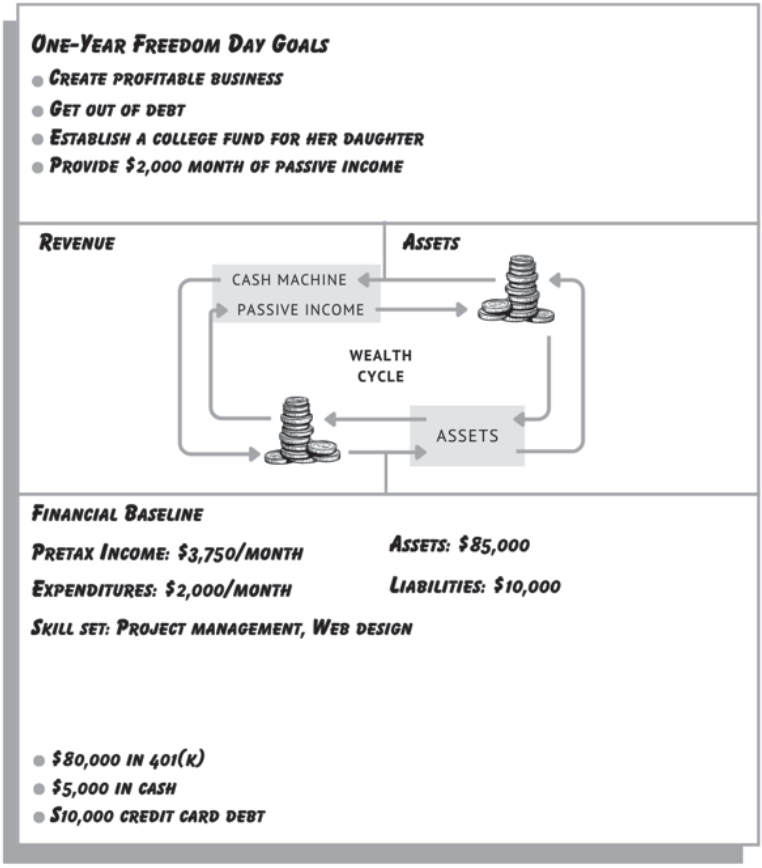
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $3,750/MONTH	ASSETS: $85,000
EXPENDITURES: $2,000/MONTH	LIABILITIES: $10,000
SKILL SET: PROJECT MANAGEMENT, WEB DESIGN	

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

"Yes," Patricia said.

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

Following the eight questions in eight minutes, Patricia's Gap Analysis looked like this:



With no assets available to invest and no huge source of income, I saw the building blocks of Patricia Beasley's Wealth Cycle sequence in this way:

Gap Analysis → Financial Baseline → Freedom Day

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

Leadership + Conditioning +Teamwork

Patricia Beasley's Wealth Plan

The first building block for Patricia in the Wealth Cycle Process was the *Gap Analysis*. In Patricia's Gap Analysis, we uncovered a woman with a lot of ambition but no tangible resources. It seemed to me that Patricia needed to create some money and to do that fast. In order for us to get our hands on some of that $80,000 in the 401k, Patricia would have to quit her job. What a surprise, she shook her head. No, she couldn't quit. "My daughter is at that age where she wants a new pair of jeans every month."

"Let's get your daughter involved in your business so that she can buy her own jeans," I said. "And you can build the business even bigger."

Next came the *Financial Baseline.* Patricia's income was short of her Expenditures. Her credit card debt had to go, and her assets were tied up in qualified money. We were going to have to shake some things up a little bit. As it is with almost every Wealth Cycle Process, Patricia's wealth account was going to work in tandem with her Debt Management. We were both eager to get her into a Five-Step Debt Elimination Plan and establish her Wealth Account as aggressively as possible. We were going to make sure that Patricia's wealth while her debt spiraled down.

Patricia's *Freedom Day* was based on a realistic but still motivating goal, and I could see a wealth plan that within one year would get her to

~ Create a profitable business
~ Get out of debt
~ Establish a college fund for her daughter
~ Earn $2,000 a month in passive income

Her daughter, presumably we're going to assume she's going to work in this business too, would also have her own one-year Freedom Day Goal in the form of an educational savings account.

I also thought Patricia's desire to own and run a summer camp was a worthwhile vision and I was eager to help her to achieve it.

In order to kick off the Wealth Cycle Process, we needed to start with a Cash Machine building block. Patricia needed to make more money. Her skills prompted me to suggest that she create a web design firm as her Cash Machine. In order for her to learn to earn, she needed to use the knowledge and skills she had learned and the relationship she'd built as a project manager at the Web design firm to start her own Web business. And though she found that idea pretty unappealing and seemingly off track from her vision of a summer camp, it would enable her to bridge the gap from business know-nothing to business know-how.

The business must be real, not an esoteric dream, so you can establish a working Cash Machine while gaining valuable expertise. For example. A teacher should start a tutoring company. A computer programmer should start an IT business. A school counselor should start a family and marriage therapy practice. When I left a large corporation and then returned to them as a consultant, I made three times what I was making as a salaried employee. And by the way, to show the reluctance among you that you are not alone, I waited until I was fully vested to leave that company. That wasn't just because I don't like to leave money on the table, it reflected remnants of my own scarcity conditioning.

You must first hone those skills required of a business owner such as marketing, sales, finance, operations, and management before or you can establish the company of your dreams. Whatever you do decide, your first business

1. Should have a low barrier to entry. That means you should be able to have it up and running and possibly generating real money within 24 hours.
2. Shouldn't take more time than you can allot, though perhaps you can get up an hour earlier every day.

3. Shouldn't take more of your capacity than you can allot, though it will be a stretch.
4. Should diversify your income.
5. Should give you a nice return on your investment.

If you have the right job right now that you are totally unwilling to relinquish. I understand, sort of. But you need to consider a transitional plan, a bridge, a bridge out of your job, and into the management of your empire of entities, and your multiple streams of income. This might surprise you. But I don't believe that if you do what you love, the money will follow. Ask any poet about how that's going for him or her and I'm sure you'll be hit up for a loan. I think it's important to hold on to your day job until you can establish a formidable flow of cash from your Wealth Cycle.

Just Say Yes and Figure It Out

Your skill set is the obvious place to look when brainstorming ideas for a cash machine and these are not restricted to just those skills you've most recently used. If you worked as a babysitter when you were young, you could consider a business around daycare. One of the clients I mentioned earlier in our introduction, the receptionist at the law firm who created a successful dog walking business didn't think she had any skill sets she could convert to a business. Then she recalled that during college she had worked at a veterinary hospital and that she felt comfortable around animals.

I also suggest that people look at the market and see what other suppliers have to offer, what distinctions are being valued and what's missing. I created my coaching business when I noticed that financial education speakers were not providing any follow-up support after their seminars. Ultimately, we established the idea of financial coaching in its formal, intense state. And eventually, we became the speakers. But it

was the coaching skill set and this gap in the industry, the lack of post-seminar support that helped me to begin my business. Additionally, I always recommend that my clients think in volume when they're starting a business. It's best to build it once and sell it many times. So always think in group volume, not individual volume. Individual volume will exhaust you. A Cash Machine idea that targets a group, let's say AARP type of folks and its database of clients, rather than every person over 55, is going to be much more profitable and efficient. Joint ventures with others already doing a similar or complementary business are also great inroads for establishing your Cash Machine.

Committed to the Commute

An approach I believe is unproductive is to set up entities and begin a Wealth Cycle but fail to completely transition from your job so you can focus completely on the new venture. package, even though their passive income would really build momentum if they gave it more time and attention. At this point, those day jobs, they don't offer safety and security so much as they represent missed time and opportunity. Even after Rick Noonan started to invest and manage his assets, he remained the classic straddler committed to the commute and his indentured servitude.

The Business Directive

When establishing your business, you must first create a business directive. This will aid you to map out the sequence of steps required to launch your business and create a presentation for possible financing. The directive should include

1. Your vision for the business
2. The business strategies and tactics employed
3. A revenue model
4. Revenue projections

5. A marketing plan
6. Sales strategies
7. Your leadership approach

There are numerous business references to help you to do this. Some are listed in the Resources section. This exercise will not only help you to bridge the gap from your current to your potential skill set, it's also going to serve as good practice for the time when you establish your ultimate business, the one that represents your bigger vision.

Patricia wanted to make money fast so that she could get to her summer camp, but I needed her to agree to two things before she even began. To make the effort to create the web business and to maintain her current lifestyle, keeping expenditures where they were. When I first started my first coaching business, I had some money but not enough to launch a business and I didn't want to go into debt. I made the decision to sell everything I owned except my Jeep and my computer. That first year, my goal was to just replace my salary from the job I'd left. I rented a room to have a little office. I lived with friends, paying a little bit of rent. And I earned my revenue goal in eight months.

Revving Up the Cash Machine Revenue Modeling

Revenue modeling will help you determine if your efforts will see any reward. "Let's see if you could do $100,000 in sales in one year," I said to Patricia. Her jaw dropped, but I started to do the math. Sometimes the numbers really aren't that daunting when you break them down. "If I took a hundred thousand dollars a year and broke that number down into months that's $8,333 which over 20 days a month is $419 a day. If you could charge a $100 an hour and find work for four hours a day that's $400."

"That does seem to be more manageable than $100,000 a year," Patricia said.

Just to be clear, $100,000 business is not the goal. To run a $100,000 business for the rest of your life won't get you to your Freedom Day. You might as well keep that regular job of yours. If you're going to be a wealth builder, you need your business, your Cash Machine to go past a milliondollar business and have others working for you. Then you really accelerate the Wealth Cycle. Patricia needed to focus on finding the personnel and the customers to support 20 hours of work a week at $100 an hour. This would give her $100,000 in gross sales her first year in the business.

Don't Reinvent the Wheel

See who else is doing what you're doing. Chances are someone has done 99% of what you want to do. So go be a good researcher. Find out how he or she are doing it and implement similar tactics. You can even look through the Internet online for a competing business and visit it for advice. If you do this, make sure you pick one in the region far enough away from you so that you don't encroach on their market or cause the owner to be worried about a competitor asking questions. They can be a good source of references later.

Hire Help

In instances where you can pay people to do the work rather than give them equity. Pay them. Ownership of your cash machine is precious.

Marketing

Where I see most entrepreneurs, fail is in marketing their business. They don't know how to get the word out, or if they do, they stop once they get some clients or customers and fail to fill the pipeline.

Marketing usually takes time to rally interest from the target audience and then once the audience comes through the door, you've got to keep

those customers and others coming in. Sending out blast emails and creating her own marketing through a compelling website, Patricia marketed herself as a quick turnaround edgy design firm. She jumped on the connections she had in the web design field and introduced herself to a whole new sector by hiring her daughter to reach out to the younger demographic of both contractors and customers. Patricia's guerrilla marketing tactics allowed her to have nominal startup costs.

Selling

Bringing home the business and asking for the cash is key. I see great marketing efforts where the marketers get the body in the door, but then there's no one there to seal the deal once they're inside.

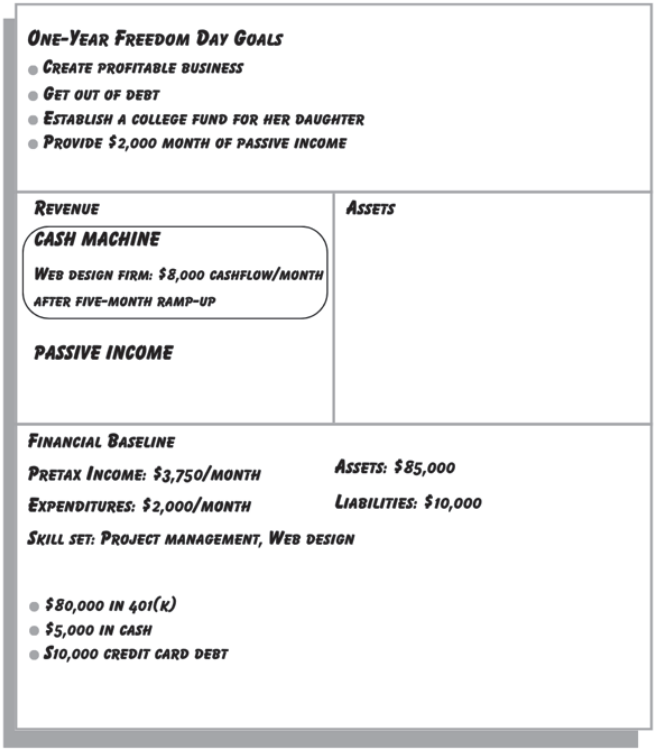
Best Use of Time

I've noticed that for the business owners who can't seem to make a buck, it's usually one of two things. Either their companies are poorly structured with everything that comes in going right back out again in taxes. Or they just don't know how to create more sales. This is where leadership becomes imperative. Most business owners do everything themselves. But for the business to grow, you must delegate. No one is ever going to do it like you do. Let me say that again because I want it to sink in. No one is ever going to do it like you do or be as good as you are. You know, balls are going to drop and you're going to need to train your team to drop the right balls. There's not enough of you to go around. If the task you're doing at the time is not the highest, best use of your time, then it is not the right task. In trying to make money, your number one goal is marketing. You need to find orders, create customers, and keep those customers coming back for more.

I had a client who was working on a business idea for a whole year. Every time I asked to see her progress, she'd show me some colorful

brochure or pricing sheet, and each time I asked her how much money she was making from her business that day, her answer was zero. "But isn't this a beautiful brochure?" she asked. The Wealth Cycle Process is not about great ideas or pretty brochures. It's about getting out on the street and making money as soon as possible. Once you've started a business and learned the business skill set, you can start the process of pursuing your bigger vision. If you don't have a vision for a business, but you want to run one, you can learn about franchise or licensing or network marketing opportunities that might interest you.

With a five-month ramp up, Patricia's web design firm would begin to add $8,000 a month of cash flow to her Wealth Cycle. After earmarking a monthly portion to her Wealth Account, her Debt Management, and her daughter's educational savings account, Patricia would reach her one-year financial day goal of $2,000 a month in passive income.



The next building block in Patricia's Wealth Cycle Process was *Entities*. We set up an LLC for Patricia's web design firm. Eventually, she'd have an entity for her investments and that summer camp of hers.

In *Forecasting*, it was clear that Patricia's new business venture was going to alleviate a lot of her red ink. Not only would her Cash Machine increase her revenue, but she'd also have a legitimate business against which to code her expenditures.

	PERSONAL	LLC WEB DESIGN	TOTAL
REVENUE			
EXPENDITURES			
ASSETS			
LIABILITIES			

By spending with some financial consciousness, Patricia would develop her business, create more cash to pay off her debt, and give her Wealth Cycle, frankly, a better chance to succeed.

The next step was setting up Patricia's Wealth Account. We immediately set up two, one for Patricia's personal account and one as a holding in her LLC. Then she began the wealth account priority payment of $100 a month into each. Frankly, I also encouraged her to reduce the amount of her contribution to her current employers 401(k) and use that additional money to accelerate her Wealth Accounts. As Patricia's businesses would grow, she'd retain more of the cash from her revenue, and she was then able to increase her WAPP to $1,000 a month in each of those two accounts.

For the next building block, *Assets*, Patricia had $85,000 consisting of

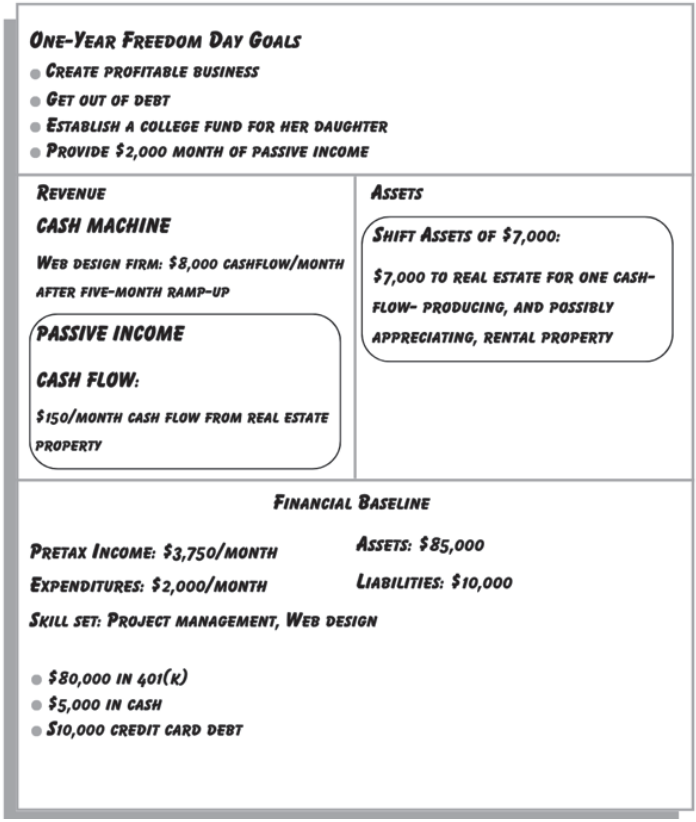
~ $80,000 in a 401k
~$5,000 in cash.

Motivated by her vision for the summer camp, she worked hard to get her clients for her web design company. In six months, she had collected $3,000 in her personal Wealth Account and put another $3,000 in her business's holding account, a corporate Wealth Account that could also begin generating assets.

Since she was still working in her job, Patricia couldn't touch the 401(k). But she was willing to

1. Take $1,000 from her cash account.
2. Use the $3,000 in that holding account.
3. Partner with her LLC and use the $3,000 in that holding account

This came to a total of $7,000, which could then be directly allocated into assets.



By reallocating some of her assets, Patricia had added another $150 to her daughter's college fund. And because it was a real estate property, she had the advantages of depreciation.

She also added another entity to her expense management. Now that she was doing the right thing at the right time, Patricia's Cash Machine provided her with entities that would allow her to retain more of her earnings and put those additional monies towards her Wealth Account and debt management.

	PERSONAL	LLC WEB DESIGN	LLC REAL ESTATE	TOTAL
REVENUE				
EXPENDITURES				
ASSETS				
LIABILITIES				

As Patricia paid into her wealth account, she also began to focus on Debt Management through the Five-Step Debt Elimination Plan. She paid $3,000 towards her debt, the same amount she paid over six months into each of her two Wealth Accounts. Because her web design business was doing so well and Patricia was managing her expenses much better, she was able to substantially lower her $10,000 credit card debt in 12 months and eliminate it all together in two years.

As soon as Patricia decided to stop complaining about having to build a Web design business, I knew that she was committed to *Leadership* and leading her wealth. In order to succeed, Patricia needed to maintain her lifestyle and commit to her Cash Machine. This would mean *Conditioning* herself to take control of her relationship to money. She would also make this shift in mindset easier for her daughter by including her in her business. Patricia would need *Teamwork* to build a strong team to reach her Asset and Cash Machine goals. Clearly

communicating her vision and sharing her passion with others would get them on board.

A Virtual MBA, Only Better

When Patricia was ready to venture beyond her web design company to establish the summer camp, it was as if she had an MBA's worth of life experience. She was miles ahead of where she had been when she first wanted to pursue the option and as a result, she was much more efficient and effective in realizing that vision of hers. And though the company was in essence a non-profit, Patricia structured it as a true business, drawing up a polished and presentable business directive to secure educational grants and personal contributions creating high-quality marketing materials to attract the campers and support fundraising efforts, selecting an advisory board, and hiring a first-rate staff. Only recently, a project manager making $45,000 a year, Patricia had begun to live in a world where she was doing what she wanted to do.

Resources were plentiful. Her leadership was recognized and admired. And her vision had become a reality.

6

ENTITIES
Getting Your House in Order

I met Kerry Kingsley a few years ago before I worked with the television producer, and the Leonard family, and Carrie was about 63 and single and lived in Scottsdale, Arizona. Her kids were grown, and she was on her own. When we met, Kerry had a lot of money from her businesses, but she didn't have any personal wealth and she needed it. Her mother was ailing and needed care. And although Kerry loved her work, there were circumstances that demanded that she work less.

Plan for Abundance

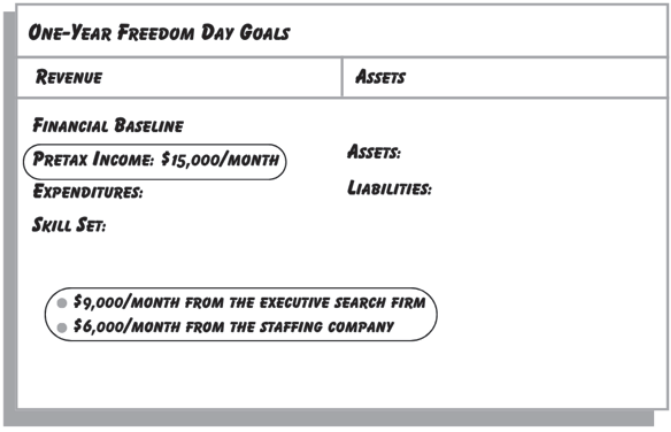
When we met, Carrie had already invested in real estate and she owned two businesses, an executive search firm and a staffing company and in fact, had created entities for these investments in the form of three S-Corporations. But as you're going to see as we get to the explanation of S-Corporations as we proceed through this chapter, the income and expenses from Carrie's businesses were flowing through to her personal income tax return each year. By not properly structuring her businesses, Carrie was setting herself up for a heavy tax burden.

Kerry needed to implement entity structuring that would make better use of tax strategies. When Kerry described her business situation and her entity structure, I said to her, "You need more people, and you need more help." As you'll see, this example provides a very interesting sample sequence of building blocks and underscores the importance of leadership and teamwork in the building blocks of the Wealth Cycle.

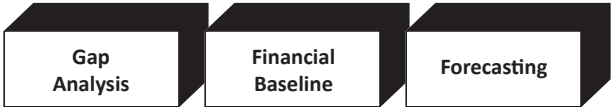
We drew out her schematic for her Gap Analysis and Kerry easily went through our 8 questions in less than eight minutes.

Question 1: What is Your Monthly Income?

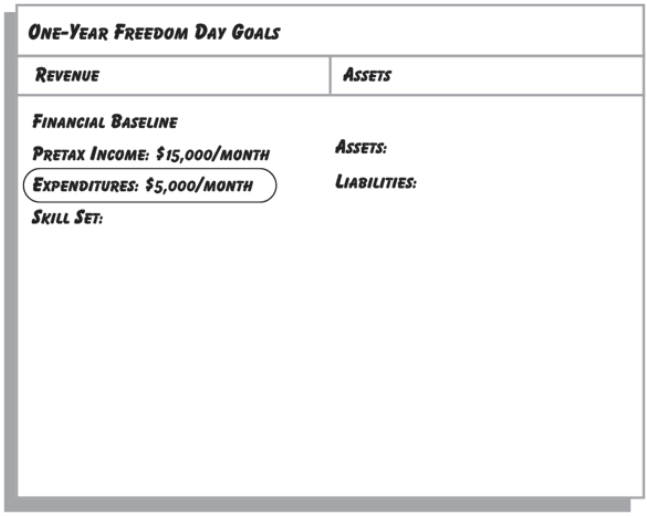
"$15,000 a month."



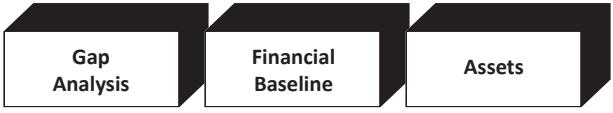
Question 2: What Are Your Monthly Expenditures?



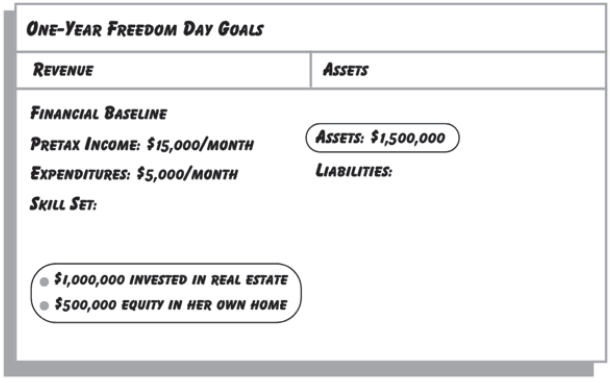
"I spend about $5,000 each month," she said. "After taxes, that's about all I have left." We had to get Kerry to a place where she could retain much more of what she's earning.



Question 3: What Assets Do You Have?

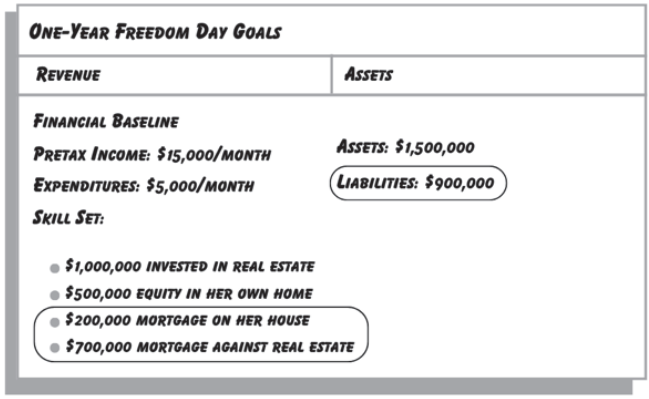


"I have about $1 million in properties, and I have $500,000 of equity in my house."



Question 4: What Are Your Liabilities?

"A $200,000 mortgage on the house and $700,000 in debt on the properties I own."



Question 5: What Else?

"I have $30,000 in a SEP-IRA and well, if you mean like in the bank, I have $125,000 in cash."

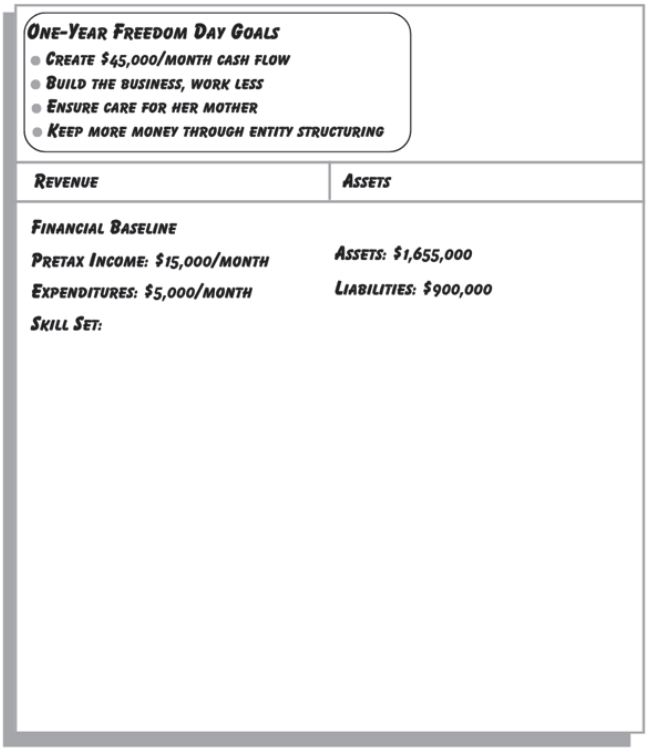
ONE-YEAR FREEDOM DAY GOALS

REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: $15,000/MONTH	ASSETS: $1,655,000
EXPENDITURES: $5,000/MONTH	LIABILITIES: $900,000
SKILL SET:	

- $1,000,000 INVESTED IN REAL ESTATE
- $500,000 EQUITY IN HER OWN HOME
- $200,000 MORTGAGE ON HER HOUSE
- $700,000 MORTGAGE AGAINST REAL ESTATE
- $30,000 IN SEP-IRA
- $125,000 IN CASH

Question 6: What Do You Want?

"I think I'd like three times the amount of monthly cash flow I have now. I'd like to keep more of it and develop my business without working more."



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

"I'm a human resources professional. I have a search firm. I am very good at communicating and networking and taking care of people. That's what I do. I think I do that too much, actually."

One-Year Freedom Day Goals

- Create $45,000/month cash flow
- Build the business, work less
- Ensure care for her mother
- Keep more money through entity structuring

Revenue	Assets
Financial Baseline	
Pretax Income: $15,000/month	Assets: $1,655,000
Expenditures: $5,000/month	Liabilities: $900,000

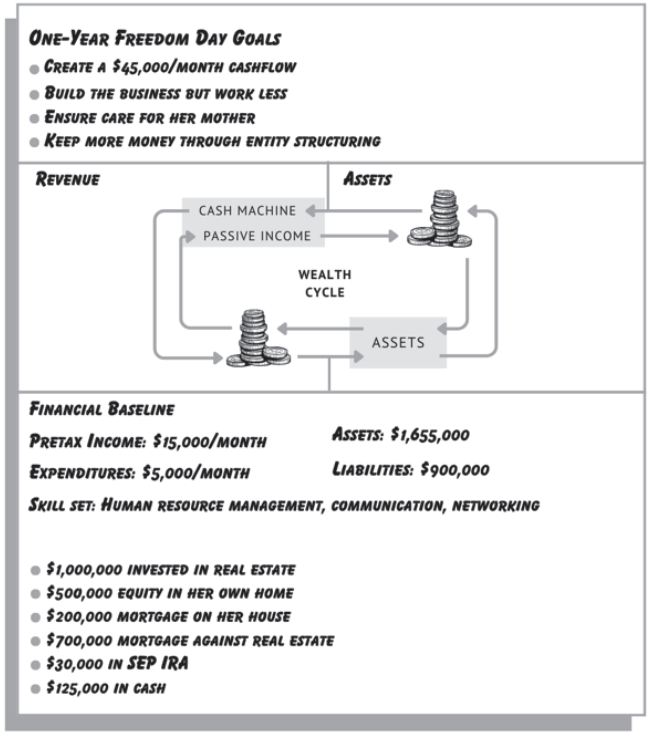
Skill Set: Human resource management, communication, networking

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

"Oh yes," she said. "Absolutely."

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

From these eight questions in less than eight minutes, Kerry's Gap Analysis looks like this:



I saw Kerry's sequence immediately. We needed to fix her entities structure and then make sure that her Cash Machine was making enough money to feed her Wealth Cycle.

Gap Analysis → Financial Baseline → Freedom Day

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

Leadership + Conditioning +Teamwork

Kerry Kingsley's Wealth Plan

With the essential information laid out in front of all of us, we were ready to begin to put her wealth cycle in place. The *Gap Analysis* made it very clear that Kerry was good at making money, she just wasn't very great at keeping it like many of you.

What jumped out at me from Kerry's Financial Baseline was the amount of Income she had in relation to her Assets. She needed a better way to make money and structure her assets.

In terms of identifying a *Freedom Day*, Kerry's goal was to triple her income, which meant $45,000 each month in cash flow. By restructuring her Entities and then shoring up her Cash Machine, she would be able to keep more of her Revenue, build her business, and ensure her mother's care.

Kerry's *Entities* needed immediate attention. Although Kerry was certainly smart enough to put her real estate holdings in a corporate structure, she had chosen the wrong entities. While one S Corporation is a good idea for her business, she needed an LLC for her real estate to protect her against liability.

Additionally, because she made so much money from a Cash Machine, she was getting clobbered every year on taxes that passed through the S Corporation at the end of each year. A good accountant would have explained the importance of creating a C Corporation for one of her companies, for example, the search firm, and maintaining the S Corporation for the other, the staffing firm.

In a C Corporation (a corporation that has elected to be taxed under subchapter C of the Internal Revenue Code), the company's income and expenses stick with the company. Kerry would earn money either from a salary paid by the company or from a dividend or distribution that the company paid to her. Thus, Kerry's search firm, which has assets and employees, could engage in certain tax strategies not available to an S Corporation. The C Corporation could also market and manage

and provide services, operations, and distribution of products for her S Corporation.

The fees the C Corporation would charge would then come out of the S Corporation's pre-tax dollars. Are you following this? The C Corporation would not only have its own expenses to deduct but could end its fiscal year at any time during the year, which would enable her to defer some of those tax obligations.

In addition to increase the revenue generated from her Cash Machine, Kerry was considering adding some products, (for example, human resource training manuals) to her revenue model. The C Corporation could also manage the manufacturing, marketing, and operations. fulfillment, and administration of those products.

The Importance of Entities

If you want to become a millionaire, you need to act like one. Most wealthy people I know have multiple corporations and trusts as well as charities: for example, the Bill and Melinda Gates Foundation. The purpose of these entities is to

1. Maximize tax strategies
2. Create liability protection
3. Ensure asset protection
4. Keep wealth accelerating through multiple streams of revenue.
5. Optimize opportunities. It's imperative.

It is imperative that you understand the available legal entities and their tax implications. By some estimates, there's over 60,000 pages in the tax code. Yet most CPAs in this country use only 50 to 100 of them in serving their clients. That's probably why on April 15, 2005, Americans overpaid billions in taxes. It is your obligation to find a CPA or financial planner who knows how to support your plan. They exist, just ask around. Your mentors are terrific sources for recommendations

and there are several other resources available. If you can't find them, then call our office, call Live Out Loud and we can give you the names of some folks that we know in the community. A good CPA will prove to be one of the most important members of your wealth building team and more importantly, your wealth sustaining team.

As we continue to talk together and move forward to eliminate debt and build your Wealth Cycle. We're going to structure your life as if you are already wealthy. We're creating the structure into which you will welcome your wealth. Money will not come to chaos. Money will not come to chaos, so we have to build a house to welcome and protect your wealth. There's lots of advantages to keeping your money in entities rather than in your personal bank account. The biggest is that you ensure proper asset protection and minimize your risk, giving yourself every opportunity to increase and sustain your asset base and as a result, your wealth. At the very least, you're going to protect your assets, the business, real estate, intellectual property, any proprietary technology, processes, services, or products that you develop.

Further, you protect yourself from personal liability. You create privacy for your wealth. You separate your wealth from the commotion of your personal world and maximize tax strategies within the legal rights prescribed in the tax code.

There are two primary tax structures under U.S. law: one for employees, and one for corporations. As you know employees are taxed on what they earn and usually these taxes are withheld from employees' paychecks. Corporations, on the other hand, manage their own taxes. The management includes deducting appropriate business expenses. In the United States, there are a number of legal structures that may be useful and used by individuals to hold and protect wealth. These are very separate and very distinct from the taxpayers who own them. And each has its own employer identification number, (EIN) unrelated to the individual's Social Security number. The legal protections and tax

implications and personal responsibilities and liabilities differ for each entity. How his or her investments and uses these vehicles can have enormous tax and legal implications.

The following is a brief explanation of these entities that are most commonly used by the wealthy and which, with advice from a lawyer or an accountant, you must consider if you're going to build a Wealth Cycle. Because each state annually changes the regulations for entity structures, the continued advice of an attorney or a CPA is really important in order to stay current. This is going to take some time to find a good lawyer and a good accountant because these people will be an integral factor in your ability to succeed. I'm going to back up. Take the time to find a good lawyer, to find a good accountant, because these people are going to become an integral factor in your ability to succeed. These examples we're going to discuss are available in the United States, yet there are equivalents that exist and operate in many countries around the world.

C Corporations

This is a standard business corporation and represents the most typical structure for a for-profit entity that pays taxes on the income it generates. The C refers to Subchapter C of the IRS code, under which this kind of corporation is taxed. When you form a C corporation, you've created a legal entity separate from yourself and shareholders have no personal liability for the corporation's debts or actions. It acts on its own authority, it files its own taxes, and it can have an unlimited number of shareholders, which in and of itself, they may be legal entities too.

C Corporations own their own assets, they incur their own liabilities, and can provide goods or services. They meet the requirements for about 300 deductible expenses. The fiscal year is flexible in that it can end at any time – typically at the end of a regular calendar year (December 31), or after (March 31, June 30th, or September 30), or for that matter at any time.

These corporations are taxed on their operating income and all dividends are considered taxable income, which means in effect that shareholders of the C Corporation will be double-taxed, with the government first taking a bite out of the corporation's operating income and then, depending upon the tax law at the time, taking another bite out of the dividends paid to the business owners. On the advantage side, however, C Corporations enjoyed the low tax rate on their first $50,000 that the company earns.

Creating a C Corporation and then hiring that corporation to manage other entities is what I suggested to Kerry Kingsley to do. And it can in some cases create opportunities to reallocate cash flow over different fiscal years and also allow various tax deductions.

S Corporations

There are typically smaller corporations, with no more than 75 owners, but like C Corporations, they are legal entities authorized by state law that protect share owners from legal liability. They are sometimes called a subchapter S because they're taxed under the Subchapter S of the IRS code. These corporations pay no income tax. All profit and losses pass straight through to the shareholders, who then assume liability for the taxes. However, the shareholders are not doubly taxed as they are in a C corporation. This makes them a little bit more like a partnership. S Corporations meet the requirements for approximately 150 allowable expense deductions and can be used as part of a multi-corporation strategy. They're also useful for newer businesses in that S-Corporations can flow their losses through to the individual, thus reducing their personal income. Congress and the IRS established this chapter of the tax code to encourage startup businesses by giving the owners the use of these losses against other income. If and when the company starts to earn more income, the owners can easily switch the tax status from subchapter S to Subchapter C.

Limited Partnership

A limited partnership is not a corporation, but a business organization with one or two general partners and one or more limited partners. A limited partnership is an entity created according to the state law and registered and approved by the Secretary of that state in which it is created. A limited partnership must be distinguished from a general partnership, which is not typically a separate tax entity, but rather a pass-through entity, meaning that business income passes through to the partners who then report their share of the profits or losses on their individual returns. In a limited partnership, the general partners are the active investors who manage the business and are liable for all the financial debts and legal obligations. No matter how much or how little of the assets they own. They're responsible for 100% of them. The limited partners are passive investors who share the cash flow, but don't share it in the authority of the business, nor are they exposed to any liability other than the personal risk of their investment. Often the general partner is a corporation. The corporation is responsible for all financial and legal liability, but the people who own the shares of that corporation are not. The assets of the general partner are always at risk. All partners contribute to finance a business, either through cash or something of comparable value such as property or even sweat equity. I find that limited partnerships are useful when the parties involved don't wish to be on equal footing and one party would like to remain passive and unaccountable while others manage the partnership's responsibilities and activities.

Family Limited Partnership

Then we have family limited partnerships (FLPs) which are limited partnerships where the majority of the partners are family members. Pending legislation regarding estate and death taxes. These are powerful entities for protecting a family's assets and as an estate planning tool.

An FLP's structure is the same as a limited partnership, except that the parents or the grandparents put their assets into the partnership, act as the general manager and gift their limited partner interest to their children or grandchildren. In other words, the parents give up their assets but maintain their control. Although income tax liability passes through to partners automatically, cash is distributed only at the discretion of the general partners. In an FLP, children under 14 pay no taxes, but as soon as they turn 14, they take on the burden represented by their proportional ownership of the FLP.

Limited Liability Company

The Limited Liability Company (LLC) is neither a partnership nor a corporation. It's a very particular type of organization that many find combines the best of both corporations and partnerships. As a separate legal entity for liability protection, it has the corporate advantage of limited liability. LLC participants are protected from personal liabilities for LLC debts, except to the extent of their investment in the LLC. The participants of the LLC also receive the partnership-like advantage of passthrough taxation, unless they elect to be taxed as a C Corporation. LLC participants are called members, and though a managing member makes the active business decisions, all the LLC members are treated equally or as agreed upon in their articles of organization or the operating agreement. An LLC is almost identical from both a tax and liability perspective to an S Corporation, but the annual reporting requirements and other flexible tax treatments make them the most popular of entity structures today, particularly for real estate investing.

We're also going to talk about trusts because trusts are also a legal structure. They're used to hold legal titles to property for the benefit of one or more persons.

Trusts

A trust is a legal structure that is used to hold legal title to property for the benefit of one or more persons. There are usually three parties in a trust: (1) the trust creator or grantor, who creates the trust; (2) the trustee, the person or institution holding legal title to the property; and (3) the beneficiary or beneficiaries who are intended to benefit from the trust. The trust serves as a separate entity used for estate planning and sometimes for asset protection purposes. Typically, you're going to find a trust is outside the reach of creditors and inaccessible as a means of satisfying other debt obligations. But only if it's irrevocable, that is, if it cannot be changed by the grantor, which is not always the case. For example, in a family living trust, it could be revocable, allowing the assets to avoid going through probate but provides no liability protection. As a result, if you have a living trust and want asset protection, you may need other constructs or entities to protect you from those liabilities. The trust is also outside the reach of the beneficiaries themselves until a designated date. Trust can also be used in certain cases to pass a certain amount of property along tax-free.

I always recommend that a trust be the umbrella of your entire organization and all your entities so that your trust, and not you, is named as a participant in each of your businesses. From now on, it's not about you making money, it's important to be able to recognize the benefits and limitations of each. So, for example, the entities that allow taxes to pass through, such as the S Corporation, the LLC, and the trust, also provide business continuity after you die. I recommend that you consider several legal entities as part of your wealth structure, each serving as a vehicle for like-type assets. It's important to engage a qualified attorney on your team and follow his or her advice as you lead your wealth creation.

Maximizing Tax Strategies

In my experience, most business owners and investors don't make proper use of legal business deductions. They pay too many deductible business expenses from their personal funds. This failure, because it is a failure, frequently costs them substantial amounts of money that could be invested in their business or perhaps in other wealth-generating assets. The following list identifies some of the typical business expenses that you can deduct to minimize your tax burden. You must have a legal business structure in place in order to take advantage of these deductions. Also, each entity has its own guidelines and legal specifications that determine what can be deducted and how much. Possible business deductions include

~ Utilities
~ Computer equipment
~ Rent for office or home office deduction
~ Phone
~ Office supplies
~ Employee salaries and bonuses
~ Fees for legal, accounting, bookkeeping, coaching, mentoring, and contractors
~ Education
~ Internet
~ Web sites
~ Marketing
~ Entertainment
~ Meals
~ Travel
~ Car, gas, and insurance
~ Corporate housing
~ Gifts

No matter what your situation or strategy, proper documentation and an understanding of your financial situation are mandatory to maximize your wealth building. This entails maintaining precise accounting records. If you wish to deduct the cost of an item from your taxes, you have to justify the deduction by producing the exact cost of the item, the date you purchased it, a description of the purchase, and the business purpose of the purchase. This is where the use of a debit card that itemizes spending or a credit card and a statement pays off. If you immediately pay off the balance of the credit card, that comes in handy. There are some stores that I shop at where I have to go through the checkout line three times each with a different credit card just to keep track.

Again, through mentors and other experts that you trust, you're going to find a great financial advisor, a CPA, or tax strategist to assist you with this process. Though you must always lead your team, you're not handing that off to anybody else. Though you're going to lead your team by keeping track of your records as well as highlighting key pieces you think might be helpful, there is no need for you to study all of the intricacies of the entity structuring. There are professionals that you can and should turn to so that you can spend your time generating more money. Unfortunately, there are also plenty of advisors and consultants out there who just don't know as much as other advisors and consultants. So, with the help of trusted associates and mentors, you can, and you will find the best professionals available for you and your business. These entities, the creation of which is an ongoing process, provide the structure into which your money can flow. It's important to understand exactly how to manage them through forecasting.

Back to Kerry's Wealth Plan

Given that Kerry has made a lot of money and retained very little of it, *Forecasting* would be an important building block in her Wealth

Cycle. My team and I advised Kerry to keep just one of her three S Corporations, park another for later use and get rid of the third. Then we arranged for her to create an LLC for her real estate and a C Corporation for her executive search firm. After completing the forecasting step, Kerry's expense management plan looked like this:

	PERSONAL	S CORP STAFFING	LLC REAL ESTATE	C CORP SEARCH FIRM	TOTAL
REVENUE					
EXPENDITURES					
ASSETS					
LIABILITIES					

Though Kerry's business was doing well, we both thought as a Cash Machine it could be improved. She had created some products to sell along with her services, but they weren't creating a lot of cash, certainly not the cash she had hoped for. So, we put a marketing plan in place and also bundled some of the products with her services to generate interest. Kerry redid her business directive and focused on her marketing and her distribution. Further, she set up another business just for the marketing of her product to help her better manage her expenses and keep the product and service expenses from mingling. The acceleration of her marketing and sales efforts within five months tripled her business from $15,000 a month to $45,000.

Right after Kerry fired her existing CPA, she went out and hired a new one and we set up her personal wealth account and several holding accounts for each of her entities. She was going to gear up her investment in assets and needed to create her own bank in order to keep up with herself. In terms of assets, remember Kerry had a total of $1,655,000, which consisted of

~ $1,000,000 invested in real estate

~ $500,000 equity in her own home
~ $30,000 in. SEP
~ $125,000 in cash

Plus, Kerry was willing to

1. Take $200,000 of the equity out of her house
2. Take $100,000 of equity from her other real estate holdings through a refinancing
3. Shift $30,000 from her IRAs into a true self-directed IRA
4. Move $100,000 of her cash to a better income-producing asset

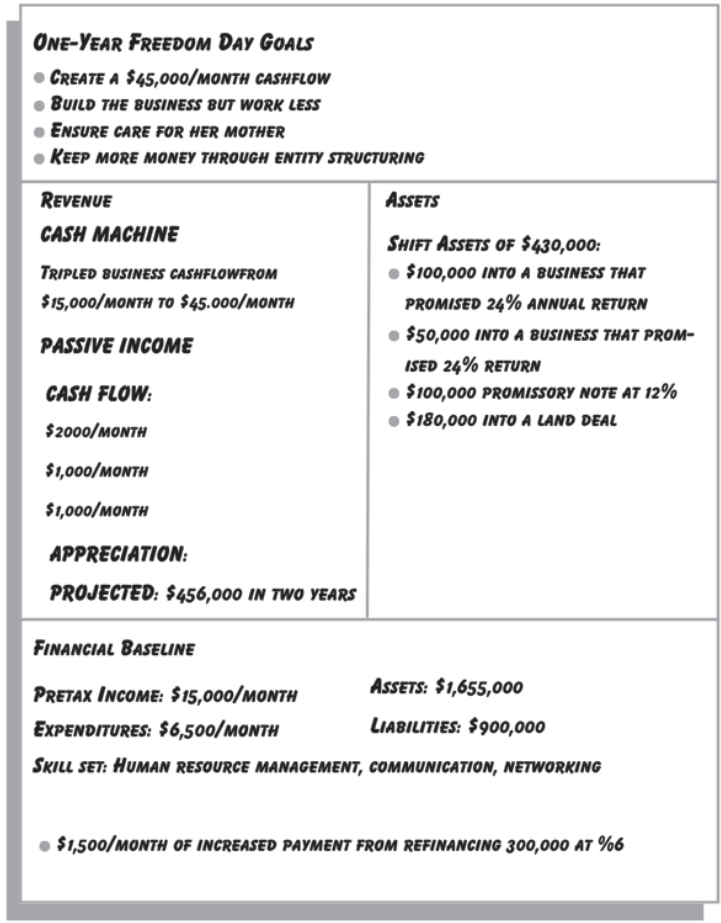
All of this totaled $430,000 that could be directly allocated into a range of unconventional and aggressive income-generating assets.

Because Kerry was already so heavily invested in real estate, she wanted to diversify her assets a bit, which is a smart choice. She had a few field partners who were starting new businesses, both of which promised immediate cash flow, potential appreciation, and depreciation. Since Kerry had a net worth that gave her accredited status with the IRS and the SEC, I was supportive of her aggressive approach.

Kerry would receive $4,000 a month in passive income. $2,000 a month of this sum would be used to hire additional care for her mother. Kerry's efforts to increase her Cash Machine would now be supplemented without her having to lift a finger. In terms of debt management, Kerry had a low-interest fixed-rate mortgage that didn't need to go anywhere, and her credit cards didn't carry a balance.

Kerry's *Conditioning* was to be a caretaker. She obviously felt responsible for a lot of people, and her ailing mother was probably at the top of that list. If she was to succeed in managing her Cash Machine, Kerry had to let go of her propensity to do everything herself and get some help through *Teamwork*. In establishing a team, your standards should be high. Kerry needed to take a *Leadership* role. It's important to scrutinize the experts to make sure that you chose the best professionals

for your specific needs. Kerry had been getting some bad advice on her entity structuring. I've seen way too many accountants who are confused about how to properly structure entities and who in fact create more problems than they solve. Additionally, I've seen certified financial planners who can't think beyond their training or their fees and commissions to be able to help their clients utilize the optimal investment vehicles and strategies.



One of the biggest problems I see in wealth building is that people tend to hold back and wait until they feel they need expert advice. That is, they wait until they have some wealth to worry about when really,

they should start to do it in the early stages of wealth building. A good team can help you from making mistakes that cost you time and money when you're in the learning curve. Even if you're just starting out on your journey to wealth, your objective is to build and lead the best team you can, one made up of leading-edge professionals and experts. You don't need to hire them all now, but you can start to identify who you need and how you can connect with them.

Worrying about the Right Things Now.

Once Kerry had her entities in place and properly structured, she was able to focus on building her cash machine and fueling her Wealth Cycle. Good advice did wonders for that stress level of hers. Getting the entities right was the first challenge. Then the focus was all about staying diligent in leading her expenses and forecasting strategies.

7

FORECASTING
The Right Stuff In the Right Bucket

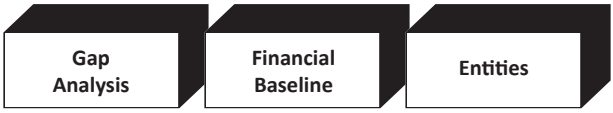
In the Wealth Cycle Process, you're going to deliberately and purposefully plan how you're going to spend your money. Rather than looking at your current obligations to see how far you can stretch your earnings, forecasting pushes you away from the constrained world of small expectations into your greater, grander, and very doable vision. In order to forecast, you need to break out your revenues and expenses into personal and business, perhaps multiple businesses, and categories. The initial effort should be to maximize your tax strategies by creating entities and making sure to deduct all of your legitimate business expenses instead of carrying them on the back of your personal accounts. Every time I worked for a company, I always had another source of revenue, a Cash Machine, so that I could forecast my legitimate business expenses through an entity and maximize my tax advantages. For example, when I worked for the oil company, I also had a personal health and fitness business, and I had clients, and I made about an extra $1,000 a month to keep my tax strategy going.

The Leaky Bucket

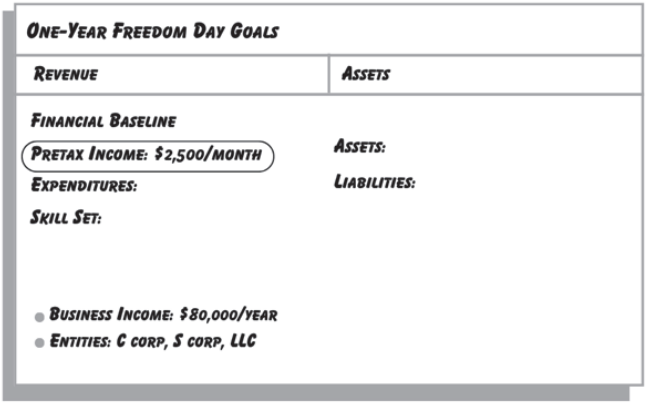
Jim Quinlan was a personal trainer in Topeka, Kansas. He was 25 and single, and he thought his personal training business was doing pretty well, but apparently it wasn't doing well enough, because he could barely pay his rent. In fact, he was losing money every month.

"I thought I was smart," he said. "I set up all these companies to protect myself, you know, because it's a personal fitness company and I don't want liability, but I'm still making no money. I'm running my company as an LLC, and then I also have an S Corp and a C Corp, but I don't really use them for anything. I don't know why I have them."

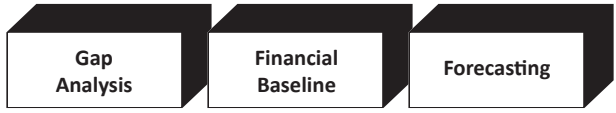
Question 1: What is Your Monthly Income?



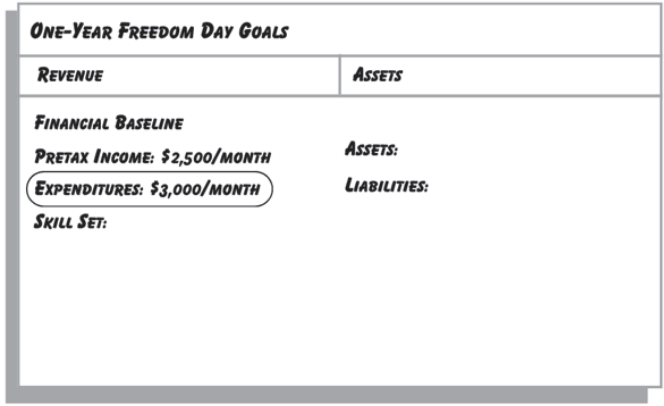
"My business grosses $80,000 a year and I pay myself $625 a week and pay personal income tax on that."



Question 2: What Are Your Monthly Expenditures?

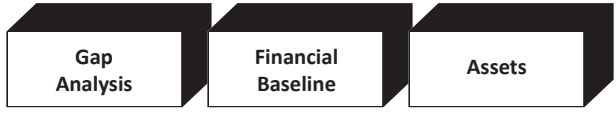


"I spend about $3,000 a month," Jim said. "For personal, that's not business stuff."

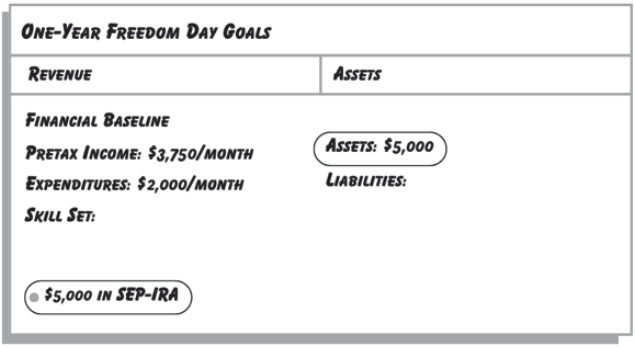


Jim Quinlan's finances were upside down. His expenditures plus his taxes were greater than his income. His company made $80,000 a year and he was probably paying half of it in taxes, because he wasn't properly using his entities. Once we taught Jim how to forecast, he'd be retaining a lot more of his revenue and quickly get right side up.

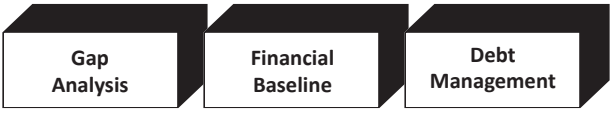
Question 3: What Assets Do You Have?



"My business, I guess. "Though it's just me and a few weights. I have a whopping $5,000 in a SEP I created and that's it. I rent my apartment.



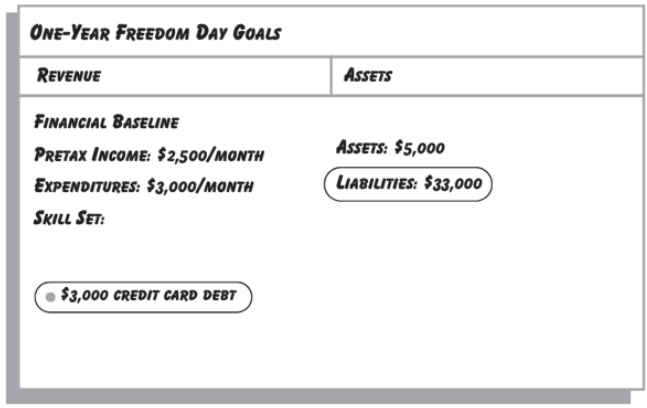
Question 4: What Are Your Liabilities?



"I owe some money on my business, about $30,000. For the storefront I've been leasing and for some marketing and equipment, stuff like that."

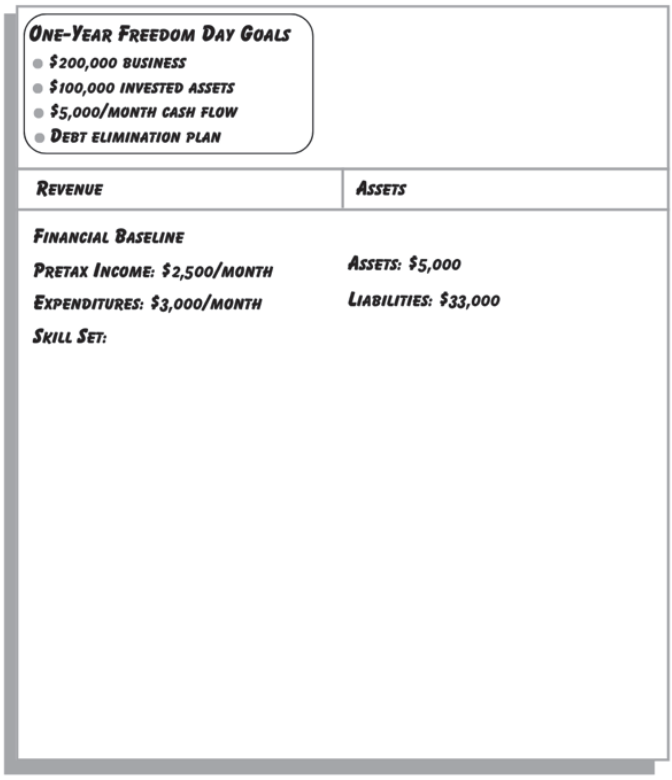
Question 5: What Else?

"I seem to always have about three thousand dollars on my credit card. I can't get it off of there."



Question 6: What Do You Want?

"I think I'd like some money. I'd actually like to touch and see the money I make; you know?" I did know, exactly. "I think I could be making $200,000 in my business, maybe start creating some products to sell, get to where I have $100,000 in new invested assets, and I'd like to have some cash flow of about $5,000 a month that I can actually touch, and I'd like to get that debt way down."



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

"I'm a personal trainer," he said. "I know physiology and nutrition and I have good people skills. And I organize and run my business. Budgeting and stuff. A little marketing. Obviously not enough."

One-Year Freedom Day Goals

- $200,000 business
- $100,000 invested assets
- $5,000/month cash flow
- Debt elimination plan

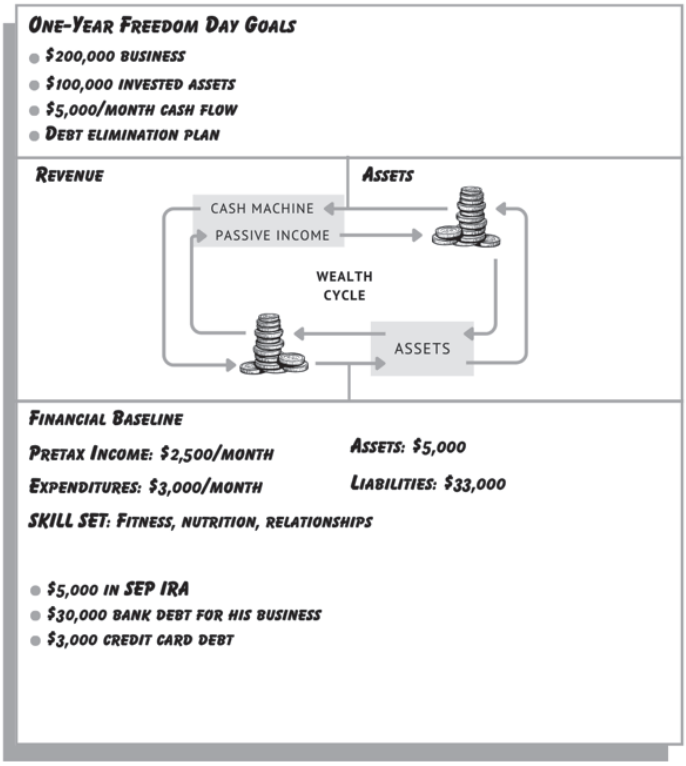
Revenue	Assets
Financial Baseline	
Pretax Income: $2,500/month	Assets: $5,000
Expenditures: $3,000/month	Liabilities: $33,000

Skill Set: Fitness, nutrition, relationships

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

"Yes," said Jim.

From these eight questions, this is what Jim's Gap Analysis looked like this:



Jim needed some help with his sequencing. He was doing some of the right things, but only at the wrong times, the most dangerous maneuver in wealth building. He was using the LLC for his business, which meant he was probably paying too much self-employment tax, and he'd not correctly managed his spending forecast. Jim needed some help with expense management and increasing his business revenue.

Gap Analysis → Financial Baseline → Freedom Day

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

Conditioning + Teamwork +Leadership

Jim Quinlin's Wealth Plan

According to his *Gap Analysis*, Jim was the victim of taxable money. And though Jim was not paying his taxes with employee status, it was in fact paying his taxes as a corporate entity, he was not utilizing the entities correctly. And he still had too much money and liability going through his personal accounts.

Jim needed to increase the money he was making and keep more of it. The *Financial Baseline* objective would be to better align his entities with his business model so that each represented a bucket into which the proper revenue went in, and the proper expenses came out. His revenue wasn't going into the right buckets, and he was most likely therefore paying a whole bunch of extra tax. But if you don't pattern your money, it gets held up. You won't get taxed right, nor will you grow. Each person has to develop his or her pattern, but once it's established and you execute within that pattern, you'll own it. And every time you need to accelerate your Wealth Cycle, you'll adjust the pattern.

Jim's business was making enough money for me to think that he could make much, much more. Plus, he was coming to my team and me for coaching at 25. At 25, the guy had ambition and the perspective to know that he needed help to get to where he wanted to go. This was driving Jim towards his *Freedom Day*.

Jim needed to run his personal training business out of his S Corporation and make better use of his C Corporation. Once we went through the Forecasting step, it was clear to me that he needed to create another Cash Machine such as a network marketing company that sells nutritional supplements to fuel his personal training business. This would be the C Corporation.

The C-Corporation would manage and market that new business, as well as provide services for the S-Corporation, such as the purchase of equipment and products.

Jim would also have to ask his CPA to transition his LLC so it could be used for a planned real estate transaction. Forecasting is about creating a paper trail and keeping it simple. For this, Jim needed a chart of accounts for each of his entities to provide him with the maximum tax strategies and a chart for expense management.

	PERSONAL	S CORP PERSONAL TRAINING	C CORP NETWORK MARKETING COMPANY	LLC FOR FUTURE REAL ESTATE	TOTAL
REVENUE					
EXPENDITURES					
ASSETS					
LIABILITIES					

These examples reflect how the entities you create play a vital and interdependent role in your capacity to manage your expenses and focus on your wealth building. In my personal experience, this step is where the majority of people need the most support. But once they've mastered it, it's the area they find the easiest to maintain. And once again, an experienced wealth team will help you to do this correctly.

	PERSONAL	S CORP	C CORP	LLC
REVENUES				
SAVINGS INTEREST				
TRAINING PRODUCTS				
TRAINING ADMINISTRATIVE				
INVESTMENTS				
GROSS REVENUES				
EXPENDITURES				
WEALTH ACCOUNT				
COST OF GOODS				
STOREFRONT LEASE				
HOME OFFICE				
HOME ASSOC. FEES				
UTILITIES				
WATER				
SEWAGE				
ELECTRICITY				
AUTO EXPENSES:				
LLC				
LEASE				
INSURANCE				
GAS/PARKING				
PERSONAL				
LEASE				
INSURANCE				
GAS/PARKING				
EDUCATION				
OTHER				

Conscious Spending

Forecasting is done every month in order to chart exactly how much you're spending and what you're spending it on. Examples include housing, education, clothes, food, debt payments. This will help you to see exactly where your money is going. Software programs can be a great way to track spending. The optimal approach to listing your monthly spending is to remember, if in doubt, do not leave it out. Points are earned for the most improved, so make it as bad as you can, be brutally honest and inclusive.

	MONTHLY AMOUNT	
SPENDING CATEGORY	**CURRENT**	**FORECASTED**
WEALTH ACCOUNT PRIORITY PAYMENTS		
PERSONAL		
S CORP, HOLDING ACCOUNT		
C CORP, HOLDING ACCOUNT		
LLC, HOLDING ACCOUNT		
DEBT JUMP-START ALLOCATION		
EMERGENCY FUND (3 MONTHS' INCOME IN SAVINGS)		
COST OF GOODS		

CREDIT CARD PAYMENTS
NO. 1
NO. 2
COLLEGE FUND
TAXES
RENT
DAY CARE
CAR PAYMENT 1
CAR PAYMENT 2
UTILITIES
CABLE
CELL PHONE
LOAN
HEALTH CARE
FOOD
GAS
ENTERTAINMENT
OTHER
OTHER
OTHER
TOTAL EXPENSE
TOTAL INCOME
DIFFERENCE ADD INTO A WEALTH ACCOUNT OR DEBT JUMP-START)

Now that you have your current spending habits spelled out in front of you, you can rebuild them to work towards achieving your goals. By purposefully forecasting your spending, you're going to use every single penny that you have to its full advantage. Detail where you most spend money and how much you have to spend in each instance. This will consist of items you need to live. of essentials, you want to see which numbers are shouting out as too big. Maybe you go out to dinner a lot. Maybe you see a lot of movies. Maybe you go to the gym and buy

a lot of energy drinks. This might direct you to areas in which you are overspending. Try to narrow in on old spending habits that just don't make any sense anymore to see how much money you can free up.

Spending can no longer be an unconscious or thoughtless act, fueled by the conditioning of your subconscious self. Now that you've come to see how to have a healthy relationship to money and generate wealth, you must be more thoughtful in your approach to your expenses. Again, it doesn't mean giving everything up that you love. It doesn't mean giving up your latte every day. It does mean becoming conscious of some of the over and under allocations that may have slipped your attention. Then in the forecast column, reallocate your money to get where you want to go. Now that you understand Lifestyle Cycles versus Wealth Cycles, you can make a conscious choice to rescue the money from the depths of poor spending and put it into a Wealth Account as well as towards eliminating debt. I always suggest that people spend with intention, not with emotion. There can't be changes to the plan just because, oh, I like that. You have to have an emotional money pool, but you should limit the amount in the pool. When you truly forecast, you'll want all of your money to be allocated to a spending category. The difference line item should be zero. If each cent is purposely spent, you eliminate emotional spending and recondition your mindset and your relationship to money.

Forecasting is a strategic and ongoing process that changes as you and your finances grow. Without forecasting, you're going to continue to overpay in taxes, you're going to spend emotionally, and you're going to squander some money.

This is a vital and important strategic step in creating wealth. The monthly amount chart gives you a glimpse of the type of high-end tactics you'll come to understand as you advance in your wealth building. Right now, this probably seems foreign to you because you haven't really learned it yet. it yet but plotting through will start conditioning you for your future wealth.

Back to Jim's Wealth Plan

I had more than a few ideas of how Jim could increase his Cash Machine to reach his goal of $200,000 a year. He was currently charging about $60 an hour per client. To make $80,000 a year meant he was billing just under 30 hours of training each week.

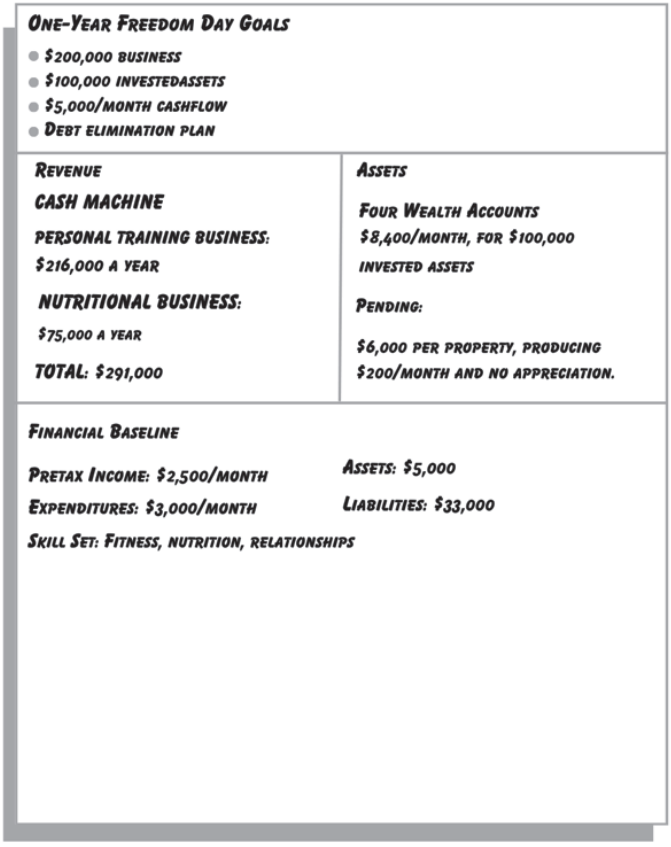
I wasn't convinced that Jim could raise his rate by too much in Topeka, Kansas. But if he could include nutritional consulting in his training, he could probably adjust his rate to $75 an hour. He could also increase his billable hours to 60 hours a week by hiring another trainer. With these new numbers, Jim's business could easily gross $216,000 a year. Now, by selling nutritional products, Jim's revenue would also increase, and his restructured spending forecast would allow him to keep more of it. I also suggested that Jim invest in producing training videos and scout Topeka for more corporate accounts.

In terms of *Debt Management*, Jim had two levels of debt to contend with. Senior bank debt at 12% and credit card debt at 18% interest. With his entities properly structured and his Cash Machine ramped up, Jim's company was creating and retaining more money. Jim eliminated his credit card debt through our Five-Step Debt Elimination Plan. Then he went to work on paying off his business loan.

The *Wealth Account* step would be Jim's key to achieving $100,000 in invested assets in one year. In Jim's forecasting, he needed to include a WAPP, his WAPP, for his personal Wealth Account, as well as a WAPP for holding accounts in each of his three companies, and he needed to contribute about $2,100 a month into each of these four accounts. This amplification of his wealth accounts would position Jim to build to $100,000 in direct asset allocation within one year.

Jim had $5,000 in assets, which consisted solely of the money in his SEP IRA. With that, he wanted to take the $5,000 out of his SEP and put it into a true self-directed IRA, but he didn't want to use that money for asset allocation until he was ready to accelerate his Wealth Cycle. Jim

decided to wait until he had $6,000 in the holding account of at least one of businesses and then he would use that money to invest in real estate.



In terms of *Entities*, Jim had

~ The LLC, the S Corp and the C Corp established for his personal business.

Jim needed to

~ Identify the S Corporation for his business (personal training)
~ Use the C Corporation for his network marketing company, the training videos, and to market his personal training business.

He called a CPA and instructed her to

~ Transition his personal training to a C corporation from the LLC
~ Use the LLC for a planned real estate transaction
~ Establish a trust to serve as an umbrella for all his companies and holdings

These modifications to Jim's entities would drastically change his forecasting and help him to retain more money. By shifting his conditioning, that is his thought process on forecasting and entity structuring, Jim Quinlan was able to retain more of his earnings and become focused on making more money, by that I mean plump up his Cash Machine, Jim needed to (1) make a commitment to work harder on his business and (2) maintain his lifestyle and expenditures at their current level.

Kind of a Lone Ranger out in the Kansas plains, Jim realized he had to focus on *Teamwork* and set about putting a good team in place. His CPA had let him down and he needed to find a better one. In addition, there were hundreds of personal trainers in Topeka who'd already made the mistakes Jim was making. He needed to find a mentor.

Jim had the insight to realize that his finances might not be quite right.

By realizing this and taking responsibility to build his wealth, Jim took the *Leadership* initiative on reaching his goals. And one of the most important steps that he took was establishing his Wealth Account and eliminating his debt. These are the life-changing building blocks at the heart, the heart of the Wealth Cycle Process.

By cleaning up his house, reorganizing his tax strategies, and pumping up his Cash Machine, Jim engaged and accelerated his Wealth Cycle. That leaky bucket, that leaky bucket that I mentioned earlier is a common problem in wealth building and easily fixed with the proper use of entities and forecasting. The improvement of these building blocks also helped Jim to amplify his wealth accounts, which was a huge boost to any Wealth Cycle.

8

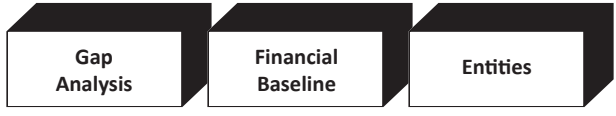
WAPP
It's All About Me

There's no getting around the fact that most of us grew up thinking that we should follow and operate as follows. Make money and then spend money. But that's not the only way to do it. You should not buy a lifestyle. You buy cash flow-producing assets and then you get a lifestyle. That's the proper sequencing.

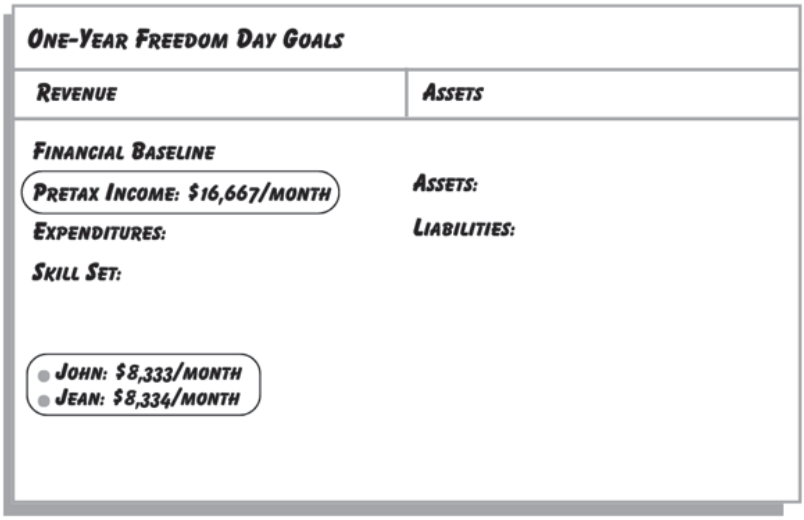
Big Leased Lifestyle

John and Jean Jones, both in their late fifties, from Cincinnati, Ohio, and they had the "make money, spend money" equation down pat. Not to mention they were psychologically invested in looking pretty and staying poor. We'd break them of this psychology.

Question 1: What is Your Monthly Income?



"We each make $100,000 a year, so together it's over $16,000 a month," John said.



Question 2: What Are Your Monthly Expenditures?

Jean looked at John, embarrassed, but gave him a little nudge with her elbow to answer. John said, "A lot. We have three nice cars we lease, and we pay a monthly financing fee on our motorboat at our lake house."

"We also have season tickets to the Reds baseball teams that we don't ever use," said Jean.

John chipped in, "We could go on fewer vacations."

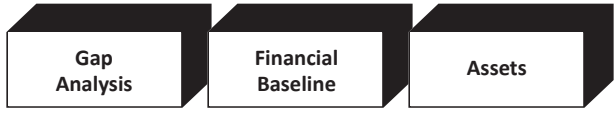
"No, we can't," she said. "But we certainly don't need to own the entire Sharper Image catalog." She turned to me. "We have every new gadget that's ever been invented."

Thinking she might let some of those gadgets fly at John, I waved my hands and said, "What are your monthly expenditures?"

"All that we make after taxes for sure, plus we charge a lot, it's $10,000 a month easily," Jean said.

One-Year Freedom Day Goals	
Revenue	**Assets**
Financial Baseline	
Pretax Income: $16,667/month	**Assets:**
Expenditures: $10,000/month	**Liabilities:**
Skill Set:	

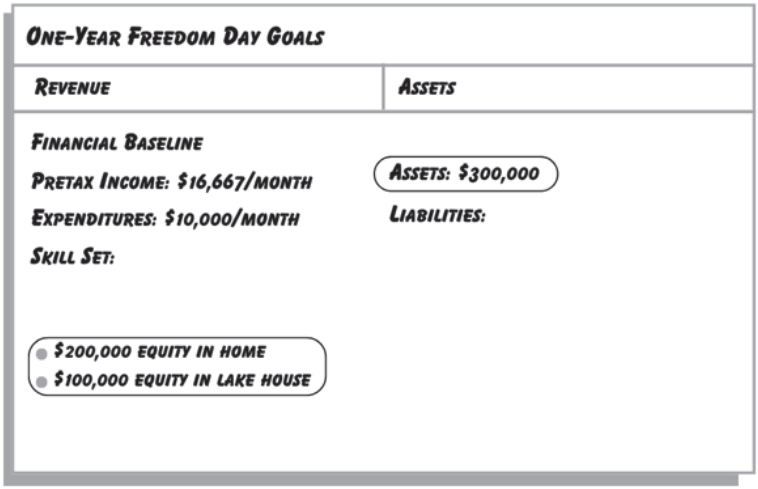
Question 3: What Assets Do You Have?



"We have a four-bedroom house in an affluent suburb in Cincinnati and probably about $200,000 equity built up in that. And our lake house has about $100,000 in equity now," Jean said. Jean said "We'd have a lot more if we'd pulled some of the equity to buy the boat. And the boat and the SUV to pull it, and…"

"I'm not sure that's the point, Jean," John said.

"Ah, in your case," I said, "it's exactly the point."

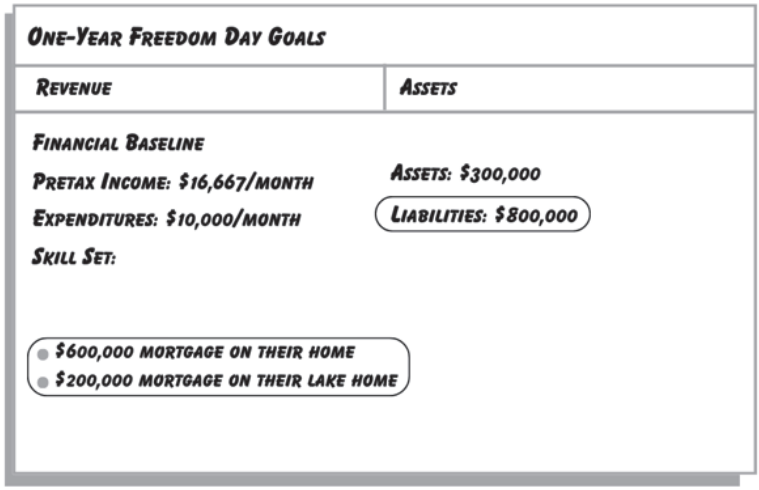


Question 4: What Are Your Liabilities?

"Him," Jean said.

To his credit, John smiled, "Our liabilities seem endless," John said.

"We have $600,000 in mortgage still on our house, and we have a $200,000 mortgage on our lake house," Jean said.



Question 5: What Else?

"We have our IRAs. There's $200,000 there from our jobs and we have six investment properties that we own personally that we bought down near a resort in Kentucky. They're appreciating; we got them for $1million dollars five years ago, about $167,000 each and they're worth $250,000 now. That's $1.5 million now."

"We get a monthly income on them too," Jean said.

"But we pay more than that for mortgage and taxes. So, I guess you'd say we're underwater on that," John said.

"I would. But the other bonus is that you're not getting the full depreciation benefit a professional real estate investor would get because you still have your job."

John cocked his head, not happy.

"Oh, we have $12,000 in credit card debt," Jean said. "Did you mean that, too?"

ONE-YEAR FREEDOM DAY GOALS

REVENUE	ASSETS

FINANCIAL BASELINE

PRETAX INCOME: $16,667/MONTH

EXPENDITURES: $11,200/MONTH

ASSETS: $1,200,000

LIABILITIES: $1,612,000

SKILL SET:

- $200,000 EQUITY IN HOME
- $100,000 EQUITY IN LAKE HOUSE
- $700,000 EQUITY IN SIX INVESTMENT PROPERTIES (PURCHASED AT $167,000 EACH; NOW WORTH $250,000 EACH)
- $200,000 IN COMPANY IRAS
- $600,000 MORTGAGE ON THEIR HOME
- $200,000 MORTGAGE ON THEIR LAKE HOME
- $800,000 MORTGAGE ON SIX INVESTMENT PROPERTIES
- $12,000 CREDIT CARD DEBT
- $1,200/MONTH ($200 EACH) NEGATIVE CASH FLOW TO MAINTAIN THE RESORT PROPERTIES

Question 6: What Do You Want?

Jean said, "We'd like a path out of this trap.

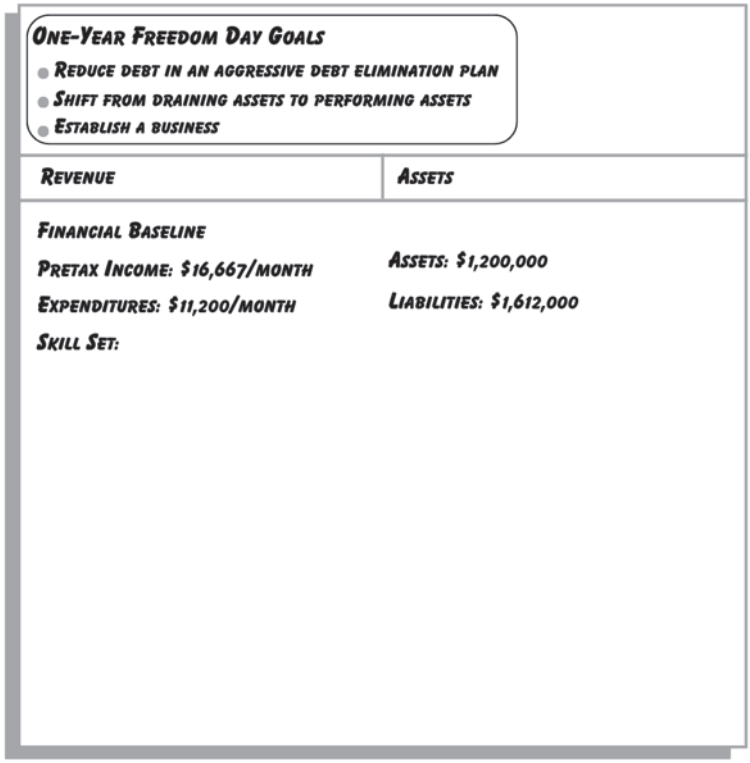
John added, "No debt.

"Assets that perform," said Jean.

John said, "I'd like not to work."

"Me, too," said Jean.

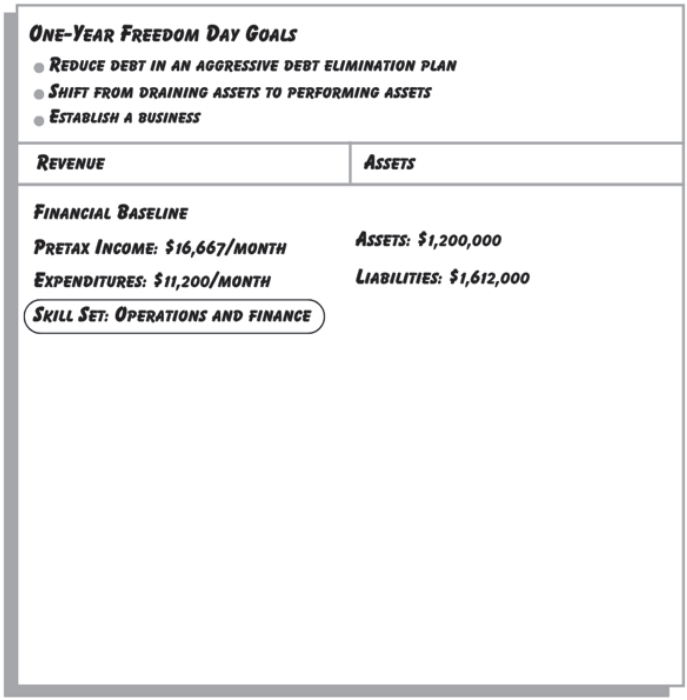
I knew that just getting them balanced was going to be a challenge. These people were huge retail therapy addicts. Their behavior was so debilitating given their goals. We just had to get them going in the right direction.



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

"I don't think we have any skills," Jean laughed. "We both work for a huge transportation company here."

"I'm an operation guy, and Jean does the finance for them."



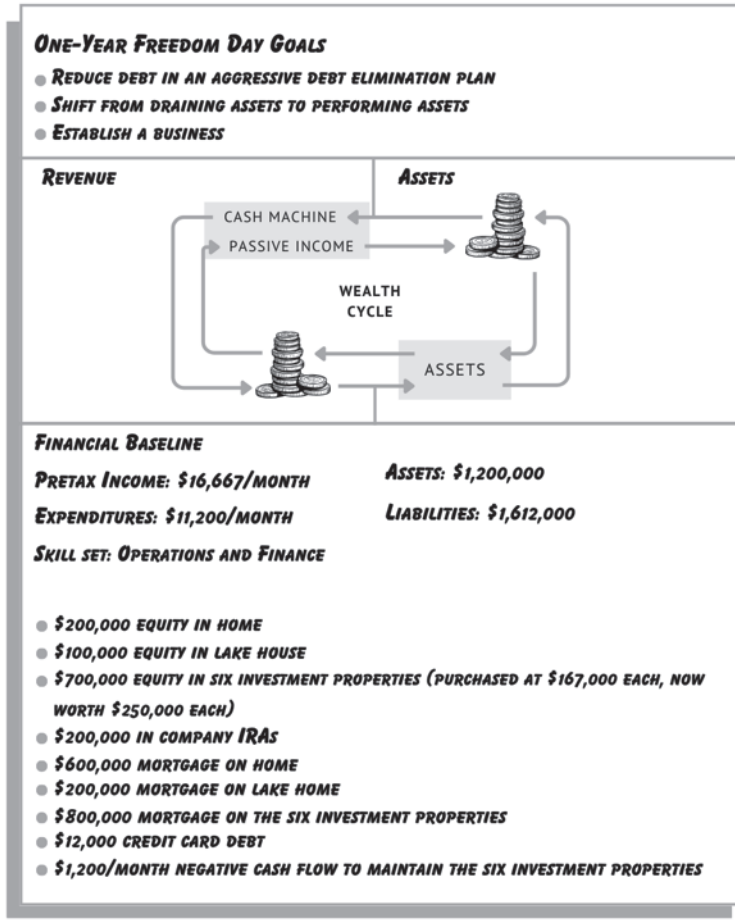
Question 8: Are You Willing to Create and Execute the Wealth Cycle Process?

"Yes," said Jean.

"Yes, yes, yes," John said.

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

From the eight questions and eight minutes, the Jones' Gap Analysis looks like this:



At this rate, the Joneses were never going to keep up with themselves. I saw the sequence of their building blocks as follows:

Gap Analysis → Financial Baseline → Freedom Day

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

Leadership + Conditioning +Teamwork

Jean and John Jones's Wealth Plan

Based on their *Gap Analysis*, it was pretty clear to me that Jean and John had a lot of the right things going on, but definitely at the wrong times. A little delayed gratification would do them a whole lot of good. The first thing that popped out at us from the analysis was that their six rental properties were part of their personal finances. Their *Financial Baseline* showed that they needed entities. Then we'd allocate their assets and teach them how to invest money before they spend it.

I'll say it again: money does not come to chaos. Holding six rental properties in a personal checking account causes chaos and works against being able to identify a *Freedom Day*. We immediately took care of the entity building block. This is what I call a 911. We called one of our CPAs and we set up two LLCs for the Joneses' properties, establishing a trust to protect all of their assets. We also set up an S Corporation for the Cash Machine I knew Jean was going to create.

Though a lot of spending was a lot of spending, through *Forecasting* it was evident that Jean and John also had some legitimate business expenditures that were being paid with post-tax dollars. They needed better expense management as well as some conscious spending. For example, they were going to real estate seminars to learn how to better forecast and manage their expending. Given their investment, these seminars are tax expenses, but the couple hadn't deducted them. And because Jean and John chose to remain in their salary jobs while investing in real estate, they were missing out on another huge tax strategy. Depreciation is a valuable accounting tool and depreciation deductions can be used to reduce taxable income. Because they own property without being professional real estate investors, Jean and John could account for only $25,000 of depreciation on the six houses they had in Kentucky. Income generating residential property is depreciated over 271/2 years, the Joneses could enjoy straight-line depreciation ($1,000,000/27.5) of $36,000 a year on $1million dollar cost of their

houses. That means losing $11,000 a year, $55,000 so far… to keep their jobs.

"Which one of you is going to quit your job?" I asked. They both raised their hands.

	PERSONAL	S CORP REAL ESTATE, BUSINESS	LLC PROPERTIES	LLC PROPERTIES	TOTAL
REVENUE					
EXPENDITURES					
ASSETS					
LIABILITIES					

Jean and John had a lot of Assets, along with their liabilities. Of their assets, they had $1.2 million that could be invested, including

~ $200,000 equity in home
~ $100,000 equity in lake house
~ $700,000 equity in their six investment properties
~ $200,000 in IRAs

They were willing to

~ Take the $700,000 of equity out of their investment properties by selling the six properties
~ They were willing to take $700,000 of equity out of their investment properties by selling the six properties.

The five years of appreciation of the Kentucky properties was not worth the drain on their cash. They could utilize the cash deferred strategy of a 1031 like-kind exchange that allows a property owner to sell property and reinvest proceeds into ownership of like-kind properties and defer the capital gains. I recommended two cash-flow producing commercial properties.

One-Year Freedom Day Goals

- Reduce debt in an aggressive debt elimination plan
- Shift from draining assets to performing assets
- Establish a business

Revenue	Assets
Passive Income	Shift Assets of $700,000:
Cash Flow: $3,333/month $3,750/month	• $400,000 into a $2 million commercial rental property with 10% return • $300,000 into a $1.5 million commercial rental property with 15% return

Financial Baseline

Pretax Income: $16,667/month
Expenditures: $11,200/month
Skill Set: Operations and Finance

Assets: $1,200,000
Liabilities: $1,612,000

Trading up their assets from one cash-draining asset into two cash flow-producing assets had a few benefits for John and Jean Jones. (1) It would create deductions in the form of depreciation of $25,000 a year. (2) It would likely appreciate value. (3) Instead of being underwater, Jean and John Jones now had just over $7,000 of additional income a month in their first year. This would be a useful infusion into their Wealth Account and in Debt Management.

We had to focus on Jean and John's attitude towards money and create a new habit for them. The Wealth Account habit. The thing in between the making of the money and the spending of the money is the outstanding and simple step of paying yourself first. To put their Wealth Cycle in motion, the Joneses needed to set up an interest-bearing wealth account, something like a brokerage account or a relatively high interestbearing account, let's say 3%, from which they could draw to invest in rewarding ventures.

WAPP: The Wealth Account Priority Payment

Pay yourself first is what the wealthy do, and one that should be followed under all circumstances no matter what. It simply means to take a portion of your earnings and invest it. This payment is a specific amount paid consistently come rain or come shine, though this is an old concept. It's too often not understood. I've even heard financial advisors confuse this with putting money into savings. I've also heard financial advisors who tell people not to invest any money until they pay off their debt. The concept of pay yourself first is about creating wealth to run circles around your debt so that you can then spiral up your wealth and easily pay off your debt. In race car lingo, you literally "lap" your debt. Those who don't understand or misunderstand this concept often live in a mindset of fear, the exact scarcity of thinking that got many of us to this point in the first place.

WAPP is about putting your income into a Wealth Account designated for investing and nothing else. That means you need to set up a wealth account and get yourself into the habit of making a Wealth Account Priority Payment, a WAPP, every month, preferably at an amount automatically withdrawn from your paycheck, to work in assets that generate cash flow. That cash flow will pay off your debt, which will release you from your debt cycle forever.

How the Wealth Account Works

Here's how a wealth account works. Once you've established the account, you pay a minimum amount into it on a scheduled basis. So, the amount, I don't care whether it's $10, $20, $100, $200, $300, $1,000, whatever, monthly, weekly, this is at your discretion. I found that monthly is the easiest. The amount you invest is not nearly as important as starting the process right now, right now. The key to building wealth is to start early and do it often and that means right now. The biggest mistake

people make is waiting until they've accumulated a lot of cash or have identified a very particular investment. This way of thinking is going to hold you back from paying yourself first, building the account, and amassing what you need to invest. This step is imperative. It must be done and done now. I would post this in neon across every billboard across America if it would make it any clearer to you. Every day you don't invest in yourself compounds into days that you're not creating wealth. It's very similar to the compound interest you're creating when you sit on debt. As the wealth account grows, you're going to find yourself becoming more aware of investment opportunities and even better, able to actually consider them.

Though this may seem counterintuitive, priority payment means priority payment, which means you really and truly must pay into your Wealth Account first, before you pay your bills, before you pay your creditors, or anyone else or anything else. Consider it the equivalent of your mortgage, your child support, or any other financial obligation that you have. If you can only afford to put $10 a month in, that's alright. You're going to be amazed at how quickly your wealth is going to spiral up.

It is helpful to instruct your financial institution to transfer money from your main account to your wealth account via automatic debit systems. With automatic transfers, you don't have to worry about forgetting to make payments into your wealth account. You won't have to make the decision every month. And you won't have to deal with the deposit slips or the postage or the ATM or the application on your phone. You should also set up all of your accounts online so you can review them at any time and at your convenience and make account-to-account transfers. Most financial institutions offer online banking at no additional charge these days. It's very current and very modern.

Again, as awkward as this might seem to you right now and as uncomfortable as it may be to do, the Wealth Account is the priority

payment of the month. Even in the tightest months, pay into your Wealth Account first. This has to be done as regularly as breathing. Even if you're in debt, deposit a portion of your earnings into your Wealth Account now. Remember, the amount you pay each period doesn't matter. The important factor is to form the habit of regularly depositing money into your Wealth Account and building funds to invest in your future.

I believe you should consider setting aside 10% of your income into your Wealth Account. That may seem like a lot, but there are people who belong to certain communities, religions, organizations, and groups that require this kind of tiding, and the members manage to accomplish it. The government takes a third of your earnings from your paycheck, and you manage to live with that. Add one more bite out of your paycheck and tie it to your own assets. Doing this can become the same habit as not doing this.

Back to the Joneses' Wealth Plan

Though Gene and John Jones had very healthy salaries, they were missing out on a good tax strategy by not having their own business. A *Cash Machine* would allow them to quit their jobs, increase their earnings through their own motivation and take advantage of all the depreciation they could enjoy from their real estate investment properties. Without much background knowledge, John and Jean invested in real estate and doubled their money. I wondered what more they could do if they actually invested in some time in learning. Instead of babysitting non-performing assets, Jean and John could actually nurture some real growth in income. Fortunately, Jean liked buying real estate. She had strong financial skills and I suggest she take some classes to learn more about buying land and properties. I didn't think it was necessary for her to get her license just to advance her skills. The couple was now bringing in just over seven thousand dollars a month in passive income

and John had an income of $8,333 a month. They had about $15,000 a month they could live on without Jean's salary, which had been replaced by the shift in assets and entity structuring. Given that John knew operations and Jean knew finance, they decided they could create a business advising companies on operational efficiencies and they were up and running with one client in their first week. Jean quit her job and became a professional real estate investor, and John stayed in his until the Cash Machine ramped up and the Wealth Cycle was in motion and accelerating.

John and Jean needed to change their lifestyle. They had horrible spending habits. Now that they had two Wealth Accounts established, one for their personal account and one for each of their businesses. They would be making monthly WAPPs, but they needed to focus on *Debt Management* by making equal payments into the debt elimination plan. Since they were still making only what they had made before, they needed to manage their lifestyle better. They had already reduced $1,200 in monthly expenses by selling the six Kentucky properties, but they'd need to do a little bit more than that. I strongly pushed and pushed them to work on their *Forecasting* which would get them in the habit of conscious spending. While Five-Step Debt Elimination Plan. As Jean built up their real estate business and they both committed to a more managed lifestyle, they were able to commit a large portion of their passive income to pay down their $12,000 credit card debt. If that debt was going to stay gone, Jean and John needed a lot of coaching on their *Conditioning*. They seemed to have no regard for their money and were very partial to immediate gratification.

Talking was not going to do the trick. I knew that once the couple started to take action by shifting assets, establishing their entities, forecasting their spending, building their Cash Machine, and managing their wealth and debt, they would become more aware of the value of the dollar. Nothing conditions the brain to invest like a nice, steady

return on investments. As they began to learn more and more about the Wealth Cycle Process, John and Jean switched from retail therapy addicts to asset addicts and focused on the teamwork needed to keep the Wealth Cycle moving. They began to understand the opportunity cost of spending a dollar versus investing it and their shared objective helped them keep each other accountable with their wealth team.

Soon enough we had the Joneses set up with the appropriate entities. They were forecasting their spending so as to be more conscious spenders and also retain more of their income, and they reallocated many of their assets to create more passive income. They also erased that bad debt. In understanding and succeeding in all of these areas, the Joneses indicated that they also understood buying assets and living the life.

Buying the Assets, Living the Life

With a shift in attitude, a shift in assets and an introduction to the very important concept of WAPP and the Wealth Account, John and Jean Jones were stepping in strong to the Wealth Cycle Process. By focusing on buying assets instead of buying a lifestyle, John and Jean were going to have a bigger life than they'd ever thought possible and a lot less stress.

The Lifestyle Cycle takes its toll, providing short-term retail therapy for long-term worry. The new mindset of the Joneses had to be keeping up with their wealth and letting the lifestyle The new mindset of the Joneses had to be keeping up with their wealth and letting the lifestyle follow. Of course, the success of their plan would be contingent on their capacity for debt management.

9

DEBT MANAGEMENT
Bad Debt Has Got to Go

A multiple-choice question for you: $8,700 is

A. Just above the U.S. median family income back in 1963
B. Larger than the 2004 per capita income in Oman, Chile, Argentina, Morocco, and over 100 other countries ranked by the World Bank
C. The average spent per pupil in 2003 for a public high school education in Shasta County, California
D. The average personal credit card debt in the United States
E. All of the above

The answer, of course, is E.

That much personal credit card debt is a lot of spending before it's earned and a whole lot of catching up that needs to be done. The culture has dictated this urgency of consumption, and it's hard not to subscribe to the idea of immediate gratification. But it's undermining our capacity

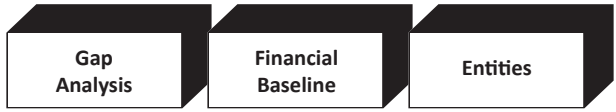
to generate wealth. In order to set the foundation for the Wealth Cycle, we need to eliminate your debt. And we will.

To clarify, we're talking about bad debt only. That means consumer debt, such as high credit card debt that you've acquired by buying perishable items. We're not talking about good debt, things like low interest borrowing that you've done to finance a mortgage or perhaps student loans with the interest deductible against your business operations. If you're leveraging debt against an asset, such as your house or your business, then we're going to leave that debt alone. It's bad debt that has to go. And this is going to be done without declaring bankruptcy, which in almost every single case that I've ever seen is an unnecessary step, and without using those debt aggregating programs which promise to get you out of debt with one easy monthly payment, but usually end up costing you much more money and time than if you did it yourself. In this process, we're going to show you how to shrink your bad debt to zero while simultaneously creating cash flow to take care of your expenditures for the rest of your life. Sounds like a pretty good chapter, doesn't it? Once you realize that cash flow is king and queen, you're going to come to understand that if you focus on creating that cash flow, you're never again going to have to worry about your expenses overwhelming your income. Unfortunately, Chuck Wallace wasn't there yet.

Lap Your Debt

A 30-year-old math teacher in the Woodlands, Texas, just outside of Houston, with a baby and a wife at home, Chuck came to our Live Out Loud community several years ago.

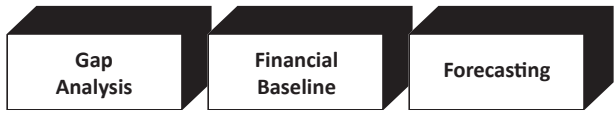
Question 1: What is Your Monthly Income?



"I make $3,333 a month."

One-Year Freedom Day Goals	
Revenue	Assets
Financial Baseline Pretax Income: $3,333/month Expenditures: Skill Set:	Assets: Liabilities:

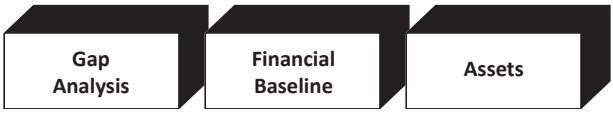
Question 2: What Are Your Monthly Expenditures?



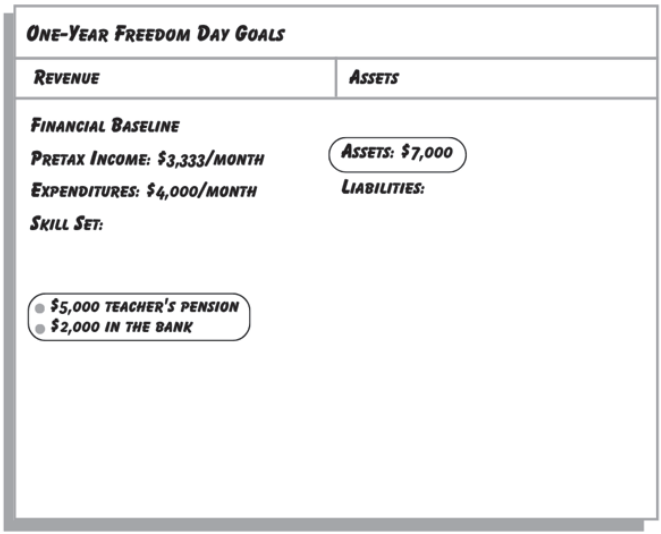
"With the new baby, I'd say we're easily up to $4,000 a month."

One-Year Freedom Day Goals	
Revenue	Assets
Financial Baseline Pretax Income: $3,333/month Expenditures: $4,000/month Skill Set:	Assets: Liabilities:

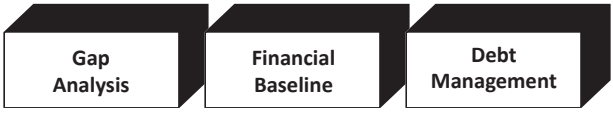
Question 3: What Assets Do You Have?



"$5,000 in the teacher's pension fund, $2,000 in the bank. We rent our house."



Question 4: What Are Your Liabilities?



"We have $30,000 on credit cards, and with this debt consolidation thing that we've been doing, we're still getting pounded on the interest."

One-Year Freedom Day Goals

Revenue	Assets
Financial Baseline	
Pretax Income: $3,333/month	**Assets: $7,000**
Expenditures: $4,000/month	**Liabilities: $30,000**
Skill Set:	
• **$30,000 in credit cards, consumer debt**	

Question 5: What Else?

"My wife and I have a total of $20,000 in student loans."

One-Year Freedom Day Goals

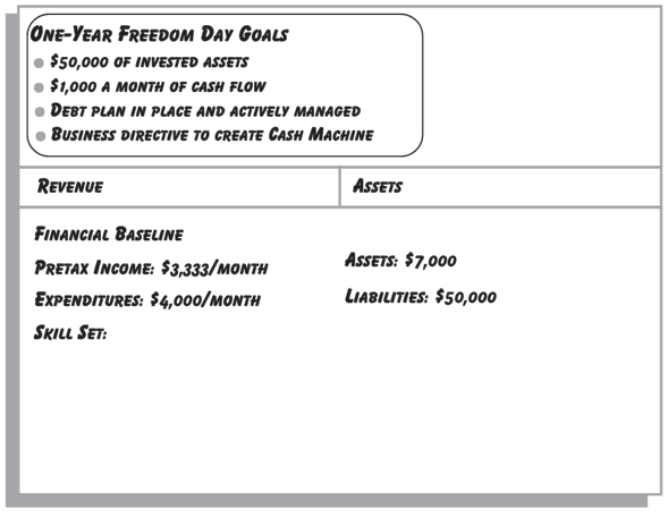
Revenue	Assets
Financial Baseline	
Pretax Income: $3,333/month	**Assets: $7,000**
Expenditures: $4,000/month	**Liabilities: $50,000**
Skill Set:	
• **$20,000 in student loans**	

Question 6: What Do You Want?

"I don't even know anymore," Chuck said. "I like teaching and all, but I'm just getting a little burned out. And I'm only 30. I guess I'd really like to own and run a bar. I think I'd be very good at it."

"And your numbers?"

"It would be great to have a $1,000 month coming in free and clear. And less debt. Maybe no debt."



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

"Math, I guess, but really it's about motivating kids."

One-Year Freedom Day Goals

- $50,000 of invested assets
- $1,000 a month of cashflow
- Debt plan in place and actively managed
- Business directive to create Cash Machine

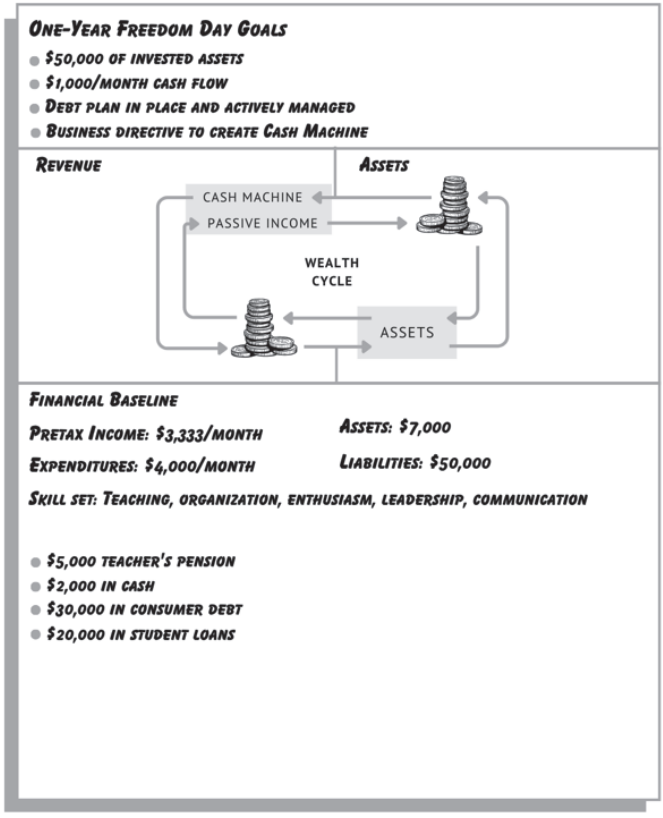
Revenue	Assets
Financial Baseline	
Pretax Income: $3,333/month	Assets: $7,000
Expenditures: $4,000/month	Liabilities: $50,000

Skill Set: Teaching, organization, enthusiasm, leadership, communication

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

"You bet," he said. "Yes."

From the eight questions that Chuck answered, his Gap Analysis looked like this:



Chuck needed to get out of debt. While many financial experts would put debt elimination at the very top of Chuck's to-do list, I knew that first things had to come first.

Gap Analysis → Financial Baseline → Freedom Day

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

Conditioning + Teamwork +Leadership

Chuck Wallace's Wealth Plan

In order to bridge the gap, that certainly showed up in his *Gap Analysis*. From where he was to where he wanted to be, Chuck needed to learn how to make and keep more money. His financial baseline uncovered a low-interest student loan at 6%, but the $30,000 of debt was split between a high-interest credit card and a debt consolidation program. Eliminating the $30,000 would be the priority, but for Chuck to work on bringing down that consumer debt without first working on making money would only frustrate him. It's not easy to pay off $30,000 with interest when you're only taking home about that much after tax, not to mention all the other expenses Chuck had.

I knew Chuck was capable of turning things around. His goal was $50,000 of invested assets and $1,000 a month in cash flow, managing his debt and creating a Cash Machine, and they were all achievable goals. They were exciting enough to keep him motivated, but not so difficult as to keep him frustrated in achieving his *Freedom Day*.

I suggested a tutoring business for Chuck's Cash Machine. Chuck said, "Which part of burned out was I not clear about it?"

"I heard you, Chuck," I said. "But this is just to get you to learn to earn. And you don't even need to tutor yourself. You can hire your colleagues. You'll market and manage the business."

Chuck amazed me. He held a party for his colleagues where he solicited tutors as well as field partners willing to spread the word to students about the services. He ran off flyers and blanketed the entire county in which he lived. He used his cell phone to be always available to talk to potential customers. He even put a big poster board on the sides and the back of his truck advertising his business. In his first 120 days of his wealth plan, Chuck had 20 students going to two of his colleagues every week. The students each paid $40 an hour and Chuck took half of that.

Given that we needed to get rid of $30,000 of credit card debt to start and build a Wealth Account of $50,000, I thought Chuck should try to pay $3,000 a month to his debt elimination plan and $4,000 a month to his Wealth Account. This would require $86,000 a year. Additionally, Chuck wanted $1,000 a month in cash flow, which brought the total to a grand $98,000. Chuck's teacher's salary would still cover his expenses and his entity structure would help him better manage his expenses to retain more of his income. Given that he had no assets on which to rely, I thought a goal for the Cash Machine of $100,000 would be challenging but worthwhile. He needed to make $8,333 a month. As Chuck ramped up, he found several more colleagues in a variety of teaching fields looking to be hired and a hundred students a week willing to pay them. He was able to increase his hourly fee to $50 an hour, which made him gross weekly $5,000. Chuck took half of this for a total of $10,000 a month.

For *Entities*, Chuck established an S Corporation for his business and later we created an LLC for his investment opportunities. Chuck had the idea to create tutoring aids and sell the products under a C Corporation, which we would establish as well.

"For someone who is burned out, you sure have a lot of energy," I said.

"This is fun," he said. "I'm not even sure I want to run a bar anymore."

Numbers being his thing, forecasting was absolutely no problem. Chuck set up a very well-organized chart of accounts, and because of his new business, he was able to shift some personal expenses into his LLC. This included the part of his rent and utilities that covered his home office as well as his payments for the company car.

	PERSONAL	S CORP TUTORING	LLC PROPERTIES	TOTAL
REVENUE				
EXPENDITURES				
ASSETS				
LIABILITIES				

And with his debt management plan in motion, Chuck's looming debt would not be looming for very long. is divided into two camps, those who pay interest and those who get paid interest. If you have consumer debt, you're in the wrong camp. Compound interest is a wonderful, wonderful thing, but only when it's working for you, not against you.

Getting Out of Debt: Bad Idea Approaches

The following are options for getting people out of debt that are less than optimal.

Credit Card Calculus

STRATEGY: To transfer debt from a high-interest-rate credit card to a lower-interest-rate credit card.

COMMON RESULT: After making balance transfers, cardholders usually lose no time in running up their original high-interest cards again. I am amazed by the commitment of time and energy that people put into rotating their credit cards. I can only imagine the success that some of these people who do this would have if they put that same energy and effort into building their passive income. If you're smart enough to play this game, you're smart enough to invest.

Home Equity Loans

STRATEGY: Refinance the loan to consolidate debt.

COMMON RESULT: Too many people don't control their spending. They borrow more after they refinance, they incur more credit card debt, and then they refinance again. Serial refinancers use up all the equity they build and then get boxed out of or are charged exorbitant interest rates for additional credit. And in many cases, the home that was once a nest egg shuffles off to the brink of foreclosure.

Consolidate Debt

STRATEGY: Allowing a debt consolidating company to take all of your debt and collapse it into a single very comfortable monthly payment.

COMMON RESULT: Too many people tend to acquire additional debt after consolidation so that the old debt cycle simply resurfaces. The reason these payments are so comfortable and low is because they're less than the interest payment. Principal never gets paid down and the process becomes endless. Few of these programs are helping you. They're helping themselves by negotiating with and paying off your debtors at a discount. Then they pack up all of your debt in one simple payment that takes twice as long to pay off and ends up costing you more in the long run. In effect, people who lump their debt by refinancing or consolidating are really still paying cold hard cash for products and services some 30 years after they were purchased. Those items most likely are long gone, but financially they're not forgotten.

Bankruptcy

STRATEGY: File Chapter 7, which is about personal financial dissolution or liquidation bankruptcy. Or perhaps Chapter 13, which is personal

financial reorganization or wage earner bankruptcy. Any expert in the field of personal finance will tell you that this should not even be considered an option.

COMMON RESULT: First, ask anyone you might know who's done it. They probably wish they hadn't. Declaring bankruptcy can seriously disrupt your life, ruin your credit, and taint your reputation. And although you can recover, it will take years. Additionally, it doesn't free you from taxes, which carry substantial penalties and interest. The worst-case scenarios occur when people feel overwhelmed in the moment because of a series of personal and business malfunctions, declare bankruptcy, only to reemerge two years later with personal and business triumphs and a capacity to get out of debt. For these people, the ding on the credit excludes them from many lucrative opportunities and wealth building is delayed yet again. If you're contemplating bankruptcy, I cannot urge you enough to fully consider all of the other options of debt elimination first, study all of the facts before filing, and consult a lawyer who specializes in this field, but not one who has any incentive to help you file. You have to live with the consequences for years, and in most cases, in almost all the cases that I've ever seen, bankruptcy is unnecessary. Don't do it.

Credit Repair

STRATEGY: Credit repair companies fix your bad credit.

COMMON RESULT: This can be wonderful if you deal with a credible repair company. Many legitimate organizations run great programs, but several have surfaced in the past several years that are shady and a little ruthless. They take your money up front, cost you thousands of dollars, and they don't fix your credit. Make sure you get solid references from people you know and trust on any repair company

and be wary of online companies that don't have an actual bricks-and-mortar office.

A Five-Step Strategy for Getting Out of Debt

Most people with debt problems are so caught up in their Lifestyle Cycle or their debt juggling that they can't imagine finding a positive solution that will enable them to build their wealth. Many would be grateful to end the pain and panic of a debt that they don't think much further than that one issue. Chuck Wallace had made the decision to remove himself emotionally from his debt and the reasons he got into it in the first place. For him this became, as it should for you, a pure business venture, a matter of simply applying dollars and cents to abolish credit. Committing to putting a debt plan in place, Chuck had relinquished the idea that he was too far in, and only a windfall could save him. He also understood that it takes longer to get out of debt than it does to get in it, but since as he started to get out of debt, he was also creating wealth, he didn't feel that he was losing any time making himself a millionaire.

I know for a fact that because you want to, you can and will be able to end your role as a debtor and become a lender. By diligently employing basic debt elimination measures, you can get out of the debt cycle within three to seven years and at the same time start to build your Wealth Cycle. It's key to understand that these processes are simultaneous.

The following Five-Step Debt Elimination Plan is what we use for our clients. If you have debt, it will help you begin to get out of debt as well as into the habit of a Wealth Account priority payment. As you move forward in this process, you're going to note that what makes this different from other debt elimination processes is that this approach allows you to live a normal life while you eliminate bad debt. I've actually seen books that make you question why you need to buy new clothes for a year. I don't know about you, but that doesn't work for me.

If you personally don't have debt, you may know many others who do, and by helping them through this process, you help all of us to live in a better society.

Step 1. Create a Debt Elimination Box

List all your consumer debt, like your financial baseline items. This should be done electronically so you can track it easily. This list should include all of your credit cards, your charge accounts, any high interest loans that are not against an asset, and other outstanding credit liabilities. This list should include, (1) the name of the creditor, (2) the amount you owe, (3) minimum payments (4) the interest rate.

NAME	AMOUNT	MINIMUM PAYMENT	INTEREST RATE	FACTORING #

On our website http://www.liveoutloud.com/, we have a debt calculator that allows you to insert these numbers and easily create these calculations.

Step 2. The Factoring Number

To fill in this last column, the factoring number, the following simple calculation is required. Take the number in column 2, which is the amount of debt, and divide that number by the number in column 3, which is your minimum payment. For example, if you owe $7,000 on your credit card and the minimum monthly payment is $200, your

factoring number for each of the items that you've now listed on your consumer debt list.

Step 3. Priority Payoff Box

On a new list, take the debt from the lowest factoring number and put it at the top. This debt is the first place, the debt with the second lowest in the second place, all the way down to the debt with the highest factoring number listed at the bottom.

ORDER OF PAYOFF	NAME OF DEBT	FACTORING #	MINIMUM PAYMENT
1.			
2.			
3.			
4.			
5.			
6.			
		TOTAL DEBT PAYMENT: $	

Step 4. The Jump-Start Allocation

In addition to the minimum payments required, you're going to take $200 from your current spending and allocate this to your debt elimination plan. This amount, which is about $7 a day, will greatly accelerate your debt elimination plan. Don't scream. Don't want to hear you scream. This is going to be easier than you think. And once you put together your detailed financial baseline, you'll have a clear understanding of where your money comes from and where your money goes. Finding that $200 is not going to be difficult, and your cash flow from new assets may create that extra money. In my experience, when you list

every single expenditure in your financial baseline, you'll find a cut that doesn't even come close to forcing you to scrimp or sacrifice.

On the Financial Baseline of one of my clients, I discovered $600 a month spent on sushi. After several attempts to defend this expenditure, she finally, reluctantly, and painstakingly made the decision to just spend $400 a month on sushi. My guess is that when you're honestly digging up your expenditures, you'll discover a few sushi-like items that you could perhaps not do away with altogether but cut down for a bit. For those of you still smoking, you can kill two birds with one stone. Take care of your health and your wealth by cutting out those cigarettes.

Step 5. Debt Payments

Take the debt listed in the first spot on the priority payoff box and apply the $200 jumpstart allocation to the minimum payment listed with this debt. For example, if the minimum payment is $350, add the $200 for a new monthly payment of $550. While you continue to pay the normal monthly minimum payments on all of the other debts, you'll pay in this example $550 monthly on this specific debt until it's paid in full. When you're finished paying off the debt in the number one spot, you're going to take the amount that you paid for those minimum monthly payments plus the jumpstart allocation in our example $550 and add this amount $550 to the minimum payment on the debt in the second slot. As you can see the payments start to build and build as you drop down the list of debts and your capacity to pay off your debt accelerates incrementally. You might be uncomfortable with this process at first. Then you're going to witness the speed at which you're going to make progress. Debt elimination will become as addictive as accumulating the debt once was.

In this plan, it's vital that you commit to making the minimum payments and also to add the jumpstart allocation. That number, the jumpstart allocation, must be specific and consistent. Additionally, you

have to have the mindset that as you pay off one debt, the minimum payments stay in this debt payment pool and contribute to the next debt payment. That's the only way this is going to work. And it works, and it works wonderfully well. You're going to be amazed at the speed with which you cross off each debt payment. And by the time you get to the number at the bottom, the one with the highest factoring number, which in reality represents the months it should take to pay it based on the original monthly payment, you're going to see that you'll pay that debt off much faster than indicated.

Making these commitments is tough to do on your own, I know. I strongly recommend that you share your priority payoff box with a member of your team. At times, you might be tempted to use your credit cards or assume some additional debt. If your close friends or advisors have been given permission to check in with you about your debt, they're going to help you facilitate your process with a system of checks and balances against those old impulses.

Other Factors

As you make your way through the debt elimination process, you might also find ways to shrink some of the debt. One way would be to study the personal and business Financial Baselines that you've established. Debt is a necessary part of building a business, and in many cases, the interest is tax deductible as an expense against your revenues. When you shift some of your personal debt into your business Financial Baseline, you might discover that debt is in fact an expense against your revenue. And if that's the case, that means your cash flow is going to increase. By reacquainting yourself with your tax structure, you may take a first step to shrinking your debt by increasing the cash you can use to pay off that debt. Further, you might consider talking to creditors and negotiating for lower interest payments. Most creditors are open to communication,

and they'll work with you to restructure your debt in a positive and a very progressive manner.

Back to Chuck's Wealth Plan

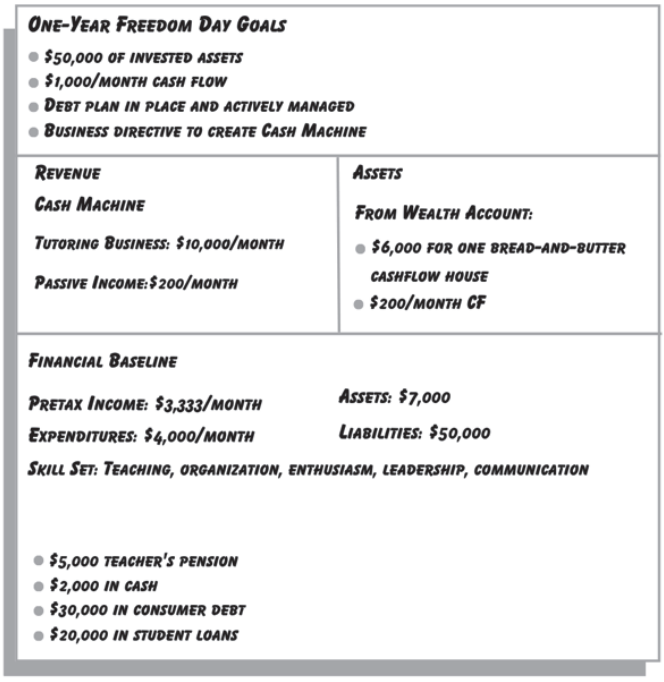
"By ignoring my debt, I actually made it bigger," Chuck said. "And now that my wealth is going up and my debt is going down, I'm feeling in control of my financial situation and I'm realizing just how much anxiety ignoring all that debt was giving me."

And once you too start to manage and aggressively diminish your debt, you're going to find that you too will take a lot of stress out of your life. Instead of constantly worrying about the money, the debt, the credit cards, you're going to be freed up to think about other important things like the acceleration of a successful Wealth Cycle Process.

"I'm in control of my debt, instead of it being in control of me," Chuck said. "And now that I'm in the driver's seat, Loral, I'm never going to give up that seat."

With each $3,000 monthly payment that Chuck made to pay off his debt, he made a contribution to his Wealth Account. He was also able to set up a holding account or a corporate Wealth Account in his businesses, S Corporation, and the LLC. He put $1,500 into each of these and $1,000 into his personal wealth account for a total of $4,000 a month.

As the Cash Machine generated more income and the wealth account began to grow, and Chuck was able to start considering his asset building block. Given that Chuck had no real assets to reallocate, we would use the money he was generating from his Cash Machine to create *Assets*. After his tutoring company was up and running for a couple of months, Chuck had enough in his wealth accounts to buy one small cash flow producing property in the Midwest. It was then his objective to purchase one house every other month for a total of six houses over the next 12 months.



Through his action, Chuck changed his conditioning and came to realize that no matter how much money he made and debt he had, he could still invest and build wealth. He also learned that he had a much greater capacity to make money than he thought was even possible. His approach to his Cash Machine was inspiring, even to him, and his success gave him the confidence to grow the business even bigger and really accelerate his Wealth Cycle.

Chuck had surrounded himself with others in debt as well as those who made very little money. He traded up to find a millionaire mentor who could help him collect the right professionals to support his wealth building process and fully committed to the Teamwork and Leadership that was required to succeed. Being only 30 and unsure that his chosen profession was going to satisfy him in the long run, Chuck had put himself in a good position to make the choices toward a more fulfilling life.

Removing the Greatest Barrier to Wealth

Building wealth from a position of great debt takes courage and discipline and positive energy. I realize this is a difficult scenario from which to build wealth. But I also know that getting out of debt and building wealth is very doable. Chuck Wallace is just one of the many clients with whom I've worked who had a lot of debt, no assets, and limited income. But by focusing on the Cash Machine and retaining those new earnings through entities, Chuck, and many of the clients like him became more conscious of spending and more focused in their determination to put dollars into their Wealth Account and manage the Lifestyle Cycle. In time, this leads to the capacity to eliminate debt, build assets, and enjoy a lifetime of your money-making money for you.

Seven Wealth Cycles

"The way you put the building blocks of the wealth cycle together almost seems like a game," the television producer said. After the Leonard family case study, I walked her through the six case studies you just read.

"It's very much like a strategic game," I said. "Anyone can take those 12 building blocks and figure out their route to wealth. It's not that hard. They just need to figure out how to do the right thing at the right time."

"I think I'm Rick Noonan," she said. "I'm just sitting on a big house in Illinois, and I have a lot of stock options in the network I work for."

"That could be," I said.

"And my sister is definitely Kerry Kingsley," she said. "I've got to talk to her about her companies. You've never seen anyone with more businesses and less money than her. I certainly know the Joneses; they live around my neighborhood and my best friend is Chuck Wallace for sure."

Through the case studies that I've shared with you so far, you've seen how the six middle steps of the building blocks are used in a variety of sequences depending on each person's requirements and objectives.

Forecasting	Entities
Assets	Cash Machine
Wealth Account	Debt Management

At this point, you should be able to identify with one of the scenarios I presented:

1. Leonard family, threatened by a job loss.
2. Rick Noonan with his badly invested assets

Gap Analysis → Financial Baseline → Freedom Day

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

Teamwork + Conditioning +Leadership

Gap Analysis → Financial Baseline → Freedom Day

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

Teamwork + Conditioning +Leadership

3. Patricia Beasley, straddler, business as a hobby

Gap Analysis → Financial Baseline → Freedom Day

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

Leadership + Conditioning +Teamwork

4. Kerry Kingsley, business owner, not enough income

Gap Analysis → Financial Baseline → Freedom Day

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

Leadership + Conditioning +Teamwork

5. Jim Quinlin, victim of taxable money

Gap Analysis → Financial Baseline → Freedom Day

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

Conditioning + Teamwork +Leadership

6. Jean and John Jones, big, leased lifestyle

Gap Analysis → Financial Baseline → Freedom Day

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

Leadership + Conditioning +Teamwork

7. Chuck Wallace, big debt

Gap Analysis → Financial Baseline → Freedom Day

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

Conditioning + Teamwork +Leadership

As I have mentioned before, each of those middle building blocks in the wealth cycle process has an intention and a purpose, yet each can be utilized and emphasized in a variety of ways depending upon the scenario. But all wealth plans and the Wealth Cycle Process, regardless of the individual wealth builder, begins with the first three blocks, Gap Analysis, Financial Baseline, and Freedom Day and are dependent on the last three blocks Leadership, Teamwork, Conditioning.

Now it's time to discuss exactly what that financial Gap Analysis is made of so that you can get down to business and begin to create your own wealth plan

10

FINANCIAL BASELINE

Walk the beans. Stay with me and you'll understand what that means. Because if you don't know what it means to walk the beans, you're pretty lucky. That was one of my many chores that, I and my four siblings had to do during the long summer days, on our parents' Nebraska farm. That meant you had to walk the row of beans and pluck the weeds from between and around each of the stalks. And that, I can tell you, is a tedious chore. But to keep the beans growing, which kept the clothes on our backs and food on the table, it meant that we had to walk the beans. So maybe it's from walking the beans that I find it satisfying to get my hands back to the roots once in a while, even if the work is as tedious as walking the beans. As long as that digging leads to growth, it's okay.

With any luck, that little parable that I just gave you will get you inspired to dig through your files and begin your financial baseline. As you saw in each of the case studies, the financial baseline is the summary of your current financial situation.

As with the Leonard's, Rick Noonan, Patricia Beasley, and all the others, you may find that what surfaces is not so appealing. It doesn't

matter. I say, so what, now what? It's time to move ahead. The point of the financial baseline is to know where you are so that you can get where you want to go.

Those who follow this proprietary process say that this step is probably the toughest step in the plan. It's not mind-bending, but it can be a bit wearisome. Believe me, it's well worth the effort.

It's a one-time exercise and once the system is maintained and the heavy lifting aspect does not have to be repeated.

Once done, the walk out of the desert to the water is a great deal easier. You might even consider making this activity more of a group event by finding some like-minded friends and scheduling a day to do this exercise together. It's a good way to begin creating your own personal little wealth community. But whether you do it alone or as a group event, don't delay. Do it now.

Get this exercise done immediately. The sooner you do it, the sooner it's done and you're going to soar above to a whole new level of action. Clarifying your Financial Baseline is unique to our approach. Few programs are willing to ask you to do this step because they fear you're going to lose interest and quit altogether. But I know their fear is unfounded because every single person in my community has established this task, and when you do it, you too will surge forward and begin to change your current situation and step towards wealth.

There are two parts to determining your Financial Baseline.

The first is the Financial Filing Cabinet, and the second is the real Financial Statement.

So, let's start with the financial filing cabinet. We all have financial papers such as bank statements, credit card statements, and personal receipts, but many of us have these lying about shoe boxes or stacked in an envelope or stuffed into a drawer if we're lucky. Believe it or not, cleaning up this mess will begin to change your life. It's essential and if you gloss over it on your way to the big fun stuff, you're going to find

that your new paint will peel very fast. Roll up your sleeves because clarity is waiting for you.

Just a note about commingling personal and business finances. You shall commingle no more. It's time to move to the big table, to be grown up and run your business as a business and your personal life as your personal life.

As we set up entities for each of your businesses, the line between your worlds will be drawn even more clearly, if you have a business or a household with two income-producing adults, proceed through these steps separately for each.

It's time to uncommingle.

Step 1. Dig out your papers and disengage emotionally.

The key here is to remind yourself that these pieces of paper represent your past. Sorting through them is a step into your future.

Step 2. Organize your financial filing cabinet by spreading out your papers and sorting them into the following categories. Bank statements, credit card statements, receipts, and cash expenses.

All of your personal and professional overhead expenses, including utilities, gas, electric, water, phone, landlines, cell phone lines, internet service, insurance policies for the home, the car, your life, wills, retirement planning documents, college and education funds, investment portfolios, real estate documents, and other papers regarding the money that comes into and out of your life.

Step 3. Create a filing system to track your monthly Revenue, including income and expenses.

This means setting up individual files for each. Bank statements, active income and wages and salaries, stocks and bonds, real estate holdings, entities, trusts and estates, credit card statements, receipts, cash expenses, power and water bills, phone bills, land and sell, internet

services, insurance policies, wills, retirement, planning, education funds, whatever is going on in your life.

Set up files for all of these and remember to keep separate files for personal income and expenses and business revenue and expenses by business.

Even if you don't have any entities right now, you will as the process continues. It's a good idea to make copies of your important documents, for example, the wills, trusts, deeds, and stock certificates you may have. File the copies and store the originals in a safe deposit box.

Good record keeping is an essential part of a sound financial management. Make the following list of all of your important documents and account numbers and their locations. So if you're creating this in an Excel spreadsheet or a Word document or even on a piece of paper, this is what it's going to look like. Let's just start with four columns.

First column will be the items that we're going to list. The second column will be the document.

The third column will be the account number or the name of the account. The last column is its location.

And you may list things such as this. General things would be birth certificates or marriage certificates, your social security card, your divorce decree, a passport. Next part might be powers of attorney for finance, health, living will, your will, and trust agreements. would be for insurance policies, life, health, disability, homeowners, rent, auto.

Then employee benefit data, group insurance, pension plan, savings, and profit sharing.

Next, banking records, checking, savings, bank books, checking statements, certificates, safe deposit, box, key. Investment records, including things like financial statements, stock certificates, bond certificates. Next, income tax records, including improvements, home tax payments, mortgage payments, appliance warranties, credit card statements.

LIVING WILL
WILL
TRUST AGREEMENTS
INSURANCE POLICIES
LIFE
HEALTH
DISABILITY
HOMEOWNER'S/RENTER'S
AUTO
EMPLOYEE BENEFIT DATA
GROUP INSURANCE
PENSION PLAN
SAVINGS/PROFIT SHARING
BANKING RECORDS
CHECKING
SAVING
BANK BOOKS
CHECKING STATEMENTS
CERTIFICATES
SAFE DEPOSIT BOX KEY
INVESTMENT RECORDS
FINANCIAL STATEMENTS
STOCK CERTIFICATES
BOND CERTIFICATES
INCOME TAX RECORDS
CURRENT YEAR BACKUP
PAST YEARS' FILES
HOUSING RECORDS
IMPROVEMENTS
PROPERTY TAX PAYMENTS
MORTGAGE PAYMENTS
APPLIANCE WARRANTIES
CREDIT CARD STATEMENTS

These lists, one for each person and one for each business, should be copied and given to your spouse, a trusted friend, family member, attorney, or an accountant. It's essential to get your finances into the computer. There's plenty of good software programs that will track your revenues and expenses as they come and go.

Then your real financial statements, underlining the word real. Given that I believe anyone who wants to build wealth should structure the financial aspects of their life in the same way that businesses structure their organizations. It will come as absolutely no surprise to you that I think individuals should have their own financial statements. The profit and loss statement provides a snapshot of income and expenses and profitability. The balance sheet is a document that's split right down the middle. It shows assets, what you own on the right? The total of assets and the total of liabilities plus equity are always the same number. That is, they balance.

As you can see, it's from these four interdependent blocks that we derive the information for the Financial Baseline of the Gap Analysis.

1. Revenue. The total amount of active and passive income you're taking in. This is bigger than your income, since it includes all cash from all of your activities before costs and expenses, before taxes, before interest, or any depreciation or amortization. Revenue is not the same as income. Revenue means all the money that's left after the cost of making it are deducted.
2. Expenditures. This is all the money that's going out, the money that must be spent to maintain your life or your business. We're talking about real cash, hard dollars flowing out. Not to be confused with expenses, which is an accounting term that includes things like depreciation, that is, accounting deductions, where real cash is not going out.
3. Assets, everything you own.
4. Liabilities, everything you owe.

Create Financial Statements for your personal life and for each one of your businesses. If yours is a two-family income, list each person's income and expenses separately within that one revenue and expenditures block, because you may be affected by or liable for the other person's finances.

If you don't already have one, go open a bank account for your business. You'll need to make sure your business is properly organized according to your state's requirements. Your bank will tell you exactly what you need to do and a quick search on the Internet will help you to find the right forms. If this feels too complicated, then hold off for now until you get some help from an accountant, a mentor, or coach to create your entities. But do keep separate financial statements for each business starting right now.

Let's look at the profit and loss statement. These top two boxes are where you fill in the answers to questions 1and 2of the Gap Analysis. What is your monthly income and what are your monthly expenditures? You should list your incoming cash-----your revenue in the revenue box on the left side, and your outgoing cash-----your Expenditures------ in the expenditures box on the right side.

~ Include all your income, both active and passive, and all your expenditures, including the latest accessory you bought or the sandwich you get every day from the deli.
~ Be detailed. If in doubt, do not leave it out.
~ If your revenue or income fluctuates, use a 90-day average. If it varies wildly, use a 6month average.
~ Include taxes, and the work to get them done, in the expenditures column.

In the Expenditure box, you'll find the Revenue boxes on the left, the Expenditure boxes on the right. Include all your income, both active

and passive, and all your expenditures, including the latest accessory you bought or the sandwich you get every day from the deli.

Be detailed. If in doubt, do not leave it out. If your revenue or income fluctuates, use a 90-day average. If it varies wildly, use a six-month average. Include taxes and the work to get them done in the expenditure column. If you're having trouble separating your business and personal statements, consider that the following might be business expenditures. office or home office deduction, utilities, phone and automobile deductions, entertainment, meals, insurance payments, office supplies, computer equipment, education, accounting, bookkeeping and legal fees, gifts, staff, travel, gas, salaries, including those of family members who work in the business. Once you've listed all of your revenue and all of your expenditures, do the math and calculate the positive or negative cash amount.

The two bottom squares are where you answer questions 3 and4 of the Gap Analysis. What are your assets? What assets do you have? And what are your liabilities? This will reveal two things, your net worth and your financial habits and tendencies. Again, we're going to separate any business financials from personal ones. So please make sure you're entering the proper assets and liabilities for this particular Financial Statement.

List your Assets (the things you own and the things that have value to you). In the box marked Assets, list each of your Liabilities. A traditional balance sheet would include equity, the amount that you own outright, but we're going to calculate this for your net worth when you subtract the liabilities from the asset. For some of you, the net worth might be zero or even a negative number. But once you're in the Wealth Cycle Process will change.

After you've filled in those four boxes, you need to go to Question five of the Gap Analysis and ask yourself, "What else?" Make sure there

are no orphan IRAs or small loans from Uncle Joe that you need to include.

Now that you've answered Questions 1 through 5 of the Gap Analysis and filled in the Financial Baseline with the numbers from your real financial statements, you might have an idea of how your building blocks need to be sequenced. For example, if your Financial Baseline reveals that you don't make and retain enough income, you have to begin your building blocks with Cash Machine, then Entities, followed by Forecasting, Wealth Account, Assets, and Debt Management. If your Financial Baseline reveals overwhelming debt, then you need to consider a sequence that starts with the Wealth Account, followed by Debt Management, Cash Machine, Entities, Forecasting, and then Assets. If you notice that you have a lot of income, but little cash on hand and many underperforming assets, you need to start with the asset building block, followed by Cash Machine, Entities, Forecasting, Wealth Account, and Debt Management.

The Financial Baseline assessment is critical. It can also be somewhat intense and a little emotional. But once it's completed, it's a lot easier to maintain either by yourself or with the help of a bookkeeper and you are well on your way to generating your wealth.

11

FINANCIAL FREEDOM DAY
See the Money

This is where you see the money. Question 6 of the Gap Analysis asks, "What do you want?" The first step on this road to making you a millionaire is to get creative and to clarify your vision. Before you start, you might want to ask yourself, why are you doing this? A vision is big. It's bigger than a goal. And it's bigger than an objective. For example, an objective is to get out of debt. A goal might be to buy a new car or pay for the kids to go to college. But a vision, a vision is a greater umbrella under which all of these goals and objectives come together through specific strategies that support the vision and tactics that support those strategies. Understanding what a vision means and really wanting that vision is important. If you're just out to buy a boat, then this book is too big for you, and I may have to ask you to go in a different direction. Ultimately, you won't want to go in. It's your job to consider where it is you want to go.

I'll help you see your vision by sharing with you my vision for you in reading this book.

The Vision: Financial Freedom. The capacity to have your assets generate enough cash flow to maintain a superior standard of living optimal life that you want to live forever.

The Strategy: I will help you create assets and generate wealth incrementally and, in some cases, exponentially through education. The wealth will come to legal entities from multiple revenue streams generated by your assets.

The Tactics: By using the right sequence of building blocks, you're going to take a systematic, a practical, and a tactical approach to create and continuously increase your wealth. If you have any questions on your sequence or your approach, please feel free to call my strategist at any time. As I've mentioned, wealth building is a team sport and I want my team to get bigger and bigger.

I agree with philosophers who say the journey is its own reward because I know that once you're fully into this it will be a lifelong compulsion and desire. But I also believe that the journey will be most rewarding if there's a specific point to which your compass is set. It's your responsibility to clarify your vision. It's going to help you to better embrace the time and the effort you're going to put into this commitment.

In order to keep you motivated, the vision needs three key components. It must be exciting enough to fuel your energies, reasonable enough to be doable, and it must never compromise your values. It's a balancing act between your ultimate wish list, perhaps even the dream you've put aside when you were a child, and your life as it is, and has to be at this moment.

When you create your vision, you have to exercise no-limit thinking. You have to imagine what your life would look like if it were impossible to fail. With this type of thinking, your vision will expand. We all have the capacity to be financially free. It's our responsibility to choose that

course to claim the power and get what we deserve, Financial Freedom Day. So let's talk about Financial Freedom Day.

Financial Freedom Day

This is why your vision is so important. People who lack a clear vision are like ships without rudders. They sail aimlessly and without a final destination. They may head towards some opportunities that appear to be on the horizon, but then they veer off course, unable to reach them.

Given that your vision is a concept or an idea, we need to quantify that vision with a measurable goal in order to best map out a strategic plan to get you there. As you saw in each of the case studies, in order to declare your Financial Freedom Day, you need to decide

1. How much cash flow you need to receive each month
2. What you want your net worth to be
3. The specific day, month, and year you want this to occur.

In order to answer these questions, we have to set some financial goals. I know very well that if you start writing down numbers, they can get a bit discouraging. It's one thing to say that you'd like to have a net worth of $3 million in cash flow of $30,000 a month by the time you're 50 years old, but it's another to make those commitments and then look at where you are now. That Gap Analysis can scare you away and make you abandon any vision, no matter how compelling it might be. It's vital that at this point you see these numbers as reference points and measurements, and every hurdle is an opportunity to learn a new lesson and make a better choice.

It would be similar to the decision to walk from San Francisco to Washington, D.C. That's an exciting and it's a very doable objective. But even if you manage 20 miles a day, it will still take you half of the year. The number of reference points you have to pass each city and each state along the way and the hurdles you must overcome, bad

weather, sore feet, may all seem daunting, but if you keep walking, you know you'll make it because you've got the vision set for the nation's capital and the course is defined.

The first step is to list your general financial goals. These may include such ideas as starting your own business, living a life of luxury, creating a charity, or sending all of your kids to college and graduate school. They're broad objectives that need to be sketched out in greater detail. The second step is to think about exactly how much money you need in order to have that goal be reasonable.

First, list your broad objectives. So, for example, to have a net worth of over $10 million, annual cash flow of $2 million, and a home in San Francisco and Paris, to start a children's summer camp and to make charitable contributions of at least $500,000 annually.

Next, evaluate and prioritize each of the goals in the broad objective. In doing so, you're going to take into account, (1) its level of importance (2) the time frame in which you want to accomplish each goal, and (3) the amount of money you think you'd need to accomplish that goal. When you create your financial baseline, you'll see how much money you need to get to each goal based on your current financial situation.

The third step is to forecast how much you must invest each month to reach your financial goal. This number has nothing to do with taking care of debt and other obligations, at least not yet. We're working on your vision of where you want to go and the specific actions to make this work will follow.

Let's say that one of your goals is putting a child through college, fully covering tuition and books, as we as a monthly stipend for rent, clothing, food, a car, auto insurance, and perhaps some entertainment. Before we can determine how much you need to invest monthly to reach your goal, several variables must be filled in. These variables are time, total cost, the rates of return, and the mathematical multiplier. (For this goal, college tuition and expenses, the variables can vary widely. In the

example I'm about to give you, I'm using numbers that are realistic, but not necessarily specific to any specific situation, college, or investment vehicle).

Time: The time it will take to reach the goal: for example, 15 years

Total Cost: Estimated cost of the goal: for example, $150,000

Rate of Return: The monthly interest you can earn on investing cash now: for example, 6 percent

Mathematical multiplier: The number you multiply with your total cost

To find out how much you need to invest each month, you multiply the total cost of your goal by the mathematical multiplier. If you have the other two variables, the total number of years to reach your goal and the rate of return, which in this example is 15 years and 6%, you can quickly get the mathematical multiplier from any bank, financial website, or financial software program such as Quicken or Excel.

The mathematical multiplier for 15 years at 6% is 0.0034. The equation looks like this:

$150, 000 x 0. 0034=$510 per month

You can use the mathematical worksheets on our website to find the multiplier for each of your goals in putting the number of years and the amount of interest You're going to use the chart will help you work these out so the chart will help you work these out.

State Broad Objective

Prioritize Each Goal

1.

2.

3.

Calculate Goal Investment Plan

1. Goal No. 1

   Time required to reach goal:

   Total cost to reach goal:

   Rate of return:

   Monthly investment required.

2. Goal No. 2

   Time required to reach goal:

   Total cost to reach goal:

   Rate of return:

   Monthly investment required.

3. Goal No. 3

   Time required to reach goal:

   Total cost to reach goal:

   Rate of return:

   Monthly investment required.

At this point you have your financial goals. The priority of those goals and how much cash it will take each month to make those goals of yours come true. Let me assure you that there is every reason to believe that you can do this. We're just going to do it and then you'll believe it. With your Financial Baseline clarified and your Freedom Day defined, you should now answer Question 7. What skills do you use to make money? Add this to your Financial Baseline under skill set as we did in all the case studies. Now you are ready to lead your wealth.

12

TEAMWORK AND LEADERSHIP
Team-Made Millionaires

You get to be the CEO of your life. As you've seen in each of the case studies, the three building blocks of Teamwork, Leadership, and Conditioning support and drive the wealth cycle process. It's important for you to reflect on each of these as you begin your own wealth plan.

I want you to listen to this. There is no such thing as a self-made millionaire. It's just impossible to do without a peer-to-peer team of mentors, financiers, field partners and colleagues. Team-made millionaires work for and with each other to generate wealth.

While working on the team, you should always be aware of what position you're playing and when. In your personal wealth building efforts, you must never, ever give anyone permission to lead you, abdicate your leadership role, or release your responsibility or accountability for any decision. You are the leader of your own wealth, and as long as you remain aware of the fact that the final responsibility and accountabilities are yours, you can listen to others' advice and take suggestions. This includes people like mentors and coaches who might ask you to take on

a discomfort for change that's necessary for your growth. If you assume responsibility, you have chosen coaches whom you feel you can trust absolutely, then you can allow yourself to surrender to their suggestions, take the actions they prescribe, get uncomfortable, and grow. The best leaders are great followers because they know where they're going, and they trust themselves enough to find good leaders to help them get there. In our Team-Made Millionaire community, one in which we hope you're going to become a part. You might hear us ask one another, who wants to play? We use the word play because making money is fun. We all take wealth building very seriously, but many people on my team have enough to live on for years to come, and our children are well taken care of. Investing is exciting, and it's a fun world to play in, and none of us are ever going to stop looking for the bigger and the better game. Ask any investment banker, portfolio manager, or trader what a good day is, and he or she is going to tell you the ins and outs and the excitement of the deal. Believe me, it is fun and it's exciting, even more than the money. That's what keeps my wealth team completely engaged.

If it weren't a satisfying game, my team wouldn't still be helping me, and I wouldn't still be helping them. Just as I've captured others with my vision, they've captured me with theirs. In my wealth-building community, it's all about us together, all of us together.

It's imperative that you assemble a good team of great people whom you can lead to your success. The reality is in today's complex, fastpaced world, few people have the time or the talent to do everything expertly themselves, even if they want to. You may be the most far-seeing visionary, a brilliant dealmaker, the toughest negotiator, and the finest closer, but you may not be an inspired tax wizard, a legal genius, or an office manager.

Finding a Mentor

So, find a mentor. Getting a mentor is a vital first step to building your wealth. If you're floundering about in frustration or opening and operating in a community that offers less support than it does hindrance, you want to pursue a mentor and pursue them very soon.

Finding a mentor could be easy for some and harder for others of you. If you're one of the lucky ones who have the person you admire most residing in the house next door, go knock on the door. But if, as most likely, your community or immediate neighborhood is bereft of those in a bigger, better world to which you aspire, you need to reach out a little further. and creating a community of mentors and leaders and fellow visionaries' part of our world. Here are some of the things to keep in mind and ways to find a mentor.

Communicate Your Ambition

You'll discover that just by talking and sharing your vision with others, you're going to start to generate some forward motion. And of the many people you talk to about your vision or just your desire to have a bigger and better vision, if one of them can advise you on that vision or can connect you to someone who can, that's a big step into a bigger and better network.

Cull All Your Resources

Think hard. Consider people who share a connection with you, maybe through your hometown or school or a friend of a friend. Pick up the phone, give the person a call. The worst case, he or she will be flattered and say no.

Stretch with Specific Intention

Your Uncle Joe may be the smartest and the nicest guy in the world, but if he doesn't have at least a million dollars, he is not your mentor for wealth building. Remember, this team is to build your wealth. That is its specific intention and goal and because kindness and wealth are not mutually exclusive virtues, we suggest you find someone who has both. It doesn't behoove you or your conscience to make good money with bad company.

The Most Special Can Be the Most Subtle

Most wealth in this country is inconspicuous. Do your research. The man down the street driving the nice car and living in the mansion could easily have greater debt and a lower net worth than the stealthy and wealthy plumber who drives a beat-up truck but seems to work only when he doesn't feel like fishing.

Be Persuasive and Persistent, but Not Pesky

Once you find your way through the inevitable guard dogs, you're going to need to take action that will show the mentor you're going to do what it takes to be coached by him or her. I've had many mentors in many industries throughout my life and my approach to getting to them has always been somewhat similar.

In an example that preceded my current goal in my larger vision, I called a nationally renowned wealth-building speaker and told him I wanted to work for him. After finally getting him on the phone in person, he told me to send him a letter of intent. Though others may have waited for the letter to arrive and for him to respond, I hung up the phone, wrote the letter, put it in the mail, and called him an hour later. I told him I'd done that and asked what was next. He sighed and he told

me that if I was really interested, I could get on a plane and go talk to him. So, I did.

I ended up working with him for several years, helping him to build his business and his reputation as well as my knowledge base and my list of what I did and did not want to do.

Most people talk, but few people act. And the best mentors can sense the difference between someone who is pushy and someone who's committed. If you have a vision, you have to show up for that vision, and that means getting committed to a mentor. Do not accept a scripted mentor.

Do Not Accept a Scripted Mento

There are several financial infomercials that run out there periodically that will suggest you call one of their standings by coaches ready to help you move forward. I know from experience that these coaches sit in one telephone center where they read scripts and recite answers to frequently asked questions. This is absolutely not acceptable. You need a coach who will speak specifically to you, tailoring the advice to your particular needs, wants, and situations.

The mentor can be the first member of your team, but like all the personnel you gather, there will most likely be a constant influx and outflow of players.

Gathering the Team

That's definitely been the case with me as my life and decisions change in advance of my bigger vision. Building a great team takes some experience, which includes making some mistakes. Since you need to build the team before you have much experience, you should prepare yourself for some conflicts. With the help of your mentor or mentors, you should be able to find the right people. For example, given that your

mentor should be at least a millionaire, he or she should have a good accountant who can either help you or recommend someone good in the field.

My team is made up of both strategic partners and an in-house management group, circling the hub of my ultimate vision. And as the vision grows and changes, my team spreads out in both concentric and interlinking circles, creating not just one, but several great teams working within this larger community of people who are eager to live out loud and build their wealth.

Players to Be Named

A good team should have the following players:

1. Mentors who act as active coaches
2. Like-minded, supportive wealth builders and visionaries
3. Top-rate industry, or specific legal counsel
4. Accountants
5. Leading-edge, nontraditional financial experts, such as an IRA expert

Optimally, a good team should also have

1. A business broker who can scout out private placement, leveraged buyout, and franchise and licensing opportunities
2. Various real estate players, including commercial and residential brokers, project scouts and managers, contractors, builders, and developers
3. Others who know investment opportunities

If you own and run a business, your team will possibly need professionals in

1. Marketing
2. Publicity

3. Finance
4. Operations
5. Channels/distribution

And, of course, every team needs utility players to function as in-house management. These should consist of

1. Administrators
2. Assistants
3. Bookkeepers
4. Graphic designers
5. Writers
6. Financial analysts
7. Office managers
8. Computer support personnel
9. Technical advisors
10. Sales reps
11. Marketing professionals

Finding the personal support crew to help you focus more time on your wealth, your health, and your family should begin as soon as possible. imperative that whatever team you assemble, be a team that will buy into your vision and take action to meet that vision. The team has to act. It can't just talk or stall in analysis paralysis or you'll be a whole lot wiser but not a whole lot wealthier. Get a bigger and a better brain.

Getting the Bigger, Better Brain

The first step is to discover the players in the field. Figure out their names, their areas of expertise, and their special talent. Round up recommendations from people you respect about those with whom they've worked, and then find a way to reach the latter. Approach the wealthiest, the most successful, and well-connected people you

know. Ask them who they use and if they would be willing to make introductions for you.

As you start to attract the best and the brightest to your team, it might be difficult to first create access and then afford them, but it's going to be well worth your time and your effort. I've found that inexpensive and easily accessible professionals often prove to be far more expensive in the long run. Wealthy people and wealth building professionals know that time equals money, and they tend to cut right to the chase. They've already spent years learning the ropes and exactly where to go and have usually figured out the best routes. Frequently, they can do more with a single phone call than others can produce in months of diligent effort. Additionally, the top experts are usually close to the inner circles of motion and action. They know the latest industry buzz and developments, the top deals, and the deal makers, and what's currently being pursued and what's needed in that pursuit.

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When you build a great team and work with the best, you can't help but improve your own proficiency, the speed and efficiency with which you fast forward your growth, and the extent to which the work

becomes fulfilling and enjoyable. Working with the best will motivate you to reach new heights.

As you know, there's usually no need to reinvent that wheel. Whatever you hope to accomplish has most likely been done in one form or another already. You should take the time to find a mentor who's done some variation of your vision, rather than impede and slow your progress by trying to be clever and go it alone. Experience and know-how are invaluable as are contacts and networks. Speed your growth by tapping into the growth of others and hitching onto that ride.

If you're not sure what your utility positions are, remember that as the team leader, you are always leading your team to the vision, your vision, the strategies that support your vision, and then down to the tactics. These tactics become the job descriptions for your utility players.

Utility players are as critical and as indispensable to the team as the franchise players, whom I call strategic partners. And like the franchise players, the best are usually the best. These people provide the logistics and support services you need to make each goal and ultimately your vision happen. If you're currently handling all of the logistics in your life and your business, you're holding yourself back.

In wealth building, there is no special prize for martyrs or people who believe they can do it all. Though you and others may see yourself as Superman or Wonder Woman, and though you really might have many of their super and wonderful powers, you also live in the real world, and there are only 168 hours in the week.

Think about all of the great ways you could be making money if you didn't spend time doing work that others could do for you. Just as you took the time to look at where you're spending your money each month, it's important to take a look at where you're spending your time. You might discover that there are many tasks that literally rob you of hours that you could better spend on your wealth building efforts Think about all of the great ways you could be making money if you didn't spend

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The best of the best, both the utility and franchise players, will join your team if they feel it's going to be successful. Many people want to be a part of something great. And if you're leaning towards greatness, if you're leaning towards greatness, many people are going to want to go with you.

Assuring Accountability

In working with a team, you need to create accountability through action. Progress is made faster when everyone is on the same page and knows what is expected. Your wealth team will be more efficient if the measurable results of any action are clear. It's essential to set up tracking for any project or task you request from a Wealth Team member. Remember, the more efficient you are, the better use you'll make of everybody else's time, which is going to save you money. Here's a formula that I've worked out.

1. The task to be completed
2. The time and the date to be completed
3. The people who will complete it
4. The person who will enforce the accountability for its completion

The last step is not to be skipped. To support your goals and keep your team focused and on track, you must establish accountability partners. These partners will lend their support to assure that the mission is accomplished as planned and as scheduled. Think of them perhaps as a little bit like a professional nag, only you take it better when they say, I know you're committed to a finished project, project A, and the

deadline is quickly approaching. The accountability partner should then ask you to share, step by step, the tasks you still need to complete, help you, if necessary, to renegotiate with your team to get the work done, and support and help you in additional ways.

Accountability partners support, they do not blame. There are no fall guys here. In accountability partnership, the questioner's main goal is to prompt and support the partner's intention. It's a type of internal review that keeps team members focused and on track. When team players take an active interest in outcomes, it gives the people doing the heavy lifting a support system.

As you move forward, you're also going to need a lifeline for your psychology. Make sure someone you trust, and respect is on the other end of that phone.

A Good Leader and Team Player

A good leader and team player. A leader leads through inspiration. People like to work with people going places and are starved for the energy and excitement that business was always meant to have. As a good leader, you, the good leader, want to fill your team with other leaders. This doesn't mean your team will have dozens of chefs but no choppers. It means that the team will be composed of strong characters who know how to play their position and play it well, to the benefit of the team and themselves.

You don't manage a wealth team. You lead it. Select franchise and utility players who are self-managers. If you have to micromanage, you're defeating the purpose and wasting valuable time. All the players on your team should be excited by your vision and energized by your pursuit. And since you're going to provide them with fair participation in deals or pay them well for their services, they're going to be eager to serve you in the best ways possible.

Leadership breeds a cooperative and self-propelling team. If someone on your team seems overbearing or puts down your vision, do what I do: trade up. It's a waste of everyone's time to keep people on board who are not on board. It's not fair to you or the other members of the team. There are several qualities of leadership that I believe to be the thrust of a good wealth builder.

Intuition: Listening to the Room

Intuition is the one leadership quality we were all born with and which we somehow lost along the way. In order to be an effective wealth builder, you've got to bring your intuition back home. Most of the time, you know you're in the ballpark. You can feel it in your gut, but you don't have the courage to speak your convictions. When I want to respond to the general vibe in the room, the thing that I know will make or break the deal, I use the phrasing, "I sense this." It allows me to speak to what I'm hearing in the room, because really, that's what intuition is, the highest form of listening.

There are three levels of listening. Most people listen at level one. Leaders need to live at level three. Level one listeners listen to themselves as well as the conditioning voices in their heads and the massive stimuli and impressions blasting at them daily. I think about 80% of the planet lives here in this loud, chaotic place, constantly reacting, busy, but unproductive. Level 2 listening is when you're captured contentedly in a conversation with others, engaged, involved, and completely in the moment and connected. Level 3 listening is intuition. It's when you have your arms around the entire room, listening to everything that's going on everywhere. It's a calm listening that goes beyond words, where you actually use all of the resources that surround you to anticipate what will happen. At Level 3 listening, even at the speed of events, there is a steadiness where you have access to the message of what is really happening. You know what you know.

In these situations, you'll see that good leaders looking at numbers at work and operations that seem flawless make the final decision based on their gut. This skill of using intuition comes from the subconscious, but it can be improved through awareness and experience.

Self-Management

Despite claims to the contrary in getting things done, time management is not the issue. It's really a matter of activity and energy management. That is the highest, best use of time. As I've said, it's doing the right thing at the right time. This requires

Sequencing: Seeing the best next steps can be the most important quality of a good leader. Too many people get all muddled in the process and bogged down with the details or they get deluged by the vision and walk about thinking big airy thoughts. A leader must have the ability to know what step to take when. But even leaders get lost in the muck at times. And that's why a great leader has great mentors, coaches who know when to say, "Whoa, wait a minute, here you go." Circles are nice in geometry, but wealth builders look for straight lines.

Timelines: In order to reach your goals, you need non-negotiable timelines. I usually work with 120-day goals, counting backwards, which means tomorrow is day 119. Believe me, that gets you going.

Seeing real reward: The ability to see if each idea or even each step truly has or will lead to profit potential is crucial. Ideas flow easily, but doing the work to make them happen is a whole other thing. It's not worth the effort if there's no reward at the end, and a good leader should know if there is or there isn't potential to that reward.

Catalyzing: Leaders have to be so certain about their sequencing capacity that they can insert suggestions or do tasks that serve as a

catalyst to get things done. Leaders will notice that everyone is doing his or her part and doing it right, but in the wrong order. That's when they need to catalyze and make sure that the progress gets into the right order. Catalyzing also means creating enrollment in the vision, seeing how people fit, and aligning them so they feel significant in their role. Using language like, "working with me" rather than "working for me", as well as letting people play the position they request, usually helps to create enrollment.

Compartmentalization: Many of us tend to bleed the consequences of one situation into another. You know what I'm talking about. It's 9am, you have a meeting, the people you meet excite you about an idea or they anger you. You walk out of that situation and go into your 11 a.m. meeting and that exciting news or conflict from the first situation follows you right into the next situation. And either you spend the first 15 minutes distracted about it or you share it with all the new people you're with, but either way the events of the 9 a.m. compartment have stolen minutes from the 11 a.m. compartment.

When you're in activation mode for wealth building, you need to be efficient and productive. You need to employ your self-management muscles and park the right issues in the right spots. Whatever it takes to do this, taking notes or calling a trusted friend or accountability buddy in whom you can confide or maybe brain dumping your latest and greatest ideas to a utility player on your team, just take care of it and put it aside. Then go into the next situation clean. Meetings should be about driving for an outcome and the next step. If you don't leave a meeting moving forward, then all you've done is had a nice chat.

Future Pacing: Staying a Step Ahead of Yourself

An essential quality of leadership is the ability to see the future and design your approach in a manner that will take full advantage of the

future envisioned. This means proactive guidance and initiating action as opposed to reacting to whatever occurs. A leader is in front of the situation, to catch up to it and anticipating so that surprises don't drop out of nowhere. As a leader, it's your responsibility to look at both current events and future possibilities. If you're investing in a specific sector, you need to lead your team towards the trends and the currents in that sector. If you're buying real estate in a certain geographic area, you should know the future of that area. If you're directly building a business or investing in a company, you should know the outlook for competition and growth. One example of future pacing, such as in your real estate investments, would work like this:

1. Quantify your target cash flow in precise dollars in a given, future year.
2. Look at the past trends and future indicators for the markets in which your properties are located.
3. Correlate these trends against your current strategies and verify the probability of their effectiveness.

~ Adjust your strategies against these probabilities
~ Emphasize and support the tactics that will support these strategies
~ Continue to cull the best franchise players to help you create, develop, and execute your strategies and the best utility players to implement the tactics that will accomplish the strategies.

No one will ever do it like you can do it. But there's not enough of you, or anyone, to go around when so much is going on. A good leader engages the energies and efforts of others to make his or her vision come true, while helping them to do the same. The wealth cycle process requires you to lead your wealth. The wealth cycle process requires you to lead your wealth. Let's make sure your brain isn't going to keep you from doing that.

13

CONDITIONING
A New Conversation

As you begin the Wealth Cycle Process, you're going to see that your actions are going to get caught up in your belief system. And the conversation will probably go something like this:

"I'm going to be wealthy," says your conscious mind.

"You?" says your subconscious. "No, you're not, you big liar." At least that's what my brain used to do.

Your beliefs operate on two levels, the conscious, the intellectual level and the subconscious, the preconditioned level. It's important to understand that any limit to your thinking exists only in the paradigm ingrained within you. Not in your potential or your ability to create a very big vision. I encourage you to establish that vision that's unencumbered by your own paradigm. You created your financial situation based on your beliefs. As you change your financial situation, this is going to reprogram your brain to a new and progressive set of beliefs. Unlike processes that suggest you should think your way into thinking, the Be-Do sequence, we believe that you should reprogram your brain the way it was programmed in the first place by letting it learn from your

behavior, the Do-Be sequence. It took you years to be conditioned the way you are, and that conditioning didn't come from lectures and thought exercises. It came from behavior and practice. And behavior will turn your brain around. In the Wealth Cycle Process, you're going to act the way you hope to be and let your brain catch up later. As I mentioned, I grew up on a farm in Nebraska. My family had always worked hard for their money and as a result I always equated working hard with making money with no idea that my beliefs could not have been farther from the truth. As I educated myself on human behavior and financial strategies, I learned that it's actually the people who make their money work hard for them rather than the people who work hard for their money who end up with more of it. Since creating my millionaire making program, I've learned that I was not alone. There are so many people who have shared this very same myth.

Much like our views about many things, the people in our lives, relationships, food, health, your weight, just to name a few, our beliefs come from our parents. They come from our teachers and other adults in our lives. And it goes back even farther beyond them, back to the circumstances through which they lived and what they learned from their parents, what their parents learned from their parents and so on and so on and so on. These beliefs are ingrained and because they're actually subconscious, the cycles are continuous unless someone breaks them. You can break the cycle. Beliefs about money are many and varied, but in my research, I've discovered that there are a few that predominate.

Money Is Scarce.

Several of us have parents or grandparents who lived through the Great Depression, an error that rooted an entire generation in the scarcity mindset. These people pass them on to their children and pass the idea that money was in short supply. That when it did surface, spending had to be limited and savings was imperative. If any of the following ever

crossed your mind, a penny saved is a penny earned, don't dip it into savings or we can't afford it, then you have this perspective and rainy days loom ominously. Money doesn't grow on trees. These threats create a fearful relationship with money.

Money Is Evil, Dirty, or Bad.

Several of us have parents or grandparents who believe that the road to bad places is lined with green. They've only ever seen the drawbacks of the money chase and the audacity and the indulgence of those with too much money. Some even believe that wealthy people are bad people. Novels and films often highlight the idea that it's the crooked ones who make the money. The meek shall inherit the earth. Such prophecies create a hands-off relationship with money.

Money Comes Monthly.

The most common way to make a living is to be employed, either with a company or as a skilled professional, with a weekly wage or an annual salary. Historically, this provided the safe and the sure thing required by heads of households, yet that level of risk was always balanced with an equal level of reward, low and low. For most, even those who do very well, working for a company or as a skilled professional is a constrained opportunity, except for the outrageous exceptions. The average CEO of the average company, making six figures a year, will still experience only a small increase in salary during his or her lifetime. *Slow and steady wins the race.* It's a fable, and such fables create a cautious relationship to money.

Money Is Not for Me.

Some people feel that they don't deserve to be wealthy or that there's only so much of the millionaire pie to go around. Creating wealth and

financial freedom is available to everyone, including you. It's our right to be wealthy and my hope is that people take their place and know they deserve it. By you making money, you are not taking it from someone else. This isn't Bonnie and Clyde go to the bank. Such adages create a defeated relationship to money.

Money Is a Man Thing.

There was a time that man made and managed the household money, and you know what, that That time was not that long ago. And some of you may have grown up with such conditioning. Though there are certainly gender tendencies, for example, men tend to carry more money in their wallet than women do and are more likely to invest than women. The reasons behind this are not genetic. They're the realities falsely fabricated from years and years of conditioning. Women and men need to understand that money does not know a gender. One of my programs that really resonated with up-and-coming wealth builders was "Wealth Diva: A Man Is Not A Plan." This is a must do scenario, this is a must do seminar for every man and every woman and the daughters and the sons that they love. *Let him bring home the bacon.* Such perceptions create an apathetic relationship to money.

Money Is Good Medicine.

For some people, retail therapy goes a very long way; there's no difficulty that a new blouse or a set of shoes can't cure. At the moment, we live in a culture of consumerism and many of us use money to fill those unsatisfying holes in our lives. Some people grew up with a sense of entitlement about money, assuming their parents with a trust fund would always pay for everything, and in the process, they became careless about what they had. And this is a vicious and a very unproductive cycle. The new car gets old, the closet fills up with clothes, and the toys

pile up in the playroom. This is not to say there aren't wonderful things to buy and spend our money on. After all, the money should be fun. But as with overeating, too much spending on the wrong things can get any of us feeling sluggish and sad. Shop till you drop. Such bombarding messages create a disrespectful or nonchalant relationship to money.

Money Is Always a Menace.

For too many of us, money was always a problem. Bills were a hassle, keeping up with the Joneses was exhausting, entrepreneurs were considered nuts, and one station in life was stationary. And getting rich would be worse. Money can be such a burden, but not to mention all that paperwork and the responsibility. These views of money create a perspective that money is actually a problem and not a solution. *It's hard enough just to survive, let alone thrive.* That's pessimism, and such pessimism creates a negative relationship to money.

Money Talk Is Taboo.

Too many of us have been brought up to believe that conversations about money are in bad taste. Money and financial success and failures are considered personal subjects that shouldn't be discussed and certainly should not be taught. Few of us ask our parents how much money they made, and even now there are people who don't know their spouse's salaries. The results have unintended consequences and have created a world where very few people have really real conversations about money and finances, the very kinds of conversations they need to learn and succeed. *These things are not discussed in polite society, dear.* That's scolding, and such scolding creates an ignorant relationship to money.

In each of these examples, it's clear that unless your parents made a conscious choice to think and act differently, they conditioned you to have the same mindset as them. If you make a decision to break this

cycle, you'll have the opportunity to teach your children to have more productive beliefs about and a more profitable relationship to money. As you come to understand the beliefs you hold, you're going to work to change them. Through the action steps in this process and with the help of mentors and respected friends, you're going to change your behavior. By sharing your desire for new beliefs and asking your mentors and respected friends to help you spot the subconscious limitations you may be putting on yourself, you will teach your brain to follow your behavior. Begin now by restating your beliefs. For example, if you've discovered that you hold any of the examples that we just walked through as your beliefs, you will

1. Change money is scarce to money is abundant and support a courageous relationship to money.
2. Change money is evil and dirty or bad to money is good and acceptable and create a hands-on relationship to money.
3. Change money comes monthly to money comes from a range of sources and create an opportunistic relationship to money.
4. Change money is not for me to who better than me for money to come to and create an empowered relationship to money.
5. Change money is a man thing to I can and will know about money and understand money and create a thoughtful relationship to money.
6. Change money is good medicine to money is a tool to help make my life better and create a respectful and concerned relationship with money.
7. Change "money is a menace" to "money is a solution" and create a positive relationship to money talk is vital and create a knowledgeable relationship to money.
8. Change "money talk is taboo" to "money talk is vital" and create a knowledgeable relationship to money.

You can see how much better it is to be courageous, hands-on, opportunistic, empowered, thoughtful, respectful, and concerned, positive, and knowledgeable than to be fearful, precious, defeated, apathetic, disrespectful, and nonchalant, negative, and ignorant. The choice is yours and it looks like you're well on your way. You've already taken a huge step by deciding to actually take the first step, by making the decision to start right now, right now. You've created the opportunity to raise your financial consciousness and change your life.

Self-Fulfilling Prophecies

Looking deeply into your beliefs is an important step to changing your behavior. As you go through these exercises, there are a wide range of responses you may have from simply thinking they're stupid to becoming physically ill. Your beliefs are buried deep at a cellular level, so of course, as you attempt to restate your new ones, every cell in your body may revolt against you. I recommend that you face each of these challenges as a reinforcement of the fact that this is progress and what you're doing is right.

Assess Your Mindset

Finish and reflect on this statement money is blank Consider the belief stated above that we just discussed and see if any resonate with your money is Money is what money is scarce evil bad or dirty comes only monthly. It's a man thing It's medicine menacing or taboo or perhaps for you. It's something else altogether. Try to remember what your conditioning may have been. This will help you to either change it if it was negative or reinforce it if it's positive. It's very important during this stage that you do not get sidetracked by judging the people who raised you. There is no doubt that they had your very best interests at heart and did the best they knew how, most likely having learned it from a culture that dictated

commonly held and subconsciously acknowledged agreements about money. After you've done this assessment, you need to take this very important action step. Conduct a three-month review of your calendar and checkbook. If you ever want to see what a person is truly committed to, these are the sources. Look at the themes and the patterns for spending time and money. Most likely your day-to-day activities and spending are a result of the way that you think. Once thinking changes, so will the results of this review of your activities and spending.

Blast through Barriers

Reconsider the phases in your brain. Play to win, not to lose. Be decisive, not tentative. Increase and expand your money rather than holding on to preserving and protecting it. Be excited and enthusiastic, not fearful, or overly cautious. Wealthy people are proactive and create the lives they want to live. Consider your language. The vocabulary you choose not only reflects, but actually affects your thinking. For example, the word if is conditional. The word when is definitive. From this point on, your dreams and goals are when, not if. When I do this, not if I do this. Don't let it pass through your lips in relation to this pursuit. You're no doubt. It's only a matter of when. Begin now with when I become a millionaire, I will. Similarly, try saying yes, not no, to what you will and can do.

You must reset your mind and psychology to reinforce what it is that you want. Instead of supporting the very thing from which you would like to move away from, you can start by restating your beliefs to reverse that financial conditioning. Take the statements you've summarized about the preconceived notions you've culled from childhood such as money is difficult to earn and even more difficult to keep and flip it around. In this example, we'd restate it as money comes freely to me. Money is easy to keep and multiply. It might seem trite, but it's anything but. Experts will support the fact that something tangible occurs when you and others hear you verbalize your beliefs. While you restate your

beliefs, you're announcing your dreams to yourself, which is the first step in making those dreams actually come true. And when others hear your dream, loud and clear, they'll begin to understand the real you a lot better and can help direct you through referrals and resources and so on towards your goal. It's a prosperous cycle and it starts with you, with what you believe, and just as importantly, what you say.

Conceive a New Perspective

Most people don't have a clear direction or vision of what they want their life to look like when they have great wealth. Though no official ceremony takes place, there's no trumpets blowing, there's no party hats, too many people have said, I do, to their current reality, making a lifetime commitment to something that really doesn't satisfy them. This is an opportunity for you to clarify your purpose and create a vision and step forward towards making it happen.

The financial gap from where you are to where you want should be a doable track and the top of that gap analysis should provide the motivation to commit to generating wealth.

Money Muscles

You all have money muscles they're atrophied little guys. If you had a dream to run a marathon, your first steps would most likely be to go get some running shoes, check out the kinks, stretch them out, and jog a few miles. Similarly, if your dream is of being a millionaire, you need to start with the building blocks that will help you to go the distance. Becoming a millionaire requires getting into financial shape and that means building your money muscles.

Many of us are obsessed with our health and fitness. It's all been prompted by media and consumer product companies, the entertainment world and sometimes something deep within us. It's also pervasive in our

conversation. It's sparked by articles and journals making us proficient in fitness studies, diets, medical procedures, and scientific terminology. People have no problem revealing the most intimate details of their health to perfect strangers.

As health and fitness govern our physical lives, money and finances affect our economic lives. Money may not be the most important thing in life, but I'm pretty sure it can have the most impact. Whether right or wrong, it seems that more people measure themselves by the yardstick of their wealth than by their health, and yet money and finance conversations are rarely had. If the conversation does occur, it usually covers very general issues like Wall Street or the nation's credit card debt, but nothing personal or specific to you like your own portfolio or your bad debt. If you want to become a millionaire, it's time to get in shape, to build the money muscles and run the race towards wealth. As with all exercise programs, the first days are the most difficult. You'll be a little sore at first. Not only will it take your brain a while to adjust to this new behavior of focusing on your finances and committing to a positive perception of money, but it will also require a time commitment. This means that you will have to build this program into your schedule, and this, too, will seem second nature after a while. Kind of like taking an hour to jog or to watch your favorite TV program or to meditate. As those things eventually fit into your life, so will this. And it will make every day of your life more important and more significant. Time and again, I see that when I put substance into my schedule, the unsubstantial moves off. As you progress and get financially conditioned, it's going to become more fun and exciting, and it will get easier and easier. You won't believe that you haven't been doing it for your entire life.

Financial Consciousness

In order to sustain the new financial consciousness that will support your vision, you need to realize a few of the landmines that are going

to threaten your progress. Knowing that they're there is more than half of the battle.

The little voice in your head, it's going to mess with your plan. There's just no getting around it. There's a lot of noise including excuses and blaming, confusion, disjointed conversations, a lot of rationalizing, procrastinating, distraction, and a lack of focus.

1. They need no introduction or explanation. We know them all too well. As you move forward, you turn off the noise in your brain.
2. Perception of your behavior and your actual behavior are not necessarily and most likely are not the same. The dichotomy between our conscious selves and our unconscious selves undermines what you think you believe and what your behavior would indicate that you believe. Once you start saying your belief out loud, the incongruity will become more obvious to both you and to others and your behavior will start to line up.
3. You may get stuck in your own story. The stories we contrive in our heads started with the results we observed, usually those of the adults around us, and continue with the results we create, usually very similar to the ones we observed as kids. It's a vicious cycle. Our story is created from our experiences. Each time we have an experience, we filter that through our feelings and reasons to either confirm or deny the truths we believe. For example, if you invest in a real estate deal and it fails and you lose your money, you can choose either to learn from the experience by taking the lesson and building a new experience or to get stuck in that drama of your story.

I had a client who got so much satisfaction out of being stuck in her story that she preferred to fail rather than to prove her story was wrong. She was what I called a seminar junkie, constantly seeking out information to affirm her beliefs. She had a nest egg of about $30,000, and though she had a desire to build a business, she was going to do

all she could to keep that nest egg safe and sound, even if it meant smothering it to death in savings and careful spending. Her reasoning behind this behavior was very rational, and I had seen it so often, I understood it well. She worked so hard for that money and had so much pain associated with its accumulation that she would never let anyone take it away from her. Her relationship to money was definitively cautious and fearful, yet she had the desire to create great wealth. Her story and psyche were clearly out of sync.

After too many unsuccessful attempts to get her to put her $30,000 into wealth-generating assets, I just moved away from that strategy and focused on improving her Cash Machine. But after a small amount of effort, she stopped following any of the revenue generating marketing and sales strategies we'd laid out and in nine months she declared that I wasn't doing anything for her.

That was the final clue I needed to realize that this problem probably wouldn't be resolved through strategies and suggestions. Wealthy people do the work. No one will play your game for you. You have to play your own game. So, it was time for me to have some straight talk.

"Let me tell you what you didn't do for you," I said to her. "You wouldn't make a decision. You wouldn't follow anyone's advice. We wrote up a marketing plan and you didn't follow any of the action steps on it. You didn't follow up on any of the networking connections we established, nor did you pursue any of the specific markets we'd suggested and targeted. Who is it that is doing nothing for you?"

The plan didn't need to change. She needed to recommit to it. And gratefully, finally, she did. She followed the new pricing and positioning strategy we outlined in her marketing strategy. She aggressively networked and went after new markets. And most important, she did all of this with the belief that she would succeed, rather than with her old motivation to prove the world was wrong. And finally, she got unstuck from her own story.

If you don't recognize your truths, you're going to continue to affirm those negative truths. I often tell my clients, don't get stuck, get it done. If you've got stated new truths, then you can reflect on each experience in a new light and spiral up into a better story. A self-fulfilling prophecy is better when the prophecy is positive.

4. Non-existent competition might seem overwhelming. Here's a news flash for you. There's enough for everyone. If you find you're fighting with someone else over the same piece of pie instead of making the pie bigger, then you are with the wrong group of people in the wrong game. Replace competition with creation and bring balance into your life.
5. Visions are easier said than done. Ask anyone who studies leadership, the number one quality of a leader, and they will tell you this over and over again, it's having a vision, having a vision takes courage, and staying in power and commitment. It also requires that the person with the vision have a good team around him or her such as the supportive spouse a partner understanding and involved children and experts such as mentors, lawyers, Bookkeepers who are going to play their proper position and play it.
6. Quitting on the vision Just might be easier inertia is always easier than change. But just when you do think of quitting, remember this. According to actuarial tables published by the insurance industry, people whose only goal is to reach a certain age and just retire without a bigger vision of what that financial freedom looks like, pass away within two years of reaching that milestone. These people haven't bothered to plan their life beyond that point and that life disappears. If they'd had the choice that you're making and opted for a bigger vision and financial freedom, they could have had all of their dreams come true.

The vision is yours. The journey is yours. The team you build around you to take the journey and the action you take to achieve the vision are all yours. You must be willing to be the leader of your own life if you want to make yourself a millionaire.

The Wealth Cycle Process is a non-negotiable commitment to action and it's okay if you don't believe the restated conditioning before you begin. As I've said, I believe that it takes action to reconstruct and then reinforce thought, and that those who do it the opposite way, waiting for the belief in order to create the action, have a very long wait. By acting first, the reaction is visceral, as it was when the notions were first embedded. This will create a more enduring change because you're not painting over old paint but stripping the walls and starting over. You're going to be uncomfortable and maybe even a little frustrated, but that's because you're growing. The action has begun.

My Vision

My son Logan and I were driving up to our lake house when the television producer called.

"Loral," she said. "We want to do financial makeovers."

"Do I have Deja vu or do you," I said.

She said, "We want to do a regular series. You take randomly selected individuals and make them millionaires."

"That sounds good," I said.

"Did you hear what I said?"

"Yes, you want to take randomly selected individuals and make the millionaires."

"Right," she said.

"We'll pick anyone from anywhere and you'll make them wealthy on TV."

"And?"

"You haven't hung up on me."

"Should I?" I asked.

"Do you think you could do it?" the producer asked.

"I know I can," I said.

I turned north towards the state line.

"I know you can, too," she said.

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WRAPPING THINGS UP

If you're not achieving your goals on a regular, weekly, monthly, quarterly basis, you're still not there. Some of you have been around, you've been millionaires. So, now the way you sit in this little lesson called this period is how do you get more efficient?

Probably for a lot of you, you need to hire more people, so you get freed up to work on projects. You get freed up to actually lead more and stop doing so much. Why? It's just hyper-efficiency. It's like, how do you get more performance out of what you have? How do you create more, whether it's business or investing? And for a lot of you, you still have weird relationships with debt. You still have this I have to go be debtfree mind set. There's nothing further from the truth, especially now with your ability to arbitrage debt and you can get cheap money and put it to work for its good debt arbitrage, making spreads of 8, 9, 12%.

So, a lot of you, there is a next level, and you need to do one thing, you need to engage more. The only reason you don't have cash flow is usually because of one of two things. You're not marketing to get enough leads. You're not selling. Really important. And this isn't like a scare fest. It's the truth. We're very serious wealth builders.

I don't just teach this stuff. I live it at every level, which again, the living out loud principle of this is the more you talk about what you are doing safely with your money and your business, which is there's very few communities that provide a safe environment for you to get vulnerable, to talk about your strengths and weaknesses. It doesn't take long for my senior team. They know where I have downfalls or I'm not strong in certain things.

And I don't want to strengthen my weaknesses. I want to strengthen my strengths, and become extremely amazing in the lane that I live in. And I hire everything else. So, a lot of you, you're still doing too much work and you're not the expert. And you wonder why things are slow is because you're not bringing the right team members to the team. Or you, as a woman, always have this problem. They don't want to hurt somebody's feelings. I can tell you; I don't care about any feelings about my Oasis marijuana project. I'm on it. It was a bloody week. We had to fire people. We had to bring in a new team. You have to get in the weeds. If you want to learn and really be a great investor, you have to learn to run a company right so you can actually evaluate your companies. That's some of the stuff we're going to be teaching you today. How do you evaluate?

How do you do due diligence? And this matrix is really where you need to be thinking as your time as the leader of your family's wealth. It needs to be on those top two, the one in the three, the pattern of millionaires and wealth builders making and investing money. And a lot of you, depending on where you are, where you're joining us at, you need to create more money.

Creating more money is the answer to damn near everything. So, knowing how to have a Cash Machine, even if you have a job, we are intentionally targeting high income earners. Why? Because we know that Scott and through our corporate structure know how to do taxes. We have some of the best tax strategists in the world on this team. And

in fact, bringing two more on because we have so many new clients, we need more breadth.

When my son becomes a CPA, it'll probably be two years, and then 18 months to two years before he would start taking clients out of this community. He's a master's in accounting. But tax and corporate structure and our trust structure are what we're known for. We're known to have you live at the least amount, but that's a constant review. You're constantly reviewing yourself and assessing your situation. In the Millionaire Maker, we use Gap Analysis to sell. I think all of you should honestly use a gap analysis model to sell.

So, I don't care if you're in marketing, I don't care what you're in, you assess someone's baseline of where they are, what do they want, and you're the solution. That is how you sell. And you couple that with an ask, tell, ask, and you've got a golden ticket to sell. So, if you need cash flow, you've got to create more leads and you've got to sell more. So, making money is critical. Managing cash flow is critical.

So, I'll drop into the KEAP money. You shouldn't be paying for more than I'd say seven to ten things out of your personal bank account. When you're really set and everything's moved into corporate expenses, I teach you forecasting, it's so critical because I do it extremely differently. I do it based on what our tax team says. We have some new team members who their CPA for example, won't let them write up their dog as home security. Our teams would do that all day. We lead on the front, and then you end up with a tax strategist on the back who actually does your taxes. Bookkeeping is a huge part of how you're spending your money and how you're paying your bills. It's imperative living a corporate life.

So, it's all in reconfiguring how you spend. We need to teach you how to properly spend money and which entities you need to be spending money out of to take advantage of all the tax deductions, those 233 to 305 different write-offs, which ultimately is going to reduce the

overall taxes, and allow more money to be used upfront. Which, again, is keeping more money in your estate as well.

If you want to do a huge acceleration, and you've been around enough, you need a bigger ticket. I know some of you still have really low tickets given who you are and the level of expert you are. You need to be moving those price tags, $5,000, $10,000, $15,000, and have good packages for that. I do still do some master level coaching where you can have three hours of my time. I don't really head of the table, which is an unlimited ticket anymore. We stopped those after the majestic NFTs were sold in the book launch last year, but you can buy three hours of my time.

So, we know how serious you are by how you play, how you speak, how you move. If I start any company, I will do two things. And I started calling them the engines of every company. Based on my system, my structure, what I need, which company's the best kind of company and where to put it. And then I got another database. So, if the database isn't part of IWS, my marijuana database will be a completely separate RMS rapid marketing system. It'll be another database.

So, marketing is a huge part of my day, overseeing and supporting sales and fulfillment. Those are the three things that I do really well. I market, I sell, and I also, in certain situations, help you or educate you in part of the fulfillment of your table experience, learn how to raise capital.

You just can't park your money passively with due generational wealth, which we're going to encourage you to do early. I've already started with Logan. He'll be 24 in September. He's already starting to acquire and really understand our estate and portfolio. Why? Because he's going to inherit it. My daughter's only 16. She'll come along. But we're serious about this.

This is a lifestyle. This is something you're going to want to stay with. We intend you to stay here, be here with us as we go into this. Let's

go to sequencing next. When you go back through your gap analysis, what you're always wanting to look and use the team for is to identify gaps. Some of you, you're still shy about your financial situations. And even when I've onboarded you, you really haven't disclosed everything. The more we know, the more we can help you. The more we can help you predict your need for, say, long-term care or insurance that you might be needing. You want to use the team aggressively. So, we're looking at and with your plans and what you've done to yourself so we can help fill in those gaps.

So, a Gap Analysis is always necessary. You always want to come back and review that, see where you are. And again, the gap is your baseline and your Freedom Day. Your bookkeeper should be highly involved with you when you're doing a lot of that for your goal setting, especially your cash flow and revenue goal setting. Leadership, teamwork, and conditioning, that's growing you into a really amazing entrepreneurial wealth builder.

So entrepreneurial meaning, you know how to make money, you know how to run companies, you know how to look at companies. And remember, there's usually around five to seven divisions of every company. So, if you're still solo, no extra help, you're suffering for no reason.

You just don't have any money to hire people. It's because you're not hiring people, you're not making any money. You need to get a marketing team. I don't even know how to log on. I don't even have the apps on my phone. I have zero social media access. I stand in this studio right back here in our office. I shoot all the film. And they do all the work. They're experts at all those posts.

If you've noticed, we're going crazy on social media. We're killing it out there. And there's no reason you can't do the same thing. What you need to be doing is what I do. I produce content. And then I hire a team to do all the posts, all the engagement, all of that. I don't do any

of that. So, for some of you, your lack of efficiency is you're trying to do things that are not your strength. And again, strengthen your strength and hire your weaknesses. And I want your strengths down to three to five things that you focus on all day long. And that's all you do.

Our sales team, we have five internally, we have five externally, we have affiliates. So, we're constantly focused on cashflow and revenue, marketing, and sales of the company, which is where your time needs to be as the owner. No one's going to care about it more than you. When you get into the total wealth building plan, which is the Wealth Cycle Program. If you haven't dove deep into that, I didn't do those programs and those processes for my health. I did them for your benefit. So, buildingg your Wealth Cycle is me talking to you for six hours and a whole workbook on how to and a whole like worksheet. It goes on a Word document, and you start putting together your wealth plan. Building, leading, protecting is your business plan. It's shocking to me still how many of you have companies and no business plan and not even a one pager.

My team know exactly what they need to do. If you don't have a proper plan, if you, and when I say a business plan, a sequence, what you're working on, what you're trying to get done that day, week, month, quarter, and year, then you allow the tyranny of the urgent to disrupt what's important.

You have to stay focused on what's important. The only way you know what's important is if you create that plan. It's a quarterly plan, it's an annual plan, it's a monthly plan, it's a weekly plan, and it's by group and by division. And what is, write this down. What is it in service too? What are you doing? The work you're doing must be in service to something you've declared important on your plan. Otherwise, you don't do it.

Now till the end of January, we know exactly what we're going to do. We know the websites that need to get adjusted or fixed. We know

the keynotes that I have and what pages need to be built. We know, we have it all laid out. Like there's no, and what Randy's speaking about, urgent, I'm gonna say, I'm gonna give it a little bit different context is you allow other people's urgencies and emergencies and needs of you to get in your way.

There's never a day we're standing ever in the same position we are in the morning that we got up. That is how intensely we plan and do the right things at the right time. I wanted to do a more masterful level because some of you have been around for years, and you haven't gone back and really re -looked at your day. And is your day productive? Is it revenue producing? Is it investment assessing? Is it moving the dial? And if not, why are you spending your day doing it? Now that doesn't mean every day has to be that way.

There are days where it's family time, it's beach time. It's that break that you need to build in, but you plan them, you build them in. A lot of you live a very reactionary day and that doesn't serve anybody or anything. And I really want you down to a daily process of sequencing.

What is the most important thing that needs to move the dial today? And as the owner of your life and leading your family, it needs to be, are you producing enough revenue and are your investments working? And what needs to continue to be modified and adjusted?

And if you can't dissect it that much, and especially a lot of you, you need to spend way more time with the expert team in your first year here. A lot of you, you asked as you joined, especially as this last month, we've had a lot of new people joining, is what makes somebody successful or not. It's the depth of understanding the work. I can do a whole sequence for every one of you, but if you don't know why we're doing that, why you're doing it, it's your plan, not my plan. I'm just helping you get it all in the right order. But if you aren't using us enough to stay in the right moments, you're going to get upside down quickly. And it's going to happen faster.

And then to recover, just get a cost more, because you got to go to Scott and refix the companies. You have to get the right thing at the right time. You shouldn't stay in the same sequence every year.

So, when you look at that, you should be reviewing your assets minimum, I think quarterly. And some of you that are really active investors, monthly. You need a review. Is your money making money? Or is it sitting around in stagnant assets? So that should be a constant review with you and your tax team. I can look at them. As you all know, I'm an educator, I can't advise, but the way I'm going to educate you is if this was my deck of cards, this is what I would do. And then if you're smart, you're going to call about three or four other people and say, if you were in this situation, what would you do? And get input from the more senior people around here. And it's not, there's some people that they don't want to coach.

So, Assets is a regular review. I think entities are the same. I'm going to put Entities, which include in our world trust, not just a will. You die, you don't have a trust, you're going to probate. That's a worldwide problem. It is not a US problem. It is a worldwide problem that needs to be handled. Why would you create any money if you can't do deductions? Why would you create money to pass on if you don't have a trust to pass it? So, some of you need to spend some time there. If I'm you and I'm in the beginning stages, I would make a list if you wanted to just take a screenshot of this or take the copy out of the book. Like is what you're doing every day touching these boxes like your cash machine?

What do you do? Everybody thinks I spend an enormous amount of time here at IWS. I run many other companies outside of this office and the way people grow on my team, hey, I have no employees. So, they have the same opportunity I have. They want to invest in a project. They want to become partners.

I can't run at all and you're going to learn that the faster you become a teammate instead of a solo, I'm going to do it all by myself, the faster this game moves for you, meaning just in life. That's just a way of operating. So, your cash machine, I probably put maybe three, four hours a day into it and then I'm on to other cash machines. Forecasting, I think, should be something you do with your bookkeeper, and if they don't know how to do it, you are welcome to ask for a session and there are simple ways to do it. It's a pain because it's a lot of paperwork. It's the do the paperwork or be broke. So, you have to get the initial structure set.

So, when do you want to do a deal? Some of you want to go do a deal with each other, you want to go buy a piece of property together, you have got to trust and know and do a review with each other. Are they set properly?

Forecasting is something you should be looking at. If you're managing cash flow, that's weekly. Even if your bank accounts are tied to it, you still got to know what your cash flow is, what checks are outstanding, where are you really on your cash balances, what bills you pay this week, aren't the ones you pay next week. Forecasting and cash flow management are so intertwined, you're going to flunk in life in general if you don't create some good structures for yourself.

Some of you still don't know and you haven't got accounts. And if you're not using it, you're using money market accounts probably to put your extra cash in. Interesting, not as helpful. And then obviously debt management, that's part of our forecasting plan. So, when you come forth with your P &Ls and balance sheets, really, I just need your P &L. I need to see where your debt is and how you're structuring it.

Remember page 194 is how you power down debt our way, the millionaire way. You're not going through debt consolidation and all that and then devaluing your house by putting it into your home mortgage. This isn't about convenient. The rest of the world does this

so wrong. Why would you pay off if you had a house and you got some of those low interest rates and you're down into two, three percent? Why would you ever pay your house off at two and three percent? That is the cheapest money you're going to get. It's ridiculous to do that in our opinion. You can do whatever you want to do. But if you don't know why, we're saying that you need to lean in farther and say, why wouldn't you? Maybe later in life, you might want to do that. But not in your growing years. Why would you park four, five hundred thousand a million dollars in one asset that unless you are bringing in guests and creating some cash flow, you're not cash flowing your home asset. It's a place to sleep. Place to raise your families. Anything you want to add to that? Let's make sure that what you have in place is going to work for what you want to do and also allow for building that cash mechanism and generational wealth.

Sequencing these, again, some of you are new and you have a lot of lazy assets. And I wouldn't wait too long to have those assessed and really looked at what you want to do, a plan to reinvest or reallocate assets. A lot of you, you're in the cash machine, you're in the income generating, you've had to spend time there. And then even within the cash machine, again, the departments that are in your company that you need to be paying attention to is your marketing.

How many new leads are you getting a day? How many appointments are you getting in a day? How many new leads, how many appointments, how many kept appointments? And if you aren't closing every day, what are you doing? We do not want you to be an emotional entrepreneur. We want you to be a wealthy entrepreneur. We want you making money. So, marketing and sales have to lead. The cash flow, I know every day that the core companies, the highest transaction companies, where we are in cash flow at all times. If your bookkeeper doesn't have a clue or you're trying to be your bookkeeper, I'm going to tell you to get the hell out of that position.

I know how to do it; I don't want to do it. It's not the best use of my time. So, it's very strategic, you need to start putting people in play that you have the information you need, you're fed the information, you have it on a dashboard at some place. And again, you use KEAP, you can tie KEAP into an accounting system. So, you can see at all times where your cash is, where your leads are, where your sales are. But those are critical skill sets that you have to either hire, and I highly encourage you to hire, or you learn. You have to learn to sell. That is a non-optional skill set as an entrepreneur.

And then after marketing and sales is your accounting, your cash flow, and then is your fulfillment working and who's doing your fulfillment? And I know a lot of you, especially if you've been employed for a long time, you love fulfillment because that's what you've been doing as an employee is fulfilling somebody else's business goals. So, what are you doing in fulfillment? Do you have your technology handles, all your backups, all of that? Also, security inside, when I say technology, that also means the security of you, your data, all of that. And then any customer support and other operational support.

So where do you fit best in your own org chart within the cash machine? What is your sequence of a day? And if you need cash flow, you have to market more and you have to sell more. It's pretty simple. And if you don't know how to do that, then you have to lean in and go to more of the classes. We have calls almost every day, depending on what you're needing today. That doesn't mean a year from now, you still need that today.

Some of you, as you mature, reevaluating your assets is where you're going to spend a lot of time. Do you have a cash flow plan that's actually going to get you free? Do you have enough investments producing cash that if something happened to your cash machine, it at least covers your core bills? Are you really producing any passive income? So, laying this all out, don't get overwhelmed emotionally with it. It's very logical.

And if you don't know how to do some of those things, we'll continue to teach you how to do some of those things.

I want you to leave here with an actionable list for you. Do you have your company set, like really set, have they been reviewed, your corporate minutes reviewed? Are your trusts funded? Are you really set as a compliance set? Are you really using all your 81,000 pages of deductions? This game changes for all of you. And a lot of you are not sequenced tight enough there.

How many of you know just those two things that got to get tighter? The way you use your companies, the way that they are working together. So, all the money stays in your bank account. So, if I had a $40,000 tax burden,

I'm going to give it to the IRS or I'm going to give it, I'm going to pay another company in mind to do something for it. So now I've kept it inside my corporate accounts. Does that make sense? Am I, you guys getting it? Okay, so again, to start making a list of things you need, out of here, meeting with me, text and we'll get you in my calendar.

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TRANSFORMATIVE JOURNEYS WITH THE MILLIONAIRE MAKER

In the realm of financial empowerment, few programs have made as profound an impact as Loral Langemeier's The Big Table. This chapter showcases the inspiring journeys of individuals who have embraced strategic financial mentorship and transformed their lives.

How Joining The Big Table Helped Me Build Generational Wealth!

"Before joining The Big Table, I had no clear direction for growing and protecting my wealth. I wanted to create something sustainable for my family, but I lacked the right strategies. With expert guidance, I learned how to structure my finances, invest strategically, and keep more of my money. Now, I'm confident that my children will inherit not just assets but financial wisdom."

— Joshua

How The Big Table Transformed Our Path to Success!

"For years, we jumped from one financial guru to another, never finding the structure we needed. The Big Table changed everything for us. We finally understood how to align our goals with actionable strategies, and we found a supportive community to guide us. Today, we are investing smarter, managing our money efficiently, and making our wealth work for us."

— June and Jason

How The Big Table Transformed My Financial Journey!

"I always knew I wanted financial freedom, but I had no clue about LLC compliance, tax structures, or how to truly protect my assets. The Big Table taught me all of that and more. The knowledge I gained helped me make the leap from uncertainty to confidence in my financial decisions. I now have a strong foundation and a supportive network."

— Tammy

How 9 Years with The Big Table Built Lifelong Success!

"I started as an employee of Loral's, but I quickly realized the power of this financial education. Over the past nine years, I've used the tools and strategies from The Big Table to create successful businesses in real estate and cannabis. It's not just about money—it's about relationships, opportunities, and lifelong success."

— Tanya

Why I Joined The Big Table After 20 Years of Following Loral Langemeier

"I first discovered Loral Langemeier in The Secret 20 years ago, and I knew her teachings were powerful. But it took me two decades to finally take action and join The Big Table. It was the best decision I ever made. Loral and her team provided me with expert financial advice, tax strategies, and wealth-building tactics that completely shifted my financial future."

— Shawna

From Corporate Life to Wealth Creation with The Big Table

"For years, I worked a corporate job, believing my 401(k) was enough for retirement. After researching Loral's work, I took a leap and joined The Big Table. I learned how to build wealth beyond my paycheck—through corporate structures, tax strategies, and high-yield investments. My financial future has never looked brighter."

— Keith

How The Big Table Helped Me Secure My Family's Wealth

"After inheriting a large estate, I had no idea how to manage or protect it. The Big Table gave me the tools to minimize taxes, structure my assets properly, and ensure long-term wealth preservation. I now have confidence in my financial future and the ability to pass down wealth efficiently."

— Jerry

Rebuilding and Investing for a Better Future with The Big Table

"After losing my business, I was at a crossroads. The Big Table gave me the financial structure I needed to rebuild. I discovered the power of real estate investing and asset protection. More importantly, I gained a mindset shift that helped me move forward and create a secure financial future for my family."

— Suzanne

From Debt and Confusion to Financial Clarity — Thanks to Loral and The Big Table!

"I was drowning in credit card debt and had no idea how to grow a business. The Big Table taught me how to structure my finances, leverage tax advantages, and create long-term wealth. The biggest change was my mindset—I now see money as a tool, not a limitation. My future has completely transformed."

— Bonnie

From $500K to $2M: How The Big Table Helped Build My Family's Wealth

"Seven years ago, I had a $500K net worth but no financial plan. Through real estate, tax strategies, and smart investments, I grew my wealth to $2M with The Big Table's guidance. The financial education I received has changed my family's future forever."

— Anonymous Big Table Member

From W2 to Financial Freedom: How The Big Table Transformed My Life

"In 2018, I left my 9-to-5 job and started my journey toward financial independence. The Big Table provided me with vetted investment opportunities, expert strategies, and a network of wealth-minded individuals. Now, I have passive income streams and complete financial freedom."

— Anonymous Big Table Member

How Joining The Big Table Transformed Our Financial Future!

"My wife and I found The Big Table through TikTok, and it changed everything for us. We learned tax strategies, investment tactics, and how to overcome financial fears. One step led to another, and today, we have a structured financial plan that gives us security and confidence."

— Felix

From Financial Chaos to Tripling My Income with The Big Table!

"Before joining, I made financial mistakes that held me back. The Big Table helped me develop a real strategy, and in just a few years, I tripled my income and built a thriving business. The knowledge and support from this community are invaluable."

— Kelly

42 Years in Business and Finally Found the Right Path with The Big Table!

"After 42 years in business, I thought I had it all figured out. The Big Table showed me otherwise. The expert advice on tax structures, investments, and business growth has taken my company to a whole new level. I only wish I had joined sooner!"

— Tom

How Joining The Big Table Fast-Tracked Our Business Success!

"We had two separate businesses and struggled to find the right structure to maximize our profits. After joining The Big Table, we learned how to integrate them effectively. The expert advice helped us reduce our tax burden and increase cash flow. The results? We saw returns on our investment almost immediately! With a community of like-minded entrepreneurs supporting us, we feel confident in our financial future."

— Tessa & Chester

How The Big Table Helped Me Stay Ahead in Business and Achieve Greater Success!

"As a business owner, I needed to stay ahead of the curve, and The Big Table provided me with exactly that. From crucial strategies to insights on emerging trends like cryptocurrency and blockchain, I've gained knowledge that keeps my company competitive. The support network is unmatched—this program has been a game-changer for my success."

— Jason

How The Big Table Helped Me Build a Strong Foundation for Generational Wealth!

"Before joining, I had dreams of financial freedom but no roadmap to achieve it. The Big Table gave me that roadmap. I learned how to structure my business, optimize taxes, and connect with the right people. Now, I'm confident that I'm on the right path to building lasting generational wealth for my family."

— Monica

How The Big Table Helped Me Organize My Business and Plan for the Future!

"Running a business is challenging, and I needed guidance to ensure I was making the right financial decisions. The Big Table helped me organize my business, get my taxes in order, and plan for long-term growth. The resources and experts available made all the difference—I now feel in control of my future."

— Dan

How Joining The Big Table Helped Me Reinvent Myself and Build a New Financial Future!

"After facing financial struggles, I knew I had to take action. The Big Table provided me with step-by-step guidance and a community that genuinely cared about my success. I was able to pivot my career, start a new business, and regain financial stability. This was the lifeline I needed to turn things around."

— Steve

How The Big Table Helped Me Expand My A.I. and Automation Business

"My expertise is in AI and automation, but I needed help with taxes, corporate structures, and scaling my business. The Big Table connected me with the right people, helped me streamline my operations, and even led to 20+ new appointments! The value of this program is beyond anything I expected."

— Maticus

How The Big Table Gave My Business the Boost It Needed to Thrive

"I've attended many mentorship programs, but The Big Table was different. It provided real, actionable advice and a community that supports each other. I learned how to structure my auto glass business for maximum tax benefits, protect my assets, and build lasting success. This investment was a game-changer!"

— Louis

How The Big Table Helped Me Take Control of My Finances and Build Lasting Success

"I've been a bestselling author and publicity expert for years, but financial literacy was never my strong suit. The Big Table changed that. I now understand business structures, tax planning, and wealth-building strategies that will ensure my long-term success. If you're on the fence about joining—do it!"

— Jill

How The Big Table Helped Me Streamline My Cybersecurity Business

"Running a cybersecurity business since 2006, I struggled with financial compliance and organization. After joining The Big Table, I learned how to align my business processes, switch to better accountants, and create a financial strategy that works. This program gave me the structure I desperately needed."

— Gwen

How The Big Table Turned My Business Dreams into Reality

"I had tried multiple business ventures but lacked the financial education to make them work. After discovering Loral Langemeier on YouTube, I knew I had to join The Big Table. Over two years, I've learned how to build real wealth, manage my finances, and create a strong foundation for my future."

— Sandra

How The Big Table Helped Me Transform My 40-Year Hobby into a Thriving Business

"For 40 years, my passion was just a hobby—until The Big Table helped me turn it into a real business. With expert advice, I navigated complex legal and financial hurdles, and now my business is thriving. I can't thank Loral and her team enough for the support!"

— Phillip

How The Big Table Helped Me Regain Control and Grow My Real Estate Business

"After leaving a successful chiropractic career, I ventured into real estate development but lacked the right team and strategies. The Big Table showed me how to structure my investments, save on taxes, and regain control of my operations. Now, my real estate ventures are flourishing!"

— Mark

How The Big Table Helped Me Build a Future-Proof Business for My Family

"I wanted to create multiple streams of income while protecting my family's financial future. The Big Table gave me the confidence to take risks, build structured businesses, and think strategically about wealth. The knowledge I've gained here is priceless."

— Franda

From Financial Confusion to Strategic Clarity — Thanks to The Big Table!

"Coming from a background in art, technology, and homesteading, financial planning wasn't my strength. The Big Table provided me with expert knowledge and a structured approach to building wealth. What I've learned in just a few months has saved me years of financial trial and error."

— Kiril

How The Big Table's Lifetime Membership Brought Us Back Stronger Than Ever!

"Life happened, and I had to step away for a while, but returning to The Big Table was effortless. The lifetime membership meant I could pick up where I left off, with no extra costs. The value is immense, and my entire family benefits from the wealth-building strategies we've learned here."

— Jamie

From Disorganized Chaos to a Streamlined Success — Thanks to The Big Table!

"As a doctor, managing finances and structuring a business felt overwhelming. The Big Table helped me go from feeling completely disorganized to having a clear financial strategy. I now have a streamlined business with a solid team, and I know I made the best decision joining this program."

— Dr. Jennifer

These success stories are just a glimpse into the power of financial mentorship and community support. The Big Table isn't just a program—it's a movement toward lasting financial freedom.

Are you ready to take your financial journey to the next level? To watch more success stories, head on over to Loral Langemeier's YouTube channel,l askloral.com/youtube.

EPILOGUE

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

The eighth question of the Gap Analysis is: "Are you willing to create and execute the Wealth Cycle Process?" I want my clients to say yes and take massive action.

My personal vision is to expand the business we have at Live Out Loud until it's a global education house. My colleagues and I bootstrapped our way to develop this community, a community that values the ideal that we give to get, and we hope to help others do the same. It's about wrapping our wealth knowledge around more and more people until we've turned this nation on its brain and created a country of millionaires. Look how great we would be if we all started to live conscious lives. We know this country is capable of mass movement because we somehow became a country of consumers. Let's turn that capacity around and move in a productive direction.

Since these ideas will strike each person differently, everyone is going to do it differently, and my colleagues and I encourage that. You must play the game you want to play, a game that fits into your values and

works with what you ultimately want. While our community of wealth is all about collaboration and teamwork, there's no dependency. We like healthy, responsible relationships. We each have to write our own script, follow our own sequence of Wealth Cycle building blocks, and create our own plan. It's you who needs to decide that you should get what you want. Take on that role like you're a wealth warrior. Get in front of your situation and make this process work for you. There is plenty of abundance; it's a rip-off for your not to do this. A wealth builder is just someone who's awake and wants to have an out-loud conversation, that is, a conscious, thoughtful life. It's time to run headlong into your fears and make them disappear.

If you want something new, you must do something different today. There's no finish line to this pursuit; you should always be planning for what's possible. Diligence, planning, knowing what you want --these are what it takes to get to a better place. Opportunities swirl around this planet constantly. I'm sure that if each of us felt we deserved the best, we would believe more in ourselves, and in others, and in all that's out there to share, and we would reach out for a handful of that opportunity.

Say yes. Stand up for yourself, live out loud, and be accountable. You do deserve that opportunity. Now you're ready to plan for what is possible and propel yourself toward a future of financial freedom and wealth.

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—**BOB PROCTOR**, author of *You We Born Rich*

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Even financial woes and a limited income can't stop you from creating real, sustainable wealth and the freedome it buys. *The Millionaire Maker* reveals Loral's proven wealth-building system that thousands of ordinary people have already used to begin a life of unlimted financial freedom. Regardless of your income, you will learn how to

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- **Make your money work for you by committing some of your earnings to cash-producing investments instead of just savings.**
- **Cover the costs of owining a home, sending your children to college, and securing an enjoyable retirement.**

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ISBN 978-0-07-154924-0
MHID 0-07-154924-2

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