
THE NATIONAL BESTSELLER

The
Millionaire
Maker^{2.0}



Act, Think, and Make
Money the Way the
Wealthy Do 2.0

**“Loral is the real
deal...she actually
makes millionaires.”**

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

LORAL LANGEMEIER

THE MILLIONAIRE MAKER

Praise for *The Millionaire Maker*

“Loral is the real deal ... she actually makes millionaires.”

— **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.”

— **MARK VICTOR HANSEN**, co-author, *Cracking the Millionaire Code* and *The One Minute Millionaire*

“Loral Langemeier’s engrossing new book, The Millionaire Maker, has a very simple goal: to make you a millionaire. After all, that’s what Loral does for a living. I recommend anything that Loral writes, but most of all, this warm, readable, eye-opening book.”

— **JAY CONRAD LEVINSON**, author of the *Guerilla Marketing* series

“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.

Contents

INTRODUCTION	1
THE WEALTH CYCLE	
MONEY IN MOTION	3
THE GAP ANALYSIS	
MAPPING YOUR WAY TO MILLIONS.....	13
SEQUENCING	
THE RIGHT THING AT THE RIGHT TIME.....	33
DIRECT ASSET ALLOCATION	
ASSETS TO INCOME, INCOME TO ASSETS	55
THE CASH MACHINE	
LEARN TO EARN	89
ENTITIES	
GETTING YOUR HOUSE IN ORDER.....	111
FORECASTING	
THE RIGHT STUFF IN THE RIGHT BUCKET	133
WAPP	
IT'S ALL ABOUT ME	151
DEBT MANAGEMENT	
BAD DEBT HAS GOT TO GO	169
FINANCIAL FREEDOM DAY	
SEE THE MONEY	203
TEAMWORK AND LEADERSHIP	
TEAM-MADE MILLIONAIRES.....	211
CONDITIONING	
A NEW CONVERSATION	227
WRAPPING THINGS UP	243
TRANSFORMATIVE JOURNEYS WITH THE MILLIONAIRE MAKER	255
EPILOGUE	265

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.

ACKNOWLEDGMENTS

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.

THE WEALTH CYCLE

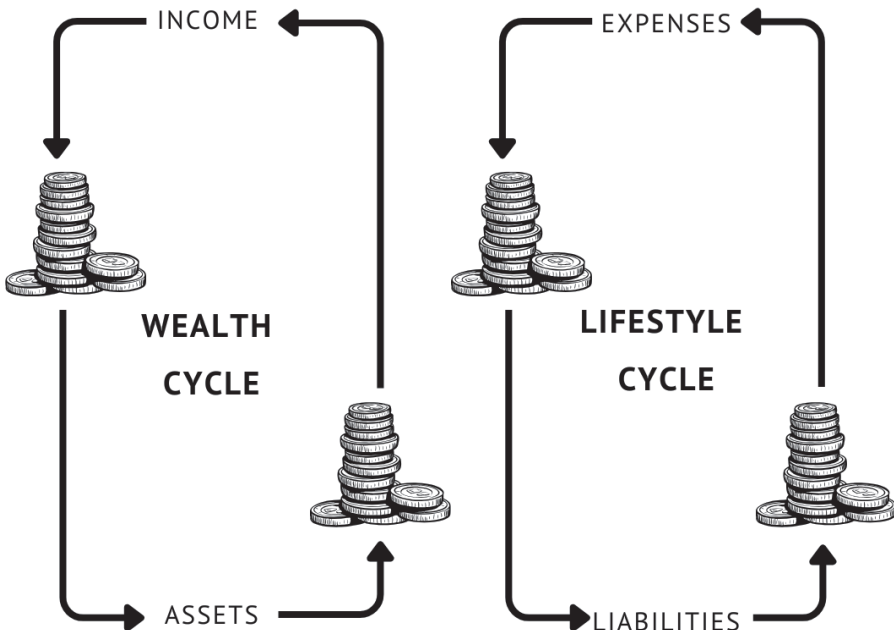
Money In Motion

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.

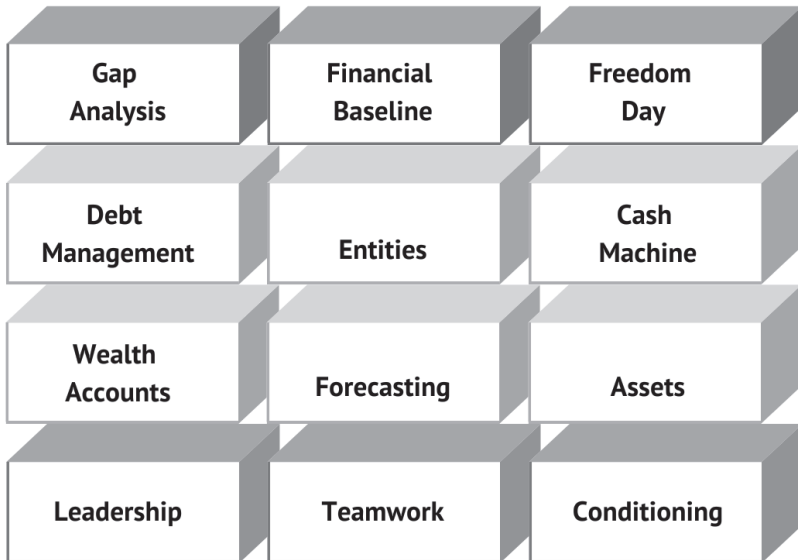
A Year from Now You'll Wish You'd Started Today

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.

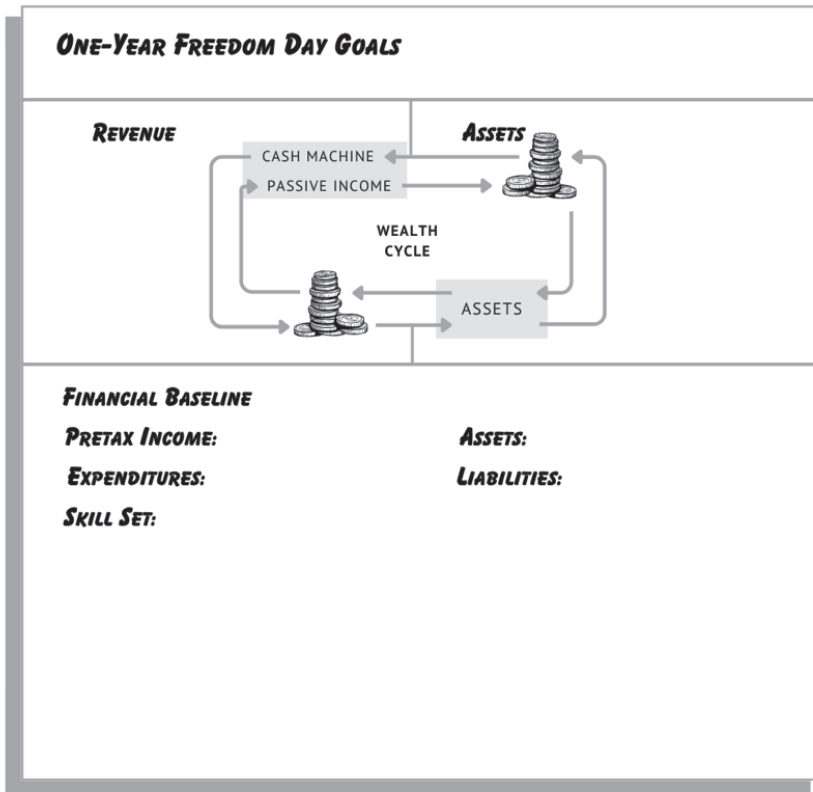
THE GAP ANALYSIS

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."

"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.

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.

THE GAP ANALYSIS

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: \$6,250/MONTH	ASSETS:
EXPENDITURES:	LIABILITIES:
SKILL SET:	
● \$2,080 MARY'S MONTHLY PRETAX SALARY ● \$4,170 MIKE'S MONTHLY PRETAX SALARY ● NO ENTITIES, NO BUSINESS, PERSONAL BANK ACCOUNT	

Question 2: What Are Your Monthly Expenditures?



Mary pulled out some papers and her checkbook. “This is our budget. 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.

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE PRETAX INCOME: \$6,250/MONTH EXPENDITURES: \$3,200/MONTH SKILL SET: MANUAL BOOKKEEPING	
ASSETS: LIABILITIES:	

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 EXPENDITURES: \$3,200/MONTH 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	
	ASSETS: \$397,500 LIABILITIES:

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.

ONE-YEAR FREEDOM DAY GOALS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: \$6,250/MONTH	ASSETS: \$397,500
EXPENDITURES: \$3,200/MONTH	LIABILITIES: \$210,000
SKILL SET:	
● \$10,000 IN CREDIT CARD DEBT ● \$200,000 MORTGAGE ON THE HOUSE	

Question 5: What Else?



I continually ask what else 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	ASSETS: \$399,500
EXPENDITURES: \$3,200/MONTH	LIABILITIES: \$211,000
SKILL SET:	
● \$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

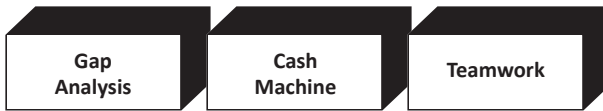
THE GAP ANALYSIS

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.

ONE-YEAR FREEDOM DAY GOALS	
● NO NEW JOB FOR MARY ● PASSIVE INCOME TO REPLACE MARY'S SALARY ● COLLEGE TUITION PLAN ● DEBT ELIMINATION PLAN ● OWNING AND RUNNING THEIR OWN PROFITABLE BUSINESS	
REVENUE	ASSETS
FINANCIAL BASELINE	
PRETAX INCOME: \$6,250/MONTH	ASSETS: \$399,500
EXPENDITURES: \$3,200/MONTH	LIABILITIES: \$211,000
SKILL SET:	

In the next two 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.

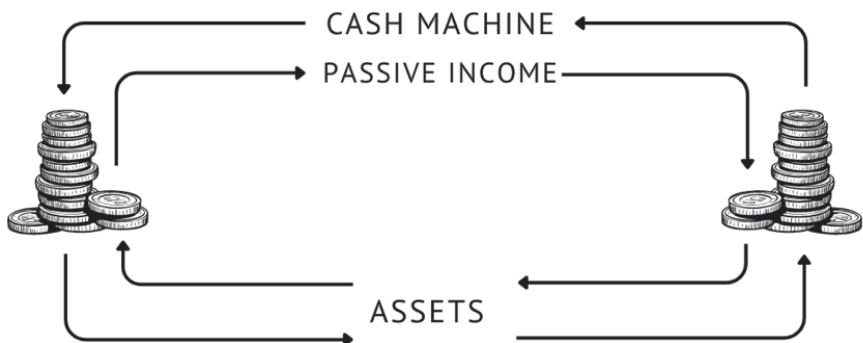
“We can build ones way sweeter than what we’ve seen on the internet. And those that sell for like \$20,000 head carry, at least,” Colin chipped in.

“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

THE GAP ANALYSIS

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.”

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.

ONE-YEAR FREEDOM DAY GOALS ● NO NEW JOB FOR MARY ● PASSIVE INCOME TO REPLACE MARY'S SALARY ● COLLEGE TUITION PLAN ● DEBT ELIMINATION PLAN ● OWNING AND RUNNING THEIR OWN PROFITABLE BUSINESS	
REVENUE	ASSETS
FINANCIAL BASELINE PRETAX INCOME: \$6,250/MONTH EXPENDITURES: \$3,200/MONTH SKILL SET: ADMINISTRATION, ORGANIZATION, BUILDING AND FIXING MECHANICAL ITEMS	
	ASSETS: \$399,500 LIABILITIES: \$211,000

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

CASH MACHINE

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

ASSETS

SHIFT \$148,000 OF ASSETS

\$60,000 to real estate, for 10 cash flow-producing rental properties. (\$200/month)

\$16,000 to real estate for 2 cash flow-producing rental properties (\$150/month)

\$32,000 in promissory note at 12%

\$40,000 to real estate, for appreciating properties

FINANCIAL BASELINE

PRETAX INCOME: \$6,250/MONTH

ASSETS: \$399,500

EXPENDITURES: \$3,200/MONTH

LIABILITIES: \$211,000

SKILL SET: ADMINISTRATION, ORGANIZATION, BUILDING AND FIXING MECHANICAL ITEMS

By simply reallocating a little more than half of the family's assets, Mary's one-year Freedom Day goal of not having to go to work was already in motion. We'd more than replaced 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 Skills

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 OTHER 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."

\$3,000 + VALUE IN BONUSES!

THE MILLIONAIRE INTENSIVE

Get Access to Loral Langemeier's
intensive training & virtual marketplace
that is specifically for those that are
ready to seriously boost their income!



\$ 3,000 + VALUE

VIP
VIP
VIP



MILLIONAIREMAKERBOOK.COM

Scan the QR Code above or visit the URL to get access to
The Millionaire Intensive!

PERSONAL FINANCE

YOU-A MILLIONAIRE?

(It's true, and you might be closer than you think.)

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

—MARK VICTOR HANSEN, co-author, *Cracking the Millionaire Code* and *The One Minute Millionaire*

"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 We Born Rich*

Even financial woes and a limited income can't stop you from creating real, sustainable wealth and the freedom 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 unlimited financial freedom. Regardless of your income, you will learn how to

A
NEW YORK
TIMES
BESTSELLER

- Eliminate debt while you create a consistent, diversified stream of cash
- Make your money work for you by committing some of your earnings to cash-producing investments instead of just savings.
- Cover the costs of owning a home, sending your children to college, and securing an enjoyable retirement.

Ready to begin a new life of unlimited financial freedom? Read *The Millionaire Maker* and learn how to tap into the power from which great fortunes spring.

ISBN 978-0-07-154924-0

MHID 0-07-154924-2



9 780071 549240

Learn More at
MILLIONAIREMAKERBOOK.COM