

## Executive Overview: Leveraged Income, Leveraged Life

To anyone even remotely aware of what's going on in the world around them it will come as no surprise that the world seems to be (or is) coming apart at the seams. Both headlines and behind the scenes reporting provide a bleak outlook about having a strong economy. The pandemic of 2020 won't be the last insult!

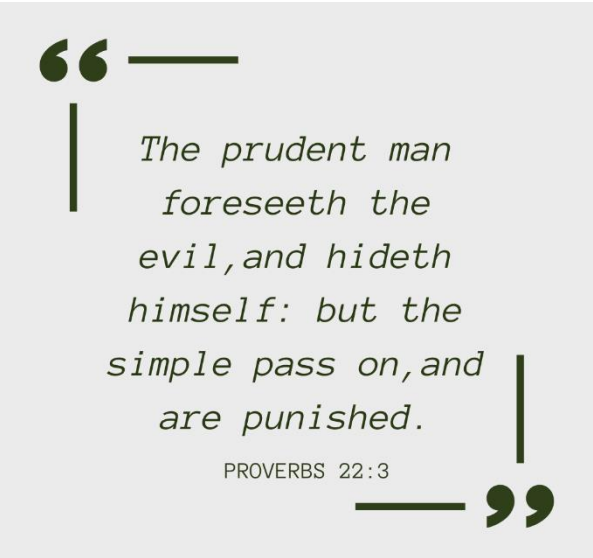
We still have supply chain issues, inflation, faltering business, declining living standards, rising taxation, and worsening health issues. Life expectancy in the United States has even declined<sup>1</sup> from a high of age 79 in 2019, to just over 76 in 2021! This is stunning! It seems that every day brings something new to our attention. This squeeze seems to intensify each month as more indicators appear revealing the depth of the problems. It really is the perfect storm!

To date, the bailouts and government (taxpayer) funded accommodations have helped some survive the madness, but not everyone. Many are still reeling from the hits their businesses and incomes suffered - with far too many still struggling to get back to pre-pandemic levels. The ripple effects of political and economic maleficence, disruption in global markets and the workforce, and declining health and an aging population, have created enormous problems the world over.

Many pundits have been actively trying to sell the idea that things will get back to normal. However, most have given up on that idea and now talk about the "new normal!" Regardless of your political leanings or philosophy, no one can escape the fact that things are different now. Very different! Everyone is affected. Far too many are focused on holding their heads above water, staying employed, and keeping their business going and keeping up with all the changes.

Correcting any of this at the global or institutional level is not possible for single individuals or isolated businesses. The growing threat to our standard of living is serious – affecting our economic and financial safety and job security. It represents the single biggest financial threat to our living standards that we have seen in a generation. The BBC news is reporting that the UK is facing "the biggest fall in living standards on record,"<sup>2</sup> with record fall in household income and "changes in real household disposable income per person" affecting the family budget.

Some people are committed to ride out the storm, hoping for better economic weather on the other side of our troubles. Others simply put their heads in the proverbial sand, believing if they ignore it that things will change for the better and work out for them. This is a wishful hope



*The prudent man  
foreseeth the  
evil, and hideth  
himself: but the  
simple pass on, and  
are punished.*

PROVERBS 22:3

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<sup>1</sup> <https://www.health.harvard.edu/blog/why-life-expectancy-in-the-us-is-falling-202210202835>

<sup>2</sup> <https://www.bbc.com/news/business-63659936>

that is a marker of our human nature - to believe and think that life will improve and that we can out-manuever our problems by keeping the 'plates spinning' on the sticks!

While there is nothing wrong with having the hope that new customers, accounts, patients, clients and business contracts and job raises or bonuses are 'just around the corner,' this kind of 'hope' is not the kind you can deposit in your bank account today!

Too many people approach each day like they are the exception – that they won't have a heart attack or stroke or a disabling accident or experience a natural disaster or a business downturn or job loss – at least not this year! We also do not plan or believe that our investment portfolios will take a hit, or that our debt will become unmanageable, or that taxes will be a problem, or that inflation will change what we put on the kitchen table or place under the Christmas tree.

Hope is an important part of living, but it can also become dashed on the rocks of economic reality. It is important that when our survival instincts kick in that we are able to correctly appraise our situation as well as to recognize the opportunities presented to us as a better way forward. Restoring hope is an important part of keeping the ship floating through thick and thin times.

Any financial adviser worth their keep always advises that we live within our means, avoid and pay off debt, refinance loans to lower payments, and protect our assets and home equity. However, after decades of being largely ignored, the other side of the ledger is now getting more attention. Some of this is driven by survival instincts, and some from sensing an opportunity to get ahead.

Increasing business revenue and personal income by uptraining, getting a higher paying job, or starting a new business - is gaining traction! It has never been more needed or easy to do, than today.

Every accountant and business manager or consultant knows that the quickest way to change the company or family Profit & Loss / Balance Sheet is to increase income. In business and family budgets there is always the monthly overhead 'nut' to crack. Fixed and variable expenses start over each month and define the breakeven point where profit and disposable income begin. The rules equally apply in business and the family – increase income and decrease outgo.

Reducing the breakeven point by cutting costs is one side of the ledger sheet. This is often difficult because some costs are fixed for a reason, and others are "variable" because they are associated with usage (or volume/production in a business). Increasing income in a business and having additional streams of income at home are an important part to having more money left over at the end of the month.

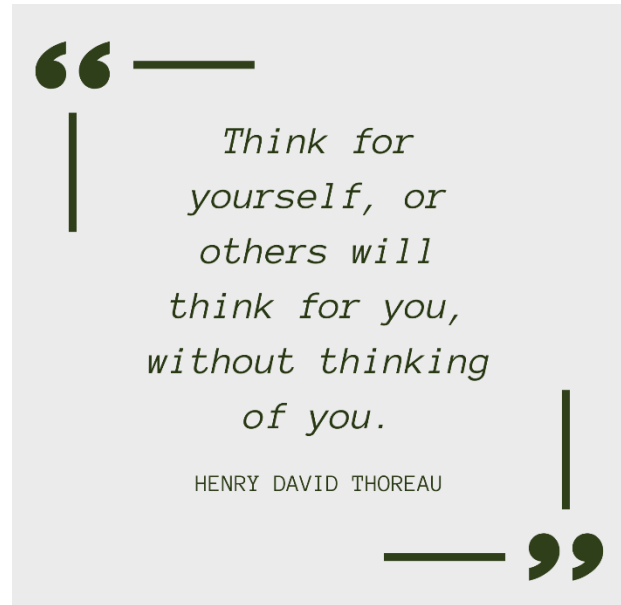
The core thesis of this book is to be prepared. This requires awareness, action, and accountability. Taking back financial control of your life prevents others from having control over you!

Increasing the income side of the family or business ledger is a powerful survival strategy. To get there one must be aware of their blind spots and to have the courage to step forward enough to see around corners. You can make more by working more hours and getting second jobs. But

why do that when you can increase your income by adding streams of residual or leveraged income?

There is an economic term for this - “MSI” - which stands for Multiple Streams of Income. In the popular vernacular this is often referred to as having a “side hustle.” In *Why It Matters* we will talk about the power and advantages of having additional income streams (such as side hustles) - especially those that are not simply a second job. The idea with this is to not tie yourself to the clock and to stop trading your time for money on the proverbial “hamster wheel.”

The principle here is that you want leverage of your time, of your available resources, and of other people’s time and efforts. This book will explore each of these in detail. The main thing is that the internet never sleeps, and neither should your income! This means that the best forms of additional income are in the form of residual and passive income streams which take advantage of credentialed and vetted companies and business systems, and the internet-based networking and social media resources and platforms.



The objective is to make money 24/7. You also want legacy income – meaning you want the flow of income and the company that it comes from to be there when you grow old. The last thing you need is for your income to be tied to a company or source that won’t survive or be there for you for the long-haul. We will talk about that as well in regard to evaluating possible companies you would wish to align with.

MSIs come in many shapes and types - and every little bit helps. This is a good way to diversify your risk, and to insure or protect your income. This is especially powerful when it comes from a network of multiple people, rather than from a single source or contract. This is the ultimate form of leverage – one that will be discussed in more detail in this book. The bottom line is that you would rather have 1% of the efforts of many many people, rather than 100% of your own efforts!

### **The Gig Economy & Your Financial Genius**

The so-called “gig economy” is ‘gig’ because the economy is unstable and forcing a massive shift toward side- or home-based businesses. Having an extra income stream has never been more important than today. There are many reasons for entering the gig economy.

Entering the “gig economy” not only creates leverage, but it also gives you options you never had before. Home based businesses can provide a high degree of control over your income and career decisions, your time, and your retirement options.

Additional benefits include faster debt reduction, help with car payments and orthodontic braces, school tuition, paying the bills and making the end of each month a happier time! In addition to the extra spending money it puts you on the fast track toward financial freedom. Since time is money, this is really about time freedom!

This has to be the top strategy for both improved financial ability and financial stability - as well as for possibly transitioning into a new more lucrative career. Certainly, the best skills at any negotiation table is the ability to walk away! Being able to 'say no' to others who control or manage your income (and time) is a powerful motivator in the decision to create other income streams. Most of all it is a most powerful way to take back control of your life! This is why some people call this additional income "walk-away income!"

Another reason that additional side-income is so important is the need to protect what you have! The best way to protect your investments, your home, and your way of life is to have additional income streams which protect your assets and standard of living. They do this by preventing the premature use or drawdown of your savings or home equity, or the forced shift in lifestyle due to job or income loss, natural disasters, medical complications, or unforeseen emergencies and hardships.

Not altering your lifestyle, being able to pay the bills, not needing overtime work, and being able to say "no" to unreasonable requests from employers or clients – all of this is suddenly negotiable in your favor when you regain control of your income. Extra income brings new hope, peace of mind, and confidence. Even if you love your current job and it treats you well, it still makes sense to have a backup plan with options – just in case!

Entering the new gig economy, generating extra streams of income, and creating financial stability in your life against all threats, is the essence of what it means to "awaken your financial genius!" What's left to be decided is what kind of side hustle and what form of income works best for you.

### **What Kind of Side Hustle? What Kind of Income?**

Doing what makes you happy and using your natural talents to their highest level are part of this analysis. There are many persuasive voices suggesting your first concern is to make income doing what you love – even retrofitting or monetizing a hobby into a profitable vocation. There are many reasons why this is simply bad advice as the sole criteria. While that can happen, it shouldn't be the leading criteria, in my opinion.

Any serious consideration along these lines should find good answers to these questions: Where will you go for 'enjoyment' when the hobby becomes a financial obligation? Is monetizing your hobby the best use of your time and energy? Can you leverage the income and cashflow generated from 'following your heart'? Will other people join with you if they do not share your natural talents and affections?

It should be apparent that just because you have an enjoyable hobby or interest doesn't necessarily mean that it is 'gig-worthy' - or that it is worth your time and effort as a cash-flowing income center. Afterall, what you want is a leveraged business, not just a fancy hobby –

regardless of how good at it you are. Many skills and talents can be learned and developed which may better match the objective of leveraging your efforts to make additional income.

Not all income-producing activities are created equal. Therefore, in considering a side business it is good to first think about what kind of income you want to create. Putting this 'big rock' in the box first and not letting the proverbial 'tail wag the dog' is good advice. The *priority* consideration is to understand why you are wanting additional income. A secondary caution is to not settle for something that is really just a second job! The idea is to find something that will help you get off the traditional race track of trading time for dollars – something that allows leverage your of your time and effort.

Accordingly, it is better to first think about the nature and type of income you would prefer to have - and then match this with something that you can become passionate and skilled about.

In general, there are three types of income: Active, passive, and residual.

- Active or linear income occurs with the trading of time for dollars. Examples include most jobs.
- Passive income happens automatically without requiring direct involvement. Examples include online selling and interest income from savings accounts.
- Residual income is the cashflow that repeats each month from previous work done - and includes the leveraged efforts and repeat commissions arising from the work done by other people.

It goes without saying that each of these play important roles in our modern society and in your personal economy. It's also true that these income types are not mutually exclusive; one person can create income from more than one type.

However, the strategic decision about which type of income deserves your attention as a side hustle, matters! The idea is to select a business model that uses an accelerated business platform, wherewith you can leverage your efforts and eventually separate your income from your direct involvement. The internet never sleeps and neither should your income. This is the essence of leverage. The goal with a lever is to get the most results with the least amount of effort.

Clearly some side businesses are better at this than others. This is the basis for why not all income is created equal. Residual reoccurring income is what leads to time and financial freedom. This highly leveraged residual income is generated when people with whom you are networked are themselves also creating residual income – from whom you also benefit. This leverage is



## RESIDUAL MONEY

‘generational’ or ‘vertical’. It comes from the efforts of other people helping other people, who in turn are helping other people – to multiple generations – all of whom are expanding your (and their own) networks of associated consumers in the rising tide of a growing marketplace and with which you are a part of as an ‘associate’ member.

The bottom line is that whichever form it takes, side-hustle income puts more control back into your hands! You may not be able to change the spin of the world on its axis but you can change yours. You do this by positioning yourself in front of emerging trends, market movements and psychology, and using technology that is readily and freely available.

If you decide to join this new gig economy, try not to reinvent the wheel. Or go solo. It is extremely unlikely that going it alone will be anything more than another job – one with high risk and overhead and little promise, and one that utilizes precious little leverage.

Frankly, it is an unwise use of time and resources to recreate or buildout your own business system and platforms. The needed utilities and platforms and companies and products and services already exist! The merging of these resources creates a working gig-friendly landscape which currently has high market acceptance for many reasons.

People use these tools and platforms every day. They include social media, online conferencing, text messaging, video platforms, email services, and the wide world of internet commerce. All of this is a brilliant use of available resources – mostly free – and already ‘done for you’! When stitched together with business models that outsource core business support activities, the stage is set for unprecedented and accelerated home-business success.

When taken together – i.e., the vertical leverage, the use of outsourced business systems, and the best products with favorable demographic positioning - you truly have something remarkable! This is the reason why market adoption of this business model is making new records each year – something you should seriously consider taking advantage of. This combined form of resource and people-leverage enables common everyday folks to begin low- to no-overhead home-based businesses.

Think about that! Where is that even possible in the traditional business world? Or for that matter in the ‘traditional’ home-based business arena? Where can you develop, or find, or operate a business that has virtually no overhead and which utilizes technology and resources that are not a part of your company balance sheet?

It is not likely that the average person has hundreds of millions (or even a fraction of that) available to build out a core business or manufacturing infrastructure. Even if they did it would be poor use of their capital – when they already exist!



Using centralized (outsourced) support services and resources eliminates a vast amount of overhead and time-wasting energy that is better spent producing leveraged income. Any expert in business strategy will immediately see the wisdom in having a scalable business model that accelerates and leverages your resources in this manner. Fortune 50 & 500 strategy experts are always focused on the optimum use of resources, and so should you. This fits nowhere better than in the new virtual world of accelerated business systems utilizing networking business models.

For your part, this new brand of income has virtually no overhead, no human resources or employees, and no brick-and-mortar buildings. These businesses can be operated out of your home with a phone and computer and represent the new era of leveraged home-based business strategy. They enjoy a leveraged multiplying effect along with a competitive advantage because they outsource research and product development, have no personal inventory warehousing or shipping, no sales processing or sales tax accounting, and outsourced drop-shipping and fulfillment. The accounting functions for your business are no more complicated than your personal or home business bookkeeping and checking account. Regulation compliance and business administration and IT functions are nonexistent because they are handled by the sponsoring company. Leverage is further optimized by using a business model that has no startup capital requirements, business operations debt, lines of credit, or state excise tax reporting.

By outsourcing and eliminating these business functions from your personal accounting and operations, you create time and resource leverage – allowing a tighter focus on the income generating activities that are the most highly leveraged and financially rewarding.

Keep in mind that in a scaled manner all of this would be required in a traditional home-based business - at considerable cost in time and money to you! Working as an individual without the leveraged resources of a centralized and outsourced business system leaves you vulnerable in the marketplace. This applies to both demographic market timing and the world business climate.

The point is, why do that when you don't have to? Why not capture and leverage the economies of scale and market development using skills far beyond your own? Why not outsource vital business components, and at the same time positioning yourself powerfully in front of today's most massive demographic business trends with the ultimate in market timing and messaging?

Knowing what these components are and how best to position in front of them is the stuff of major-league business. Trying to do all of this well is simply beyond the expertise or ability of individuals operating singly in the marketplace. This understandably excludes individuals from participating at a high level. Fortunately, with accelerated business models you can play in, and position in front of, markets that would otherwise be entirely out of your reach.

Bottom line - the leverage and financial-genius 'magic' happens when you associate yourself with a company / business system which is expertly positioned - and where all of these principles combine in your favor. These are powerful driving factors making it easier for people to jump into the gig economy in a manner to create residual income and to develop their financial prowess - especially in tough economic times as we are seeing today.

### **Economic Pressures**

The added pressures of the economy and world affairs are fertile soil for developing home-based businesses. This is why the gig economy flourishes in times like the present. The rising economic and financial pressures in our modern world are having a significant impact on everyone. It changes your thinking and rewards having an open mind toward different additional methods for earning and protecting your income. These ‘pain points’ are a central force driving these developments.

These factors cause people to make changes in their lives – some because they have to, and others because they see the “what if” possibilities and opportunity ahead of them. Regardless of how this works for you, the economic landscape today is part of the energy and groundswell pushing the gig economy into the mainstream.

This is why the term ‘side hustle’ is gaining prestige and is becoming highly regarded as more and more people sense the importance of gaining financial control in their life. This speaks to the idea of economic competence. This is the ability to identify, expand, and exploit business and income opportunities. Having a side hustle witnesses a certain degree of economic intelligence. Entering the gig economy and having a side hustle or home-based business will soon be the ‘rule’. In fact, it will soon be the exception for someone to not have a side business.

These are important trends. They are a solid market indicator to be aware of. The gig economy now enjoys a much higher degree of market acceptance than ever in the past. Owing to the many platforms and virtual utilities that put the world at our fingertips, and owing to the buy-in of enterprising companies with unique products wisely positioned in front of surging demographic trends - the side-hustle economy will only keep growing. It will never shrink as a passing fad – anymore than social media will disappear. The *Smart Money* says you always want to be in front of trends and movements in demographics – and this side gig ‘thing’ is a big one!

The question to consider is if you should get in front of them and take advantage of these trends - rather than let them run you over from behind.

What could happen if you did become a part of the gig economy and created an additional income stream? What happens if you don’t? What are your motivating factors? What will happen to your world and your family if you don’t take action, or fall short in your finances? Even if you are doing well by all standards, could this be an opportunity to further improve your financial stability, or to rescue your damaged retirement plans? These are trends for a reason. It is well to consider if you should be in front of them or not, or to miss them entirely.

The current economic landscape is a major part of the calculus that goes into these questions. The answers which flow from asking these questions and considering their implications, matter! This is true regardless of how the economy is treating you. The larger economy is no respecter of persons, but those who are better financially prepared and well positioned are obviously more favored.

The “Econ SitRep” section to follow will expand on the forces and factors which are creating an opportune climate for this new side business environment. Suffice it to say that stressful conditions drive people to realize that they need additional income. (Said again as a point of emphasis – this is a trend and a market opportunity!)



If this is true for you, then it is true for other people. As mentioned, even if it doesn't affect you personally (really?) it still describes what is happening to masses of other people. This is a dominant market force driving this phenomenon. I hope you are "*smart money*" and insightful enough to recognize this as a massive market opportunity which now happens to enjoy strong market acceptance.

The rising tide of solution-seekers means more people are going back to school, up-training and cross-training, working more hours, and looking to start home business in order to solve their economic situation. People are hurting and are looking for solutions by the millions! Focus on it. Ask what you can offer that solves a need. Find a company and position yourself and your energies in front of this growing trend. There is opportunity in being the solution that provides hope and a "pay-it-forward hand-up" that is a win for you, others, and society at large.

Understand that you do not have to invent the solution. You don't have to create the business foundation, supply chain, or transactional mechanisms for making the business operational. Those already exist. You simply need to figure out your "why", find the right company to associate with, and join with like-minded people building leveraged residual income.

### **Networking Equals Leverage**

In the final analysis, it is all about people! Networking masses of people together is the hottest side hustle there is! Why? Because it brings together the efforts of thousands if not tens of thousands of people. This is the ultimate form of leverage. It happens on a scale that is faster and more resourceful than anything traditional forms of leverage can provide. Why do it all yourself when you can benefit from the efforts of thousands of people?

This is a more powerful form of leverage with quicker benefit than any other form of leverage, especially when factoring in the low-risk and low-overhead model it operates in.

Using a business system as described is a powerful leverage of resources. It has far less risk and financial exposure compared with traditional businesses which require working capital, credit lines, debt service, and collateral exposure - as well as employees.

Leveraging the power and efforts of other people working within a networking business is called 'generational leverage'. It involves working with independent associates and leveraging their combined efforts together without any of the downsides of traditional business. Where traditional businesses operate at a single level or at the most two (think brokerages and affiliate marketing), networking reaches multiple levels and is likewise not restricted with the resource limitations of horizontal growth. Taken together, this is powerful! Let me repeat - you would rather have 1% of the efforts of hundreds of people than to have 100% of your own efforts! When this is structured vertically, it becomes "generational wealth" due to this powerful form of generational leverage.

This 'vertical leverage' is different than compound interest in investment accounts. Interest bearing accounts require massive amounts of time to grow to significance. They are always at the mercy of the market and politics, as well as your life situations, and family health problems. It is also different from using "OTM" (other people's money) which uses borrowed funds to capitalize on value and market appreciation and requires the base asset as collateral.

Later in this book we will explore in more detail the merits and nuances of specific side businesses that fit the accelerated business model described previously – ones which create and make use of residual income streams.

### **Find your Why**

Before getting into the specifics and thinking on a good company and product mix to consider, the first steps should consider your personal “why” ... as in ... why should you consider getting involved in the gig economy with your own side business?

There is no one answer or solution that fits everyone. That is because everyone has their own story, their own pain, and their own ideas about how life works. If you understand the economic and societal pain points that affect your life now and, in the future, – and which are widely shared by other people - you will begin to recognize the driving forces behind “why.”

This awareness generates the energy for getting out of and moving forward through financial pain. It allows you to speak authentically with people who are seeking a lifeline, better solutions, and even those with an entrepreneurial eye toward opportunity – all of which coincidentally you can lead them to. Everyone is looking for hope. Knowing *Why* provides the reasons!

To this end, your story is reflected in the lives of millions of people. It includes the family budget and making ends meet, accelerating debt reduction, and very likely rescuing retirement.

If you have started too late with a retirement savings plan, or if you haven’t contributed enough, or have had to draw down your savings, or if market corrections or bad investment decisions have reduced your investment portfolio - it is unlikely that you are on track to be able to retire. (Imagine how many people these situations apply to!) The reason why this is important is that the retirement savings crisis is not on the horizon – it is already here! The middle class, and for sure those hovering near poverty, will be devastated by it. The erosion of income, increasing inflation, market instability and job insecurity are the triple threats that directly or indirectly affect every single person and family.

For the forty-, or fifty-, or sixty-year-old person, this can and will be very troubling – especially if you’ve worked hard and are under the assumption that your money and income is secure and will be enough when retirement occurs (everyone will have to ‘retire’ sometime). Just like food and housing, retirement is a ‘necessity’. You can’t stay in the workforce laboring away forever. And who knows when or if health problems or disability for you or a family member will take you out of play. All of this with the costs of retirement rising exponentially and the middle-class being disproportionately impacted – especially for those who haven’t planned well along the way.

The truth is that for all too many the amount of savings needed to finance an adequate retirement has ballooned over the last two decades such that it is impossible to have enough working in a time-dependent compounding account to amount to anything significant. The result - nearly half of middle-class Americans will slide into poverty by the time they reach 65. Many of them will have not seen that coming!

This is becoming a very strong “why” for millions of people - for why they have decided to jump into the gig economy with a side hustle! They are simply ‘dead in the water’ if they don’t do something to take back control of their financial life – now and the future. This is nowhere

better evidenced than when understanding how the “Rule of 72” and the principal of “Asset Equivalency” affect your life.

### **Asset Equivalents and Rule of 72**

The “Rule of 72” and the principle of “Asset Equivalency” are financial planning tools which can be used by individuals to determine their readiness for retirement as well as their ability to be financially independent in the daily grind of paying bills and trading time for dollars on the proverbial ‘hamster wheel’ of the work-a-day world. Knowing how these principles affect you will play a major role in your personal “why” and the motivation for creating additional income.

A core takeaway of this book is that residual monthly cashflow pays the monthly bills and at the same time represents an equivalent value of having money on deposit in traditional investment accounts.

What does this mean and why does this matter? Whether the cash is flowing from a side business with a residual income stream, or is derived from a completely funded investment and savings portfolio, the usable spendable money is the same. That makes a residual cashflow the ‘same as’ passive income from savings accounts. It is a cashflow equivalency! (Read that again!)

While they are the same with respect to their cashflow capacity, the difference between them is in the amount of time required to make this happen. In order to accumulate and save a sum sufficient to support your standard-of-living with passive income, a lengthy amount of time in protected conditions is required to allow the miracle of compound interest to work. This means starting early, making regular contributions, having safe investment risk profiles, experiencing few or no significant market corrections, and no early withdrawals.

The “Rule of 72” describes the amount of time that it takes for invested money to double. From this formula you can learn whether you have enough time left in your life to grow your savings big enough such that it can generate passive interest income suitable for your desired standard-of-living.

The “Rule of 72” is a quick way to calculate how fast your investments will double in size. The number 72 divided by your chosen (or actual) rate of return will give you the number of years required for that amount of money to double.

This is why we can say in general that if you are in your forties or fifties or older, if you do not have your retirement plan well on its way already, you won’t make it! There simply isn’t enough time for your money to double enough times to be big enough to support you with interest income when you need it.

For example, the number 72 divided by 6% equals 12 years. That means with a 6% rate of return, your investment sums will double every twelve years. If you are 45, you will only experience two rounds of doubling by the time you are 69. And if your interest rate of return averaged 3% you would only have one round of doubling by age 69 as it would require 24 years to double instead of 12.

I described above the cashflow equivalency between money received through monthly residual business income and that which is obtained passively from investments. The significance of this can be illustrated in this example:

A \$5,000 per month residual cashflow from a side business is the same as earning \$5,000 interest from an established \$1 Million savings fund sitting in an investment account earning 6%!

We use these numbers because they are nice 'round' numbers to work with – not too aggressive and not overly conservative. If you require higher numbers to live on, you can use your own calculations or the tables in this book to insert your own numbers, interest rates, and time intervals to better adapt your own situation. For example, if you need \$10k to live on each month then you will require \$2Million at 6%, or \$4Million earning 3%. It's just math! What's important here is the principle!

Again, why does any of this matter? Whether you have a million in the bank earning 6% or have a side business generating \$5,000 per month, the cashflow is the same! From a cashflow and bill-paying perspective, this is called an "asset equivalence."

Stated again for emphasis, having a side hustle which creates a *residual* \$5k/month is the same thing as having a million dollars in the bank earning 6% interest. Note that it is not actual cash 'in the bank' (which generally takes 20-30 years to accumulate). However, it is equivalent in its ability for generating a residual cashflow of \$5,000 per month.

Used together, these two financial tools (Rule of 72 & Asset Equivalency) can be used to help you determine where you are at in the 'retirement process', and what the status of your personal financial situation is.

The takeaway point is that if you do not have one million in the bank (or your preferred number), a side hustle income stream is equivalent in its ability to provide the monthly cashflow needed. If it is residual income, it is similar to passive interest income in that the level of activity required to generate it is minimal. An additional point is that it shouldn't take a person 20-30 years to develop a side hustle income equivalent value. It is very reasonable that this can be accomplished in two to five years – or sooner. (*"If it's been done, it's probably possible!"*)

In considering more traditional methods there is simply zero chance of saving this much this quickly inside a qualified pension fund using today's investment rules! It takes time and more time, favorable compound interest, and thoughtful investment strategy to reach asset levels big enough to sustain your standard-of-living.

These examples illustrate the power of residual income. It is simply a mathematical calculation – a formula.

Whether you are looking for \$400 per month (a car payment?) or an extra one or two thousand, the point is the same – these amounts in monthly cashflow represent an equivalent amount on deposit at a certain interest rate. \$400 per month is the same as having \$80,000 on deposit earning 6%, and \$1,000 is the same as \$200,000 on deposit at 6%. With that said, the question could be asked, doing what you are doing now how quickly can you save or accumulate an extra 80k or 100k? Especially knowing that this money would need to pass through your tax and overhead filter before arriving at those amounts.

The obvious conclusion is that it doesn't (or shouldn't) take twenty or thirty years to reach the same cashflow and asset equivalency amounts with a side business. Understanding this principle is an important part of awakening your 'financial genius'. While some may look down at a side hustle and think it beneath their dignity, others have awakened their financial genius and now enjoy the cashflow that otherwise would have required large sums of money and time to create the equivalent interest income from their investment portfolios.

Those who are truly "genius" will actually play both sides of this equivalency. Imagine how quickly your investment portfolios could grow if you were debt free and able to invest significantly (whether inside qualified retirement plans, or through other investment vehicles and strategies). Imagine having surplus cashflow beyond your needs with which you could invest in your future, other businesses, and charitable causes of your choosing. May I simply suggest that having a home business (even in retirement) with its extra income, changes everything!



### **Retirement Considerations**

If you are already in retirement, and find yourself with less than enough, or you need to "unretire" and reenter the workforce, consider the implications of what an extra income stream would mean to your life and standard of living. To drive home the point of the fragile position the majority of people are in I will turn to some statistics.

A major reason for retirement trouble is that only about half of Americans have the needed amount of money in retirement savings. This is amazingly common as almost 40% are not saving for retirement at all<sup>3</sup>. Entering the labor market after retirement is difficult due to the challenges of age, health, mobility, competing with younger talent in the workforce, and the lack of employment benefits. This is a leading reason why even in retirement, developing a side business makes sense.

Again, none of this is to diminish the wisdom of pursuing a healthy retirement fund growing with compound interest over time. What a side hustle does is add an additional or replacement income stream which not only develops quicker, but it provides a form of 'income insurance' to protect your home and existing assets and standard-of-living from the effects of risky investments and threats to your investment portfolios.

This is another way of saying that side income is great insurance against loss of primary income, or from starting too late with a savings plan, or from the devastating effects of early hardship withdrawal for whatever reason.

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<sup>3</sup> <https://www.gobankingrates.com/retirement/planning/half-americans-do-not-have-enough-retirement-savings-new-study-shows/>

A special note should be made about these hardship withdrawals. Hardship withdrawals from retirement accounts are increasing<sup>4</sup>. These are generally last-option strategies because they can permanently reduce your retirement savings balance and are often subject to added taxes and penalties<sup>5</sup>. Unfortunately, they are occurring with greater frequency in our current economic climate.

Loans taken from private pension accounts increased by 13% in 2022, hardship distributions of investment funds have risen by 24%, and average account balances have declined by 27%<sup>6</sup>. According to the Internal Revenue Service (U.S.)<sup>7</sup> hardship withdrawals can be made for “immediate and heavy financial need, to pay for medical bills, a home down payment, college tuition, rent or mortgage to prevent eviction or foreclosure, funeral expenses and certain home repairs”<sup>8</sup>. The fact that they are on the rise is another indicator that people are feeling financial pain and the combined effects of inflation and job and income instability.

However, consider this: urgent withdrawals would not be needed if there were sufficient income (primary or secondary) or enough savings in place to cover such needs. Considering the long-term implications relative to lost time and lost gain, along with the short-term taxes and penalties associated with early withdrawal, it is difficult to justify as a ‘hardship’ the need to use saved funds for some of the allowed reasons. Of these, home down payments, college tuition, and home repairs not associated with a disaster – can be anticipated, saved for, or simply financed in a different manners. Admittedly, this is said as my opinion, and those making these decisions may disagree with that judgment. However, what they cannot disagree with are the effects those decisions have on their use of time. It’s just math! And time! Once those funds are withdrawn and utilized through an early drawdown, the time required to create them cannot be recaptured.

On the other hand some of the unforeseen and allowed uses include medical problems, natural disasters, or certain family situations. Of these, health problems are a leading threat to the preservation of savings. In this regard, people would be wise to consider their own health risk profile<sup>9</sup> so they can take steps to mitigate the risks of needing to use saved funds early<sup>10</sup>.

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<sup>4</sup> <https://www.cnbc.com/2022/12/08/401k-hardship-withdrawals-hit-all-time-high-vanguard-says.html>

<sup>5</sup> <https://www.sec.gov/oiea/investor-alerts-and-bulletins/covid-19-related-early-withdrawals-retirement-accounts-be>

<sup>6</sup> <https://www.empower.com/empower-institute/empowering-americas-financial-journey-2022>

<sup>7</sup> <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-hardship-distributions>

<sup>8</sup> <https://www.nytimes.com/2022/12/16/your-money/hardship-early-401k-withdrawal-loans.html>

<sup>9</sup> Evaluate your family prescription medication usage, personal or family health history, medical diagnoses and utilization of medical services for the past 5 or 10 years. Consider your need for treatment related to illness, accident, or trauma over the last one or two decades. This exercise will reveal your degree of exposure and provide evidence that your risk is not zero! This only strengthens the argument for having additional income to protect your home, income, standard of living, and current investment assets from early drawdown of saved funds.

<sup>10</sup> Many have pursued side businesses and created additional income through health-related businesses. More information about this idea can be found at [www.RedoxMatters.com](http://www.RedoxMatters.com).

Healthcare costs are the number one reason for personal bankruptcy in the U.S. Sixty-two percent of all bankruptcies in the United States are tied to medical issues<sup>11</sup>. A study found that one-third of adults have skipped recommended medical care due to cost, while 43% are altogether delaying needed care<sup>12</sup>. Between 43 and 47% of people are struggling to pay for healthcare<sup>13</sup>. To put it in perspective, the hard and soft costs of a less severe heart attack is \$760,000 and severe heart attacks reach \$1Million - with lifetime costs for a stroke exceeding \$225,000<sup>14</sup>. This includes survival and event management, prescriptions, rehab, loss of productivity, and time away from work. The takeaway message is that most people are one diagnosis or accident from losing everything!

As to how any of this affects you and your “why” is a personal decision. But you don’t want this to be you! You don’t want to be the person who loses a job, or income, or the ability to retire because an accident or health diagnosis for yourself or a close family member took you out of the workforce early. Even if you have disability insurance (more costly and with less benefits with age), it is not the same. This is another compelling “why” for having a residual side-hustle to act as income- or asset- or disability-insurance. This alone is a financially genius strategy – one that quite literally can rescue your retirement!

### **Multiple Streams of Income – the New Gig Economy**

The bottom line is that MSIs provide ongoing cashflow with which to pay bills, save for retirement, eliminate debt, cover healthcare costs and disability – as well as to protect your assets, savings, and standard of living. It is the extra cashflow that accelerates debt reduction, secures retirement, and provides you with “walk away income” - the ability to retire early if you choose.

Sometimes these concepts are difficult to see for those steeped in the world’s view of finance and work. However, the combined forces of inflation and current world affairs and the growing instability in employment and income are forcing many to open their eyes and their minds to see the wisdom and necessity to take control of their financial affairs.

Sometimes we simply need to be pushed to the point where we begin to think differently and see new possibilities. For others it is not so much of a ‘push’ as a ‘pull’ - toward new opportunities. Either way, when seen from a higher vantage point it is easier to see that the ‘perfect storm’ is at our doorsteps. Wishing it away will not change the storm. However, using its energy to your benefit is a sign of financial genius, for those awake enough to see it.

The challenge is to be aware of the headlines and current events and to ‘war game’ the possible “what-if” scenarios that could impact your life. The invitation is to broaden your view about what opportunities you can take advantage of to become better prepared – no matter where you sit on the preparedness spectrum already.

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<sup>11</sup> David U. Himmelstein, et al. "Medical Bankruptcy in the United States, 2007: Results of a National Study," Page 741. Elsevier Inc, 2009.

<sup>12</sup> <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs>

<sup>13</sup> <https://www.westhealth.org/press-release/112-million-americans-struggle-to-afford-healthcare>

<sup>14</sup> <https://www.ahajournals.org/doi/full/10.1161/01.str.27.9.1459>

Regardless of the personal motivating factors, there is a reason why side hustles are now a 'thing'. It is a driving force for why the direct selling networking industry is on the rise. It's simply the most highly leveraged and resourceful way to create reoccurring residual income. Don't miss it because of outdated prejudices or ignorance. And don't miss out because you think the financial storms of our current world will not affect your life!

The enhanced self-reliance and financial preparation that comes from "*digging your well before you are thirsty*" means that you can take control of your life. The opportunity and security that comes from putting your financial house in order and for being prepared to 'sleep when the wind blows' – has arrived! Fortunately, the new gig economy highly favors those who have the insight to see the opportunity and the will to take decisive action.

It's a new world. Side hustles are now mainstream. This is what opportunity looks like. Can you see it? Lean into the reality that you can take back control of your financial life, your health, your income, and your retirement! You can restore hope not only for yourself, but also for those needing a rescuing lifeline and a chance for a better life.

This is *Why It Matter\$!*