



## Are You Wealthy Yet?

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They've accumulated some credit card debt and have 2 years left on a car loan. They try to stay out of debt as much as possible and together they've managed to contribute a total of \$32,000 to their own Retirement Fund. It is kept in term deposits receiving 5% interest annually.

Two years prior, the couple bought an older house that they fixed-up and rent out for \$850 a month. After paying the mortgage and taxes \$300 is left over each month. This goes into their savings account each month.

At Christmas, the family bought themselves a new computer and decided to start a home-based business. Things started out fairly slowly but after 8 months they were receiving a steady check of \$400 a month which also goes into their savings account. This part-time business will continue to grow with the effort they dedicate to it.

This business also offers them some very lucrative tax savings. By taking advantage of these Tax Strategies they are able to save an additional \$300 a month on tax that was normally

deducted from Marty's paycheck at work. This monthly income is also added to the couple's savings.

Marty has just begun writing an E-book about his "production expertise" at work. His plan is to market this book on the internet for profit

Every Sunday the couple takes a drive to stay familiar with the Real Estate market in their area. They're looking for another property, a "handyman's special" to fix-up and rent out. They have saved enough for a down payment and their credit with the bank is well established.

The family's total monthly expenses are \$2000. Now, here's the question:

Does Marty's family have Wealth yet?

To answer this question properly you first have to understand exactly what "wealth" means. You achieve wealth when: \*Your Passive Income is the same or greater than your Expenses.\* So what does this mean?

First, what is Passive Income?

Passive Income is money that you are paid over and over again for work that you only do once. (This excludes using a gun or finding cash on the street) Some examples of this would be royalties for writing a book or a song, commissions that you receive for sales that others make and interest from bank savings or dividends on stocks/options that you own.

Second, what Expenses are we talking about? This one's a little easier to understand. Expenses are the total amount it takes to run your household and your life. This includes, rent, mortgage payments, car insurance, food, credit card and loan payments, etc.....

Let's look at Marty's family a little closer..... Does Marty have any Passive Income? Yes he does. Marty's salary is not considered Passive Income. That's because he has to work 40 hours a week just to get the basic amount. If Marty doesn't go to work then he doesn't get paid. His overtime also doesn't count as Passive Income.

The interest from their Retirement Fund does though. It's paid to him month after month as long as it's left in that account.

So, \$32,000 at 5% is \$1600 a year. Divided by 12 months equals \$133 a month in interest. Ok.....what else?

After the mortgage and expenses are paid with the rent money they receive on their rental property they are left with \$300 every month. This is Passive Income. Just as long as the tenant stays and pays his monthly rent.

How about that \$400 from the home-based business and the Tax savings. Is this Passive Income? Well, Marty's wife made sure that she chose a company where she could sign new business accounts and get paid commissions on those accounts over and over again. They've made a 5 year commitment to build this business part-time. So yes, both the \$400 and the \$300 in Tax Savings would apply as Passive Income. Let's add up Marty's total Passive Income.

Interest \$166.00 Rental Income \$300.00 Home Based

Business \$400.00 Tax Savings \$300.00 Total \$1166.00

Not including Marty's salary from work, his family's Passive Income is \$1166.00. Not bad. Every month this amount flows into the family's bank account, regardless of anything else they do.

We said that Marty's monthly expenses total \$2000.00 a month.

And we also said..... You have Wealth when: \*Your Passive Income is the same or greater than your Expenses.\*

\$2000 Expenses subtract \$1166 Passive Income = \$834 monthly balance needed to have Wealth.

Marty's Expenses are still more than their Passive Income so they're not wealthy just yet. But they're well over half-way there. With this kind of knowledge a family can know exactly where to focus their financial attention.

Maybe when Marty writes that eBook he could get some sales and royalties from it. Also the new Real Estate and more work on their Home-based business would certainly help them to attain more Passive Income. Once Marty's Passive Income is more than the family's Expenses then Marty could start to have much more freedom. He may even choose to quit his job and continue developing his Passive Income streams.

Take a look at your own finances. What are your monthly expenses? Do you have more Passive Income than you're Expenses? If you do Congratulations. You're Wealthy!!! If you don't. It's time to get started and start adding Passive Income from other areas as soon as possible.

When you truly understand this principle, you'll be well on your way to becoming wealthy.