CREATING WEALTH BOOT CAMP:

How To Change The Way You Think About Making Money At Home

By Ron Taylor

Please Steal This Book

Well, not quite. You are free to give this book away, or resell it, as you wish. However, the entire text must be left intact.

"Wealth to us is not mere material for vainglory but an opportunity for achievement; and poverty we think it no disgrace to acknowledge but a real degradation to make no effort to overcome."

Thucydides

Wealth in America

As a lifelong entrepreneur, I have learned that following a few basic principles can dramatically increase your probability of achieving success.

A principle is a basic truth or law, which cannot be refuted by opinion, personal bias, or peer pressure. Principles also tend to come off as preachy, so bear with me; and remember, entrepreneurs are usually thick skinned and responsive to advice that may benefit them.

Welcome to the Creating Wealth Boot Camp Newsletter!

You can subscribe to my free weekly newsletter by sending a blank email to wealthbootcamp-subscribe@yahoogroups.com. Or, you can do a search at Yahoo Groups for Creating Wealth Boot Camp.

It's almost a cliche. The image of military boot camp as a living nightmare has been immortalized by countless Hollywood productions and oft retold war stories by military veterans. From my own experience I can tell you, boot camp can be a living nightmare.

And that's how I feel about poverty and living paycheck to paycheck--it's a living nightmare.

What's worse, is that it doesn't have to be that way. We live in the best of times, and the economic opportunities available to us today are light years ahead of what our parents experienced.

Look around. Find an opportunity that matches your personal interests, skills, and income goals, and then give it your 100% best effort.

Financial success in your own home business may be just around the corner. But you don't have to take my word for it. Read some books by people like Robert Kiyosaki, David Bach, Suze Orman, and Steve Scott. They will all tell you the same thing: "To get ahead in life, you need to own your own business."

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Making Massive Amounts of Money on the Net
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Achieving wealth in America is not about how much you earn, but how wisely you use what you earn. This report is aimed at helping you to both increase your income, and manage your money properly. Among other things, you will learn that spending more than you earn in an effort to impress friends and neighbors with your material possessions is a recipe for financial disaster.

Additionally, lacking the patience to invest for the long-term, develop action oriented goal statements, and failing to protect yourself with proper insurance and legal advice, are all indicators of poor financial management. Again, it's not what you earn, but what you do with it that matters.

Popular opinion has taught us that wealth and success comes to those who are lucky, or cheats. I hope this report will show you that this is not true.

One standard measurement of wealth is a six-figure income, which pertains to the number of digits in your annual income. A six-figure income equals anything above $100,000. According to the U.S. Census Bureau, in 2004, the number of households with income between $100,000 and $149,999 exceeded 11 million, 3.5 million American households had income between $150,000 and $199,999, 1.3 million households had incomes between $200,000 and $249,999, and 1.7 million households had income above $250,000 per year.

Unfortunately, the wealth of America cannot simply be measured by income.

According to an article written by David Francis and published in the May 23, 2005 edition of *Christian Science Monitor,* nearly 20% of American households have either zero net worth, or actually owe more than they are worth. Furthermore, according to Francis, 25% of American households do not have sufficient cash reserves or other assets to support themselves above the poverty line for three months, and 33% of households do not even have an active bank account.

What ever happened to the land of opportunity? Americans are killing themselves with uncontrolled spending, easy credit, and a complete lack of budgeting or saving skills.

So how does one measure wealth? And, when does a person know if he or she has achieved "wealth?" For the purposes of this report, wealth is defined as an income level derived from passive sources that allows you to live without depnding on a job. Passive sources are any income source that throws off a positive cash flow, that you can bank or spend.

For example, the cash left over from a rental property after all expenses are paid, is passive income. Likewise, interest from a certificate of deposit, or dividends from stock investments, are examples of passive income. With this definition in mind, the key to creating wealth is to figure out how to create and build passive income sources. To measure my progress in this area, I use a simple formula:

Passive income/total living expenses = wealth quotient

Consider this example: If you had $1,200 per month in passive income from a real estate investment and your cash savings account, and $4,500 in monthly expenses to survive (house payment, household expenses, etc), your wealth quotient equals:

1,200/4,500 = .26

The ideal is to achieve a quotient of 1 or greater. The number .26 represents approximately one quarter of your desired quotient of 1 or greater. Change the numbers and watch what happens:

3,000/4,500 = .66

4,500/4,500 = 1

6,000/4,500 = 1.33

The key to long term financial success is to build passive income, and free yourself from the need to work or "earn" a living. In my opinion, when your wealth quotient reaches 1, you have achieved wealth. The rest is simply a matter of how much margin for safety and extra luxuries you wish to obtain.

Keep in mind that passive and portfolio income is typically earned from fully insured and maintained real estate that provides a positive cash flow, bonds and savings, dividends from Blue Chip stocks, and royalties from books, patents, and music you may own the rights to.

These rights to intellectual property, combined with the equity in real estate owned and various certificates of deposit, stocks, and bonds compsrises what is known as you capital base. As your capital base grows, you are able to generate greater amounts of passive and portfolio income (PPI). When your PPI exceeds your basic living expenses, you have achieved a level of wealth that enables you to make riskier investments in the pursuit of higher yields and return on investment (ROI).

The key here, which is a lesson I learned from both "The Richest Man in Babylon" and the school of hard knocks, is not to erode your capital base by making risky investments or spending the money that makes up the foundation to your wealth building aspirations. As my rough sketches illustrate, you should use only the proceeds above and beyond your basic living expenses (derived from your capital base) to make wealth building investments and/or purchase the goodies in life.

If you violate this rule and consistently dip into your capital, you will need to keep your day job to feed your consumption habits.

I am not in any way advocating a Spartan lifestyle—after all, the pursuit of wealth is only worthwhile if you are allowed to enjoy a higher quality of life for yourself and your family. The basic tenet of this report is that you should carefully manage your money to ensure your investment and wealth building goals are heading in the right direction.

In the short term this may mean cutting back on the niceties, but the rewards later on will allow you to enjoy the good things in life above and beyond the norm. Robert Allen makes this point perfectly clear in his book, "Nothing Down," where he compares your pursuit of wealth to a rocket ship leaving earth towards space.

In the early stages, just after liftoff, your progress is slow and awkward, but as you gain experience and continue to build your capital base, your rocketship gains speed until it begins to break free of the earth's gravitational pull. Allen's analogy is a great lesson in wealth building and is well worth reading.

Again, this concept is vitally important to your acquisition of wealth. Follow the steps of creating multiple streams of income that ideally throw off positive cashflow to your hip pocket with minimal effort. These streams of income typically should come from interest from savings accounts, dividends from bond and stock investments, royalties from intellectual properties (copyrights, patents, and trademarks), and rental income from real estate owned.

Use this positve cashflow to offset your living expenses, then use the excess (income above and beyond your living expenses) to feed your investment activities. When your wealth quotient exceeds 1, you have achieved a moderate level of wealth.

Other definitions of wealth consider income, where an annual income equal to or greater than 1 million dollars constitutes wealth. Using the net worth criteria alone, 3% of American households qualify as "wealthy." According to recent studies of millionaires in America, most millionaires (million dollar net worth) live by modest means, drive non-luxury cars, and do not own luxury homes.

Wealthy Americans are generally professionals such as attorneys, surgeons, and scientists, with the entrepreneurial group gaining ground. A great book to read on this subject is *The Millionaire Next Door,* by Thomas J. Stanley and William D. Danko.

Various consumer watch groups and the U.S. Census Bureau estimate there were 8.2 million millionaire households in the United States in 2003, much of which was realized through high home values. Robert Kiyosaki does not allow the inclusion of personal residences in his calculations of net worth in his *Rich Dad, Poor Dad* book series, preferring to limit such calculations to investment property, liquid assets, and businesses owned or controlled.

Using his definiiton of wealth, the number of milionaire status households in America would be significantly lower.

Use the tables below to find where you fit in the overall scheme of wealth and income in America, based on your age and ethnicity. While comparisons of such numbers mean little on the individual level, it is interesting to see where you fit.

Median Income of Households by Selected Characteristics

Characteristic	**Number (thousands)**	**Median income**
All households	**113,146**	**$44,389**
Type of household		
Family households	77,010	55,327
Married-couple families	58,109	63,813
Female householder, no husband present	14,009	29,826
Male householder, no wife present	4,893	44,923
Nonfamily households	36,136	26,176
Female householder	19,792	21,797
Male householder	16,344	31,967
Race and Hispanic origin of householder		
White	92,702	46,697
Non-Hispanic	81,445	48,977
Black	13,792	$30,134
Asian and Pacific Islander	4,140	57,518
Hispanic origin	12,181	34,241
Age of householder		
15–24	6,686	27,586

25–34	19,255	45,485
35–44	23,226	56,785
Age of householder	**Number (thousands)**	**Median income**
45–54	23,370	61,111
55–64	17,476	50,400
65 and over	23,135	24,509

Wealth, Warren Buffett Style

Warren Buffett once stated "It is easier to *create* money than it is to spend it." The operative word in this statement is his use of the word "create." By create, Buffett does not mean to make or earn money. Creating wealth is not about getting a second job or negotiating a pay raise, although these things can certainly help in the beginning stages of wealth building.

Creating wealth is about finding ways to preserve the money you do earn, putting it to proper use, and learning how to develop income sources from outside your normal day job, as discussed in the section above.

Warren Buffett created his billion-dollar empire by investing in companies and adding value to their product or service. As a beginning wealth builder you can similarly add value to the enterprises you undertake by producing a better product, marketing your services more effectively, and making wise investments in real estate, stocks, bonds, and intellectual properties.