

MULTIPLE STREAMS OF INCOME

***HOW TO GENERATE A LIFETIME
OF UNLIMITED WEALTH!***

-QUICKSTART EDITION

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COAUTHOR OF THE ONE MINUTE MILLIONAIRE

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PREFACE

For over 20 years, through my best-selling books and international seminars, I've taught thousands of people how to achieve financial freedom. Now it's your turn.

I'm going to teach you how to earn multiple streams of lifetime income. More specifically, you'll learn several different ways to earn these extra income streams. These are not just ordinary streams of income. You'll learn how to create the kind of residual income streams that flow into your life 24 hours a day even while you sleep. You'll learn how to create these special streams of income...

- On a part-time basis.
- Working right from your own home.
- Using little or none of your own money.
- With few or no employees
- Using simple, proven systems that really work.

In addition, I will show you how to...

- Gain control of your finances
- Earn high rates of return – 18 percent, 36 percent, and as high as 50 percent –using little known financial strategies, some even guaranteed by the government!

- Earn as much as \$1,000 a day right from your own home.
- Make an extra \$50,000 to \$100,000 a year for life.
- Perhaps even become a lifetime multimillionaire.

What will all of this get for you? A lifestyle that gives you the freedom to do what you want, when you want, and with whomever you want.

Massive Success,

Robert G. Allen

Multiple Streams of Income

INTRODUCTION

I've got good news and bad news. First the good news: If you're like the average North American, earning at least \$25,000 a year, then in your lifetime more than \$1 million will flow through your fingers. That's a lot of money. In other words, you're already on track to becoming a lifetime millionaire.

Now for the bad news: If you're like most people, you'll spend it all and, after a lifetime of earning, will end up with almost nothing. How is that possible?

Frankly, because nobody teaches us about money. We receive no formal education in the most critical of all life skills: how to become financially successful. Did you ever, in all your years of public education, attend a class called "Money 101?" Why isn't such a class mandatory in every elementary school?

How did you learn what you know about money? Most likely, you picked it up, a piece here, a tip there. You absorbed attitudes from your parents and from the media. You absorbed the examples of friends. You proceeded through trial and error—the school of hard knocks. What you learned was haphazard, mostly wrong, and certainly out of context. If you read books on the subject, probably they overwhelmed you with details or bored you with useless facts. The result is that, if you're like

most, you're confused and frustrated and wondering what to do, where to turn next. Well, I have more good news: The answers are in this book.

Money is one of the most important subjects to study in your entire life. Some of life's greatest enjoyments and most of life's greatest disappointments stem from the decisions you make about money. Whether you experience great peace of mind or constant anxiety will depend on whether you get your finances under control. Your relationships, will be greatly affected, too. In fact, most divorces in our society result from disagreements about money. Thus, understanding money – how to make it and keep it –is absolutely essential to your life, to your relationships, to your happiness, to your future.

Some people seem to be naturally good at managing money. The \$1 million flow through their fingers, and they seem to know how to keep some of it even make it grow –in some cases, a hundredfold more than the average person. Do these people work 100 times harder? Are they 100 times smarter? Of course not. They just know how to play the game. You see, money is a game, albeit a very important one. If you know the rules, you win: if you don't know the rules, you lose. As physician George David said:

WEALTH IS WHEN SMALL EFFORTS PRODUCE BIG RESULTS.

POVERTY IS WHEN BIG EFFORTS PRODUCE SMALL RESULTS.

This book explains the rules for playing the money game so that you, too, can become a winner. By following the simple strategies laid out in this book, you can begin to enjoy a banquet of prosperity, one that lasts throughout your working life and extends into a financially secure retirement.

The concept of Multiple Streams of Income is the result of having worked with thousands of successful people for more than two decades. I have seen people go from living on the streets to living in mansions, from driving a taxi to being chauffeured in a limousine. In Multiple Streams of Income you will discover how to create wealth in many different ways and from multiple sources, which I call money mountains. These three wealth-creation mountains, distinct from each other yet with similar characteristics, are the investment mountain, the real estate mountain, and the marketing mountain.

From this range of money mountains, at least 10 separate and distinct streams of income flow into your growing reservoir of wealth. The goal is for you to add at least one new stream of income to your life each year, so that, eventually, these streams will overflow your life with prosperity and freedom.

The first question people usually ask at this point is, “Why multiple streams?” To answer that question, I’ll ask another: How many streams of income did it take in the 1950’s for most families to survive – even

prosper? One. Compare that to today, when very few families can survive on fewer than two streams of income. And even those won't be enough in the future. It's a volatile future, and you'd be wise to have multiple streams of income flowing into your life.

Prosperous people have always known this. If one stream dries up, they have many more to tap into for support. So-called ordinary people are much more vulnerable. If they lose one of their streams, it wipes them out. And it takes them years to recover. In the future you will need a portfolio of income streams – not one or two, but many streams from completely different and diversified sources – so that if one stream empties, you'll barely notice. You'll be stable. You will have time to adjust. You will be safe.

If you don't have multiple streams of income flowing into your life at this time, maybe it's time to add them. That's what Multiple Streams of Income is for, to introduce the nitty-gritty strategies and techniques for developing multiple streams of income.

EASY MONEY: FINANCIAL FREEDOM ON A DOLLAR A DAY

It all starts with a single unit of money. Wherever you are, reach into your wallet or purse and dig out some of your own paper currency and examine it. Rub it between your fingers. Feel the texture. Bring it to your nose. Does money smell? Examine the images. Turn it over. Notice the strange symbols. This simple piece of paper doesn't appear to be worth much. Inflation erodes it's value daily. Who cares if you waste it or lose it or throw it away.

But wait a minute. Can this ordinary piece of paper money be worth more than meets the eye. Could it be a magic ticket to a more abundant life of anywhere/anytime/anything you want? One thing's for sure: How people feel about these silly pieces of paper makes a huge difference in how they enjoy life's great banquet of prosperity.

You see, prosperous people don't think of money as just colored pieces of paper. They imagine it as seeds – money seeds – with the power to grow into money trees, bearing fruit to fulfill every one of their dreams. And they are absolutely right. Every dollar bill is a money seed. Just as a tiny acorn contains the power to grow into a mighty oak tree, each dollar bill has the power to grow into a mighty money tree. You can grow one of these money trees on as little as a dollar a day.

Could you afford that?

By learning multiple streams of income, you will soon have your own majestic money tree, growing right in the center of your future dream home. Your money tree produces fruit 24 hours a day. While you sleep. While you work. While you play. While you eat. It never stops. An endless stream of cashflow.

So how much is one of those seeds really worth? That depends on how long you let it grow and at what rate of growth. Let's suppose you take a single dollar and put it into a special bank account that will let the dollar grow, untouched. How long will it take for this single dollar bill to grow into \$1 million?

That depends on the interest rate. At 3% it will take 468 years for that dollar bill to grow into \$1 million. At 10% it will take 145 years with just a single dollar bill. That's great if you were around to enjoy it, so how do we supercharge it? Rather than just planting one money seed, could you plant them more often? Could you put away a dollar a day? \$1 dollar a day at 3% grows into \$1 million in 147 years. At 10% it grows to \$1 million in 56 years. At least you may be around to enjoy it. But suppose you don't want to wait for 56 years. There's another way to speed up the process. Could you plant two or three seeds a day? Or five? Or ten? What does that do? If you put away 10 lousy bucks a day and put it in the right mutual funds or stocks or real estate and let the clock tick at 20 percent, you're a millionaire in just 20 years! Excited yet?

I'll bet you'll think twice before you throw away one of those silly green pieces of paper. It's like throwing away the seed to a \$1 million money tree.

Every time you save one of those money seeds, you start sowing your way to wealth. The most important lesson is to change your attitude about money, especially those \$1 bills.

The real key is to keep socking away the money. Let the numbers whisper their silent but relentless message. Consistency. Day in, day out. Save. Invest. Save. Invest. It might be boring. It might be dull. It might be hard to do. No matter. Just do it.

I met a young man in Chicago who had made the decision to make his future bright by dimming his desires today. He worked full time, as did his spouse. If they had been like normal (broke) young married couples, they would have pooled their two paychecks and bought a new car (with a fat monthly payment), stretched themselves into “too much house”, and stressed out for the next 30 years. Instead, this young couple made a very smart choice. They lived on her paycheck and saved his entire monthly \$2,000 paycheck. They put the money into well-selected mutual funds and watched the cash begin to pile up. This is true prosperity. Our parents were right. We cringed when they told us, “Live on less than you earn. Invest the surplus. Avoid debt. Build long-term

security.” This may not be the exciting get-rich-quick rabbit, but the tortoise laughs slowly all the way to the bank. So, with that tortoise mentality firmly in place, lets start building some specific plans for the future.

Setting some specific and realistic financial goals.

First of all, you have five decisions to make about your money seeds:

1. Target: How much total money would you like to accumulate?
2. Amount: How many dollars a day can you squeeze out of your life?
3. Rate: What interest rate can you earn on your invested dollars?
4. Time: When would like to reach your goal?
5. Purpose: What is your financial purpose?

For example, suppose you decide you want a \$1 million dollar nest egg in 20 years. Your purpose is to quit your job and spend your life working with the youth in your church. Make sure you spend some quality time asking yourself these questions. “Why do I really want this money? What is my ultimate purpose?” Your moneymaking will be much more successful and meaningful if you have a clear purpose. If it’s just “to make a lot of money,” you may find yourself one day with a lot of money, wondering, “Is this all there is?”

The Sooner you start, the richer you are immediately! Hey, wait a minute! This sounds too good to be true! A few dollars a day and you can become a millionaire? If this is so easy, why aren't all of us millionaires? Well, the truth is, we all could be millionaires, but most of us lack the simple discipline to make small daily deposits over long periods of time. And then, of course, we procrastinate getting started.

Do it now. Do it regularly.

One final word: consistency. How much you invest is not as important as consistently investing that amount over a long period of time. If you miss a payment or two, no big deal. But let me tell you what happens when you mess with the formulas. Suppose you could invest \$200 month for 20 years with a target rate of return of 20 percent. You are pretty good at socking the money away for a few months, and then you read an ad in the paper for a great deal on a new car. In order to be able to afford the new car, you decide to lower your savings rate from \$200 a month to \$100 a month. In 20 years, instead of having \$632,000 sitting in the bank, you'll have only \$316,000 and a very old car. That's \$316,000 less. Is your new car worth that much? If you invest wisely today, you'll be able to pay cash for any car you want 20 years from now. Deferring gratification for a while will allow your money tree to grow. When you prematurely pick the fruit from your money tree, you stunt it's growth and dramatically reduce the time it takes for you to enjoy a fully matured, fruit-bearing money tree.

When you learn the secrets of multiple streams of income, eventually you will be able to leave a legacy that will outlive you. Although leaving a \$100 million fortune may be the furthest thing from your mind today, I encourage you to imagine what your future might look like.

In the purest sense, money is a spiritual concept. It contains the power to do so much good. Imagine the benefit that you could provide to future groups of worthy people. Imagine your own posterity – your own great-great-grandchildren – a century from now. How could they benefit from your wise financial, spiritual, and intellectual legacy?

Now, let's look at that dollar bill one more time. This simple money seed contains the power to bless you and countless future generations. But only if you'll start now. The future is counting on you. A wealthy future is awaiting you. It's worth the sacrifice. Remember, it all starts with a single unit of money.

Now that you have the right respect for each of those priceless money seeds, let me show you specifically how to turn each of them into \$1 million money trees.

THE MOUNTAIN RANGE OF FINANCIAL FREEDOM: THE THREE GREAT MONEY MOUNTAINS

There are three great financial freedom mountains. Each mountain is uniquely different from the others. Yet each mountain is extremely important to your long-term financial success. Investing in the entire mountain range will give you both the safety of diversification and constant exposure to the hottest opportunities.

From each of these mountains flow separate streams of income. The goal is to have several streams from each money mountain flowing into the reservoir of your accumulating prosperity.

Remember these streams are not just ordinary streams of income. You want streams that flow into your life 24 hours a day – even while you sleep. Later I'll show you how to create these streams of income on a part-time basis, working right from your own home, using little or none of your own money, with few or no employees, using simple, proven systems that really work.

Just a word of caution before we begin. Each of these three broad money mountains contains thousands of legitimate opportunities, with hundreds of separate moneymaking techniques and dozens of moneymaking formulas. Any one of the mountains could take years to learn and master.

The purpose of this book is not to give you an encyclopedic grasp of the entire mountain range of money. If you're like most people, you're already inundated with too much information. Too many Wall Street Journals left unread, too many Money magazines piled high in a corner, too many financial offers stuffed into your mailbox, too many web sites over-brimming with data, too many books stacked on your nightstand, too many financial advisors clamoring to advise you. It can be overwhelming. People who are overwhelmed generally do nothing. As the saying goes, "A confused mind always says no."

Whenever you get overwhelmed, just remember the 80/20 principle: Only 20 percent of the things you do give you 80 percent of your results.

You don't need to know 100 percent of the facts about money. You need to know only 20 percent of the facts that will give you 80 percent of your results. Focusing on a few critical activities will give you enormous leverage. Your goal is to be confident enough to launch at least one new income stream a year. By doing this, you'll generate amazing results while almost everyone around you is drowning in details or paralyzed with fear.

The Real Estate Mountain

For example, let's take the real estate mountain. This is a tremendously important piece of your lifelong financial-freedom plan. There are hundreds of books on how to make money in real estate. I should know. I've written three of them. Each of these books is filled with dozens of strategies, techniques and tips. Quite frankly, there is too much to know. I've been studying the real estate field for 20 years and I'll never know it all.

However, anyone can know enough to take action, because any branch of real estate investing boils down to the 20 percent of information that gives you 80 percent of your results. What are the critical few factors in real estate investing? There are three:

- FINDING
- FUNDING
- FARMING

If you want to be successful in real estate investing, you need to know how to find bargain properties, how to fund those properties, and then how to farm them –or to harvest the profits from each deal. In your own city there are thousands of properties for sale, yet you can eliminate 99 percent of them from consideration by first determining which of them are the best bargains. Then you focus on how to raise the funds to

acquire them. Finally, you decide whether to keep them for long-term profit or flip them for short-term gain. It may sound oversimplified, but frankly, that's the world of real estate investing in a nutshell. Find it. Fund it. Farm it.

The Investment Mountain

The same is true for the investment mountain. There are over 10,000 individual stocks in the stock market and almost as many mutual funds (a special selection of a variety of individual stocks). There is a bewildering assortment of moneymaking methods to apply to these stocks. Do you use fundamental analysis or technical analysis? And what about the bond market? Or certificates of deposit with varying terms and interest rates? All of this information gets updated and changed every minute of every business day. You can't know it all!

But you can determine the 20 percent of the facts that will give you 80 percent of your results. Just as in real estate, there is a basic formula. No, it's not buy low and sell high. Most likely, you'll be buying high and selling even higher. Here is what you need to know:

- SCREENING AND FILTERING
- TIMING IN
- TIMING OUT

Using simple, understandable filters, you can sift through the gravel of the market and uncover a nugget or two. Using the power of inexpensive (how about free?) tools, you can know exactly when to buy and precisely when to sell. The results will astound you. When you're finished with this audio program you may know less overall data about the market than the average investor, but you'll possess the key knowledge for making consistent profits.

The Marketing Mountain

How can you select the right business opportunities for this time in your life? There are tens of thousands of "deals" floating around out there. I've done some of the screening for you and narrowed your choices to just four emerging fields of business. Each field has the potential to create untold numbers of success stories. I expect you to be one of them.

- THE INTERNET
- THE FIELD OF NETWORK MARKETING
- THE CONCEPT OF INFOPRENEURING
- THE IDEAL OF LICENSING

The fundamental activity behind all of them is marketing. That's why I call it the marketing mountain and not the entrepreneurial mountain or the home-based business mountain. Whether you're selling a set of

ideas, a service, or a product, nothing happens without marketing. Without marketing, your web site is nothing more than a multimedia billboard in a corner of your basement. Without the oxygen of marketing, your business is DOA (Dead on arrival).

In the marketing mountain, you'll learn the three key marketing activities:

- TARGETING
- BAITING
- LIFETIMING

You'll learn what these words mean and how to implement them in any business that you're involved in – from large to small.

As you reflect back, which of the money mountains do you want to climb? The answer is, of course, all of them. But each mountain is different and thus requires a unique set of skills. Some of these skills you already possess. Some you will be required to develop. Where should we begin?

The first and most basic of the money mountains is what I call the investment mountain. It is where you should start.

Your First Stream: Success In The Stock Market – Investing For Total Idiots

I have shared with you the seven skills or secrets of prosperous people. The first three were (1) value it, (2) control it, (3) save it. You will now learn about the fourth skill: Invest it.

Investing is distinctly different from the fifth skill – making it. Investing is primarily a passive process. It doesn't involve the active buying and selling of products or services. It simply involves the buying and selling of passive financial instruments such as stocks, bonds, options, certificates of deposit, and so forth. To be a great investor, you don't have to transact business in the normal sense, and you don't have to deal with people. You can be anonymous. You can do everything from behind a computer screen with a modem and a telephone. Although investing can be done in minutes a day, the results are accumulated and compounded over long periods of time.

Let's explore the myths and realities of the world's financial markets. There are thousands of stocks and mutual funds to choose from, and the data about these investment vehicles is changing every minute of every business day. You can't know it all, so don't even try. Don't let the overwhelming amount of data cause you any concern whatsoever. Focus only on your three simple tasks:

- Filtering
- Timing in
- Timing out

These three tasks represent the three critical questions that you need to answer if you're going to be extremely successful in the stock market:

- How can I know which stocks to buy? (Filtering out the good ones)
- How can I know when I should buy them? (Timing your purchases)
- How can I know when I should sell them? (Timing your sales)

This chapter will answer each of these critical questions. When you've finished reading this chapter, you're going to feel confident and well on your way to stock market success.

The Road to Winning

I'm going to show you a method for winning in the stock market. It's the idiot's approach—the lazy way—the simplest way—and, ironically, the best way. If you study the history of the stock market for the past 50 years, you should be able to learn three powerfully obvious lessons:

1. The Longer you Invest, the Lower Your Risk

Suppose you happened to sink your entire inheritance into the market just at the time it peaked and just before a huge dip. With the hindsight of history, it's obvious that the storm would eventually blow over. Even though it doesn't seem so at the time. The best strategy would have been to just strap yourself to the mast and hold on through the gale. This would have brought you through safely to a continuing cadence of escalating profits. You can always win if you just hang on long enough—*every single time!*

The shorter your investment horizon, the greater your risk. Suppose you got into the market and things started to look bad. Instead of holding for the long-run, you got spooked and jumped out after only a year. What would be the odds of your success?

From 1954 through 2003, there have been only 14 years in which the overall market (as measured by the S&P 500) lost ground. That's about one losing year for every four winning years. Over three quarters of the years have been winners. What does that tell you? The odds of winning are in your favor; nonetheless, on a short-term basis, you have about a 22 percent chance of losing all or part of your money—one chance in four. That's too high a risk to take in the short run.

Would you like to invest your money without risk? Then, the most important decision you could make today is to get into the market and *stay there* for at least 25 years. Lock that decision in your mind, and throw away the key. Take a lesson from the smartest stock picker in history, Warren Buffet: “My favorite holding period is . . . forever.” That’s why Buffett is a billionaire, and your stockbroker is just a broker.

We just answered one of the three critical questions for the beginning investor who is planning to put some money into the stock market:

Question: When should I sell?

Answer: Sell somewhere between 10 and 25 years from now.

If you’re not going to do this for the long-term, don’t start.

2. If You Can’t Beat ‘em, Join ‘em

In the past 10 years, out of 6,000-plus professionally managed mutual funds, only about 20 were able to beat the 10-year performance of the S&P 500 after expenses and fees.

Whenever I mention this short list of winners, people always perk up . . . for the wrong reasons. The lesson is not to bet your

money on the top 20 rabbits in the race. The lesson is that 5,980 other rabbits, racing with all their might, couldn't out-pace the lowly tortoise. The risk of picking the right rabbit in 6,000 is ridiculous compared to the no-brainer of simply placing your bet on the tortoise. In stock market terms, what is the tortoise? It's the S&P 500.

By now, you've heard of index funds. One of the most popular index funds is a special mutual fund made up of all 500 stocks in the S&P 500. What a great concept! If you can't beat the market, then buy the whole market. Bet that the entire market will continue to go up . . . *in the long-run*, of course. There are so many advantages to investing in index funds compared to the average professionally managed equity mutual fund.

For the average unsophisticated investor, the no-brainer approach is to buy a few carefully selected index funds and forget about them. Here's the answer to another of the three critical questions.

Question: Which stocks should I buy?

Answer: All of them.

Buy an index fund made up of all the stocks in the market. Odds are, with this approach you'll do just as well as the vast

majority of professional fund managers and perhaps much better. You don't have to agonize for months over which stocks to buy and when. Just choose one of the top Index Funds and forget about it for 10 to 25 years.

And, that brings us to the final question: When should I buy? The obvious answer is – *immediately!*

The sooner you buy, the longer you have your money at work and the more money you have to compound. Take 50 percent of your monthly savings and sock it away into your chosen index fund(s). Do this every month without fail for the rest of your life.

If you'll do this, even if you do *nothing else* I describe to you, then, in due time, the flood gates of prosperity will pour into your life. My goal is to help you open those floodgates much sooner.

So, let's review what we've learned:

- You must start your investing program immediately;
- Index funds are the safest, simplest way to invest in the market;
- Long-term investing is far less risky than short-term investing.

Your Second Stream

Accelerated Stock Strategies – Four Ways to Magnify Your Returns

So, you want to be more aggressive with your investments? Well, hold onto your hat. We'll start slow, but soon we'll be flying at Mach 3! I will teach you how to invest the portion of your stock portfolio designated for your moderately aggressive basin—earning 20 to 200 percent on your money annually.

I will share with you four ways (or systems) for finding funds and stocks that have the highest probabilities for not only beating the market, but also trouncing it. Let's begin with the easiest suggestion:

System 1: Let the Master Himself Manage Your Money

Who is the master of the investment world? Warren Buffett. He is, without question, the greatest stock investor of all time. I first learned of Buffett when the stock of his holding company, Berkshire Hathaway was selling for an astronomical \$10,000 a share. It was then, and still is, the single most expensive stock in the world. Buffett doesn't believe in splitting his stock price, so if you want to own a piece of it, you must write a very large check for even a single share. In essence, Berkshire is Buffett's own mutual fund.

System 2: Select Mutual Funds with the Longest-term Track Record

If you don't want to bet on Buffett's selection of stocks in Berkshire Hathaway, then perhaps you'd like to choose another mutual fund to beat the market. Let's assume you could select only one of two funds. One fund has consistently beaten the market with a 20 percent per year compounded annual return for the past 10 years in a row, compared to 17.2 percent for the S&P 500. The second fund earned a whopping 175 percent in the past 12 months alone, outpacing the entire 10-year track record of the market in a single year! You're at the betting window, trying to choose between these two horses. Do you go with the hot horse or the consistent winner? Make your choice. The horses are at the gate, restless in their stalls. You rapidly juggle the numbers in your mind. If the hot fund could repeat its performance for only a few more years, you would be rich. Images of yachts and jewels and exotic places bounce around in your brain. You could get used to that!

Choosing a fund based on a short-term track record simply doesn't work. In fact, it might even be an indicator that this is the *last* fund you should be putting your money into. Excellent short-term results may be the clue that you should run for cover. It would be nice to be on the horse when it surges to the front of the pack and then ride it for all it's worth. But how can you find this fund *before* it makes its move? That's the trick. There is a way to do it, but it's fairly risky. For now, let's go for the more conservative alternative over the past 10 years.

There have been funds that have beaten the market, year-in and year-out, over a long period of time; and, it's relatively easy to find them.

System 3: Select Only Financial Advisors with the Longest Track Records

I've been to a racing track only a few times in my life. A friend of ours owned a racehorse and invited us to Del Mar to watch it run (it finished fifth). As we walked onto the grounds, there were several booths of people hawking handicapper newspapers that offered advice on which horses to be on. Supposedly, these experts had taken all factors into consideration (the horse, the jockey, the track, the weather, etc.) and were willing to share their top picks—for a price. Although the stock market is not a betting track, there are hundreds of experts who will sell you their analyses.

You'd have to have lived in a cave for the past year not to have received a boxcar full of junk mail touting this or that expert's system for making huge returns from the stock market. These offers sound almost too good to be true. I've gone through my junk-mail file of past newsletter offerings and culled a handful of headlines and claims for you:

“How to Make a Million Dollars in the Stock Market” [Cost for the system, \$195]

“One select group of traders, using one secret trading system, piled up a huge 426 million dollar profit in 1998 . . . In fact, these winning traders have made at least 100 million dollars per year for the last decade!!” [Cost for the seminar, \$2,500]

Hey, who needs Warren Buffett? All you need to do is plunk down a few hundred bucks, and you, too, can be a millionaire. Are any of these offers legitimate? I don't know. Here's what I do know: Before I spend a dime on any advisory service, I'm going to buy some low-cost information.

System 4: Consider High-powered Stock Sector Funds

So far, we have talked about three strategies:

Strategy 1: Riding the coattails of a single time-tested brilliant investor, the legendary Warren Buffett.

Strategy 2: Relying on the management of mutual funds with the best long-term track records.

Strategy 3: Relying on the financial advisors with the best long-term track records.

I asked my friend and mutual fund guru, Bill Donoghue, about one of his favorite accelerated stock investment systems. Bill is one of the world's premier financial advisors over the past 20 years and author of 10 national best-sellers, with 1.2 million copies of his books in print.

According to Bill, when a professional investor looks at the entire market, he or she can view it either vertically or horizontally:

Vertically – By size or market capitalization. You choose among various index funds (large-cap, mid-cap, and small-cap domestic stock indexes; European or Asian stock indexes; or returns tied to the value of the 30-year Treasury Bond).

Horizontally – By industry or market sector. You choose among various sector funds (Utilities, Energy, Energy Services, Electronics, Financial Services, Technology, etc.).

Remember that choosing a fund based on a short-term track record simply doesn't work. It would be nice to be riding the horse when it surges to the front of the pack. But how can you find this fund as it begins to make its move? That's the trick. How can you know which of the sector funds is going to be hot in the near future? Once again, we turn to our mutual fund guru, Bill Donoghue, for the answer. He writes:

In what investment fund(s) shall I invest? Ah, that is THE great investment question. The answer is actually surprisingly simple. Follow the stock market's price trends. The market itself will tell you where it is paying the best returns. Regardless of stock market "experts'" predictions, the stock market's movement is the reality with which we work. The market is always right. Sometimes, finding the stock market's direction and future trend is simply looking at where it has been recently.

The *long-term* trend in the stock market is obviously upward. Inflation alone will most likely drive the market up over time. In the very *short term* (day-to-day), the stock market can be very unpredictable. Some days it is up, some days it is down. But, contrary to what most believe, even in a bull market, the stock market is down about 40 percent of the days.

Investing strategies as the new millennium progresses are going to be very exciting, and well they should be. We are all facing the reality that we will "live longer and prosper." Hmmm, that has a familiar ring to it.

Your Third Stream
Double Your Money in the Market
How to Multiply your Investment Dollars

We have been discussing how to invest 80 percent of your investment dollars into long- and intermediate-term investments, such as index funds, aggressive mutual funds, and stocks. I will now tell you where I believe some of the remaining 20 percent of your dollars should be invested. This is your most aggressive portfolio. To do this, we'll shorten our time frame, narrow our focus, and (hopefully) double our money. Yes, there are ways to double your money in the market if you're willing to take some extra risks and employ the power of leverage.

Leverage . . . Interesting word. What does it mean? In the financial world it means controlling a large amount of wealth with a small amount of money. How does leverage work? First, let's talk about a real estate example, and then we'll discuss the stock market.

Let's assume that two families buy their first \$100,000 home. Mr. and Mrs. Cash use a \$100,000 inheritance and pay cash for their home. Mr. and Mrs. Leverage put down \$10,000 and arrange for a \$90,000 mortgage. Let's assume that both homes appreciate \$5,000 in value almost immediately.

The Cash family earns a return on their investment of 5 percent ($\$5,000 \div \$100,000 = 5\%$ profit). The Leverage family has the power of leverage on its side. Since they invested only \$10,000, the return on their investment is 50 percent ($\$5,000 \div \$10,000 = 50\%$ profit). Of course, prices could decline and then leverage would work in reverse. But because real estate prices tend to increase over the long-term, most homeowners end up with long-term gains.

The power of leverage gives the beginning investor the ability to control a lot of real estate with only a small amount of money. The power of leverage employed with the stable nature of real estate is a long-term surefire winner. It is, without question, the reason that a large percentage of the personal wealth in the world is accumulated in the average family's single-family home.

Can you apply leverage to the stock market? Absolutely! Any stock investor, using his or her stock as collateral, can borrow up to 50 percent of the value of the stock to buy more stock. This is called *buying on margin*. The problem with buying individual stocks on margin is that, unlike real estate, stocks are volatile. That is, stocks often show wide swings in price over a short time span. Real estate is generally exempted from this degree of volatility. In the short term, this volatility in stocks can be very dangerous to your wealth. It's like betting your rent money on the spin of the roulette wheel. However, the use of leverage in the stock market can be very powerful.

I am going to share with you a way to use leverage in the stock market that, if used with prudence, can produce spectacular returns.

Let's go back to real estate to provide an example. In the beginning of my real estate investing experience, I stumbled onto a technique that made a nice profit for me. I was learning the ropes of real estate investing by working as a licensed real estate agent. My boss was a real estate appraiser named Paul Brown. One day a client came in to request an appraisal on a four-acre piece of vacant ground. As he was leaving, he stopped to chat and mentioned that the land had been donated to a local church many years earlier when the property was nothing but a cow pasture. In the ensuing years, development had cropped up around the pasture, and its value had significantly appreciated. The church was in no hurry to sell the property and just wanted to determine its approximate value. The man hinted that the church might be willing to sell an option on the property. "What's an option?" I asked. He explained it to me this way:

Suppose your boss appraises this property today at \$200,000. The church has two choices. It can list the property with a Realtor for \$200,000 and wait for an offer. Suppose several months go by and someone offers us \$200,000. After commissions of about \$12,000, we'll net about \$188,000. That's the first choice. The second choice would be to sell an option on the property. Suppose an investor wants to give us

\$10,000 for the right to lock in the price for a year at \$200,000. If this investor is able to sell the property to someone else for more than \$210,000, then they get to keep the difference as a profit. How does the church win? It gets a full \$200,000 in cash plus the option money of \$10,000. And, it doesn't have to pay a penny in commissions. Obviously, this is a win-win situation.

I was intrigued, but skeptical. We parted company, but I continued to stew over the numbers. As an agent, I had been trained to have sellers give me a listing. But this seller wanted me to pay him \$10,000 up front. If I couldn't sell it, I'd lose everything. It seemed extremely risky, but I had a powerful hunch to move forward.

I went to visit the gentleman and made one of the most fateful decisions of my life. I told him that I didn't have \$10,000, but that I would give him \$5,000 if he would lock in the price at \$200,000 for one year. After a moment's thought, he agreed. We shook on it, and I left.

There was only one problem. I didn't have the \$5,000 and I didn't know where I could get it. Again, on a hunch, I took a dentist friend over to look at the property. I told him that if he put up the money, I would handle finding a buyer. He didn't have \$5,000 either, but he thought he could borrow it from his banker. So, we formed a partnership. He would come up with the money, and I would guarantee him a 100 percent profit

if there was a profit, or I would guarantee to pay his loan to the bank if things didn't pan out.

A few days later, when I signed my name to that option, I knew my neck was really on the line. If I couldn't move the property, I would be suck for the entire \$5,000 loss.

To my great relief, 11 months later I found a builder who was looking for just such a property on which to build an apartment building. He offered \$275,000 in cash. I readily accepted. At the closing, the church received its \$200,000 in cash. My dentist friend received \$12,000, which paid back his bank loan and put a nice profit into his pocket. After costs, my broker and I split the remaining \$60,000 in cash. (I was still single, so I took my \$30,000 profit, bought a VW bus in Germany, and toured Europe with a couple of buddies.)

Everybody won. The church made more money than it would have by listing the property for sale. My partner doubled his money. And, instead of a small commission, I made a \$30,000 fee for taking the risk and putting the transaction together. This was my first exposure to options.

When it comes to the stock market, the concept of options is exactly the same. Some owners of stock are willing to sell an option on their stock for a fee. The seller of the option gets immediate income

from the sale of the option, and the buyer of the option gets the right, but not the obligation, to buy the stock at a future date at a fixed price. If the stock increases in value enough, the person who bought the option can profit. If the stock doesn't increase in value on or before a future date, the option expires, and the money is lost.

Sounds risky and it is. But just as in my real estate example, if you play your cards right, you can win, and win big.

A final word of warning about trading in the options market: Although I've given you enough information to broaden your understanding of a few of the strategies in the exciting but potentially dangerous world of options, you obviously need to do much more study before you commit any of your real dollars to this approach. Here are six rules:

1. **Paper trade first.** You should paper trade for at least three months. Never invest real money without a successful paper-trading track record.
2. **Never invest money you can't afford to lose.** First, establish a survival fund. Then commit 80% of your stock market funds to long- and medium-term investment approaches. Consider options only for the short-term/high-risk portion of your portfolio.

Study, study, study! Your first place for free information about options is the web site of the Chicago Board Options Exchange (www.cboe.com). Click on the Education link, where you'll find plenty of free tutorials and some free software—The Options Toolbox. If you're a beginner, the tutorials here are a bit difficult to follow, but as you learn the lingo, you'll do fine.

3. **Establish a mentoring relationship.** Find someone who not only understands the world of options, but who also consistently makes money trading in the real world . . . and pay them to teach you how to do it. The money will be well spent. Just one idea or strategy or money management system could pay for your tuition 100 times over. The best players in the world need coaches. Even the Lone Ranger had Tonto. Don't go it alone.
4. **Don't over-commit.** Investing in options can be exciting. But don't get *too excited*. Be prudent. Dr. Cooper's rules for money management will keep your enthusiasm in check: Commit no more than 25 percent of the funds in your high risk bucket to any single trade if your account is under \$25,000. If your account is over \$25,000, buy five or more contracts up to a dollar amount of no more than 10 percent of the account. Other experts insist on even

tighter money management rules. Dr. Alexander Elder recommends risking only 2 percent of your available capital on any one trade.

5. ***Don't confuse brains for a bull market.*** Any system is going to look good during a bull market. When things go south, sit on the sidelines – or return to paper trading. It may be that the system is not broken – perhaps it's just not the right time to be trading with this system.

Good Luck in doubling your money.

Your Fourth Stream: Winning Big in Real Estate

Do you remember the story Acres of Diamonds, told so famously by Russell H. Conwell? It's about a man who dreamed of owning a diamond mine. He sold his farm, took the money, and wasted his life in a futile search. Ironically, the man who bought his farm was looking in the stream behind the farmhouse and noticed a brilliant, shiny stone glittering in the water. Yes, it was a diamond. Thus was discovered the famous diamond mine from which came many of the crown jewels of Europe. The farm was sitting atop acres of diamonds! True story.

Many of us are like the man going off in search of diamonds. We waste time, money, and energy in endless moneymaking schemes while the greatest source of wealth is lying right at our feet – real estate.

Everybody knows that one of the smartest ways to make serious money is in real estate. In the long run, the largest asset most people ever have at retirement is the equity in their own home. According to an article several years ago in Reader's Digest, the average net worth of the average North American homeowner was \$63,000. The average net worth of the average renter was only \$1,921. About 30 times less. Obviously, you've got to get into a home. And if you've already purchased your own home, you've got to learn how to turn it into a cash machine.

The median property price in 2000 was \$119,600 rising to \$229,100 in 2007, nearly doubling in seven short years. But even if property values don't continue to increase, I'll show you techniques for buying properties so far below market that you won't care whether prices in your city ever appreciated again.

How you can build a real estate fortune starting with little or no money down.

The secret to buying property creatively is to look for highly motivated sellers, which I call "don't wanters." The process is more than mere bargain hunting. It's hunting for the right kind of seller, then trying to determine if the property is a good value. This process consists of three critical activities.

1. Finding
2. Funding
3. Farming

So what are some ways to find highly motivated sellers or those once in a lifetime deals? There are nine sources of information for finding highly motivated sellers.

1. Newspaper classified ads
2. Realtors

3. Your own sphere of influence
4. Focused wandering around
5. Banks and Financial institutions
6. Your own ads
7. Direct mail
8. Investment clubs, associations, and exchange groups
9. Other professionals

Once you've found a motivated seller you still need to verify the property is a deal. I've created a real estate bargain finder that allows you to score a property before you even consider buying it and will help you determine if it's a good deal. You can go to www.multiplestreamsofincome.com : keyword bargain finder.

After you've verified it's a good deal, you need to know how to finance bargain properties.

When I first wrote *Nothing Down*, the number one all-time best-selling real estate book, very few people believed that you could actually buy property for little or no money down. I had to prove it by issuing my now-famous challenge to the Los Angeles Times:

“Send me to any city. Take away my wallet. Give me \$100 for living expenses. And in 72 hours, I'll buy an excellent piece of property using none of my own money.”

With a LA Times reporter by my side, in 57 hours I bought seven properties worth \$722,715. And I still had \$20 left over. The headline read

“Buying home without cash: Boastful investor accepts times challenge – and Wins”

Yes, these techniques work. Nothing down doesn't mean there is no cash involved. It just means that it's not your cash. I want to open your mind to the possibility that solutions exist besides those of conventional lending.

Because there are so many nothing down techniques, I'll need you to visit my website to get a complete list and explanation of the 50 greatest nothing down techniques.

Again that website is www.multiplestreamsofincome.com keyword: Nothing Down

Now that you've been able to fund your investment property, it's time to harvest your profits. Before you buy, you should have an idea of how to intend to harvest your profit. You can do it 2 ways.

1. Buy and Hold with the intention of becoming a landlord.

2. Flipping with the intention to buy below market and resell it quickly for profit.

Buying and holding is about cash-flow profits. Flipping is about equity profits. I've always advocated that my student should do both: Buy at least one property per year to hold in your long-term portfolio, and flip at least one property per year for short-term profit.

Your Fifth Stream: A Fortune in Foreclosures and Flippers

The statement I made in my first book still holds true. “Don’t wait to buy real estate. Buy real estate and wait.”

We know that, given enough time, a property we buy below the market today can eventually be remarketed for a profit. In the meantime, we may have to make monthly payments, resolve a bad tenant situation, upgrade or renovate the property, resolve a zoning issue, or find a solution to a myriad of other problems. In other words, we make money by solving problems. The more problems we solve, the more money we make.

There are several problems that may force people to sell their property. The more desperate people become, the quicker they need a sale and the more flexible they will become. The only way to offer a quick sale is to do one of two things: Lower the price, or come up with attractive financial terms, such as a low down payment. As a real estate bargain hunter, you must have something at wholesale, price or terms and preferable both. If not, don’t buy.

More bargains are available in the area of foreclosures than in any other area of real estate.

Why would individuals walk away from a perfectly good property? Why would they be willing to risk ruining their credit rating? Why would they face the embarrassment of having to be forced out of their home?

Well for whatever reason, according to RealtyTrac, 1.2 million homes went to foreclosure last year. That's 100,000 a month in North America. How many of those do you need to buy to earn enough profit to equal or exceed your current years salary?

Just one.

One good property bought and sold could support you for a year! In fact, if you persist long enough, I believe you'll find at least one bargain property that's good enough to set you up for life. But you're probably not willing to believe that yet. So let's lower the expectations and assume that sometime in the next five years, with consistent searching, you'll find one excellent property that you can buy at 20 percent below the market. Do you think that's realistic? Even if real estate is not your "thing". You should at least be willing to learn a few basics so you can buy your personal residence at a substantial discount.

Bargain hunting in foreclosures

One of the most effective ways to find a wholesale property is to look for foreclosures. When property owners fail to make the monthly

payments on their mortgages, their loans become delinquent. Each lending institution has different guidelines for handling delinquencies.

It usually starts with a nice reminder letter asking the customer to bring his or her payment up-to-date. This is followed by series of increasingly threatening letters leading up to a formal notice of default. Depending on where you live, the time frame between the notice of default and the actual foreclosure sale can be 90 to 365 days. There also may be a period of redemption after the foreclosure sale. Generally speaking, however, most states have 90-day foreclosure process with no redemption period. After missing a payment, most homeowners are technically 90 days away from losing their home.

There are four important phases in the foreclosure process:

- Presale, before the lender files the notice of default at the courthouse.
- Presale, after the lender files the notice of default
- At the foreclosure sale
- Post-sale

Presale: Before notice of default

Each phase has its advantage and its disadvantages. For example, the least competition will occur before the bank files notice of default. In essence, the only people who know of the delinquency are the lender and the property owner. Unfortunately, it is very difficult to find these people. You have to flush them out with your own ads in the newspaper and your own bird-dogging.

Presale: After notice of default

After the notification has been filed at the courthouse, it becomes a matter of public record. There are several foreclosure service companies that search out these notifications and sell a subscription to those who are willing to pay for this information. Generally, the sellers become increasingly flexible as the foreclosure dates draws near. Still, there are other buyers to compete with.

At the foreclosure sale

If the property makes it to the foreclosure sale, you have only one option—to pay off the mortgage holder in full. Therefore, it takes a lot of cash to be bidding at a foreclosure sale: If you win the bid, you have only a short time to pay for the property. I encourage you to visit your courthouse, find out when the next foreclosure sale takes place, and

show up to watch. You'll find many of the properties due to be sold that day have been withdrawn for various reasons. Of the properties remaining, the vast majority have little equity and therefore no one bids on them and the lending institution takes them back. A small number of properties are really worth bidding on.

Occasionally, there is an exceptional bargain. Sometimes you end up in a bidding war with another investor. One of my beginning students began bidding with a seasoned investor. When the bidding stopped, my young student had won the bid. He was then approached by the seasoned investor, who made him an immediate cash offer of \$2,000 to take over his position on the property. He accepted \$2,000 in cash for 15 minutes of work. I don't recommend attempting to buy your properties at a foreclosure sale the first time around, but it is instructive to watch what goes on.

Post sale

Once lenders have foreclosed on a property, those lenders become remarkably more flexible. Now it's their problem and they want to get rid of it-they actually show many signs of "don't-wanter-itis." They can even be convinced, under the right circumstances, to sell the property to you for less than the mortgage. This is referred to in the industry as a short sale. For instance, suppose a lender foreclosed on a \$100,000 house with a \$95,000 mortgage. If no one bids at the auction, the lender gets the house back. Many times the lender will consider an offer for less than

\$95,000 and take a loss to get rid of it.

Bargain Opportunity 2: Flippers

Whenever you make an offer to purchase a property at X price in X number of days, you sign a similar legal document. It's called an offer to purchase. In essence, an offer to purchase is a short-term option. It is a legally binding agreement that obligates the seller to sell the property to you within a specific time frame. For example, suppose you offered to buy a \$100,000 home with a closing date 60 days in the future. In essence, you have a 60-day option on this property with a locked-in price of \$100,000. What if someone approached you during this 60-day period of time, before you had actually taken title to the property, and offered you \$110,000 for your position? Could you sell your "position" to this new buyer and pocket the \$10,000 profit? The answer is maybe. (Of course, these kinds of questions should always be discussed with a competent real estate attorney.)

In theory and I emphasize "in theory," you should be able to sell your position to another individual, who then completes the purchase in your place. To strengthen your legal position, I recommend that whenever you fill out an offer to purchase any property, you add these words to your contract: "and/or assigns."

For example, when I buy property in my own name, I write my name as follows: "Robert G. Allen and/or assigns." In theory, this enables me to "flip" my contract to someone who may want to buy it. When you

sign your name to an offer you should always include, those three magic words after your name: "and/or assigns." This gives you the right to purchase a property and/or to assign your contract to someone else.

Whether you're flipping for cash or flipping for cash flow (as did our Phoenix investor), flipping can be one way to create substantial profits and extra streams of income.

Real Estate Supercharger

5 Powerful Ways to Earn 20% or More on Your Money

I'm going to show you 5 ways to supercharge your real estate investments to yield at least 20 percent per year ROI, regardless of what happens to the overall market. I hope you're beginning to realize that real estate is an amazing and versatile investment vehicle as long as you are flexible and creative enough to try different approaches.

One of the most obvious ways to play the real estate game is to search for bargains. You certainly don't want to get caught paying full price the way most people do. If you pay full price for your property, then you're speculating that the property will appreciate in value. However, what if it doesn't? I challenge you to make money the day you buy each property. That's investing. This requires some bargain hunting—sifting through hundreds of shiny, cubic zirconian, fake gems to find the real diamonds in your market. Review the list of reasons why some people are willing to sell their property quickly. Then say aloud with me now, “I refuse to pay retail, I refuse to pay retail, I refuse to pay retail.”

What kind of discount can you expect? Let's assume it's possible to buy a property at 10 percent below market. It won't be easy. It will require some serious sifting. But a 10 percent discount is certainly possible. Sometimes even more. A typical \$150,000 single family home

could be purchased for \$135,000. Let's assume your down payment on this discounted property is \$15,000, what would be your return on investment on the very day you walk out of the escrow having purchased the property?

Your \$15,000 equity profit divided by your \$15,000 cash investment gives you 100 percent return on you money.

What?! One hundred percent!

No wonder people become excited about real estate. My first and most famous book is titled, *Nothing Down: A Proven Program That Shows You How to Buy Real Estate with Little or No Money Down*. What would be the return on the preceding example if you made the same \$15,000 profit, but invested only \$5,000 of your own money?

Divide \$15,000 by \$5,000 and you have three times your money, or 300 percent.

Remember, that's on the day you buy it.

The 20 percent Strategy #2: The Bird Dog

Maybe you don't have any of the traditional bankers' capital requirements, called the four Cs: cash, cash flow, credit, or collateral. These are the external trappings of wealth that your angel partner must provide. Your partner provides the capital. You become the catalyst.

Learn the ropes of real estate investing and market yourself as the bird dog. Your motto is, "if you've got the cash, I've got the deals."

It'll be your job to find the bargains, negotiate the transactions, fix up houses when necessary, manage the property, handle the tenants, and so on. But for this active effort, you expect your passive partner to share 50 percent of the profit. What, then, will be the return on your investment?

Suppose you put up \$3,000 to learn the skills and systems necessary to become a real estate investor. Your investment would yield you a bird dog return of half of your first \$15,000 profit. $\$7,500$ divided by $\$3,000$ equals 25%.

Whether you're the sole investor or simply an angel or a bird dog, you can win at this game.

The 20 percent Strategy #3: Fix up

Is there anyone who hasn't heard of ordinary investors buying a property, applying a coat of paint or other cosmetic improvement, installing new carpet and kitchen shelves—and dramatically increasing the value of that property? This may not be your specialty. It certainly isn't mine. I've often said that golf clubs fit my hands but hammers just don't seem to. However, just because you're not good with tools doesn't mean that you can't hire an expert to do these tasks for you. The Yellow pages are filled with contractors and specialists who are more than willing to give you a nonbinding bid. They'll tell you what, in their expert opinion, you would need to invest to bring a property up to snuff. You can make your purchase of the property contingent on having these estimates completed to your satisfaction.

Still, a reasonable investor can expect to earn at least a dollar in equity profit for every dollar of fix up investment. Reasonable return: 100 percent on your investment.

The 20 percent Strategy #4: Super Cash Flow

Let's look at a scenario for super cash flow—converting the home from a month-to-month rental to a vacation rental to be rented on a day to day or week to week basis. One of my favorite students, Paula Reid, , bought a beautiful and expensive home in the Las Vegas area. Its value

was much higher than the median in the city, so she was going to have a difficult time renting the home without substantial negative cash flows. Instead of renting by the month, Paula became an expert in vacation rentals, where her clients would rent her home on a week by week basis. It required a totally different marketing strategy—much more complicated than placing a classified ad in the “Houses for Rent” section of the local newspaper. Through the school of hard knocks, she eventually learned how to rent to traveling businesspeople and families. They could rent her large home for much less than the price of a large suite at a fancy hotel. In fact, with only a few rentals per month she was able to pay her monthly expenses and still have substantial positive cash flow.

It’s something to consider, especially if you live in high-priced real estate markets where negative cash flows are the norm.

The 20 Percent Strategy #5: Cash Back

What if you’re one of those investors who either can’t or who would prefer not to give a large down payment to buy a property? What if there were a way to actually get cash back every time you bought a property? Well, it doesn’t happen every time, but it certainly is possible under the right circumstances. Here’s a true story.

Bob and Kitty Kokott saw an ad in their local Wisconsin newspaper for a 10 unit apartment building. The property was free and clear of any mortgages and was owned by a senior gentleman who wanted to move to Florida. The property was listed for \$600,000. The Kokotts felt that the price was a bit low so they made him a very creative offer. Purchase price: \$600,000. Seller gets \$480,000 in cash at closing. Seller agrees to carry \$120,000 second mortgage with attractive interest rate.

Since this was the only offer at full price, the seller was willing to be more flexible with the terms. After all, he was going to get a huge amount of cash at closing, and his remaining equity would be carried in the form of a second mortgage with an interest rate substantially higher than he could get anywhere else. For him it was a win-win offer—lots of cash and a high interest bearing note.

For the Kokotts, it was a dream come true. The property was appraised at \$675,000 and because of this, their banker (with whom they already had a great relationship) was willing to lend them \$480,000 on a first mortgage even though he was aware that the Kokotts would be putting up none of their own money. The seller's mortgage of \$120,000 was secondary to the bank's first mortgage. In essence, there were two loans on the property totaling \$600,000. The Kokotts didn't put a dime of their own money to close this transaction.

It gets better. At the closing, the rent deposits and credits, the Kokotts actually walked away with over \$6,000. To this was added the rent collected from each of the 10 tenants. Therefore the Kokotts pocketed over \$12,000 in cash within a few days of closing. To repeat, not only was this nothing down—it was cash back at closing.

Take out your calculator and figure out the Kokott's return on the investment on this property. Since they had no investment, their rate of return is too high to calculate. But for fun, let's just assume that they had invested \$3,000 in research and fees to find this property. Thus, on the day of the closing, they were able to earn 400 percent on their investment dollars—without having to wait for a year. This is the ideal scenario. You make money the day you buy.

Here is a summary of the 5 ways of generating 20 percent or more from your real estate investments.

1. Wholesale Bargains
2. Bird Dog
3. Fix up
4. Super Cash Flow
5. Cash back

Your Sixth Stream:
Huge profits by paying other people's taxes

If you saw a headline that read, "Investors earn 16% to 300% guaranteed by the Government" would you believe it?

Well this headline is for real and you're about to learn how to double your money in three years and double it again in the next three and so on. For as long as you like. It's one of the greatest low-risk ways to make money today.

Hello my name is Steven Waters and despite how uncertain you may feel about the economy and your financial future, you're about to learn a sure-fire system for generating an extra \$200 to \$1000 or more in extra monthly-income, on a part-time basis, working from your home, and using little or none of your own money.

In addition, you're about to discover an investment that is safe, certain, and guaranteed to produce profits of 16%, 18%, 24%, up to 300% per year. You will also discover a fool-proof method for purchasing real estate for a significant discount. I'm talking as low as 2 to 3 cents on the dollar.

Are you skeptical? So was I, until I did it myself.

I don't blame you. As a matter of fact, I can remember being a bit skeptical myself. That is until I decided to open my mind and learn for myself. That decision, which I made so many years ago, has opened up a recession-proof investment that is;

- Safe,
- Certain,
- and Highly-Profitable.

Unlike stocks, futures, options, and commodities, government issued tax lien certificates are immune to the ups and downs of the economy. So even if the stock market were to crash tomorrow, your rate, which can be as high as 300% per year, is fixed by law.

Maybe you're thinking this has to be really risky.

With tax lien certificates, there's no gambling, speculating, or praying that they will go up. When you purchase a tax lien certificate your rate is fixed to stay high, regardless of what happens in the markets.

When you buy a tax lien certificate Wall Street doesn't determine your rate. With tax lien certificates there's no up and down roller coaster ride; your rate is determined by law so you know exactly what your

return will be. You can sleep at night knowing that no matter what happens with the economy, the markets or the news, your rate is fixed.

Maybe you've heard that it takes a lot of money to make a lot of money.

I know when I got started I didn't have a lot of extra cash just laying around. I worked hard for every dollar I had and I wasn't about to throw it at every so-called "opportunity" that came my way. I had to find an investment that required very little to none of my own money to get started.

With tax lien certificates it doesn't matter how much you spend. Your rate, which can be as high as 300% per year, is the same, regardless of what you paid. It really is the ideal investment because you can buy them for as little as a couple bucks on up to several million. In fact, you can get started using little to none of your own money.

You'll have to forgive me, I'm getting a little ahead of myself. I just get really excited when I start talking about this incredible investment. You see most people simply don't know about it.

As I said earlier, my name is Steven Waters and I'm just an average person that stumbled across an amazing investment. It was several years ago but I can still remember feeling a bit uncertain about my own financial future.

Needless to say, I was at a real financial crossroad in my life. As luck would have it, a close friend loaned me an audio program on generating wealth. I listened to it, in fact, several times. It discussed multiple ways for generating wealth, from investing in stock options to buying real estate nothing down, and finally profiting with tax lien certificates.

I couldn't believe what I was hearing, it sounded way too good to be true. Generally, I wouldn't even give something like this a second thought, I would dismiss it and continue on with what I was doing. This time I reasoned, "If I keep doing the same things, I would continue to get the same results." Though scary at the time, I sure am glad that I decided to take a closer look at tax lien certificates.

Just what are tax lien certificates and how do they work?

Ok, so here's how it works. All over the country local governments have millions of dollars in unpaid property taxes.

Unpaid property taxes create a serious cash-flow problem for local governments. If local governments are unable to collect real estate property taxes, they are also unable to provide important government services like police protection, public schooling, and medical services.

To solve this problem and fund daily services, local governments create and sell tax lien certificates to investors. In exchange, investors receive the governments lien for property taxes. The lien is secured by the real estate it is attached to.

Just to be clear, you're not buying any real estate. You're just buying the governments lien on the real estate. So when you purchase a tax lien certificate you're actually paying the property taxes for someone else. In exchange, the government transfers you the right to receive all of the outstanding taxes owed by the property owner.

When you purchase tax lien certificates, you're entitled by law, to receive 16%, 18%, 24%, up to 300% per year.

In an effort to motivate property owners to pay their property taxes the government charges interest and penalties on top of the overdue property taxes. When the property owner steps forward to pay their overdue property taxes, the government transfers the money collected including fees, interest and penalties to the tax lien investor - which is you!

Think of it this way. Like a bank or lending institution, you're just providing a "short-term loan" to the property owner and by law you are entitled to receive interest and penalties for your services.

Everyone is happy. The county gets their money, the delinquent property owner keeps their home and gets more time to pay their already past-due property taxes and you get to grow your money at the rate of 16%, 18%, 24%, up to 300% per year.

In addition, this "short-term loan" is secured by real estate. So, just like a bank or lending institution if the property owner doesn't pay their loan or in this case their property taxes, usually within three (3) years from the time you buy the tax lien certificate, the government will let you foreclose on the property to recover your investment.

Ok maybe you're thinking, "There has to be a catch, what's the catch?"

First of all, about half of the states sell tax lien certificates.

Second, the sale of tax lien certificates are handled by the counties. County governments sell tax lien certificates at property tax sale auctions. There are over 1500 individual counties, all holding their separate auctions at various times and locations and with different rules. Tracking down the dates, times, locations and rules is a lot of work but is certainly well worth it, plus it keeps most people away - leaving more for you and me.

Tax lien certificates are the ultimate wealth builder - you simply bid on the ones you like, buy them, and wait. The government collects the

past due taxes, fees, interest, and penalties from the delinquent taxpayer and then they send you a check.

In conclusion, tax lien certificates are the ideal investment:

- You can get started with very little money.
- You can be successful, even with terrible credit.
- Earn safe, certain, and high-yielding returns of 16% to 300%
- Grow your profits tax free with a self-directed IRA
- Chance of purchasing real estate for pennies on the dollar

Visit <http://www.multiplestreamsofincome.com/> for a complete list of states offering tax lien certificates.

Your Seventh Stream: Network Marketing – The Ultimate Money Machine

Have you ever been to a great movie or a great restaurant and told a friend about it? That's called word-of-mouth advertising. Businesses love word-of-mouth advertising because it's much more effective than all the money they spend on any other form of advertising, promotion, or marketing. Network marketing is a way for businesses to leverage the power of word-of-mouth advertising.

Let me give you a hypothetical example. Suppose you recommend a great restaurant (let's call it Chez Bob) to your sister. Your sister and her husband make a reservation for dinner and, during the meal, the waiter asks them how they heard about Chez Bob. They mention your name. How would you feel if the owner of the restaurant sent you a thank-you letter and a coupon for a free meal in appreciation for your recommending his restaurant? It would probably make you feel wonderful. The restaurant owner also explains in the letter that because of your recommendation, Chez Bob has gained a new long-term customer. This customer didn't result from Chez Bob's Yellow Pages ad or its radio and newspaper campaign. Therefore, the owner wants to reward you for this new word-of-mouth customer. Anytime your sister visits his restaurant in the future, he will send you a check for 10 percent of the value of the meal as a continuing thank-you. Sure enough, every several months you receive a small thank-you check. You're so impressed

that you encourage others to visit Chez Bob. This generates more free-meal coupons plus more 10 percent word-of-mouth checks. After a year, you are receiving several monthly customers, which generates hundreds of dollars of extra, no-hassle income to you. That would be nice, wouldn't it?

This is the theory behind network marketing, as it is now called. I prefer to call it relationship marketing because the word-of-mouth concept derives its power as a result of the relationship. Businesses these days spend up to 50 percent of the price of their goods on advertising and marketing expenses. Instead of sending these advertising dollars to wealthy newspapers, magazines, and television stations, several smart businesses have begun to share this money with their best customers. Every time one of their best customers influences someone to buy one of their products, they send this loyal customer a check – sort of a referral fee.

One of the most recent success stories in the power of relationship marketing is Amazon.com. Soon after launching this groundbreaking Internet web site, the folks at Amazon.com came up with a bright idea. Why not pay a referral fee to anybody on the internet who sends customers to Amazon.com? They launched an “Affiliate Program” encouraging millions of web page owners to provide links to the Amazon.com site. If a web surfer visits an affiliate site, clicks on the Amazon.com link, and eventually buys a product, Amazon pays a small 3

to 7 percent referral fee to the affiliate. This created tens of thousands of satellite mini-partners who have a self-interest in the ongoing success of the Amazon mother ship. This strategic marketing move was one of the major reasons for the explosive success of Amazon.com. Now this model is rampant on the Internet. Even my own web site, www.multiplestreamsofincome.com, has an affiliate program. Network or relationship marketing works! Its time has arrived. It's the cool thing to do.

Your Eighth Stream:

Infoprenuring – How to Turn a Tiny Classified ad into a Fortune.

Previously I told you about the huge potential in real estate. Well, there is substantially more money to be made in intellectual property. The money can be made faster and can result in lifetime streams of cash flow.

You say “show me the money!” I say, “bring your wheelbarrow!”

An entrepreneur who’s main product is information is called an “infopreneur”. And information is a very hot topic.

In case you haven't noticed, the world is experiencing an information explosion. Before the turn of the century, the majority of the households in North American will have access to hundreds of channels of interactive television giving every customer instant unlimited access to information, communications and entertainment.

In addition, there are hundreds of millions of computer screens hooked up to the net, yours included. The Internet is exploding. People are communicating and sharing information like never before.

Who is going to provide all of the programming for the 500 channels, the on-line databases, the hungry airwaves? You are! You are

the source of the ideas, information, data and entertainment to fill the voracious appetite of millions of info-maniacs.

The serious money in the future, however, is not just in providing information or raw data. We are already drowning in information. We are on information overload. We are data drunk. The problem is not a lack of information or ideas but a lack of information that is packaged properly. Your job in the future is to convert the mountains of raw data into specialized knowledge presented in a way the consumer can assimilate and use quickly:

Specialized knowledge packaged properly

- * organized
- * simplified
- * beautified
- * systematized,
- * personalized
- * interactive
- * multi-media
- * delivered to your house
- * ready to use
- * on demand
- * instantly.

Time is the currency of the new millennium. Time is our most valuable asset. Since all of us are already on information overload, with too much information to absorb and too little time to absorb it, we all will be looking for information that is "time friendly." We won't want to waste time ready, studying, reorganizing general data to fit our unique circumstances and problems.

We'll want information we can USE NOW, FAST AND EASY.

The best way to distinguish your information from the hundreds of competitors is to emphasize the most important competitive advantage: YOUR INFORMATION MUST BE SIMPLE, EASY TO USE AND PROVIDE FAST RESULTS.

Your advertising should emphasize this.

Being well-informed in the age of information "haves and have not's."

The future is being fired at us at point blank range and we will need to react in lightning quick time. Those who react slowly will find themselves amongst the "information have-nots."

In order to be prepared to understand how to deliver your information in the fastest, easiest way, you must be technologically up to speed or you will be left in the dust. The information business is moving

at Mach 2. You must be computer literate and you must teach your children and employees to be computer literate. Your customers will demand it and your competitors will force it. You can't hide your head in the sand and hope the storm blows over. It ain't gonna blow over. It's only gonna blow harder.

Now, with all of this talk of the billions being spent on the super information highway, you might be a bit intimidated. You might wonder how "little old you" can compete with the big boys. How can you sell your ideas, your life's expertise in the face of the media moguls? Fact is, anyone with a good idea, persistence and some savvy can make a million dollars selling information. You don't need a huge advertising budget and a staff to spend it. All you really need is

An interesting story

or

An expertise that people want

and

A powerful marketing plan

It is my firm belief that everyone...including you...has a least one good book in them. When you've finished listening to this special audio library, you'll realize that you have enough information and experience in your head right now to turn into a lifetime stream of income. You have a book in you that is just waiting to be unleashed.

With some proper positioning, your book can become the cornerstone of an information empire. An information empire? Yes. And I'm going to prove it to you.

The next time you wonder whether "there's gold in them thar hills," remember the example of 75 year old Walter Swann from Arizona. A few years ago he wrote a book about growing up in Arizona with his brother, Henry. He called his book "Me and Henry." Sounds like a money making title, doesn't it? But no publisher would publish it. So he published it himself. But no bookstore would buy it. So he opened his own bookstore. But his bookstore is unique. It only carries one title...that's right, "Me and Henry." He calls it the One Book, Bookstore. The only book you can buy in his bookstore is "Me and Henry." Dumb idea, right? Wrong. He sells thousands of books world wide. And makes thousands of dollars a month from this one simple idea. In fact, business has been so good that he has written another book. This one is called, "Me and Mama." It's also for sale in a special room in the One Book Book Store. It's called the Other Book BookStore.

What I want you to realize is that you, your life story or your life's expertise have market value. It may have enough market value to support you for life.

Almost all success books start off with a miserable failure. The author tells how he or she used to be fat, poor, ugly, unhappy, lonely, addicted and through some miracle, will power or new found knowledge was able to overcome failure and rise to the heights of success. Let me give you some pretty impressive examples,

Author, Title, Subject

Tony Robbins, Unlimited Power, Success

Susan Powter, Stop the Insanity, Diet

John Bradshaw, Homeward Bound, Self Esteem

And the list goes on and on. Each of these infopreneurs used the story of their rise from the ashes of failure to create an information empire. Each of them now produces books, seminars, newsletters, tape programs, video courses, speeches, consulting relationships and infomercials. They turned their failure to success story into millions of dollars.

Everything that has happened to you, good or bad, has cash value.

Do you ever wonder how those famous stars on those diet commercials are able to take the weight off and keep it off? How do they do it? Where do they get the will power to lose all that weight and keep it off? Think! If someone offered you a half a million dollars to do a diet commercial, wouldn't you be able to find the motivation somehow?

Now take this to the next logical conclusion. What if someone offered you ten million dollars to turn your life around right now. How much would it take for you to be motivated to perfect your relationships, to get in shape, to get your financial act together, to be a top salesperson, etc. What if you decided that YOU ARE THE BEFORE AND AFTER STORY? Fix yourself then you, too, can market your new-found "know how."

You don't even need a unique, new system. It can be old knowledge, repackaged and remarketed in new ways. Look at all the diets out there. There are only 3 variables in the diet game: food, exercise and mental attitude. Susan Powter, in her hugely successful diet infomercial and book, "Stop the Insanity!" doesn't teach anything new. She teaches old stuff in a unique way. And MAKES TENS OF MILLIONS OF DOLLARS DOING IT!

The formula is pretty simple:

- * Identify a Core Human Desire/Need
- * Find new technology for solving this Core Desire/Need and/or
- * Find a new way to market to this Core Desire/Need

You don't have to do it on such a grand scale. You can be like Walter Swann and his tiny One Book Book Store. The point I'm trying to make is that one mediocre idea with some good marketing power can generate a lifetime stream of cash flow. And with some luck can turn into millions of dollars. Everything in your life has value. The failures. The successes. It's all part of the equation.

And if you want to get paid millions of dollars...so figure out how to turn your life around now and then tell the rest of us how you did it.

Your Ninth Stream:
The Internet – Your Next Fortune Is Only a Click Away

The Internet. How many times have you heard that word this week? What's all the excitement about? Is the Internet for real, or is it doomed to a high-tech graveyard?

The Internet is for real. It's not a fad. It's the most influential business innovation in history. I could quote you numbers about how many hundreds of millions of people are online or coming online and the numbers continue to grow exponentially. The Internet is not just another minor blip on the radar screen of the business cycle. The Internet is a tidal wave. You can ride this wave to fortune or be churned under by it.

Are you on the Net yet? If not, stop right now and get hooked up. It's that important. Go. I don't want you to be left behind. When you get back, I'll show you how to make money from this powerful stream.

If you're already hooked up, fire up your computer right now. We're going for a drive on the information superhighway. First, let's discuss a few things that make the internet so appealing.

The Internet needs no sleep, no food, and no baby-sitting. It never complains, never calls in sick, never goes on strike. The Internet works for you around the clock, allowing you to spend more time with your family, friends, religious group, community, and hobbies.

The Internet is empowered to operate your entire web site marketing system. A constant flow of qualified leads is directed into your response-gathering database where it collects critical information about potential customers and then automatically offers customized products or services to each individual customer.

All of this happens behind the scenes, outside of your awareness. Sounds far-fetched, doesn't it? But that's what's happening right now on the Internet.

The Internet is the most powerful and efficient direct-response marketing machine in the history of marketing. With the aid of ordinary computers, direct marketers can create an online marketing machine.

The Internet has revolutionized the concept of marketing. First of all, it has dramatically lowered the cost of marketing. It makes it possible for you to reach new customers for pennies per thousand versus hundred of dollars per thousand. More important, the Internet lets you reconnect and interact with these new customers over and over again with almost zero cost. The advantages are staggering.

Because of the cost advantages, new businesses are going online by the millions. It seems as if the status symbol for the new millennium is to have you own Web page. But if you want to make money on the Net,

having your own Web page is just the beginning. It's like having a billboard in the middle of the Nevada desert... .If nobody sees it, it may as well not even exist. It's worthless.

If the three key passwords in real estate are *location, location, location* then on the Internet, they're *traffic, traffic, traffic*. Your most important task is to drive traffic to your site. If you have no traffic, your site has no value. I repeat: A Web page in and of itself is nothing. Traffic is everything. By traffic, I mean visits by people. The more visits, the more valuable your space.

With the goal of building traffic in mind, let me show you how to build an Internet marketing machine – a machine that not only drives traffic to your site but gets people to leave money as they're passing through. Interested?

“People go on the Internet and look for stuff – specific stuff. Your first job is to find the ones looking for your stuff and get them to visit your web site in order to buy your stuff – over and over again.”

How can this be done?

I've identified the 3 keys to internet success.

1. Strategizing your launch

2. Automating everything
3. Marketing for traffic

First Key to Internet Success: Strategizing Your Launch

Before you can turn on your Internet marketing machine, you need to carefully strategize what products or services you intend to market. People make several common mistakes when trying to decide what product or service to promote on the Internet. Most people end up selecting a product or service for the wrong reasons.

I've consulted with many people who have tried to take an existing, traditional, offline company or product and bring it online. Most of these people simply create an online catalog of their products or services and expect it to be a big hit online. Most of the time, they are disappointed. Then there are those who want to turn a favorite hobby or an expertise into a raging online business success without doing any market research to determine if the product will sell online.

Although I would never discourage you from testing your idea, it's hard to force a square peg into a round hole. Therefore, it's important to ask yourself these 2 questions.

1. Does my product or service benefit many people.
2. Does my product or service appeal to a specific online niche.

I've heard motivational speaker Zig Ziglar say, "You can have anything you want in this life if you'll help enough other people get what they want." Do you want to help a few people, many people, or millions of people? It may be fun and exciting to work with products that are interesting to you, but there just isn't any profit in marketing products that do not also appeal to large segments of the population.

If your potential customers include almost everyone on the entire planet, you have a distinct advantage over companies that appeal only to a select group of customers.

If you don't like the mass-marketing model, that's okay. Many savvy online marketers are having unbelievable success marketing to niches that are 2 inches wide and 100 miles deep. As your focus becomes more narrow, you will have fewer potential customers. You must apply your most effective, laser-focused, targeted marketing techniques to win this game, and your niche must have sufficient depth. In other words, you can either go wide or you can go deep. But it's extremely difficult to make money with a narrow, shallow product line.

The best test, however, is to determine whether the product or service you wish to offer is doing well online right now and whether trends, suggest that it will continues to do well for the next 20 years. Why pay twice for expensive market-testing information that can be yours for free? A fool learns from his or her own mistakes, while the wise person learns by observing the mistakes of others. This wisdom applies on the Net. Find several successful business models related to what you want to do, and try to duplicate their success. Make sure you get some expert advice before settling on a theme, after all, you will be living with this decision for the rest of your life.

Over the past year, I have examined thousands of successful online business models. However, I have discovered a few business models that are particularly easy to launch and can yield fantastic results. One of those successful business models is affiliate programs.

What if you could have your own personal online supermall that allowed you to sell any and all of the hottest products on the Internet for a significant commission without the headaches of setting up your own web site? What if your site were set up for you complete with pictures of products and an online order form? What if your credit card approval system were already in place? What if you had to provide only limited customer services and training and could spend most of your time finding more business? What if you could have the freedom to just

market products and receive a check in the mail a few weeks later for the products that were purchased?

Well, this program does exist... ..and its called an affiliate program. The money being generated on the Internet today through affiliate programs is astronomical, and experts tell us that this trend will continue to explode over the next several years.

So what is an affiliate program, and why would you want to get involved with one? Affiliate program is the name given to a company that allows independent affiliates, associates, or distributors to refer business to a company in exchange for a commission. One of the most well-known affiliate programs on the Net is the worlds' largest online bookstore, Amazon.com. One of the reasons Amazon has been so successful is that they pioneered the first megasuccessful affiliate program. So when you refer business to Amazon and they buy, they send you a commission check each month for your cumulative referral business. Pretty slick, eh?

There are thousands of similar programs on the net offering even more dynamic benefits and the opportunity to earn hundreds if not thousands of dollars a month.

One distinct advantage of affiliate programs is your ability to successfully manage multiple affiliate programs simultaneously. Also,

because most affiliate programs pay commissions only on products sold, there is generally no conflict with other business opportunities that you may be marketing on your site. Some people may be able to manage more, but it's best to build only one or two streams of income at a time and then add additional programs as you are able.

I encourage you to do the following:

- Become your own customer for a day and go shopping... using search engines.
- Interview like-minded Webmasters and site owners to probe for marketing information.
- Immerse yourself in information related to your target customers and products.

With this under your belt, you're ready to launch your site. The purpose of your site is to be a valuable source of information to anyone who is interested in your subject/product. Before I move on, I want to share with you the three most important elements of your site.

1. Free special reports
2. Free audio/video clips
3. Free newsletter

Everyone who visits your site should feel like they've just stumbled across a gold mine of valuable information for free. Even if you're marketing a physical object (like bagpipes), your site should still offer free information like a free report on the care and cleaning of your bagpipes, free bagpipe music sheets available for download, free newsletter for bagpipe enthusiasts, etc.

Your objective is to capture the e-mail addresses of all visitors to your site by offering so many wonderful benefits that they'll want to subscribe to your free newsletter. Your goal is to build this newsletter list as fast as possible. Your newsletter list is your gold mine.

As you develop your online presence, you'll soon find out why more and more people are gravitating towards the Internet. With dedication, you too can join the list of those who earn at least \$1,000 a day on the Internet.

Your Tenth Stream: Licensing – Intellectual Property at Warp Speed

In Chapter 13 you learned about Infopreneurs— people who make money from selling intellectual property. The information I'm about to share with you is the most powerful and yet least understood form of intellectual property in the world. It's called *licensing*.

Licensing. Just saying the word brings blank stares from most people. Real estate, they understand. Network marketing, they've heard of that. But what is licensing? Well, as soon as I make you aware of it, you're going to notice it everywhere. I must thank my good friend Ken Kerr for teaching me the real secrets of licensing. Ken was Director of Design for the Walt Disney theme parks worldwide, where he was one of the major forces behind successful launch of Disney's Epcot center and Tokyo Disney. In addition, he was instrumental in the creation and successful marketing of such household names as Smurfs, Gummi Bears, the California Dancing Raisins, and Raggedy Ann and Andy, just to name a few. These products have generated hundreds of millions of dollars in licensing revenues.

Licensing is the ultimate form of leverage. It's the fastest, simplest, and shortest distance between an idea in your head and a lifetime stream of income in your mailbox... So just what is it?

History of Licensing

It started as almost an afterthought more than 60 years ago. Today, it accounts for tens of *billions* of dollars of sales every year. At this very instant, your home probably contains dozens of licensed items that have enriched dozens of companies and individuals. For the most part, licensing is the bailiwick of extremely large, wealthy organizations—not for ordinary folk like you and me. But most of these organizations had very small beginnings. Who’s to say that either you or I couldn’t do the same? Perhaps it’s time you got on the receiving end of the cash flow instead of the sending end.

Let’s go back to the beginning. It’s 1928. A train from New York to Los Angeles carries Walt Disney and his wife home a meeting in which they have learned that they have lost the rights to Walt’s cartoon creation, Oswald the Rabbit. The news is devastating. In effect, they are out of business. But a stray mouse on the train inspires Walt to come up with a new idea. Walt wants to call his cartoon creation Mortimer mouse, but his wife prevails. Mickey Mouse it is.

With this idea, Walt and his brother Roy started in a one-car garage on the wrong side of the tracks in east L.A and grew the largest entertainment organization in the world. Walt and his brother Roy wanted to be moviemakers, but moviemaking is not the biggest moneymaker for Disney these days.

Licensing began as an accident, really. An afterthought. An enterprising businessman, trying to ride the coattails of the Mickey Mouse phenomenon, approached the Disney brothers and asked permission to silk-screen the image of Mickey on 10,000 wooden pencils boxes. Permission was granted, and thus was launched the modern concept of licensing. Disney Licensing and Merchandising Division eventually became the most profitable division of Disney. At first, the checks were small, but licensing soon grew into major streams as Mickey began appearing on Lionel trains and Hallmark cards and in Little Golden Books. It wasn't long before the brothers Disney recognized their gold mine. With little effort or risk on their part, they could generate huge streams of income. Talk about leverage!

In effect, the Disney had sold that original businessman only the right, or license, to attach an image to one of his products to enhance its sales potential. The businessman did all of the manufacturing, marketing, and the movement of product from seller to buyer. He took all of the risk, managed all the money, and simply sent Walt Disney a fee for each product sold that carried the image of Mickey. Think of it: no manufacturing, no setup costs, no inventory, no sales costs, no sales force, no distribution costs, no employees, no risk, no money, and little or no investments of time or energy. And yet always maintaining control of product quality. Today, billions of dollars' worth of Disney merchandise is marketed throughout the world—all from genesis of that idea. It's the ultimate form of leverage.

Using this same concept, in the 1960s a local San Diego surfer came up with the idea to manufacture swimming trunks for surfers—trunks made of sturdier material than the flimsy swimsuit material popular at the time. He started with a prototype sewn from rough canvas. His logo showed 10 toes hanging over the edge of a surfboard. He called his new brand Hang Ten. For many years, the company grew larger and larger as it manufactured surf-related clothing. At its peak, Hang Ten had thousands of employees in various plants throughout Southern California. Today, the manufacturing plants no longer exist. Hang Ten is down to only one building with a fraction of the number of employees compared to the old days. It might sound like things are not going well. Not so. This year, Hang Ten will collect over \$300 million in licensing revenues worldwide! And what do they license? Just that silly 10-toed logo. Clothing manufactures all over the world pay Hang Ten millions upon millions of dollars just to attach the Hang Ten logo to T-shirts and surfwear of all kinds. Hang Ten employees no longer focus on making clothing. They focus instead on making sure that copycats don't knock off their designs. And all of this is a result of licensing.

Using this same concept, a geeky computer nerd named Bill Gated and his fledging company Microsoft paid \$50,000 to buy the exclusive rights to a new computer program called DOS, the disk operating system for minicomputers. The year 1979. It would turn out to be the deal of the millennium. Gates licensed the nonexclusive rights for

DOS to IBM to use in its very first minicomputer, the PC. Note, he didn't sell it to IBM, he *licensed* it to IBM. He also licensed it to manufactures of IBM clones. That simple, shrewd decision is the reason that the market value of Microsoft is greater than the market value of IBM, General Motors, and most of the Fortune 500. From zero to billions in about 10 years. Bill Gates is the richest human being on the planet.

If he sold his idea to IBM, he would have made a nice chunk of cash. But Bill Gates wasn't interested in *chunks* of cash—he wanted *streams* of income. The only way do to that was through licensing. He doesn't have to manufacture any of those complex computing machines that use his software. He just sells the right to install his operating software on every computer built—and then he gets to sell upgrades to all of these computer owners. Little wonder he's the richest person in the world. Smart. Real smart.

Using a variation of his concept, an inventor approached a large corporation in the 1990s with a crazy idea to enhance company sales. The inventor wanted only a few pennies per item sold. It sounded reasonable. But the first company he approached turned him down flat. Undaunted, he gathered up his idea—his intellectual property, his thin-air concept—and went down the street in New York City to present the idea to the next- largest competitor. After some brief research, the executives of the second company caught the vision and signed a

licensing agreement with the inventor. In exchange for his idea, they would pay him a few pennies per package.

The result? In the first year, the company increased its total sales by \$100 million. And the inventor has since put several million dollars into his own pocket. Lifetime streams of income.

What was the idea that made both company and inventor so much money? Have you ever bought a package of batteries? Did you notice that Duracell batteries come with a small battery tester built right on the side of the battery? Duracell was the first battery company to introduce this concept. It was an idea worth hundreds of millions of dollars. I'm told that the inventor of this idea was the same person who created the popular Mood Rings of the 1960s and 1970s. Do you remember those plastic rings that would change colors based upon the person's body heat? Decades later, this same person used the same thermogenics technology to create a huge extra stream of licensing revenue.

Old idea + new application + the power of licensing = multiple streams of lifetime income

Applications of licensing

What if you're not Disney or Gates? Maybe you don't even own a garage to start from. How does this relate to you? Hold on, let's get the concept down and let the theory soak into your psyche. Disney and

Gates were once little guys. Why not you? Come to think of it, I, too, was a little guy. And it wasn't that long ago. About the time that Gates started tinkering with computers, I started buying real estate. A few years later, I started teaching other people how to buy property with nothing down. My seminars, started in a small hotel room in Provo, Utah, were soon playing to packed houses in major cities. Without my knowledge, I was being watched. I was the "kid on the rise," and my seminar competitors wanted to know how I was doing it.

One of these competitors called me on the phone and made me an offer I couldn't refuse: "Let us license your name and your idea. Let us market your seminar for you. Your presence won't be required at the seminars. We'll train and teach the seminar instructors. Once it's up and running all you'll need to do is cash the royalty checks." Wouldn't you say yes? Over the next six years, with little or no effort on my part, this company sent myself and my family millions of dollars in royalties. I didn't realize it at the time, but I had become a licensor, granting the rights to my ideas in exchange for a small royalty. Although I had done well investing in real property, my *intellectual property* was the real gold mine.

Wealth was in my thoughts, not in my things. In the future, so will it be for you. Every day, your mind processes thousands of thoughts. Some of those thoughts are million-dollar ideas. How many million-dollar ideas do you need? Disney's idea was Mickey. Gate's was DOS. Mine

was Nothing Down. What is your idea? How do you turn that idea, that thought, into a licensing stream of cash?

First, you've got to believe that your idea is just as good as the thoughts flashing through the person standing next to you. There is a thought in you, a big one, waiting to be clothed in action. If you only believe it can. Break free from the belief that these kinds of things happen only to other people.

The first step is to expand your awareness so that you begin to see the possibilities everywhere. And soon, maybe not this year, but eventually, the opportunity to spin off a licensing deal will drop into your lap as it did into mine.

Intellectual Property Is Protected by Law

I don't claim to be an attorney, and this explanation may not be technically correct, but here it goes. Ideas, images, information, names, and all forms of intellectual property are protected by patents, copyrights, service marks, and trademarks.

If your ideas are legally copyrighted, patented, or trademarked, then you own the rights to them and no one else can use them without your permission. In order for others to use your ideas, you need to grant them permission, or license, for an agreed-upon fee, commission, or royalty.

Licensing is not very complicated. It all starts with a simple agreement between two people who want to do business together: “I, Robert G. Allen, hereby grant rights to John Smith to market XYZ product for X period of time in exchange for royalty of X based upon the following restrictions... yada, yada, yada.” Then, under the watchful eye of a knowledgeable attorney who adds a lot of boilerplate, your licensing agreement takes shape.

And that brings us to the many ways of licensing products.

Celebrity licensing

Well-known celebrities lend their names to various projects for royalties and fees. I once paid television talk-show host Gary Collins \$50,000 plus a percentage of gross sales to host one of my infomercials. The day we shot the show was a long day of work. (Fifty grand for one day’s effort! Celebrity pays.) Gary was superb, a true professional, and a wonderful human being. He left with a hefty fee plus additional streams of income from the sale of the products. We both won. I bought the needed credibility and he traded his celebrity status for extra streams of income.

Every time you see a celebrity endorsing a product, you’ll know it has something to do with licensing. And it’s everywhere. Listen to the voices of famous actors in almost any television or radio commercial. Notice the rich and famous who have created their own lines of

products—from Johnny Carson suits to Rush Limbaugh’s colorful ties to Michael Jordan’s cologne. Celebrity sells. And there are hundreds of celebrities available to help you sell your product for a fee.

Character licensing

Mickey Mouse, Power Rangers, Gummi bears, and the California Dancing Raisins are all good examples.

Ken Kerr, our licensing guru, spotted some strange blue plastic figures at a toy show in Germany many years ago. He brought home a few samples and kids went wild for them. He knew he had a winner on his hands. He and his partners flew back to Europe and finally tracked down the creator in Belgium. A deal was struck to license and market these characters in America—and the rest is history. You know them as smurfs. In addition to cartoons, the image of Smurfs can be found on dozens of products, all produced under license. The list is endless: bed sheets, pillowcases, lunch pails, thermoses, toys, school supplies, pencil boxes, erasers, pencils, pens, schoolbooks, T-shirts, sweatshirts, other articles of clothing, hats, bumper stickers, calendars, planners, ties, buttons, figurines, dolls, mugs, greeting cards, and comic books.

Ken Kerr’s company didn’t produce any of these items. They simply relicensed the Smurfs to dozens of North American companies who wanted to use the Smurf logo to enhance the sales of their

products. The result was hundreds or millions of dollars in sales and millions of dollars in licensing fees.

Where do you find ideas like this? Whenever you travel, keep your eyes open. Suppose you spot a soon-to-be discovered Pet Rock idea. What is to prevent you from acquiring worldwide merchandising rights? You'd be surprised how many foreign successes are dying to get to the big top and are willing to almost give away marketing rights for the privilege. The Smurfs had been successful in Europe for over 20 years before they appeared in America. Someone just needed to recognize the idea and bring it here.

Speaking of character licensing, I wonder how much the Metropolitan Life Insurance Company pays for the rights to use the cartoon character Snoopy in its advertising. You've seen it in magazines everywhere. "Get Met. It pays." Yes, I'll bet Met Pays a bundle.

Information Licensing

I've already referred to how I earned income licensing Robert Allen seminars. Any idea, concept, or specialized information is licensable. Most creators of information leave millions of dollars on the table because they simply don't know how to package and market their information into dozens of information products. Take the infopreneuring ideas I taught you in Chapter 13 and license the ideas of

rising-star authors. Watch the best-seller lists and be there early. Catch the comet hang on.

There is clothing licensing, as in the Nike swoosh.

There is sports licensing, as in Michael Jordan, Tiger Woods, and Jack Nicklaus.

There is invention licensing, as in the Duracell battery deal.

Profiting from Licensing

Here are four basic ways to profit from the field of licensing.

Method 1: Start from scratch with your own idea.

Disney created Mickey out of thin air. Grab an idea out of the air and get started. Using this concept, two guys working out of their garage in 1988 put their ideas (their intellectual property) down on paper in the form of some roughly drawn black-and-white sketches. By 1991, this simple concept had been turned into reality and had generated \$400 million in worldwide licensing revenues. The idea, which doesn't seem all that intellectual but was certainly profitable, is called Teenage Mutant Ninja Turtles. Ever heard of them? Your teenager has.

Method 2: Using licensing to add multiple streams of income to your existing business.

As with the Hang Ten logo, you might find that sticking logos on other people's products is even more profitable than building the products yourself. Using this concept, sports licensing has added huge streams of

income to the bottom line of all major sports. Money is made not just by selling tickets to sporting events or by selling rights to see these events on television, but by licensing football, baseball, basketball, hockey, and soccer logos for clothing, equipment, and product endorsements. This is a multibillion-dollar industry. The teams don't manufacture the clothing or equipment themselves. They just license others to do so.

Think about the Olympics. The Olympic Committee doesn't manufacture, market and move products that bear the Olympic logo. It just licenses other to do it—and collects royalties. As an independent businessperson, you could acquire the rights to use the Olympic logo to enhance the sale of your products. But the preferred position is to be the licensor, not the licensee.

Method 3: Acquire the license to someone else's idea and grow it from scratch.

Look at Bill Gates. DOS was actually someone else's program, which Gates acquired for the sum of \$50,000 and parlayed into a company that made him the richest man in the world. You see, your multimillion-dollar idea doesn't even have to originate in your own head.

Method 4: Use licensing to add multiple streams of income to someone else's existing business.

There are thousands of businesses in every country in the world that need to be educated on the benefits of licensing. Either they need to license their own products for sale (like the European creator of the

Smurfs) or then need to license other people's ideas to enhance the sale of their own products (like Duracell.) You could be the person to educate these business and earn a stream of income as a result.

This kind of approach was used by an enterprising infopreneur who turned a tip into millions of dollars of revenue for himself and his client. According to the story, this man noticed in a trade journal that a New York symphony orchestra was planning to present an evening of music entitled Marilyn, devoted to the life and career of the famous actress.

This was the spark that he needed. He contacted the estate of a photographer that contained a rare collection of Marilyn Monroe photographs, acquired the merchandising rights to Marilyn Monroe's name, and licensed the creations of products to coincide with the evening of the symphony. Then he contacted the symphony and asked if it would allow a special exhibition of Marilyn's rare photos in conjunction with the symphony performances. The symphony, of course, was delighted. The prepublicity also attracted other owners of rare photographs, who were also allowed to display their photographs in this special showing. Vendors were contacted to create Marilyn merchandise especially for the show- calendars of photos, scarves, sweaters, T-shirts, pens and a host of related merchandise- all of which were produced under license from the promoter. The publicity greatly increased public

awareness, millions of dollars of Marilyn merchandise was sold, and the bottom line was huge streams of licensing royalties.

How to Get There from Here

Let's explore a five-step plan for cashing in on licensing.

Step 1: Saturate your mind with tollgate thinking.

Start thinking like Bill Gates. Every moment of his life seems to be spent thinking of ways he can become the tollgate through which people have to pass (for a small fee) to access specific information. Maybe that's why his name is Gates. He has effectively become the tollgate to the minicomputer world. Using this same thinking, Gates is now acquiring vast libraries of photo archives of famous art all over the world. These photographs are being digitized, and people who use them will have to pay Bill a small royalty for the privilege. Once again, he's the tollgate. He's lining up strategic alliances with businesses all over the world. He wants just a little piece of practically everything that is sold. He wants to be the tollgate. You and I should start thinking more like Bill. I'd be happy with just one one-thousandth of his net worth, wouldn't you?

Step 2: Pretend you're a licensing mogul.

Make a game out of noticing at least one licensing possibility each and every day. Watch your hot trends and hot people. Read newspapers and trade journals. When you spot a promising idea or concept, ask yourself, "I wonder if they've given up the worldwide rights?" "Would that idea

look good on a T-shirt?” “What does this business need in the form of a licensable idea that could make us both a fortune?” “How could they squeeze more profit out of their successful business?” “Would kids like this?” “How could I help someone become famous and make us both rich in the process?” “How could I market this idea to the rest of the world?”

Step 3: Spend a day at the local library or bookstore.

Perhaps you remember my famous outrageous public claim:

*“Send me to any city. Take away my wallet.
Give me a \$100 bill. And in 72 hours I’ll buy an excellent
Piece of real estate using none of my own money.”*

The *LA Times* challenged me to prove it. With a reporter by my side, I bought seven properties in 57 hours. It was a great learning experience.

I challenged Ken Kerr, the licensing guru, to a similar dare: to be dropped in a strange city without prior contacts or resources and find, negotiate, and sign a profitable licensing deal within 72 hours. He accepted and told me exactly how he would do it. Before I reveal his solutions, let me ask you, how would you do it?

Here’s what he would do: He would go directly to the main branch of the local public library and ask one of the librarians to show him the patents on microfiche. There are thousands of patents fillings, with

more being added daily. Next he would scan through microfiche, making a list of those products, ideas, or inventors that he felt had major potential. Then, using the inventor's phone number or address listed on the patent form, he would contact at least 10 whose ideas he had selected to be worthy. In Ken's experience, 9 out of 10 of these inventors do not have marketing or licensing agents and are very open to discussing such an arrangement. He would pick the best alternative, arrange for worldwide licensing rights, and sign the agreement.

If the patent section didn't yield fruits fast enough, Ken would scan the how-to section of the library. Or back issues of the New York Times best seller list. There always seem to be authors and experts who have not capitalized on their value and who are willing to grant licensing rights to the information products not covered in their publishing royalty agreement. If the library isn't current enough, any major bookstore could provide plenty of fodder for challenge. One way or another, he felt that 72 hours would be more than adequate.

In one such experience, Ken was able to acquire the direct-mail marketing rights to a famous author and his work. In a short time, he paid this author over a half a million dollars in licensing fees, to the benefit of both parties.

Step 4: Find a manufacturer or end licensee.

Once Ken had acquired licensing rights to a patent, he would look through the *American Registry of Manufacturers*, which lists all major manufacturers by subject. Depending on the idea, he would contact manufacturers and try to interest them in a licensing agreement.

For example, suppose this concept included the marketing of a baseball cap with a specialized logo. The *Registry* lists dozens of baseball cap manufacturers, each with its own distribution channels already in place. If the idea is right, the manufacturer provides seed capital, inventory, rollout, and distribution, with instant access to hundreds of outlets.

Step 5: Enjoy lifetime streams of royalty checks.

Yes, this discussion is an oversimplification of a very complex subject. My purpose has been to open your mind to it, to increase your awareness about it, to plant seeds of possibility that at least once in your life you'll be able to profit from the ideas I've shared with you here. If you'd like a free special report, "The Little-Known Secrets to the World of Licensing" by Ken Kerr, just visit my web site at www.multiplestreamsofincome.com and I'll e-mail a copy of it to you. Enter the keyword Ken Kerr.

Here are answers to some of the questions you're probably thinking right now.

Q. When is the best time to acquire a license to market someone else's product?

A. When they don't want an arm and a leg for it. Disney today charges about \$500,000 up front for a specific-use license to Mickey Mouse, plus about 15 percent of gross wholesale revenues. This is one of the highest rates in the industry. If a T-shirt is sold for \$20, the wholesale cost is about \$10. Disney receives 15 percent of the \$10 wholesale cost, or \$1.50, every time a T-shirt is sold. That's today. But years ago, the businessman who first acquired the rights to do this probably paid nothing.

The licensing rights to the entire Cabbage Patch Kids doll concept were offered to Ken Kerr for free. At that time, the inventor would have been happy for any help to get the dolls into the marketplace. Ken passed on the offer, like most everyone else in the industry. Live and learn. A few short years later he paid \$380,000 for the licensing rights for just one small part of the Cabbage Patch doll license.

So, it's a good idea to watch the rising stars. They usually don't know the value of what they have and are anxious for any extra revenue. In many cases, the licensing rights can be acquired for

next to nothing. And the ongoing royalties can be 3 percent on the low end up to 10 percent.

Nonetheless, it is possible to make nice streams of money from an expensive, hot property like Power Rangers or an established property like the Muppets—if you’ve got the cash. But remember the money tree formula: The N in MONEY stands for Nothing down. It’s there for a reason. Keep your risks low. There’s got to be one good, inexpensive licensing idea still out there—with your name on it.

Q. What are some other ways that an existing business can earn an extra stream of income from licensing?

A. Let’s take the unlikely example of the LA coroner’s office.

Some smart Licensor has convinced this government office to license merchandise—T-shirts, sweatshirts, bumper stickers, and body chalk for drawing the outline of dead bodies on the floor, to name just a few. These items are becoming very popular. Who would have guessed that such a morbid government agency could be converted into a wildly successful entrepreneurial source of money?

Could you capitalize on this idea? Are there other coroner’s offices in the world? Change the name, copy the idea, and perhaps the resulting streams of income could be yours. There’s

nothing wrong with copying—as long as you don’t cross legal boundaries. After all, how many hamburger restaurants are there?

Let’s take another example: the Hollywood Chamber of Commerce. Did you know that the famous Hollywood sign in the hills of Hollywood is trademarked? Whenever an image of that sign is shown anywhere, a fee must be paid to the Hollywood Chamber of Commerce. The same holds true for the stars on the Hollywood Walk of Fame. Bet you didn’t know that, did you?

Finally, let’s explore the example of gold’s Gym, where you’ll find muscle-bound men and women in major cities nationwide. It is my understanding that almost any gym can become a Gold’s Gym for a very nominal fee. However, each licensed Gold’s Gym must sell the Gold’s Gym T-shirts and other bodybuilding paraphernalia, thus providing huge licensing and merchandising revenue to Mr. Gold from his nationwide network.

- Q.** How about franchising? Is franchising a form of licensing?
- A.** Yes, but there’s too much work involved for my taste. With a franchise, you license your successful business in exchange for a lump sum franchise fee plus a percentage of the gross profits.

Residual streams? Yes. Lots of work, risk, effort, management, employees? Yup. Is this a money tree? Nope. Got to be an easier way.

Q. What if someone hasn't protected him- or herself with the appropriate copyrights, trademarks, or patents?

A. Did you know that the "Happy Birthday" song was not copyrighted until a smart woman did the research and discovered it was in the public domain?

She was granted copyright, and each time you hear this song being played on the air, a royalty is paid to that smart woman. Or so they tell me.

Did you know that in the 1960s some of the major American car companies had failed to properly copyright and trademark their logos in Europe? It was a multimillion-dollar mistake. One enterprising young college student discovered the oversight and went from country to country in Europe doing necessary legal work to "capture" the names. In order to sell their cars to Europe, these careless U.S. car companies ended up paying him millions in licensing fees.

Well, there you have licensing in a nutshell. As I said earlier, a licensing idea is bound to fall out of the sky and hit you someday. Let's hope your mind is open and the timing is right.

Balancing Act: Getting Your Act Together

Multiple streams? Multiple tasks? Multiple headaches!

How can you possibly juggle all of the details of your personal life-family, fun, friends-plus handle the myriad details of your multiple streams of income? It can be overwhelming.

Reminds me of the plate spinner. Remember him? He starts by spinning one plate on the top of a stationary stick. Then he spins another plate on a second stick. Then a third plate. By this time, the first plate has started to wobble, so he returns to respin it – then the second and the third. He adds a fourth spinning plate. And a fifth. Then he returns to respin any plate that is about to fall he adds a sixth plate. You the breathless just watching him running from wobbling plate to wobbling plate, respinning each just a split second before catastrophe. Does this sound like your life?

Life didn't used to be this complicated. Makes you nostalgic for the 1950s with one-income families and the security of lifetime employment. Sorry. Somebody opened Pandora's box, and out stampeded four horsemen: global competition, the computer chip, the Internet, and instant worldwide communication. It's a different world than the one our parents raised us in. We must adapt.

Remember the old Chinese saying? Man who chases two rabbits loses both. If Confucius were alive today, he'd probably say: Man must chase ten rabbits in order to catch three.

Just remember, the money-tree businesses you've learned about in this book are different than most businesses. These businesses are designed to eventually operate with little or none of your presence! Therefore, although they may take time to get up and spinning, they spin much easier and much longer by themselves. This gives you time to get another stream of income up and spinning.

Seven Time Tips for the Twenty-first Century

But you still have to be more efficient than ever before. If you expect to be a one-person home-based business, every second has to count. Let me share with you how to squeeze the most amount of activity into the shortest period of time so that you can have as much free time as possible. Let's set as our goal managing at least six streams of income simultaneously on as little as one hour per day. You can spend the rest of your time shopping, golfing, whatever.

Strategy 1: Remember That Time Is Money

Have you ever hear the saying, “Time is money”? Do you know what that means? It obviously doesn’t mean that time equals money. If that were the case, we’d all be millionaires. But it does mean that time is like money. It’s a scarce resource that, like money, has to be managed.

I learned of a concept in a college economics class that I’ve never forgotten. It’s called opportunity cost. Suppose a person only has \$1,000 to invest. She can buy either investment A or investment B. She has to make a choice. By choosing A, she has to forfeit the opportunity to do something else.

Time is the ultimate scarce resource. An hour spent in front of the TV takes away from time you could have spent in front of a computer writing your book or in front of your son or daughter building a better relationship.

There is one area in which time passes, it is gone forever. Your only choice is to invest your time more wisely in the future. Time wisely invested is like compound interest: Small daily deposits can multiply into a magnificent life.

Benjamin Franklin believed in practicing 13 daily virtues. His first two virtues were industry and frugality. He said,

The way to wealth, if you desire it, is as plain as the way to market.

It depends chiefly on 2 words. Industry and Frugality. That is,

waste neither time nor money, but make the best use of both.

Good advice.

Strategy 2: Focus on the Critical Few

In Chapter 3 I briefly introduced you to the 80/20 principle. Now, let's go into more depth. To get right to the heart of your life, 80 percent of the things you do account for only 20 percent of your results. Conversely, 20 percent of the things you do account for 80 percent of your results. This is called the Pareto principle after the Italian sociologist who postulated it over 100 years ago. It seems so simple but has profound implications. One writer referred to this as “the critical few versus the trivial many” because 80 percent of the things we do each day are trivial (almost a waste of time because they produce so few results) and 20 percent are critical (i.e., vital to our progress).

Let's compare time to money. Suppose you only have \$100 to invest- no more, no less. You buy two investments, putting \$20 into investment A and \$80 into investment B. A year later, you find that your \$20 in investment A has earned a profit of \$80, while your \$80 investment in B has earned only \$20. The results are as follows:

Investment A: $\$80 \text{ profit} \div \$20 \text{ investment} = 400\% \text{ return}$

Investment B: $\$20 \text{ profit} \div \$80 \text{ investment} = 25\% \text{ return}$

In other words, each dollar invested in A earned 16 times more money than a similar dollar invested in B ($400 \div 25 = 16$). One was a high-

leverage investment; the other, by comparison, was a low-leverage investment. Is there any question about where your dollars should be concentrated?

The same is true for time. Brian Tracy writes of a study in which an insurance company discovered that, in fact, 20 percent of its salespeople actually did account for 80 percent of the company sales. Moreover, the average salesperson in the top 20 percent – those critical few – earned 16 times more money than the average salesperson in the bottom 80 percent.

What were they doing differently? The employees in both groups started each day with exactly the same amount of time to spend (or invest): 24 hours, or 1,440 minutes, or 86,400 seconds. Ticktock. Ticktock. How they invested this time had enormous implications in the results they produced. One group concentrated on high-leverage activities (those critical few tasks that yield rich dividends), while the other group got bogged down in the trivial (those time-sapping activities that produce few or no results).

Knowing this, the key to your success is to practice the next strategy...

Strategy 3: You Must Learn How to Procrastinate!

I'm not joking! Procrastination is absolutely essential to your success. You may have assumed that only the losers in this life procrastinate. On the contrary, the most successful people on this planet are also master procrastinators. Losers work on the 80 percent and procrastinate on the 20 percent. Winners do just the opposite: They immediately tackle the high-leverage 20 percent and procrastinate on the trivial 80 percent.

It's said that Napoleon opened his mail only once a month. Why? Because if it was still important after a month, he attended to it; if not, it was junk mail. He focused his time and energy on only those things that would take him more quickly and more surely toward his objectives, his purpose. And he procrastinated doing everything else. This is important enough to illustrate:

	20% Critical Few	80% Trivial Many
Winners	Do it now.	Do it later.
Losers	Do it later.	Do it now.

Did you get that? Focusing on the critical few is a high-leverage activity. It gives you 16 times faster results!

Strategy 4: Throw Away Your To-Do List

If you're like most people you start your day with a to-do-list, which you create the same way every day. You try to make a

comprehensive listing of everything you have to do. Then you start crossing things off as quickly as you can accomplish them. There's such an endorphin rush whenever you cross something off. It's almost orgasmic.

But getting things done is not the same as getting the right things done. Very few people sit down to examine the nature of the tasks on their to-do-lists. By definition, 80 percent of the items on your to-do list are trivial.

Trivial activities are generally fun, fast, and frivolous.

- *Call Bill to set up tennis match.*
- *Get tickets to the play.*
- *Buy book at the bookstore.*
- *Have lunch with old high school chum.*

Critical activities are generally more difficult, take longer, are more important, and involve more risk of failure.

- *Talk to boss about the new project*
- *Write my book.*
- *Take spouse to lunch to discuss how to make our average marriage great.*

One day, in preparing my own to-do list, I actually wrote the following items in this order:

- *Call publisher about the new manuscript.*
- *Write newsletter article.*
- *Check on tenant in unit #3D.*
- *Make my wife feel like the most important person in the world.*

That's how out-of-balance my life had gotten!

The truth be told, the most important aspect of our lives rarely make an appearance on our to-do lists!

- Discover my purpose in life.
- Develop a deeper relationship with God.
- Love my children
- Learn how to love everyone unconditionally

Don't succumb to the tyranny of the traditional to-do list. Turn it into a power list. Draw a line through the top portion of your page dividing it into two portions. The top portion of the list is reserved for the critical 20% and the bottom portion is reserved for the 80% trivial.

Before you write something on your list, ask yourself: Is this a 20? Or is this an 80? Write your critical activities at the top and your trivial activities at the bottom. This forces you to constantly focus on your critical few activities. Work on the top of the list most of the time. Drop down to the bottom only when you want to take a break. Don't expect

to get everything done every day. A little improvement every day – that’s your goal. Better to work on only three critical items, even if you don’t complete them, than to cross off 20 trivial things.

Strategy 5: Reward Yourself for Doing the Right Things

Tell the truth: It feels good to cross things off your to-do list, doesn’t it? Have you ever gotten to the end of your day and remembered that you accomplished something that wasn’t on your to-do-list – so you stopped, added it to your list, then crossed it off? What a rush! A hit of pure pleasure. Only one problem – you’ve been rewarding yourself for doing the wrong things. Like a laboratory rat, you’ve been training yourself to do the least important things first. Oops.

There’s a great book by Michael LeBoeuf, Ph.D., called *GMP: The Greatest Management Principle in the World*. Here’s the book in a nutshell:

The things that get rewarded get done.

If you reward yourself for doing things that don’t count, your to-do list will become a magnet for unimportant activities. Therefore, only reward yourself for doing the critical activities. If you do, the world will also reward you handsomely.

The process of rewarding yourself is called positive reinforcement. And it's extremely powerful. Have you ever wondered how the trainers at Sea World got Shamu, the Killer Whale, to leap high out of the water on command? The trainer first had Shamu swim over a pole placed on the bottom of the tank. When Shamu swam over the pole he got a fish. If Shamu didn't swim over the pole he got nothing. (Reward positive behavior. Ignore negative behavior.) Then the pole was raised several feet. If Shamu wanted to eat, he soon learned what to do. Next the pole was raised to water level. Shamu got a lot of fish if he rolled over the pole. You get the idea. Within a short period of time, the trainer had raised the pole 10 feet above the water. Shamu got a huge reward for jumping over the pole. Shamu was no dummy. He liked fish. And that's how a trainer gets a Killer Whale to jump out of water on command.

Your brain operates exactly the same way. If you reward yourself for your most positive actions, you will get more of them – almost effortlessly. And if you really want to supercharge your day, follow the next strategy.

Strategy 6: Do you FTF: Feared Things First

Which activity on your list do you fear the most? That's your FTF. When you start your day, ask yourself, "What's my FTF today?" Start your day with that activity.

Most people do just the opposite. They scan their to-do list to find something that they can cross off quickly. They do their fast things first. Or the fun things first. Sometimes, they even do first things first. But I believe you should tackle the feared things first. If you get that out of the way, the burden will be lifted and you will feel a surge of energy that will propel you through the rest of the day. Why is this?

Generally, whenever you hesitate or resist doing something, there is a reason. Often, it is fear. People are simply afraid to fail. Fear blocks us from doing our highly leveraged activities... Fear blocks our success. Some people would rather do nothing successfully than do what really counts and risk failing. Fear is too expensive a habit. So let's learn to recognize it, face it, tackle it, and move through it. Then reward yourself. Give yourself a verbal pat on the back. Take a short break. Notice how good it feels. Give a killer whale a fish. By training yourself to do your FTF, you unconsciously urge yourself to tackle tougher tasks.

Strategy 7: Practice the Speed of Going Slow

Finally, with all the talk of getting things done, I've save the most important strategy for last. In his excellent book, *Lifebalance*, Richard Eyre uses a catchy phrase to describe the necessity for balance in our lives. He calls it the "speed of going slow." It's the conscious decision to work on all areas of your life constantly so that nothing is out of balance.

There are six major resources in your life that need to be kept in constant balance:

- Being
- Brain
- Body
- Time
- People
- Money

Let's take a brief look at these six areas of our lives.

Your brain

The brain is the most powerful computer in the universe. They say that we use only a fraction of our potential, maybe 5 percent. If you could just improve the use of your brain by a tiny fraction, you would make massive improvements in your life.

Your body

What an incredible too it is. Your heart beats over 100,000 times a day without a single conscious thought on your part. Amazing, isn't it? Not to mention your eyes, ears, taste, and smell. What an incredible sensory apparatus. How is your body now? Could you be more productive today

by treating your body with more care? Could this lead to more money in your pocket? I think so.

Your being

Some people call it spirit. Others call it soul. I call it being. It's your essence, your be-ing. It's the part of you that's unique and eternal. Spending time on your spiritual side gives you perspective on the daily pressures of life. With perspective, you can be more grounded, more tranquil, more at peace. This is a very important part of my life. Life would be meaningless without it.

According to a Gallup poll, about 95 percent of North Americans believe in a higher power. We just use different names: God, Universe, Higher Power, Allah, Nature, the Spirit, and so forth. Many of our beliefs are very similar at the wholesale level. It's only at the retail level that the confusion sets in. But that's not the point I'm trying to make.

If there is a higher power – an all knowing intelligence or being – then what better partner could you have as you create multiple streams of income? This was Rockefeller's belief, and he gave away fully 10 percent of his income all his life.

As I look back over my life, I realize that many of my most powerful income streams were almost impossible to plan. They just seemed to

drop out of the sky. That's why I think it's important to work on your spiritual side. Perhaps you will be the conduit through whom the higher power will direct special streams of income to bless the lives of many others.

Time

Can you imagine anyone at the top of his or her profession who isn't organized? Kind of ridiculous, isn't it? How organized are you? If you'll practice the strategies in this chapter, you will be amazed at how much more effective you can become.

People

What is life without people? People are the bottom line. How are your relationships? Could they be better? Which relationships do you want to improve? What small thing could you do in the next hour to improve that relationship?

Money

Finally, what about money? Who ever has enough? We all know that money doesn't buy happiness, but we'd like to find out for ourselves, right?

What happens when one area of your life gets out of balance? Ever known someone who was strong in one area but neglected the other areas? Look at Howard Hughes. A giant in money but a pygmy everywhere else. That's not success. Ever known someone with a lot of great ideas that never got off the ground because he or she was disorganized? Ever heard of someone who neglected his or her body in pursuit of money and died of a premature heart attack? And then there's the person who seems to have it together in all the other areas but just can't seem to make any money.

You can be strong in one area – but a chain is no stronger than its weakest link. Sooner or later, unless you get your total act together, your Achilles' heel will prevent you from reaching the top. Can you think of any examples of this? Marilyn Monroe. Elvis Presley. John Belushi. Can you think of any politicians with an Achilles' heel? What about television evangelists? The list is endless.

So what's your weak link, your Achilles' heel? If you don't strengthen that weak link, life will exploit it. In tennis, the first thing your opponent does is to size you up, looking for your weak spot – maybe it's your back-hand. It doesn't matter how good your forehand is, or your lob or your approach to the net. Your opponent plays to that weak spot until you're blown off the court. Game. Set. Match. You're history! Until you improve your backhand, you're never going to rise in the rankings.

You'll notice the people you really admire – the ones who make it big and keep it big – are those who have it together in all six areas of their life. There's such a temptation to jump in and pursue in all six areas of their life with single minded determination. We tell ourselves, "Well, once I make my first million, I'll have plenty of time for relationships," or, "As soon as my material side is taken care of I'll focus on my physical side or spiritual side." In the race between the tortoise and the hare, it's very frustrating to watch your competition speed off up ahead while you take time to balance your life. But the hare is going to have a flat tire up ahead and waste a lot energy trying to fix it. Then you'll pass him up and leave him forever in your dust.

It's a proven fact that balanced individuals have only 10 percent as many serious illnesses as those who are maladjusted. So slow down, strengthen your weaknesses, regain your balance, and work on all six areas of your life daily. Sink your pylons deep into the earth so that the skyscraper of your life will be built on a firm foundation.

This is my home for you: a life overflowing with abundance of all kinds – multiple streams of income, joyful relationships, boundless energy and health, a quick mind, and a strong spirit.