

EVERYONE SHOULD HAVE SOME PASSIVE INCOME

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Passive income is looked at as the holy grail of finance and investing. When you think of it who wouldn't want \$100,000 or \$1,000,000 of income coming in each year without having to spend an hour at the office. It gives you more freedom, flexibility and can help you achieve financial independence. Most people think that having passive income is something that is unachievable, but it can be done by setting a goal, putting together an action plan, and executing that action plan.

Outside of putting their kids through college and not running out of money in retirement, passive income one of the most popular financial goals I hear from my clients. But even after reading books like Rich Dad / Poor Dad or The 4 Hour Week that emphasize the importance of passive income , you'll probably still wonder what you have to do to achieve it.

Set a Passive Income Goal

The first step is to set a goal for how much passive income you would like. Everybody has a different level of income that will bring maximum happiness due to different desires, needs, and living arrangements. It's up to you to find out your optimum income level. Some people shoot for enough passive income to achieve financial independence and the ability to cover all of their expenses. You do not need stop at \$100,000 though, maybe you want \$1 million or \$5 million a year in passive income. This is the time to dream, and dream big!

Put Together an Action Plan

Goals are great, but they come to life when you put an action plan together that shows how to achieve that goal. Passive income starts with savings. Without a healthy amount of savings, nothing works. You must create a system where you are saving X amount of money every month, investing Y amount every month, and working on Z project until completion. Things will be slow going at first, but once you save a little bit of money you will start to build momentum.

We'll look at a simple example that shows how you can achieve that \$100,000 a year in income goal using real estate. Let's say if you need \$50,000 of cash to put a down payment and purchase a \$200,000 investment property that produces \$20,000 of net income each year. You would have to save and allocate \$50,000 in 5 buckets over a period of time to purchase the 5 properties. Let's say you can save \$25,000 a year. You would be able to purchase a new property every 2 years and in 10 years you would have the 5 properties producing \$100,000 a year in income. I am simplifying things a little. In reality, once you started purchasing a couple of properties, you could start using the equity in each property to purchase additional properties. Your yearly net income would go up each year also as you are raising rents. On the downside a property that cost \$200,000 today will most likely cost more in the future so you will need more than \$50,000 to purchase each property. Also increasing would be things like property taxes and other expenses.

Real estate is not the only thing that produces passive income and I recommend having different sources added to your mix. Things like dividends payments from stocks or interest from acting as a bank and lending out money are other examples that work. Another example is royalties from things like authoring a book or writing or recording music.

Force Yourself to Start

Starting is the hardest part, but also the most important. Circle a date to get started and push aside any distractions. Once you get started you can use a thermometer to track your goal and ensure you are progressing as you had planned.

About Marc

Marc is an Independent Financial Advisor located in Rutherford, NJ. Marc created The Retirement Fitness Challenge™ program to help ensure that families and individuals are prepared for retirement. He offers a free initial consultation to anyone interested in finding out more about how financial planning can help them or their family and can be reached at 201-842-7655 or by emailing marc@bautisfinancial.com.