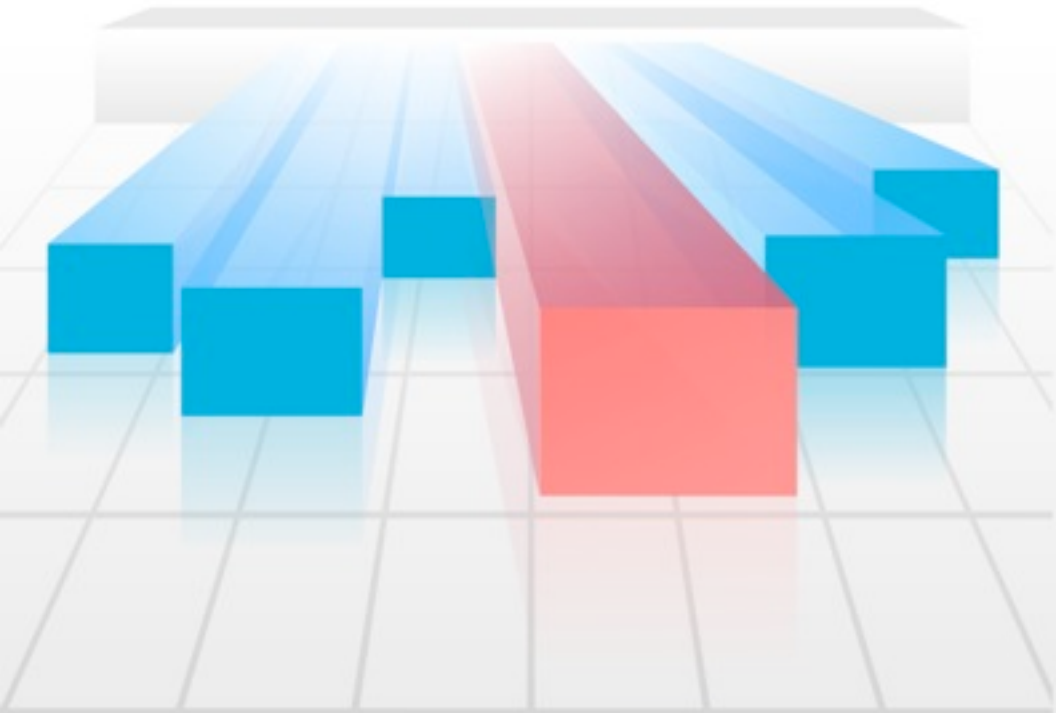


Passive Profits:

Do It Once and
Profit Forever



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Table Of Contents

Introduction.....	3
Rental Income	5
Getting Started	6
Profit Analysis.....	8
Getting a Good Price.....	8
Finding Tenants.....	9
Long-Term Considerations	10
Other Items	11
Dividends, Pensions, or Other Interest From Investments	12
Earnings From a Business That Doesn't Require Your Involvement.....	14
Create Something Once That Could Pay You Forever	16
Related Ideas.....	17
Sell Affiliate Products With Your Own Website	19
Putting It All Together.....	23
Other Ways to Combine These Examples	24
Conclusion	26

Introduction

It's practically universal to want to increase your income. Regardless of how much money someone has, they would still like to make more.

If you're like most, you swap your time for money. ***Even highly paid, successful doctors and lawyers are limited because they have to trade their time in exchange for payment.*** Doctors can only see so many patients in a week. Their potential income is limited by time.

Passive income is money coming in that requires you to invest very little time. You may spend some time initially, while you're getting it all set up. However, once it's up and running, you'll continue to receive income for a long time to come.

A few examples of passive income include:

1. Rental Income
2. Dividends, pensions, or interest from investments
3. Earnings from a business that doesn't require your involvement (affiliates and silent partnerships)
4. Royalties or cash from an artistic creation (a book or song you wrote, or even a painting)

Imagine the power of building a few passive income streams that will provide you with reliable profits for the next ten years, or even longer.

Passive income is one of the greatest ways to build wealth.

You can create an unlimited amount of extra money in this way.

“Many people take no care of their money till they come nearly to the end of it, and others do just the same with their time.”

- Johann Wolfgang von Goethe

Rental Income

Most of us have purchased a home or condo at some point, but most of us haven't purchased a property for the sole purpose of earning money. There's a difference.

When you're shopping for a property to live in yourself, you're interested in certain features. However, these features may be irrelevant to you when you're shopping for a rental property.

Check out these different types of rental properties:

- 1. Single-family homes and condominiums.** These common properties are well-known by everyone.
- 2. Multi-family properties.** This includes everything from a duplex to a giant apartment building. These have some advantages over single-family homes because you can rent to multiple tenants simultaneously.
- 3. Commercial property.** Any building that's zoned for commercial use would be included. You could be talking about a small barbershop, a giant shopping mall, or an office complex.
- 4. Industrial.** This would include factories and similar properties.

Getting Started

If you're a first-time landlord, it might be easier for you to start with a residential property because of the familiarity.

Commercial properties tend to boom and bust more dramatically, and they require a different level of expertise.

Industrial properties tend to be quite expensive.

Choosing the best type of residential property to purchase can be determined by your location and interests:

1. Single-family homes and condominiums. These are best suited to areas with low purchase prices compared to rents. Determine if the money generated from the rental income is enough to pay the mortgage, as well as all the other expenses. Remember you want some profit left over, too!

- ▶ The common expenses include: Insurance, maintenance (roof, painting, upgrades, and so on), property taxes, and management fees (if you hire someone else to manage your properties).
- ▶ Look for homes with 3 bedrooms. Everyone that's looking for a 2-bedroom home can live in a 3-bedroom, but the opposite isn't necessarily true.
- ▶ The most lucrative rental homes are typically in slightly lower middle class areas. This part of town will normally have solid rents, but the price of the

property is quite low. Do the math on a variety of properties and you'll find the best deals. Keep in mind that these areas may have poor appreciation though.

- ▶ The real disadvantage of single-family homes and condominiums is vacancy. When the property is vacant, it brings in zero dollars. This is one of the areas where multi-family properties have the advantage.

2. Multifamily properties. There are several advantages to multi-family properties:

- ▶ **There's a decreased cost per unit.** A building with four units will typically cost much less than four single-family homes. But, you can collect rent from four different tenants.
- ▶ **Maintenance costs are potentially lower.** For example, replacing the roof on a four unit building will cost less than replacing the roofs on four different houses.
- ▶ **Vacancy is less of an issue.** Having one vacancy doesn't eliminate all your income.
- ▶ **There are disadvantages, too.** In a single family home (and a duplex), the tenants are normally expected to mow the grass and shovel the driveway. In a multi-unit building, you'll be expected to take care of the maintenance responsibilities. Larger buildings will also require some onsite management.

Profit Analysis

Research all potential investments to ensure you're spending your money wisely. Many people treat investing like gambling. However, if you do your homework, it will be far from a coincidence if things turn out well.

Take these factors into account:

- 1. The median home price in your area.** Simply, this is a home priced in the "middle." Half of the homes in the area are more expensive and half are less expensive. In most cases, the best rental homes will be 30-75% of the median home price. This information is readily available.
- 2. Check the average amount of rent for different priced properties.** Look at the different price points and make some comparisons.
- 3. Figure out the cost per unit for different multi-family properties.** Look at different price-points and calculate which type of property will be the most profitable to rent.

Getting a Good Price

Nearly any property can become a good rental opportunity, if purchased at a decent price! If you're looking to purchase

a rental property, the keys are to know the price you want, ask for it, and be patient.

Be prepared to shop around and make many different offers. Someone out there is waiting for you to come along and buy that property. Even if you offer less than the asking price, someone will eventually say yes. A lower price means a greater cash flow and more equity.

Advertise and seek out properties. The best deals usually aren't advertised. Call the "for rent" ads in the paper and ask the owner if they're interested in selling. Place an ad stating that you're looking to buy a rental property.

You can usually find a property at 65% of the fair market price, if you look hard enough.

Finding Tenants

One of the keys to success is finding good tenants. Most of the horror stories you hear about rental properties are the result of unfavorable tenants.

The ideal tenant will have the following attributes:

- 1. Verifiable and sufficient income.** Your tenants need to have a money source so they can pay the rent on time each month.

- 2. Good references. Good tenants leave a trail of happy landlords.** Check with the last few places they've lived. Be most concerned with payment history and the condition of the property after they moved out.
- 3. Meet and get a good feel for them.** Do you get the impression they'll be reliable and trustworthy? Follow your intuition when you meet potential tenants.

Long-Term Considerations

Contemplate these options:

- 1. Continue renting the property.** After the mortgage is paid off, you can keep renting out the property. But now all the money will be yours.
- 2. You can refinance.** Some landlords like to refinance their properties and pull the equity out. You can then invest that money and you'll still have the rental income.
- 3. Sell it.** Depending on the housing market, the time may come when selling is the best option. You can then purchase more properties when the market falls again.

Other Items

You'll likely require the following supports:

- 1. An attorney.** *Attorneys can be invaluable when purchasing real estate, and even more so in dealing with tenant issues.*
- 2. A tax expert.** Since rental properties can create some unique tax issues, it's a good idea to consult a professional that deals with taxes. For example, you probably aren't able to deduct your mortgage interest. However, you can deduct the depreciation of the building, but not the land.
- 3. Real estate investors club.** You're almost certain to have at least one real estate investors club in your area. *The club members can provide a wealth of information,* including great references for a lawyer and tax accountant.

Real estate can be a great way to generate a relatively passive income. When you own property free and clear, there's a lot of money to be made.

"Well, real estate is always good, as far as I'm concerned."

- Donald Trump

Dividends, Pensions, or Other Interest From Investments

With a large enough investment, it's possible to pay your living expenses from the interest. While it can take a significant amount of time to accumulate enough assets to see a significant amount of money, it's entirely possible long term.

Ponder these tips about investments:

- 1. Start saving and investing early. *Even \$100 a month can result in a huge nest egg, if you start saving and investing early enough.*** Go online and work with some interest calculators to see various scenarios that could work for you.
- 2. Leave your savings alone.** To accumulate wealth, avoid withdrawing it for any reason.
- 3. Focus on growth early on.** Your early years are the time to focus on stocks. Later on, you can focus on other investments as your retirement nears.
- 4. Take full advantage of any retirement accounts.** Look into any pension plans your employer offers. If

you're self-employed, you'll have different retirement options available.

5. Think about taking your profits from other sources of passive income and investing them. *The key to maximizing your wealth is reinvesting your profits into other projects that will provide even more earnings.*

One thing to remember is that if all of your money is invested in other forms of passive income, you may lack the liquidity you'll require if an unexpected expense comes along. Therefore, it's a good idea to set up an emergency fund equivalent to several months of living expenses.

"Financial peace isn't the acquisition of stuff. It's learning to live on less than you make, so you can give money back and have money to invest. You can't win until you do this."

- Dave Ramsey

Earnings From a Business That Doesn't Require Your Involvement

Most of us dream of owning a business that would pay us at least \$100,000 per year. But if you're running the business, other opportunities are limited. You'll once again be strapped for time. But, what if you had that \$100,000 business and could hire someone for \$50,000 per year to run it? You'd still be making \$50,000 and have all your time free.

Consider the other opportunities you could still pursue in this scenario:

- 1. Start another business.** *Consider how much you could earn if you owned several businesses, but didn't have to spend a lot of time running them.* You could just keep adding businesses to your portfolio.
- 2. Spend your time expanding your business.** Most business owners are too busy running the business to expand it. If you spent 40 hours a week expanding your business, how big could it grow? How much would you earn then? Maybe you could franchise and have hundreds of franchise owners giving you money each month.

- 3. Create another source of passive income.** Maybe you'd like to own a business, several rental properties, and 25 websites.

If you're interested in passive income, it's important to pick profitable businesses that are suitable to you and your circumstances.

Remember to keep these things in mind:

- 1. A suitable business is one that requires little time and expertise.** Pick something that can be handed off to another person, while you're creating an additional stream of income.
- 2. It's scalable.** Some businesses are easier to grow than others. Think of a business that you can duplicate and grow easily.
- 3. Pick something profitable. Choose a business that will generate enough income to allow you to hire someone else to run it while still providing you with a decent income.**

"Business opportunities are like buses,
there's always another one coming."

- Richard Branson

Create Something Once That Could Pay You Forever

Think about book authors. They can write a book, put it on Amazon.com, and then sell it for the rest of their lives. Songwriters get paid for writing a song, as well as profiting each time the song is performed or played on the radio. So, would it be a good idea for you to write a book? Let's consider it!

Implement these easy steps and write your own book:

- 1. Pick a topic.** There are two basic choices: fiction and non-fiction. Ideally, you'll do a little research and pick a popular topic. You might know everything there is to know about the mating habits of bumblebees, but is anyone interested enough to purchase a book about it?
- 2. Formulate an outline.** One of the easiest ways to write a book is to create an outline and then fill in the blanks.
- 3. Start writing.** A typical page is around 350 words, making a 100 page book about 35,000 words. ***It's easy to write a couple thousand words each day, and in two to three weeks, your book could be finished and ready to sell!***

4. **Edit.** After you're done writing, it's helpful to edit your own work first. Then it's a good idea to hire an editor to look it over. You want your book to be error-free.
5. **Upload the book to Amazon.com.** All the information about the uploading process is on the website. Pay special attention to the pricing information.
6. **Tell everyone you know about your book.** Ask your friends and family to buy your book. Post it on your Facebook wall. It's entirely reasonable to make a few hundred dollars a month from a few weeks of part-time work. ***If your book becomes popular, you can make thousands of dollars.***
7. **Keep writing. Many writers create books in multiple categories.** For instance, an author might write romance novels, dog training guides, and books about international travel. Many authors will use different pen names for each category. Potential buyers may be doubtful of your expertise if you claim to be an expert in multiple categories, so a pen name for each industry works well to avoid this issue.

Related Ideas

If you like the idea of writing, but would rather tackle something shorter than a book, you could write articles and post them on revenue-sharing sites.

Basically, people read your articles and are exposed to advertisements as they do. You get a percentage of that advertisement revenue made by the website that is hosting your article.

It can take a decent amount of time to write enough articles to generate a real income, but many people make a full-time living using this method. Again, it's important to find popular topics!

The more times your article is read, the more money you will generate. These articles can continue making you money for years!

What about photography or art? There are similar revenue sharing sites for photographs and other types of artwork. Any time someone buys your photograph, you'll get a commission. You could also have your own website to sell your work. In this case, you wouldn't have to split the money with the revenue sharing site, but you'd have to generate your own traffic.

"The important thing is not being afraid to take a chance. Remember, the greatest failure is to not try. Once you find something you love to do, be the best at doing it."

- Debbi Fields

Sell Affiliate Products With Your Own Website

If you'd like your own website, but you're hesitant to deal with customers and shipping, consider selling affiliate products, where you make commissions from recommending other people's products.

You can find plenty of things to recommend on websites like ClickBank.com and Amazon.com:

- 1. ClickBank. *ClickBank has electronic products, such as e-books, videos, and audio programs you can sell.*** After signing up with ClickBank, you'll be given an affiliate ID. Each product has a landing page (sales page), and a link is generated. If anyone buys a product after clicking on your link, you'll earn money.
 - ▶ You'll usually earn 50-70% of the purchase price.
 - ▶ It can be challenging to pick products because there are so many to choose from. The most popular categories are love, weight loss, and money because they are universal. However, these categories can be competitive.
 - ▶ Pick a product based on your ability to generate web traffic. It might be wise to start with something less competitive until your SEO chops are up to the task.

2. Amazon.com. Amazon has a similar program, but the link you provide to your customers will take your buyers to Amazon's website. Again, you make a commission when someone makes a purchase after following your link.

- ▶ The percentage that Amazon pays out in commissions is very small. Therefore, it makes sense to go after larger ticket items, such as flat screen TVs, so you can make more money.
- ▶ ***You could create a website that reviews flat screen TVs, and then simply provide your affiliate link to the Amazon page.***
- ▶ Create reviews from the ones already on Amazon. Read multiple reviews and then incorporate the information into a single review.

3. Other sites. Search on the internet for "affiliate products." You'll be surprised to find out how many different products have affiliate programs that will pay you a commission for each product you "sell."

Making money as an affiliate has numerous advantages:

1. There's only a minimal cost to become operational.

There's nothing to buy upfront and no inventory to store. Your only expenses are web hosting and a domain name. A domain name costs \$12 or less per year. Web

hosting is around \$6 per month for an unlimited number of domains.

- 2. Someone else is dealing with the customers. Since another company is providing the product, they also handle the complaints.** In our previous examples, ClickBank and Amazon will deal with any customer issues.
- 3. There are an unlimited number of products to sell.** You can sell t-shirts, vitamins, lawnmowers, travel packages, and anything else you can think of.
- 4. The company providing the products deals with collecting payments and delivery.** Everything is taken care of for you. In most cases, you'll be paid your commission once per month.

Affiliate marketing has a very low barrier to entry and can be a great way to start generating passive income. Your websites will require a minimal amount of work once you get them created and ranked on the popular search engines.

You could even do this without a website. If you have an email list, you can send out a mass email and direct your customers to the product. Anytime you have a website, do what you can to capture the visitors' email information. ***A good email list is extremely valuable.***

You can also sell your own digital products. You could even sell them on a site like ClickBank and let them do the work for you.

“Money is always there but the pockets change;
it is not in the same pockets after a change,
and that is all there is to say about money.”

- Gertrude Stein

Putting It All Together

While it's possible to earn a lot of money from just one source of passive income, it's generally better to have several.

Discover the reasons why multiple income sources will serve you well:

1. You'll learn to practice diversification. Just as you spread risk with your investments, it's best to do the same with your passive income streams. ***It's best to have several unrelated sources of passive income, just to be safe.***

- ▶ What if all of your passive income is from real estate and the rental market tanks?
- ▶ What if Google changes its search algorithm and all of your web pages stop ranking for the relevant search terms?
- ▶ What if the revenue-sharing site you're using shuts down?

2. You'll increase your odds of success. Many of your attempts to generate passive income are likely to come up short. However, others will pay off much better than you ever imagined. The more opportunities you give yourself, the more likely you are to hit it big.

- 3. You'll get to know more people.** Others can provide great opportunities. ***The more sources of passive income you build, the more people you'll get to know, which means more revenue from networking.*** Swap e-mail lists and partner with others. Avoid trying to do this all alone.
- 4. You'll likely find something that you're good at, love to do, or both!** Give yourself the chance to find something you excel at or are passionate about. When it stops feeling like work, you'll be happier and more successful.

"I like thinking big. If you're going to be thinking anything, you might as well think big."

- Donald Trump

Other Ways to Combine These Examples

Perhaps you'll decide to start out by purchasing and renting out a duplex. It might take a couple of months to find a suitable property, in a good location, at an affordable price. But eventually, you'll find a great tenant and start making some money.

Then, you could save and invest part of that positive cash flow. The rest of the income could be used to purchase several domain names and web hosting. ***It might take a***

month or two to build your websites and drive traffic to those sites through search engine optimization. You could either become an affiliate or sell your own products.

Since you probably had to write some articles for your SEO, you might continue writing and posting them on several revenue sharing websites.

While you're on vacation, you might take a few great photos of the Rocky Mountains. Perhaps you can create a calendar with those pictures and sell it on your own website.

By now, you might have enough money to start a small business, and so on.

“Everyone needs a certain amount of money. Beyond that, we pursue money because we know how to obtain it.”

Gregg Easterbrook

Conclusion

Passive income is a great wealth builder because it removes time constraints. Even wealthy professionals are limited by time. ***Passive income is one way to circumvent time limitations.***

There are many ways to create a passive income and we've only covered a few. You can probably come up with several more on your own with a little creative thinking. If you're lacking passive income sources, start adding them today. The sooner you get started, the sooner you can build your bank account.

If you can build a passive income source that pays just \$5 per day, you'll earn over \$1,800 in the first year. That's a great return for part-time work. Imagine if you found more sources like that.

Initially, you may feel like you're making little headway, but after several months you'll be astounded at the wealth you're creating.

Consider what interests you. ***Wouldn't it be ideal to use your passion to generate income?*** Imagine making money while spending time working on things that resonate with you. What could be better?

Start generating passive income today. Do it once and profit forever.

"Make every thought, every fact, that comes into your mind pay you a profit. Make it work and produce for you. Think of things not as they are but as they might be. Don't merely dream - but create"

- Robert Collier