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A Step By Step Guide To Getting Your Financial Life On Track

A "No Fluff" Guide On How to Manage Your Money, Get Out of Debt, and Increase Your Income.

About Us

Financial Advice For Beginners is a website that offers free financial advice on topics such as investing, insurance, how to become wealthy, budgeting, debt, and frugal living ideas. We regularly add new content, so check back often.

Our goal is to help you get started on the road to wealth.

We sincerely hope you find this book helpful!

Please feel free to forward copies of this book to anyone you think may benefit from it.

Contact us at:
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Good Fortune to You,

Financial Advice For Beginners
http://www.financial-advice-for-beginners.com

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Introduction

A New Chapter In Your Financial Life

If you are struggling with debt, having trouble managing your money, or just aren't making enough money, you're reading the right book!

My intent with this book is that it will be a guide for you to get your finances on track as simply and easily as possible. This book isn't intended to be a detailed manual on complex financial subjects. It is simply meant to help you through the initial steps of gaining control of your finances and to show you ways of increasing your income.

I strongly suggest you follow this book in the order it is written. The concepts I'll discuss will help you build your "financial house." And just like any new project, it's always best to start with a good foundation and work your way up.

I sincerely hope you find this information helpful. As always, I welcome your questions and comments. You can reach me by using the comment form on our website: http://www.financial-advice-for-beginners.com/contact.html.

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Step 1 – Protect Yourself and Your Family First

1.1 Build a Solid Foundation For Your Financial House

The first step in building your financial house is to start with a solid foundation. You want a foundation that will hold your house up when it gets battered by the bad weather of life. So what type of material do you need for your foundation?

The answer is insurance. In simple terms, insurance is meant to manage future financial risk. It can help protect you from the financial risks associated with potential health problems, loss of a loved one (and the income they may have brought into the household), car accidents, fires, theft, etc.

This is why I suggest building your financial house on a base of insurance. You will be better protected financially from the unexpected and potentially costly things that can happen in life.

1.2 How to Save Money on the Protection You Must Have

Some types of protection, like car or home insurance, are required in many locations. While having this insurance is a good thing, there is no sense in overpaying for the coverage you are buying.

To help you reduce your costs for home and car insurance, you can apply these ideas:

Always get multiple quotes: Even if you think you have a great price right now, it's worth spending 10 to 15 minutes getting comparison quotes. I have often seen this save people hundreds of dollars a year. A great website you can use to get multiple quotes with no obligation to buy is Hometown (**Canadian?** Use this one instead).

Raise Your Deductibles: A deductible is the amount you have to pay out of your pocket if you file an insurance claim. For example, say you have a repair that will cost $2,500 and your insurance policy has a deductible of $500. You will have to pay the first $500 of any claim, and your insurance company will cover the rest. By increasing your deductible, you can usually save money on your insurance premiums, since the company will not have to pay as much toward your claims.

Ask What Discounts Are Available: Sometimes you can get a discount on your insurance if you have a college degree or you belong to certain groups or unions. Be sure to ask your insurance provider to see if they offer anything that might help get your premiums reduced.

You can find more ways to save money on insurance in the insurance section of www.financial-advice-for-beginners.com.

1.3 The Protection Almost Everybody Should Have

The insurance almost everybody should have is **life insurance**. Unfortunately, the majority of people either do not have life insurance at all or do not have enough coverage.

The main purpose of life insurance is income protection for your family. Losing a loved one is always difficult. But if that loved one was also contributing to the household income, that income is also lost when they pass away. In many cases, the loss of that income can be financially devastating for a family.

Insurance can never replace a loved one, but by ensuring you have enough life insurance coverage, you can be certain that your family will not have to struggle financially if income is unexpectedly lost. With proper insurance in place, you can put the risk and worry behind you, and get on with enjoying your life.

1.4 Make Sure You Get the Right Type of Insurance

There are two basic types of life insurance — that is, permanent life insurance and term life insurance. You want only one of these types of life insurance; let me show you why.

Permanent Life Insurance

The first type is called permanent life insurance. It's name is fitting because this type of life insurance stays in effect until you pass away or you stop paying the premiums to maintain the insurance policy.

Most of these types of insurance policies also have various types of savings accounts tied in with them.

The three most common types of permanent life insurance are **whole life, universal life,** and **variable life**.

At first glance, having a life insurance policy that is in effect until you pass away and getting some savings built up at the same time sounds great. But here are some general reasons why I recommend staying away from any type of permanent life insurance policy.

High costs

Most permanent life insurance policies are quite costly for very little insurance coverage.

High service fees

Insurance companies and agents make a lot of money when they sell you permanent life insurance. So it is in *their* best interest to try to sell you this type of insurance. All those profits and commissions are coming out of the service fees you pay with your monthly premiums.

Poor returns on your savings

Depending on the type of life insurance you buy, there are many investment options available. In many cases, if you compare the investment options within the life insurance policies to the comparable investment options available if you invested your money separately, the insurance investments usually do not perform nearly as well.

You are better off keeping your savings and investments separate from your life insurance.

Possible loss of your savings or insurance

Again, depending on the type of permanent life insurance you buy, different rules could apply. Quite often when you pass away, any savings you had in your life insurance policy are lost. The savings you have accumulated are not always paid out to your beneficiary. The insurance company often keeps that money for themselves.

On the other hand, whatever savings you take from your policy will often reduce your coverage by that amount.

If you have permanent life insurance now, you can check what your policy offers by looking for the *death benefit* amount showing in your policy. It's usually noted on the first two to three pages. Or you could call your insurance agent or company and ask them directly. See if you get a straight answer from them.

You may have to borrow your own money

This is another concern with the savings portion of permanent life insurance. With many policies, if you would like to use some of your savings for something like a home improvement project, you may have to borrow your own money and pay interest on it until you pay it back in full.

To help illustrate this, imagine having a savings account at the bank that you have been putting money into faithfully for many years. One day, you decide to use some of that money to pay for home renovations. You go to the bank and fill out the withdrawal slip. When you give it to the teller, they say that they would be happy to give you your own money, but you'll be charged 8% interest on it until you pay it back in full. It sounds crazy, but many permanent life insurance policies work this way.

You can learn more about permanent life insurance at www.financial-advice-for-beginners.com.

Term Life Insurance

Term is the best life insurance you can buy. Term insurance is purchased for a specific period of time and is the cheapest type of life insurance.

The most commonly available terms are 1, 5, 10, 15, 20, 25, and

30 years. And unlike permanent insurance, term insurance has no savings associated with the policy.

Since you are paying purely for life insurance (not life insurance and savings), you can generally buy a lot of insurance for relatively little money compared to permanent life insurance. This is a good thing because most people are either underinsured or they don't have any life insurance at all because of cost. By being more affordable, term insurance helps you obtain enough protection to take care of your family should something unexpected happen.

Invest the difference

With the money you save buying term insurance instead of permanent insurance you can also start your own separate savings or investment plan. By keeping your investments separate from your insurance, you can access your own money without having to borrow it or cancel your life insurance coverage. You'll also have full control over how your money is invested instead of being limited to what the insurance company offers.

This is approach is called **buying term and investing the difference**. If you invest long enough, you will build up enough savings to become self-insured. Being self-insured means having enough savings and investments to take care of your family if you pass away. Another benefit to this approach is that once you have enough savings to take care of your family should something happen, you don't need life insurance anymore. You can cancel your policy and save yourself from having to pay those life insurance premiums for the rest of your life.

You can learn more about term life insurance at www.financial-advice-for-beginners.com

1.5 Get the Right Amount of Insurance

Figuring out how much life insurance you need can be a difficult task. You need to estimate how much final expenses will be, how much additional income your family will need each year, and how long they will need this money. You may even want to have enough insurance coverage to help fund your children's education.

Fortunately, there are tools available to help you determine how much insurance you should have.

Financial Advice For Beginners has a free life insurance calculator you can use. Just click the link below or copy and paste the address into your web browser's address bar:

http://www.financial-advice-for-beginners.com/insurance/life-insurance/life-insurance-calculator.html

Once you know how much insurance you need, shop around to get the best rates. The easiest way is to do it online. Fill out one form and will get you several free personalized quotes. It saves you the hassle of having to shop around yourself. Go to HometownQuotes to get free estimates on life insurance. (**Canadian?** Use Kanetix instead.)

1.6 Action Items

1. Use our life insurance calculator to figure out how much life insurance you need. The address is: http://www.financial-advice-for-beginners.com/insurance/life-insurance/life-insurance-calculator.html

2. Go to HometownQuotes (**Canadian?** Use Kanetix instead) and fill out the form to request multiple quotes for term life insurance.

   Make sure you pick a length of term that will cover you until the time you expect your children will be out on their own, you expect to be debt free, and/or you expect to have enough savings to take care of your family should something happen to you. Typically, this is about 20 to 30 years.

3. Once you have your quotes, pick the one that provides the amount of coverage you need for the most competetive price.

4. If you plan on replacing an existing permanent life insurance policy with term insurance to save yourself money, **do not cancel your permanent insurance until you have received your new term insurance policy**. You should keep your existing insurance in effect until you have your new policy in hand. This way you will continue to have coverage until your new policy arrives.

I invite you to learn more about insurance in the insurance section of www.financial-advice-for-beginners.com.

Step 2: Manage Your Money Flow

Managing your money flow is the second step of building your financial house. It is like building the frame that the rest of the home will be built around.

The concept of managing your money flow is basically making sure that your inflow of cash is less than your outflow of cash. This process is called budgeting. When you create and follow a budget, you are living within your current means and you will avoid accumulating new debt.

When you take the time to create and follow a budget, you begin to see where your money goes each month. Armed with that knowledge you can cut back on some of those wasteful spending habits and free up money to start moving towards your goals.

2.1 Managing Your Money Flow Will Help You Reach Your Financial Goals

When you follow a budget, you can allocate money to reaching your financial goals. Maybe you want to save for things like retirement or a downpayment on a house. Perhaps you want to start saving money to start that business you've been dreaming of. When you follow a budget, you have a plan to get where you want to go. When you have a goal and plan to reach that goal, your chances of getting there are exponentially increased.

2.2 Managing Your Money Flow Will Prepare You for Future Wealth

If you are always running out of money with your current income, chances are that you will have the same problem even if you earn more. Statistically, the more money you earn, the more money you'll spend. This is called Parkinson's Law. If you do not learn to manage what you have now, earning more money will not solve the problem.

Don't be fooled by appearances. Many of those high income earners are broke. All of their income is going to pay for their big mortgage, the credit card bills, and the car loans. They are just broke at a different level.

2.3 Managing Your Money Flow Will Teach You Discipline

Wealthy people understand the importance of managing their money. They exercise self-discipline and they save up for purchases and earn interest on their savings while they do it. Broke people tend to go for instant gratification and buy things on credit. Often, whatever they buy ends up costing them twice as much by the time they finish paying for the credit card bill.

In the long run, saving up for purchases will actually allow you to buy twice as much stuff compared to buying with credit. Alternatively, you could have the same amount of stuff, plus build up a big investment account on the side with all the money you save by not paying interest on debt.

2.4 Managing Your Money Flow: Conclusion

Over the years of working in the financial industry I have actually met a lot of low income earners that had higher net worths than many doctors and lawyers. This is simply because they managed their money well and allocated a portion each month to go into long-term savings or investments.

Budgeting is the basic building block of financial success. When you can manage your money successfully, you can allocate money to reach future financial goals. You will also be learning important money habits that will serve you well for your entire life, no matter how much you are earning.

To help you get started, I have created **a budgeting spreadsheet that you can download for free at:** http://www.financial-advice-for-beginners.com/budgeting/personal-budget-worksheet.html

It's all set up for you to project and track each month's income and expenses. Plus, it will automatically total your numbers for the entire year and present the data as a graph so you can see where your money is going.

If you would rather not be bothered with having to manually track everything yourself, check out the Quicken Personal Finance products.

With their programs you can automate a lot of the manual tracking you have to do with the traditional budgeting spreadsheets. It will save you time and provide you with the information you need to manage your money well.

2.5 Action Items

1. Start managing your money flow by using a spreadsheet or automated software. Figure out how much money you have coming in each month and allocate it to your needs and

goals.

2. Start tracking where your money is going and look for areas where you can reduce costs. Some easy ones are buying lunches and coffee. Cutting out five coffees each week could save you around $50 a month.

You can download a free budgeting spreadsheet from our website at:
http://www.financial-advice-for-beginners.com/budgeting/personal-budget-worksheet.html

Or you can get great automated software from Quicken here.

You can learn more about managing your money at www.financial-advice-for-beginners.com

Step 3 – Get Yourself Out of Debt

Getting out of debt is the next step in building your financial house. Paying off debt is similar to adding the guts of your house such as heating, plumbing, and electrical lines. This step allows you to live in relative comfort and ease.

Debts can cost you a lot of money in interest payments and they hamper your ability to live life to the fullest. Once you are debt-free you will have freed up all that money that was going toward your monthly payments. You can look forward to doing more things or you can start putting money away to move you toward other financial goals such as buying a new home, taking a trip, or building up a healthy retirement account.

If you do not change anything and continue to make minimum monthly payments on your debts, you will eventually get them paid off. This assumes that you do not accumulate any new debts along the way. However, there are more efficient ways of getting out of debt that will not cost you any extra money.

Here are five techniques you can choose from to help you eliminate the shackles of debt from your financial life.

3.1 Get Out of Debt Using a Consolidation Loan

A consolidation loan may be able to help you if you are still able to make payments and your credit rating is in relatively good standing. A consolidation loan is used to pay off all or a portion of your existing debts. Then you will only need to make one monthly payment on the consolidation loan, which is often less than what you were paying before.

With consolidation loans you need to be careful about what you do with the money you just freed up each month. Since the payment on a consolidation loan is often lower than your previous combined debt payments, you will likely have more money available to you.

Financial institutions and banks know that, statistically, if they are able to free up money for someone, usually that person will end up aquiring new debts with this freed income.

If you think about it, what would most people do with, say, $400 extra a month? Often, they will use it to get another loan for a new car, boat, or something else they would love to have. And who usually provides that new loan? Yup, the same bank that did the consolidation loan!

Unless you need that additional money to pay for basic neccesities, it would be wise to do one of two things with it:

1. Start a savings plan the money will go into. That savings can be used as an emergency fund so you have money available when you need it. This emergency fund will prevent you from having to use debt to deal with financial emergencies.

2. Take that money and use it to make extra payments on your new consolidation loan. This will help you get out of debt even faster, and it isn't costing you any additional money out of your pocket.

3.2 Get Out of Debt Using the Snowball Method

Snowballing your debt payments is done by making your payments, as usual, until one of your debts is paid off, and then taking the newly available money that is no longer going to that debt and using it to pay off the next debt on your list. Once the second debt on your list is paid off, you can apply the payment amounts from your first and second debts to the third debt on your list. Keep going in this manner until all your debts are paid off.

Once your first debt is paid off, you will be amazed at how quickly the rest of your debtload lowers. You will see your debts paid off in record time.

For a more detailed explanation of the snowball method of debt repayment, please see our article "6 Steps To Paying Off Debt Without Spending Any Extra Money." You can find it at: http://www.financial-advice-for-beginners.com/debt/paying-off-debt.html

3.3 Get Out of Debt by Paying a Higher Interest Rate

Paying a higher interest rate to get out of debt faster sounds a little odd, but just stick with me and I'll explain.

When most people shop for a loan, what do they usually look for? The lowest interest rate, right? There is a good reason for this. All the bank advertising we see and hear almost daily has brainwashed us into thinking that interest rates are important. Advertising tells us over and over again that if we get a lower interest rate, we are better off.

Considering that banks are in business to generate as much profit as possible, it would probably be safe to assume that what they are trying to sell you is actually more in their best interest, not yours.

What you should be doing is looking at how the loan is structured.

Here is an example to help illustrate how structuring a loan differently can save you money. Here are two mortgages. Both are for a $100,000.

	Current	**Proposed**
Interest Rate	6.00%	8.75%
Loan Amortization	15 years	30 years
Monthly Payment	$1,000	$710
a) amount towards debt **b)interest charges**	$50 $950	$30 $680
Get Out Of Debt In	15 years	30 years
Total Cost Of Loan	$180,000	$255,600

Right now, the proposed loan doesn't look so great. But watch what happens when we make one small change to the higher interest rate loan.

	Current	**Proposed**
Interest Rate	6.00%	8.75%
Loan Amortization	15 years	30 years
Monthly Payment	$1,000	$710
a) amount towards debt **b)interest charges**	$50 $950	$30 $680
Added Monthly Payment	**$0**	**$290**
Total Monthly Payment	$1,000	$1,000
Get Out Of Debt In	15 years	11 years
Total Cost Of Loan	$180,000	$132,000

For the same $1,000 monthly payment, the higher interest loan is paid off four years faster and saves you $48,000. The reason the higher interest loan is paid off faster is that you have **more money going toward paying off the principal of the loan each month**.

How a loan is structured is more important than the interest rate. By amortizing your loan over a longer period of time, you can usually get your monthly payment reduced. Take the monthly savings and use it as an additional payment on your loan each month (thus putting more toward your principal). You may be charged a higher interest rate to do this, but it will usually still get you out of debt faster and save you money.

So the next time you are shopping around for a loan, tell the lenders that you do not care about the interest rate. What really matters to you is **when you will be out of debt** and **how much it is going to cost you**. I am sure you'll confuse more than a few of them, so have fun with it.

3.4 Get Out of Debt With the Help of Credit Counseling

Credit counseling is when a company will work with you and talk to your creditors on your behalf to negotiate reductions in the total amount of debt you owe. This is one of the best ways to pay off debt if you are still able to afford to make some sort of payment, but are having trouble making full payments. It is also a good alternative to bankruptcy and should do less damage to your credit rating.

For an excellent credit counseling company, check out Care One. They will work closely with you to determine what solutions will work best for you and your situation.

3.5 Get Out of Debt With Bankruptcy (if necessary)

Bankruptcy may be an option for you to consider if you are unable to make payments toward your debt. Bankruptcy could eliminate some or all of your debts but will have a serious negative impact on your credit score. This will make it difficult to obtain any credit for 7-10 years after you file for bankruptcy.

- In the US, you should discuss your options with a bankruptcy attorney – you can search for local bankruptcy attorneys here.

- In Canada you can discuss your options with a bankruptcy trustee. You can use this site to find one near you.

3.6 Action Items

Try to avoid accumulating any new debt by managing your money flow (see section 2). Go through each of the debt reduction methods noted above and choose which one best suits your situation. Begin implementing that method.

You can learn more about debt in the debt section of www.financial-advice-for-beginners.com

Step 4 – Start Accumulating Wealth

Once your debts are paid off, you are ready to start putting the roof on your financial home. The roof of your home tops off the basic structure and allows it to provide long-term warmth and protection.

When you start accumulating wealth, you are creating a long-term structure that will keep your financial life safe for the rest of your life.

The main way to build wealth is to put a portion of your income away every month. The money you put away will continue to grow thanks to your ongoing contributions and also the interest and returns you get from whatever you invest in.

Accumulating wealth allows you to build up savings for a rainy day (an emergency fund) or save to buy big-ticket items without having to go into debt for them. A good savings plan will also allow you to build a substantial retirement account so that you can enjoy your future.

Whatever your saving and investing goals are, there are three things you should know to help you get where you want to go.

4.1 Know What Your Goals Are

You need to know what your investment goals are in order to figure out how to get there. Say you want to retire at age 60 with the same standard of living you enjoy now. How much should you be investing now in order to reach that goal?

There are lots of tools available to help you figure out what you need to do. For starters, you can use the retirement calculator or investing calculator on our website.

4.2 Invest in the Market to Reach Long-Term Goals

Guaranteed investments like GICs and savings bonds are great for short-term investment goals, but to reach longer term goals you need better rates of return. Guaranteed investments usually give you returns of about 2% to 5% at best. But if you've got some time before you need to cash in your investments, the best place to put your money is in the markets.

When investing in the markets, remember to think long-term. Sure, the DOW or the TSX may have recently had a bad year or two, but if you average out their returns over the last 25 years or so, they've been about 9% to 10%. Returns like that will have your investments growing much faster than those guaranteed investments.

When shopping for an investment, always ask to see the historical returns, since the fund or index was started and for the last five and ten years. While historical returns can't guarantee future results, they are a pretty good indicator of what to expect. At the very least, the investment you are selecting should have matched or outperformed the DOW or TSX stock indexes.

To illustrate the difference that better returns can make over time, consider the following example:

A one-time $10,000 investment at a 3% rate of return vs. a 9% rate of return. After 25 years: With a 3% return you would have about $26,000. With a 9% return, you would have about $86,000.

4.3 Time is Very Valuable When it Comes to Building Wealth

The earlier you start investing, the more money you can accumulate. Here are two scenarios to help illustrate just how valuable time is to reaching your investment goals. Both scenarios assume a 10% rate of return that is compounded annually.

Scenario 1: At age 30 you start investing $100 per month until you reach the age of 65. At that point you will have about $345,000 in investments. In total you put $42,000 into your investments over 35 years. The other $303,000 is from the growth of your money over time.

Scenario 2: At age 20 you start investing $100 per month until you reach the age of 65. At that point you will have about $916,000 in savings. In total you put $54,000 into investments over 45 years. The other $862,000 is from the growth of your money over time.

An extra 10 years can go a long way to helping you reach your investment goals. In the above examples, it made a $571,000 difference!

4.4 Action Items

1. Budget for putting away 10% of your income each month into a savings plan.

2. Determine what you are going to invest your money in. If you are still nervous about investing in the markets, talk to a good financial advisor, preferably one who subscribes to the same or similar practices as I have presented in this

book. They can help you decide where to put your money based on your financial goals and your investment risk tolerance.

3. Begin investing this month. The sooner you start investing, the sooner you will begin accumulating wealth in your savings plan.

For more information on investing, saving, and building wealth, please check out the investing section of www.financial-advice-for-beginners.com.

Step 5 – Learn How to Make More Money

The last and final step to building your financial house! Congratulations if you have made it this far. By now you know how to enjoy greater financial wealth and security and are hopefully putting your new knowledge into practice. You have a new financial home, but now it's time to put the final touches on your house.

Making more money is like buying accessories for your house. Here you get to add landscaping, decorations, new appliances, new furniture, etc. — basically, all the fun stuff. The more money you make, the more accessories you can buy. And of course enjoying all the extra financial freedom that comes with earning more money is a nice benefit as well.

5.1 What You Need to Know About How to Become Wealthy

I will start off this section by seeing if you can complete this sentence.

"Study hard, go to college, get a degree, so you can______"

If you answered, "get a good job," you listened well while you were growing up.

The problem is that this method of thinking is what actually prevents most people from accumulating wealth.

If you are working at a job, you can earn more money in only two ways:

1. Working more hours
2. Getting a pay raise

Unfortunately, getting a raise usually means more responsibility and more hours at work.

So what's the big secret to becoming wealthy without working more hours?

The short answer is: Have something or someone else do the work for you.

Don't worry, there's nothing underhanded or illegal about this. Let me explain.

5.2 Two Basic Ways to Become Wealthy

Aside from inheriting money or winning the lottery, there are two basic ways to accumulate wealth.

1. Have your money earn more money for you

The nice thing about money is that it never gets tired. It can work day and night forever and ever. Take advantage of this and **start investing**. **Get your money to start making more money for you**.

Investing does not have to be scary. It just takes research. For instance, if you look at the history of the S&P 500 stock market index from January 1, 1975 to December 31, 2007, the average return was 10.74%. If you had invested $100 a month in this index over that entire period, the total amount of money you would have put in would have been $38,400. However, the total value of your investments would have been over $337,000.

That is quite a bit of money for hardly doing any work yourself!

2. Buy or build a business or asset that can earn you money even if you are not there to run it

Any business you own that can be managed for you by other people fits into this category. A good example would be the franchise restaurant McDonald's. Owners of these types of businesses earn money day and night whether they are on the job or not.

If you do not have the money to start a full-time business or franchise, start something part-time and build it up slowly.

5.3 Ideas to Get You Started

Build an online business through an income generating website or blog

Websites and blogs can work for you 24 hours a day, 7 days a week. They can make money from advertising and sales of your own product or you can get commissions for selling other people's products. Site Build It has an excellent program to help you build your first income generating website. They will teach you everything you need to know and they handle most of the technical stuff so you can focus on building your new business without having to learn about web programming.

Start your own brick and mortar business

You can start a service or commercial business that you pay someone else to run for you. Going back to our McDonald's example, do you think the owner of your local franchise is coming in to the restaurant to work every day? Probably not. He or she is making money every hour that business is open whether they are there or not.

Invest in stocks, bonds, or mutual funds

As mentioned earlier, by investing your money, you can actually put your money to work for you. The money you invest will earn more money for you. And if you keep reinvesting the money your investments earn, your gains will compound and grow exponentially. And all of this can happen while you are off doing something else with your time.

Buy real estate and rent out the space

This could be commercial or residential real estate. If you buy the property, you can usually make enough rental income to cover the mortgage payments, plus make some extra money on top. If you hire someone else to manage the property for you, it should not take any extra time or effort from you at all.

These are just a few examples to get your creative juices flowing. I am sure you can think of more. Online research will also help.

5.4 Build Multiple Streams of Passive Income

If over the next several years you were to buy or build several of the income generating streams noted in the above section, you will have created **multiple streams of passive income** for yourself.

This is exactly what you should be doing to bring in more and more money for yourself without having to do any additional work. As long as your income generating assets, like businesses, real estate, or investments, are set up to run without your daily involvement, you can keep creating as many of them as you want.

The more you create, the more money you will earn.

Multiple streams of passive income are the secret to becoming wealthy without burning yourself out due to being overworked.

Even if it takes you many years to get several income streams going, in the long run it will be worth it. And the time is going to pass anyway, so you might as well be working toward financial freedom.

The longer you wait to start, the longer it will be before you are earning the kind of money you dream about.

5.5 Action Items

Either begin an investing plan so that your investments can begin earning more money for you, or start buying or building income generating assets using the process below.

1. Depending on your current financial situation, either buy an existing income generating asset like a business or real estate, or start building one in your spare time. Use the items noted in section 5.3 to help generate some ideas.

2. Make sure that as you build that asset, you are designing it so that it can eventually run on its own or you can hire someone else to run it for you.

3. Once you have created one income generating asset that runs by itself, begin creating your second income

generating asset. Keep repeating this process until you have created multiple assets that are bringing you multiple streams of passive income. As you go through this process, you will be growing your income and giving yourself control over your time. You will be able to choose whether or not you will continue to work. Either way, your income generating assets will continue to earn money for you.

For more information about earning more money, please check out the "How to get rich" section of www.financial-advice-for-beginners.com.

Conclusion

Well done! You now know how to build and furnish a top-notch financial house.

I invite you to learn more about improving your finances at our website: http://www.financial-advice-for-beginners.com. You will find articles on investing, insurance, how to become wealthy, budgeting, debt, and frugal living ideas. We regularly add new content, so check back often.

I truly hope that this information has been enlightening and helpful for you. As I mentioned before, I welcome your comments and feedback. If you enjoyed this book, please let me know. Likewise, if you think there are ways I can improve it, tell me.

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