**TBP 257 Know Your Number Edited\_Transcription**

[Daniel Hill] (0:00 - 16:38)

Whilst we pride ourselves on being in the UK, which is a developed nation and an advanced economy, the reality is my perception is that actually we've created a society that lives within modern slavery. Now what I mean by that, which is pretty hard words, is the fact that unless you break the trend, you're quite likely to spend 40 hours a week for the next 40 years doing a job you don't like to retire on a state pension that probably won't exist and that is not going to be good for anybody. The needle in the haystack and the 1% are able to escape this modern slavery and break through to a new level of freedom by achieving financial independence and whether you earn £30,000 a year or £30 million a year, this is within reach to you.

The only way you're going to achieve this is if you understand how to achieve financial independence and the way you do that is by knowing your number. In this podcast episode, I'm going to tell you the two numbers that you need to know to guarantee success in financial independence to enable you to quit your job, break through the modern slavery that's been created in today's society and have freedom of choice, financial independence and go out and live the life you actually deserve. Welcome to the Blueprint Podcast.

In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a £10 million portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable. Let's get into the next blueprint.

In this podcast, I'm going to take you to know your number. If you've been listening to this podcast for long enough, you will understand that Financial Fortress, financial independence is the only game in town. As soon as you're old enough and experienced enough and wise enough to understand you add value to this economy, this society, to your own or other people's businesses, you need to figure out how to break free as quick as possible so you don't spend the next 40 years doing 40 hours a week in a job that you don't enjoy to earn money and build a pension that is not going to give you what you want.

The aim of the game is to get in and then get out. What I mean by that is you've got to work. You've got to work.

You've got to build a business. You've got to have a job. You've got to make money.

Get in, make your money once, save it, invest it, and then get out as quick as you can. This took me a decade really to learn, understand, master. Now we're seeing other entrepreneurs and business owners do it in as little as one to three years from a standing start.

Wherever you are in your journey, this is for you. Whether you earn 30 grand a year or 30 grand a month, it's exactly the same logic. What we want to do is get you to a point of financial independence.

To do that, you need to know your number. There's a few parts to this. The first thing is you need to figure out how much does it cost, and this is the first step, for you to survive on a monthly basis.

Look at your outgoings. We call it personal cash flow management. You can go and listen to the Blueprint episode, Personal Cash Flow Management, and I'll talk you through how to do that.

You need to know down to the penny. How much does it cost you to survive every month? Then what you need to do is you need to spend every month less than you earn.

If you're currently living off two grand a month, say it currently costs you three grand a month to live, and you're earning £2,800, it's over before it started. Let's say you earn £3,000 a month, but you're spending £3,200. You're always in your overdraft, you're always in your credit card, you're always late paying your bills.

That's a completely false economy. You're never going to get wealthy. It's not how much you make, it's how much you keep.

But if you're making three grand a month, but you could live off two grand a month, that's a fantastic place to be. The first step is to spend less than you earn. If you're earning three, survive on two and a half.

That's the first step. Then what we're going to do is get to a point where you're actually saving more than you spend. If you're spending two and a half, we need to get you to a point where you're saving two and a half.

There's two ways to do this. One way is to increase the amount you earn, work harder, introduce new products and services to business, increase your price point, reduce your overheads, increase your margin, whatever it is. One way is to make more money.

Rather than making three grand a month, go and make five grand a month. Then you can spend two and a half and you can save two and a half, or which is actually quicker, spend less. Remember, this is just to get started.

This is level one of financial independence. If you're living off £2,500 a month because you've got a one bed flat in the centre, you've got your own bills, maybe you can rent a room out, or maybe you could actually move into a room if you've got a car that's £700 a month, but you could reduce it to £200 a month. One is to increase the amount of money you make.

The other is to reduce the amount of money you spend. As quickly as possible, we want to get you to say, living off two grand a month, but earning four grand a month. You're actually saving.

Every month you stay in the game, you're saving two grand, you're spending two grand. For every month you stay in the game, every year you stay in the game, you could survive for another year just off the money you've saved, because you're saving more than you spend. That starts to happen every month, which compounds up really quickly.

Then the next step is you invest that money you've saved. You've saved two grand a month, you're earning four grand a month, you're spending two grand a month, you're saving two. What we want to do is then invest that to generate a return, 6% return, 10% return, whatever.

Whatever you can do that is low risk, low return to replace that money. Then what we want to do is keep investing that saving, getting that money that you've invested to pay you money every month or every year based on the return you get from dividend paying stocks and shares, rent generating assets, properties, a savings account, a 5% high interest rate savings account, a private first charge loan to an investor at 10%, whatever it is. You invest that money to pay a dividend, which is basically like living off the steam.

The aim of the game is to repeat that process until you've invested enough money. You've gone to work every day, every month, you're making loads of money, but you're saving it all and you're squirreling it away and you're buying assets and you're putting it in savings accounts and you're buying dividend paying trackers or shares. You're buying property, you're investing it in fixed rate, whatever, wherever you put in it.

Keep repeating that process, save, invest, earn. So the income you generate from your assets, from saving that money every month, investing that money every month, the income you make from assets replaces the income you make from activity. And from going to work every month, earning two and a half grand, you now over a period of months and years build up that asset until your assets are now paying you two and a half grand a month.

And what that means is you're then financially independent. Because if you're living off two and a half grand a month, but you've acquired enough assets to pay you two and a half grand a month without even going to work, the day you want to quit your job, you can. You are genuinely freed.

You are financially independent. You never have to work again. That's the aim of the game.

If you're currently making over a hundred thousand pound a year or have a seven figure net wealth, then this is for you. Starting December the 10th, we are running our annual online six week financial fortress training and mentoring where you can learn start to finish the 15 step blueprint that I used to achieve genuine financial independence so I never have to work again, and how you can do the same. This is not financial freedom, get rich quick, HMOs or service accommodation.

This is genuine generational wealth creation and management. If you are at the top of your game already and you're making good money, but want to secure your future for you and your family, regardless of what happens in the the music stops and your current income stream ceases, it's the assets you own that ensures the party continues. Now you must be making over a hundred thousand pound a year or have a seven figure net wealth to qualify.

And with our a hundred percent money back guarantee that you will achieve a minimum 10X return on the money you spend, you have nothing to lose and everything to gain by doing this six week online training and mentorship program. For further information and to discover your actual financial independence score, go to www.livingoffthesteam.co.uk now or click the link in the show notes. It's quite possible this will be the last time that we run this live online mentoring.

So take action now, it's unique, it's proven. And once you put it into practice, if you do not achieve a minimum 10X return on the £5,500 you've paid, we will give you a hundred percent of your money back, no questions asked and guaranteed. Take action now if you want to step up to the highest level of wealth creation, wealth management and genuine financial independence.

Go to www.livingoffthesteam.co.uk or click the link in the show notes. Back to the podcast. So when we talk about knowing your number, these are the two numbers that you need to know to get there.

And I just want to make one thing clear before we go into it, there's levels to the game. And the first time I went to be financially independent, I went from having a seven and a half grand overheads, living in a penthouse apartment, Audi R8 on the drive, brand new Mercedes on the drive, spending loads of money. I went to be completely financially independent overnight by getting rid of my cars, getting rid of my two houses and going and living on an aeroboat.

So I went from seven and a half grand outgoings a month to £750 outgoings a month. Immediately, every month I stayed in business, I could have survived for 10 years after that because the arbitrage between what I was earning and what I was spending was so high. That's level one is survival.

Level two is then comfortable lifestyle where you've got the house you want, you've got the car you want, you've got money for three or four holidays a year and you're in a great spot. So level one might be sleeping on your mate's sofa or renting a room in a HMO or moving back in with your parents. That's level one.

Level two is really good house, family house, nice car, nothing too crazy, but really good sustainable place, really good lifestyle, really good quality of living. And so that's where you want to get to. And then the third is dream lifestyle, whatever that ultimate dream lifestyle might be.

For me, it's living at the hall, it's having a Rolls Royce, having a driver, having a full-time estates manager, having a team of people that support me in my business and personal life, flying private or flying business. That was my dream lifestyle. That's level three.

And you've got to go through the gears. So when you get to that example that we said about two and a half grand a month, you're making two and a half grand a month, spending two and a half grand a month. Ideally, then you want to start getting up to where you're making three grand, four grand in your assets.

And it starts to compound. And when you get up that up to five grand a month, 10 grand a month, 30, 40, 50, a hundred thousand pound a month, obviously then your lifestyle reflects that. You grow your lifestyle, not by your earnings, which is a trap that most people fall into.

The rich trap is earn more, spend more. That's a complete false economy. We're talking about the wealthy strategy, living off the steam, where you only increase your lifestyle based on the income you get from assets, not from activity.

And what that means is you have complete financial independence, complete freedom of choice. And it doesn't matter if there's a pandemic or the market crashes, or you or your family gets ill. You don't need your business.

You don't need your job because you're always living off your income from assets, not income from activity. So knowing your number, pulling all of that together, what numbers do we actually need to know? Well, the first is how much you need a year for each level.

So initially, let's say it's that two and a half grand. The second is what rate of return do you want? Now, if you want 10% return or 20% return to earn that two and a half grand a month, which is 30 grand a year, if you wanted 10% per year, it's going to be potentially a little bit harder to find the deals.

They might be a little bit fewer far between, whereas if it's 5%, you could put it a savings account and it would work fine. The higher the rate, the higher the risk. So you want to be somewhere between 6% and probably 10%.

So the first is you want to know how much you want to earn a year. Two and a half grand a month is 30,000 pound a year. If you work that backwards and say, right, well, I'm going to do that on a 10% return.

In order to make that 30 grand a year, knowing your number, 30 grand, knowing your number, rate of return, 10%, you need to know how much equity you need to save. How much money have you got to save to enable you to get there? So 30 grand a year on a 10% return, you would need to have 300,000 pounds in equity that delivers you 10% return on equity.

That is 30,000 pounds per year. So then in your head, you know your number. You need to save 300 grand.

You need to invest it 10% and that will give you your 30,000 pounds a year. And then obviously as you ramp up, that equity level will increase. You might even bring the rate of return down a bit.

My rate of return on my financial fortress is 6%, but that's because I've got to the higher levels now. And if you go and listen to the podcast episode, 10 layers of wealth, I've completed all 10 of those. So I'm now completely de-risked.

My gearing on my portfolio is less than 30%. My assets are a mix of leveraged and unencumbered. My average rate of return is about five and a half, 6% on equity.

My gearing's low, my return's low, my leases are long, but that's just where I am in my game. But I've been doing this for 20 years. So you do have to go through the gears.

So hopefully that gives you a good insight to know your number. The numbers are how much you need at level one, level two, level three, minimal survival, good, comfortable lifestyle, dream lifestyle. How much do you need at each level?

And then how much equity do you need? What rates do you need to release that number? That's know your number.

That is the number one game you need to play. It's the only game in town. And whether you're making 30 grand a year or 300 grand a year, the aim of the game, the only game in town is to achieve financial independence by going out working, earn once, invest it, and then live forever.

That is the aim of the game. That's how you do it. And they're the numbers you need to know.

Hope you've enjoyed this episode. Remember success and failure with wealth creation are very predictable. If you're running around as a busy entrepreneur, you're never going to get to where you want to get to.

It's about work hard, work once, save more than you spend. It's not how much you make, it's how much you keep. You then invest it.

You live off the steam. And that really is the ultimate. It's the only game in town.

It's the ultimate way to create wealth. And you'll know that hardly any people in our industry are doing that. But those who do, I can assure you, have a much better time.

They're much more secure. And when the waves turn and the industry moves, the economy crashes, we have the next black swan event. You're the last one that gets impacted.

You're the first one to capitalize. And it's the only way to live as a high net worth property entrepreneur. So I wish you the very best of luck and I'll see you on the next episode.

I hope you enjoyed this blueprint podcast episode. If you're not already subscribed, sharing these, this is my lifetime's work. And every Tuesday, I'm giving you one blueprint away for free.

These things are unique. They're proven. They've enabled me to build over a 10 million pound portfolio in a few short years.

And over the last 20 years, start, systemize, scale and sell over 40 different companies. If you like them, share them, subscribe, make sure you don't miss a single episode and tune in every Tuesday for a brand new episode. And then follow me daily on Instagram for free content post twice a day, completely free of charge.

Success and failure are both very predictable. I'll see you on the next episode.