# What is Wealth?

## And a high-level game plan to acquire it

Ilias Tsagklis

www.wealthtriumph.com

What does “Wealth” mean to you?

What do you think when you hear that word?

What kind of images are painted in your head?

Do you think of mansions and supercars? Do you think of yachts and champagne?

Defining wealth is quite tricky and possibly it is not what you believe it is. It gets even harder with all the media nowadays highlighting selected aspects of the lives of the wealthy.

But if you wish to get started on your journey to acquiring wealth, you’d better understand what this concept entails.

Let’s discuss this and try to shed some light on it.

**Definitions of Wealth - It’s not what you think**

As with any term, let’s search for its definition in a dictionary.

Here is what famous money site Investopedia has to say about wealth:

*“A measure of the value of all of the assets of worth owned by a person, community, company or country. Wealth is found by taking the total market value of all the physical and intangible assets of the entity and then subtracting all debts.”*

This definition focuses on the monetary value of the assets that an individual holds (after subtracting any debt obligations that he might have).

By “Assets” here we mean any item with intrinsic economic value. Assets include cars, houses, cash, ownership of businesses, financial instruments (like stocks and bonds), art collections etc.

“Liabilities” are the “opposite” of assets and include debts or obligations to other people or entities (think banks), like mortgages, credit card debt, student loans etc.

The Investopedia definition goes on:

*“Essentially, wealth is the accumulation of resources. People are said to be wealthy when they are able to accumulate many valuable resources or goods.”*

Here we come upon another important word. “Accumulate”. This puts emphasis on the fact that wealth is collected and then retained by its owner. It is also sub-communicated that this process is taking place in a gradual degree.

As Thomas Stanley writes in his bestseller book *"The Millionaire Next Door"*:

*"Wealth is what you accumulate, not what you spend."*

And the Investopedia definition concludes:

*"Wealth is expressed in a variety of ways. For individuals, net worth is the most common expression of wealth, while for countries it is measured by gross domestic product (GDP) or GDP per capita."*

"Net Worth" is an expression or measurement of wealth. By "Net Worth" we mean the amount by which one's Assets exceed his Liabilities.

Note that it is totally possible for an individual to have negative Net Worth. Consider for example a student who, fresh out of college, has a large student loan to cover.

So the "strict" financial definition focuses on the monetary aspect of the term.

But is money equivalent to wealth? Not really.

Here is what famous Venture Capitalist Paul Graham mentions in a relevant essay:

*"Money Is Not Wealth. If you want to create wealth, it will help to understand what it is. Wealth is not the same thing as money. Wealth is as old as human history. Far older, in fact; ants have wealth. Money is a comparatively recent invention.*

*Wealth is the fundamental thing. Wealth is stuff we want: food, clothes, houses, cars, gadgets, travel to interesting places, and so on. You can have wealth without having money. If you had a magic machine that could on command make you a car or cook you dinner or do your laundry, or do anything else you wanted, you wouldn't need money. Whereas if you were in the middle of Antarctica, where there is nothing to buy, it wouldn't matter how much money you had.*

*Wealth is what you want, not money. But if wealth is the important thing, why does everyone talk about making money? It is a kind of shorthand: money is a way of moving wealth, and in practice they are usually interchangeable. But they are not the same thing, and unless you plan to get rich by counterfeiting, talking about making money can make it harder to understand how to make money."*

Interesting. Graham is discussing Wealth from the perspective of Value. Value is anything that makes our lives better. "Wealth is stuff we want".

Value is a fundamental part of the wealth building equation. The reason is that all market transactions between two parties are in their core an exchange of Value.

Graham also introduces another concept. That Money is essentially just a tool. “Money is a way of moving wealth”. Money is the means of exchanging Value between two entities, it is the medium. But it is not Money that you want; “Wealth is what you want”.

Having talked about Value, we are now ready to introduce another parameter in the Wealth equation.

Famous financial author Robert Kiyosaki writes in his popular book *“Rich Dad, Poor Dad”*:

*"I also have my own definition for wealth. Actually I borrowed it from a man named Buckminster Fuller... Wealth is a person's ability to survive so many number of days forward... or if I stopped working today, how long could I survive?"*

I absolutely love this definition because it associates Wealth with Time, the most precious asset we have. Time is the only resource that is finite and not replaceable, thus it is of the highest value.

Again from Kiyosaki, as mentioned in another of his books, the *“Cashflow Quadrant”*:

*“The definition of wealth is: "The number of days you can survive, without physically working (or anyone else in your household physically working) and still maintain your standard of living." [...] Wealth is measured in time, not dollars.”*

Let’s read that again:

*Wealth is measured in time, not dollars.*

Kiyosaki essentially switches us from a monetary perspective to a Time based one.

Here is a simplistic example to make this clearer.

Let’s assume that your expenses are running at $1,000 a month, and that you have $5,000 in Net Worth (Assets minus Liabilities). With the above definition, your wealth is approximately 5 months or 150 days. Note here that it is assumed that you are maintaining your living standards, you are not downsizing.

As we can imagine, the difference in the relevant time spans between wealthy and poor people can be enormous.

For example, if you have zero savings and net worth, and you are counting on your next paycheck to cover the month’s expenses, then you understand that your Wealth in Time units is just a few days.

On the other hand, the wealthiest people in the world can support generations of their families without any of them having to work.

Time is the ultimate resource, and the epitome of wealth is having an abundance of it.

*"Being rich is having money; being wealthy is having time."*

*- Margaret Bonnano*

Having control of one's time is one of the most distinguishing features of wealthy individuals. While poor people are attached to their jobs, wealthy people are able at their discretion to travel the world, enjoy life, discover new things and experiment and spend time with family.

Being owner of your own time is massively important, because it allows you to enjoy life at your own terms.

*"Wealth is the ability to experience life."*

*- Henry David Thoreau*

And this leads us to another facet of Wealth: Freedom.

True wealth is Freedom. It is the freedom to do what you want, when you want it, with whomever you want.

*"Wealth is Freedom. The six great Freedoms are money freedom, time freedom, relationship freedom, spiritual freedom, physical freedom and the freedom to pursue your genius."*

*- Mark Hansen / Robert Allen, The One Minute Millionaire*

Note that Freedom and Time go hand in hand, and they are the most important elements of Wealth.

As MJ DeMarco, author of "The Millionaire Fastlane" book puts it:

*"The ultimate wealth is having the free time to live how you want to live."*

And this quote neatly sums everything up.

Wealth is having the free time to spend your life in the way you want. This might involve luxuries or charity. Indulging to all the best this world has to offer or contributing back to society. Everything is fair game.

But how do wealthy people structure their lives so that they have an abundance of time?

**Financial Freedom and Abundance of Time**

Abundance of time is achieved when income generation is decoupled from one's time. It is the outcome of achieving Financial Freedom.

You become financially free when you no longer have to work for money because your money is working for you.

More specifically, if the passive income from your investments exceeds your monthly living expenses, you can consider yourself financially free.

Based on Kiyosaki's definition, your wealth number then becomes infinite. You could theoretically survive forever from the cash flow that comes to you in the form of passive income.

This is what rich people essentially do, in a much larger scale.

But in order to do that, first you have to create a great amount of wealth.

**How Wealth is created?**

Having discussed what Wealth is, let's go on and talk about its creation. We lightly alluded to this above, but wealth creation needs a whole section on its own.

As we mentioned, at the core of wealth building lies Value.

Human beings are driven by value. In other words they seek things that will improve their condition in life. If you manage to generate and distribute value to them, they will reciprocate it to you in terms of money and eventually wealth.

For this reason, our focus while building wealth should be on how to provide as much value as possible.

The more value you create in the marketplace, the wealthier you will become.

The bigger problems you solve for society, the wealthier society will make you.

This is how the wealthiest people alive have made their fortunes. They have managed to solve problems or server needs that affected millions or even billions of people.

Rich people think big. Poor people think small.

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

*- Donald Trump*

And here is where one of the biggest misconceptions is born.

Poor people are trapped in a linear way of thinking and cannot fathom how it is possible to impact millions of people. At the same time, rich people operate under an exponential way of thinking. They are able to understand how to use leverage in order to multiply their efforts and provide massive amounts of value to the marketplace.

Author Steve Siebold writes in his famous book *"How Rich People Think"*:

Middle class believes hard work creates wealth. World class believes leverage creates wealth.

This is huge, so let's dissect it.

A person rooted in linear thinking would believe that in order to generate more money he has to work harder and for longer hours. This is FALSE.

Although hard work is always necessary, by its own it means nothing. Hard work should be applied towards a mechanism that provides leverage.

Let's see an example to better illustrate this concept.

Meet John, a traditional plumber. Being a plumber can be a labour intensive job, which means hard work is required. Let's assume that John craves a better financial future for himself so he decides to get more money.

A plumber like John can only increase his income by working longer hours or by charging more for his services. Unfortunately, both these variables are capped. Consequently, the value he can provide to society is also capped. He has no leverage, thus it is impossible to build true wealth.

Now meet Jack. Jack is also a plumber, of younger age than John. He also wishes to increase his income, but he subconsciously understands that working longer hours is not the answer.

For this reason, he surfs the internet reading entrepreneurial forums and blogs. He also studies money related books and attends entrepreneurship events.

After a lot of reading, he has an epiphany. He could create a website where plumbers and plumbing companies will list their services and people will hire them online.

It will be a marketplace for plumbers. He can then monetize the site by getting a small commission when the two parties (professionals and customers) reach an agreement. This approach has leverage since he will be able to serve people from all over the country.

Of course just having the idea is not enough. Jack will have to work hard, first to educate himself on internet technologies, and then to execute his business plan.

This is just a simplistic example to illustrate the difference in thinking, but the conclusion is clear:

To create wealth you should strive to think of ways to provide enormous value to the marketplace via a leveraged approach.

Don't forget: Napoleon's Hill classic book is called *"Think and Grow Rich"*, not "Work harder and Grow Rich".

And here are a couple of other quotes on the same issue:

*"Wealth is the product of a man's capacity to think."*
*- Ayn Rand*

*"Today, the greatest single source of wealth is between your ears."*
*- Brian Tracy*

**The Game of Capitalism**

While reading Robert Kiyosaki's book *"Cashflow Quadrant"*, a particular quote struck me. It went like this:

*"The name of the game of capitalism is "Who is indebted to whom?" [...] The more people you are indebted to, the poorer you are. And the more people you have indebted to you, the wealthier you are. That is the game."*

*"Who is indebted to whom"?*

This phrase explains at a core level how the modern financial environment works. By using the word "Debt" here, Kiyosaki is making a reference to the modern monetary system which is based on fractional-reserve banking.

Apart from that, he pinpoints the fact that your wealth status depends on the balance between the debt you owe versus the debt you have over others. When we talk about "debt" here, think about it as "obligation".

When you accumulate Assets (first part of the Net Worth equation), other entities are obliged to you (you are getting wealthier).

For example, when you buy corporate bonds, the corporations that issued them are obliged to pay you back (with interest). When you buy stocks, the companies are obliged to distribute earnings to you as a shareholder.

On the other hand, if you pile up Liabilities (second part of the Net Worth equation) in your life, then you are obliged to other entities (you are becoming poorer).

For example, when you get a housing loan, you are obliged to the bank. When you max out your credit cards, you are obliged to the bank.

Please note that this is not to dismiss all debt as evil. Debt is a tool, and as all tools, it can be used efficiently or destructively. Educate yourself on how it works and how you can use it as leverage.

**The Game of Wealth**

Having discussed the “Game of Capitalism”, let’s get into the “Game of Wealth”.

At a first glance, it seems weird to think about accumulating Wealth as a “game.” Yet, this is probably the best way to view it.

From Steve Siebold’s “How Rich People Think” again:

*“The world class sees business and life as a game, and it’s a game they love to win.”*

Rich people view wealth, and even life in general, as a game.

“*Life is a game. Money is how we keep score.”*

*- Ted Turner*

Moreover, due to their competitive nature, rich people love to win at it.

This is another difference between rich and poor people. The first play to win, while the second play to avoid losing.

We have mentioned this several times: wealth is built by playing both offense and defense, but mainly offense.

Rich people play to win. That is why they build businesses. That is why the invest in assets. That is why the educate themselves. And that is why they take risks. To win!

Does this “risk taking” strategy of the rich involve reckless and dangerous actions?

Not at all. Because the risks they take are calculated.

Before embarking on a new venture or committing to a new investment, they perform extensive due diligence. They take the time to examine all angles and explore all possibilities so that they are in as much control of the situation as possible.

Additionally, rich people are wise enough to protect their downside. This means that if a venture or an investment fails, they have set up their arrangements in a way that their losses are mitigated or even eliminated.

For a great example of this "protect the downside" approach, watch how entrepreneur and investor Marcus Lemonis sets up his business deals on the show "The Profit".

Referring to making money as a game also implies that there is an element of fun in it. This is totally true.

Building businesses is a creative endeavor at its core level. When you watch your efforts materialize into a cash-flowing machine, you definitely get a feeling of accomplishment.

It also comes with a reward: Money and subsequently freedom.

But how can some people view money as a game when the majority views it as a "necessary evil"?

It all comes down to one of the most primal emotions human beings have: FEAR.

Poor people spend their time worrying about money while at the same time denying its importance. On the other hand, the rich understand that money can bring peace of mind and clarity. This absence of fear allows rich people to see life and business as a game.

*"Wealth is known to be a great comforter."*

*- Plato*

**Making money is up to you**

At this juncture, we have to address a very important point.

A lot of people believe that getting rich is a matter of inheriting wealth from rich parents. This is patently false.

Most millionaires have accumulated their wealth in one generation. In fact, 80% of America's millionaires are first generation rich.

These people decided at some point of their lives that they would get rich. They understood, either consciously or subconsciously, that they can take their fate in their own hands. They recognized that they are driving force of their lives.

Author Harv Eker writes in his book *"The Millionaire Mind"*:

*"If you want to create wealth, it is imperative that you believe that you are at the steering wheel of your life, especially your financial life. You have to believe that you are the one who creates your success, that you are the one who creates your mediocrity, and that you are the one creating your struggle around money and success. Consciously or unconsciously, it's still you."*

As MJ DeMarco notes:

*"You are the vehicle to your wealth."*

You are responsible for your own success. You are responsible for building wealth.

And you are lucky to be living during the best era of human history to achieve that.

Starting a business is easier than ever, especially online. Technology is booming and provides access to tools and conveniences never seen before. Knowledge is abundant, literally at the tips of your fingers.

If you happen to be living in a First World country, there is literally no excuse as to why you cannot achieve success and riches.

*"If you're born poor, it's not your mistake. But if you die poor, it's your mistake."*

*- Bill Gates*

Here is the ugly truth about making money though: It's HARD.

It takes massive amounts of effort. It takes time. It requires sacrifices. Not everybody makes it. Yet, you should view it as your one and only choice.

Entrepreneur Felix Dennis writes in his popular book *"How to Get Rich"*:

*"The odds may still appear daunting, but only to those lacking sufficient guts and determination to try. If the odds of getting rich put you off, then you deserve to stay poor. Or, to put it more kindly, whether you deserve it or not, you will stay poor."*

*"If the odds of getting rich put you off, then you deserve to stay poor. Or, to put it more kindly, whether you deserve it or not, you will stay poor."*

*- Felix Dennis*

**A high-level plan to achieve Wealth**

After discussing what Wealth is, how it is created and what it takes to be achieved, let's see how we can actually do it. But first let's get over with mentioning something important.

If you are not in a place of Wealth, then you will have to stop doing what you have been doing up until now. Doing what you did has brought you here. So if you keep doing what you have been doing in the past, you will just remain in the same place (or probably get in a worse one).

This seems simplistic and totally rational, yet most people keep the same approach in life even if that does not work for them, and then wonder why they are not progressing. If you wish to achieve different results, then you will have to change your approach.

So, let's hit the wheels. A high-level "Game Plan" to build wealth.

But why "high-level", and not something more concrete and predefined?

Well the thing is that there is no one path to Wealth. There are some common patterns and fundamental principles that we can base our efforts on, but each one of us will have to take his own journey.

Moving to the good stuff now.

In my mind, the path to acquiring wealth looks like this...

Step 1: Educate yourself and develop some valuable skills

This is ground zero, and it is essentially where somebody should start. As we mentioned, the more value you create for society, the wealthier you become. It only makes sense then to obtain valuable skills which will assist you in producing and delivering great amounts of value.

The only way to develop the necessary skills is via constant and never-ending self-education. Formal education can be helpful at times, but more often than not, it becomes an obstacle to your success.

*"Self-education is, I firmly believe, the only kind of education there is."*

*- Isaac Asimov*

I would categorize education in the following three tiers:

1. General Education (how humans work, how money works etc.)

2. Fundamental Skills (like networking, marketing, sales etc.)
3. Technical Skills (like programming, internet marketing, accounting etc.)

These tiers are listed in an order of descending importance, and when starting your self-education you should roughly follow that order.

Let's examine those one by one.

By General Education, I mean everything that will help you understand how the world really works. Unfortunately, school teaches us numerous low-level pieces of information, but fails to delve into the stuff that really matter.

You should make an effort to understand how human beings work and operate (including yourself), how the financial system functions, and in general, how things that we meet in our daily lives work.

In this category I also include education that involves shaping your Mindset. By Mindset, we refer to the set of beliefs that a person holds. Our actions are guided by our set of beliefs, so if we wish to modify our behaviour to a more optimized one, we have to redefine our belief system.

As I mentioned, your "old" Mindset has brought you here. So if you wish to make a change in your life, you need to shape a new, more optimized one. The best way to start redefining your Mindset is by reading books.

Next, we have what I call "Fundamental Skills". In his book "The Education of Millionaires", author Michael Ellsberg describes the essential practical skills that someone should obtain in order to maximize his chances for success.

He provides a guide on how to teach your own self, how to connect with other people and find mentors and teachers, how to build your personal brand, how to invest for success, how to perform marketing and sales, and more.

These are skills that will raise your chances of success in whatever industry you might get involved in and whatever venture you might start. Think of them as "constants" that will be in your toolbox for ever.

Note that these fundamental skills are based on aspects discussed in the General Education part. For example, to become good at networking or sales, you really have to understand how the human psyche works.

And finally we have Technical Skills. These are low-level skills that will assist you in the actual creation of value. These are usually more industry specific and include items like programming, internet marketing, engineering, finance, accounting etc.

For example, if you get good at programming, you will be able to develop a piece of software that solves a problem in a particular niche, and offer value by addressing that specific need.

To sum up this step, education is one of the main pillars upon which your wealth building process will be based. Make sure to continuously educate yourself and make your self-education a never ending journey.

*"Formal education will make you a living; self-education will make you a fortune."*

*- Jim Rohn*

Step 2: Provide value and achieve high income

The way to make money boils down to providing lots of value to the marketplace and society in general.

The "making money equation" looks like this:

*Making money = Providing value*

By providing value, you will be rewarded in monetary terms, thus you will be able to achieve high income.

Note that this step is income agnostic, i.e. we do not examine what kind of value will be provided and how high income will be achieved.

This relates to what I mentioned in the beginning of the "Game Plan", that there is not one path to Wealth.

For example, I am not suggesting that you should get involved with real estate, or that you should become a day trader.

What path you will follow is up to you, and will be based on the "triggers" you will get while your are in your initial education phase (Step 1).

Having said that, in my opinion, one of the best approaches to pursuit is "leveraged entrepreneurship", the one that MJ DeMarco calls the "Fastlane".

With this approach you will be working hard during a few years of your life in order to build a scalable business that can be automated and work independently of you and your time.

Let's examine the parameters in this approach.

First of all, I suggest building a business. Why is that?

Well the reason is that humans are finite beings. On our own, we will never be able to provide massive amounts of value. Only by leveraging a business unit we will be able to serve a large audience.

Let's assume that you decide to become a fitness coach, helping people achieve their fitness goals. In this case, how many people can you help during your day? The answer is not many.

On the other hand, if you start building a fitness related website and provide training material there, the amount of people that can be helped is practically limitless.

The second important point here is that the business should be scalable. This means that the business model should be one that does not limit the company's growth in some way. For example, most brick and mortar businesses are inherently limited due to their locality.

There are certain types of businesses that can scale with practically no limitations. Internet based ones are the most indicative example.

Finally, the last critical point here is that the business should be automated and work independently from its founder, i.e. you.

The reasons are obvious. We are finite so working in our business all the time is not possible. More importantly we eventually want to decouple ourselves from the business entity so that we free up our time.

Time is our most precious asset and having wealth means that we have the freedom and time to enjoy our lives as we wish.

Again, an internet business is your best bet in this direction since it combines crucial elements like scale and automation.

To sum up, after concluding your initial education, you need to achieve some form of high income. The approaches for this are countless, but one of the most prominent ones is to build a scalable business unit that will provide massive value to the marketplace and consequently enjoy high profits.

Step 3: Be defensive and achieve high net income

Isn't this same as the step above? No it is not. With "Net Income" we mean what is left from your income after all your expenses have been paid. The equation looks like this:

*Net Income = Income - Expenses*

The reason I am mentioning this as a separate step is because, most people when they see their income rising, they increase their expenses by the same amount, so essentially they balance out that income boost!

You want your income to increase exponentially, while your expenses increase linearly.

The game of wealth is both offense (making a lot of money) and defense (saving large percentage of it).

This explains why many famous people (like sports athletes or actors) end up in bankruptcy despite having massive amounts of income coming their way during their career. They did not take care of their defense.

As I have written, you should strive to save 80% of your monthly income.

“But how will I be able to live with only $400 of my $2,000 salary?”, I hear you murmur. Well, that exactly is the point. Your first priority should be to increase your income to a degree that saving 80% of your income comes easy.

Consider making $20,000 a month, instead of $2,000. In that case, saving $16,000 each month and living on the rest $4,000 would be much easier. At the same time, you should make sure that when your income increases tenfold from $2K to $20K, your expenses will not rise at the same magnitude.

Summing up, we should strive to keep expenses reasonably low so that our Net Income remains high.

The reason we wish to retain a large percentage of our income is because we will use that in our next step to wealth...

Step 4: Create a passive, cash-flowing “Money System”

With the term “Money System” we mean a System that uses money in order to generate passive income.

A Money System usually consists of financial assets (like stocks, bonds or money market funds) that provide recurring and passive cashflow in terms of dividends or interest payments.

A Money System has the highest level of passivity. If set up properly, it can provide cashflow in a consistent, perpetual basis without consuming the original capital.

In order to create a robust Money System a large sum of capital is required. But after that sum is obtained, interesting things start to happen.

Consider the case where you have managed to amass a sum of $1,000,000. In the market, you will be able to find relatively safe investment products which can provide an annual yield of around 5%. This means that with that amount of capital you will receive a passive income of $50,000 per year (or around $4,170 per month) without lifting your finger. Run the numbers again with a sum of $10M to get more inspired.

The question is how do you accumulate such a large amount of cash.

There are essentially two approaches to this:

1. You obtain a lump sum of money

This usually happens by means of a “Business Exit”. With that we mean that you sell your equity (ownership) in a business you own, in exchange for hard cold cash.

As we have mentioned, a business is an entity that “lives” and operates independently of its founder. Additionally, every business has an intrinsic value (sometimes called “Asset Value”), which means that it can be sold partially or wholly to the marketplace for a relevant amount of money.

In general, the more profits a business generates, the more valuable it is. For this reason, a business can be roughly valuated based on its annual profits. In order to do that, a multiplier is usually used, i.e. we multiply the business's yearly profits with a multiplier to reach its valuation.

That multiplier depends on a lot of things, including but not limited to, the industry that the business operates in, the revenue growth that the business has accomplished, the general marketplace conditions etc.

Let’s examine an example in order to understand this better.

Assume that you have built an online business that earns $250,000 per year. For online businesses a typical multiplier is 4. That means that the particular business is worth around $1,000,000 in the marketplace.

If you are the sole owner of that business, you may choose to sell it in the marketplace (liquidate it) in return for $1M. This is what a Business Exit is all about.

Note that in some instances, a business does not have to be cash-flowing in order to be acquired. This is usually the case with tech startups which are bought either for their Intellectual Property (e.g. a software security company) or the audience they have access to (e.g. a social media site).

A great example of this is Facebook's acquisition of Instagram for $1 Billion despite the fact that the latter had no revenue. Even though Instagram was not monetized, it had enormous market value due to its platform, its talent and most importantly its huge user base.

Please note however that in all cases, the business has to be valuable in some manner.

Summing up, with this approach, you build a scalable business that can achieve a high value in the marketplace and then you go on to sell it in order to generate a lump sum of money. That sum will be used to kickstart your Money System!

2. Use a Business system to fund your Money System

Unfortunately, it is not always easy to find a buyer for your business. Private companies are much more illiquid than their public counterparts in the stock market.

In that case, you can use the proceeds from your business system in order to continuously fund your Money System until your reach a critical lump sum.

Let's return to our example with the business that generates $250,000 per year. This means that each month you will have at your disposal around $20K.

(Note: Depending on the type of the business you might not be able to directly receive the money from the company, but you will probably have to declare dividends. Let's keep it simple here though.)

Assuming you will be able to save 80% of it, the rest can be headed towards building the Money System. With this approach, you will be adding $16,000 to your Money System each and every month, or about $192,000 per year.

Each installment of new money will increase your existing fund, which will generate more cashflow. That additional cashflow will also be used to receive more passive income, and so on and so forth.

This approach leverages the power of Compounding to create a "Snowball Effect". That is why it so important to save 80% of your income. It will help you build your Money System so much faster. In our example, you will need around 5 years to reach the $1M mark.

Note that in both case, the prerequisite is to have built a cash-flowing business that will generate explosive income for its owner.

Despite what many Personal Finance experts advise, you build wealth by boosting your income to high levels, not by minimizing  your expenses and downsizing.

<u>Step 5: Finetune your End Game</u>

This is the final step, the End Game, or what happens after you have made it! So it is not so much about acquiring wealth, but rather about retaining and expanding it.

In the end game, you are taking advantage of the Money System you have built during the previous step.

Your Money System serves two purposes:

1. It provides passive income

After you have accumulated a large sum of money, you have the option to sit back and enjoy life while you receive massive amounts of cashflow, all passive.

This is taken care of via means of a properly set up Money System.

A Money System is usually based on financial investments. There are financial products out there that can be used in order to provide recurring income. For example, stocks provide income in the form of dividends, while bonds provide income in the form of interest.

Let’s revisit the example we mentioned above, where you have $1,000,000 in cash.

You can then find financial products which provide an annual yield of 5%. In this case, you will receive a passive income of $50,000 per year (or $4,170 per month) in perpetuity, without depleting your original capital.

Please note that, except for financial products, there are also other options of getting passive income. For example, you could allocate a part of your portfolio to Real Estate, which also provides income in the form of rent.

In all cases, you will first have to familiarize yourself with the asset class you are investing in. Remember, self-education never ends.

2. It provides liquidity

With the term liquidity we describe the degree to which an asset can be quickly bought or sold in the marketplace without affecting the asset's price.

For example, financial assets like stocks, bonds and cash funds, are very liquid. They can be converted back to cash in a matter of minutes or even seconds.

On the other hand, real estate is a quite illiquid vehicle. This is because selling or buying a property can be a long lasting and cumbersome process. Private companies are also illiquid, since a process is required before they change hands.

A properly configured Money System offers a high degree of liquidity. This will enable you to convert part of it from one asset class to another in an easy and quick manner.

In this way, you are able to take advantage of opportunities that might occur, since you will be able to raise cash quickly.

In conclusion, with the appropriate Money System, you can literally sit back and have passive income thrown to you without exerting one iota of effort.

The End Game is the phase where you have the freedom to enjoy life on your own terms. You may choose to sip cocktails at the Caribbean or travel the world. Money pretty much stops to be an issue.

Reaching the end game though, does not mean that you will remain inactive forever. You may choose that if you want, but chances are you will get bored after a while.

Most probably you will want to get involved in the money making process again. And this would be the perfect time since you now have the resources (capital, connections, etc.), the experience, and most importantly, the time to build a new business or pursuit another opportunity.

Your End Game is not a final destination. It is just another turning point in your life. And the possibilities there are endless.

So, there you have it. A high-level plan to build wealth. Let’s revisit the steps involved:

1. Educate yourself and develop some valuable skills
2. Provide value and achieve high income
3. Be defensive and achieve high net income
4. Create a passive, cash-flowing “Money System”
5. Finetune your End Game

Please note that the above steps are not strictly sequential, but they are running in parallel.

For example, your education does not stop while you are working on getting high income. You will definitely focus less on it and allocate fewer resources (time and effort) to it, but it will not get eliminated at all.

**Closing thoughts**

In today’s society, money undoubtedly plays a fundamental role. But deep down, money is just a tool. And as a tool, it can be used in order to attain freedom and eventually happiness.

Attracting money is the result of delivering value to society. The best way to do that, is by building and scaling a business which will eventually act as a cash-flowing machine and will help you accumulate wealth.

Make no mistake. Building wealth is hard, and not for the faint of heart. It takes a lot of effort and time, and requires massive amounts of self-discipline and perseverance.

You will probably have to change your mindset in order to make it. After all, making money is psychological, as Wall Street Playboys attest.

You will have to drop misconceptions that have been plaguing you, like the classic “Rich people are bad people”. Don’t forget, money will only make you more of what you already are.

You will also have to constantly educate yourself, in order to understand financial and business concepts, get a competitive advantage and stay relevant in the cut-throat business world.

Money management is also an essential part of the game. You have to develop personal finance skills, and be defensive and smart with your money. This is how Michael Jordan gets to become a Billionaire while other NBA players declare bankruptcies.

Building wealth is a journey, make sure you enjoy it!

We should close with a quote from motivational speaker Jim Rohn on the reward in becoming a millionaire:

*“The greatest reward in becoming a millionaire is not the amount of money that you earn. It is the kind of person that you have to become to become a millionaire in the first place.”*

*- Jim Rohn*