Lazy Money Fundamentals

Money is extremely important to our lazy philosophy because it leads to us regaining our time. If you don't have money you will have to spend very valuable time you could be using to create happiness into creating money instead.

The interesting thing about money is that it is not all the same…. there is active, and then there is passive money. Active money or income is when you trade your time for money. Passive money or income is when you let your money produce returns without your time input or with very little of it. Those returns can be in the form of income: like property rent, share dividends, crypto staking, etc…; or capital: like property equity growth, cryptocurrency value increases or appreciation in share value.

The name of the game is simple: replace your active income with passive income as quickly and safely as possible. If it seems easy, it is because it is easy. You just have to follow steps which are not comfortable but they do work. What is certain is that if you keep trading your time for money you will never truly enjoy and benefit from our philosophy. The reason for this is simple, our working conditions are inhumane and they make relaxation, fun and happiness practically impossible. So for this simple yet very powerful reason, you need to become a master at replacing your active income so you can truly be happy. I will discuss the four options you can use to create passive wealth because most people still don't get how you can do this in today's market.

The 4 lane motorway to passive wealth

I want to touch on the main aspects of each of the four main paths to creating passive wealth in today's market conditions. The four paths are:

Real estate

Business

Shares

Commodities

There is no right or wrong combination of them. You can use one or all. I would suggest you become an expert in at least two just in case the tide changes and you want to flow with the better performing asset class. What these four paths have in common is that they are all assets. My definition of an asset is something that when acquired produces income and increases in value over time. For example, your home is not an asset unless you rent part of it or derive an income through it in any other way. Buying something just because it should go up in value, like silver and gold, is speculation. For me gold and silver are therefore not assets, they are liabilities. I am not saying you should not have any speculative items in your portfolio, what I am saying is that you should only consider speculative items once your passive cash flow allows you to do so. Speculation has made me plenty of money so I will never put it down. The only concept I want to make sure you understand is that I want you to be safe first and foremost. The best way to keep you safe is by avoiding speculation until you can afford it.

Now that I have clarified these simple yet extremely important points let's dig a little deeper into the asset classes:

1. Real Estate

Real estate changed my life. I started buying properties in 2002 and have never looked back. I did a tremendous amount of research and focused on smaller, income producing properties with high yields and strong rental demand. I also made sure I focused on areas with serious infrastructure projects like new roads, hospitals, universities, etc… This meant that I could also accumulate wealth through capital appreciation. The play worked very well in the four different countries where I invested. I even breezed through the global financial crisis because I had discerned that my investments in Spain were too risky to maintain in late 2006, early 2007. The rest of my portfolio didn't even drop past 10% and recovered within 18 months to keep growing rapidly and healthily whilst producing income.

I love real estate for two main reasons:

Leverage. You can borrow money from lenders at higher percentages and lower interest in real estate than any other alternative. This is simply because real estate is considered the least risky of all the investment propositions. Leverage means that if I have $20,000 I can buy an asset valued at around $100,000 and make profits on the whole $100,000 rather than just my measly $20,000 invested. Essentially in this example, I am amplifying my returns times five by just using someone else's money. The problem with leverage is that it is a double edged sword. Besides amplifying profits it could also amplify losses. If you buy the wrong property and it goes down in value you will lose on the total value, not just your investment. This is why buying cashflow positive property is essential when you get started. If your property is producing cashflow you will very rarely be forced to sell it. If you are not forced to sell it and keep holding on to it for a longer time, you have not lost any money and properties historically will tend to rebound and grow anyways. So in this case you keep getting income while you wait for equity to build up. I always tell my seminar attendees this simple mantra: "the only time you can lose money through property investing is when you have to sell". Follow this mantra and your risk will be severely mitigated.

Its imperfect nature. Valuing a property is not a simple or exact science. There are too many variables to consider unless you are just dealing with box standard apartments in a development which are much easier to assess and price. This imperfect nature lends itself to giving the astute and educated investor an advantage. They can buy an asset under market value, and they can also add value to such asset through skilled renovation or change of use (subdivision, conversion, etc…). It is one of the two asset classes where you can make money when you buy! If that doesn't get your tail wagging I do not know what will….

There are many tips, pitfalls and strategies that I can't describe in this book. In my view, this is not what this book is all about. If you want to learn more about property investing and what it can do for you, I recommend you visit my website www.lazyhappysuccessful.com where you will find all you need to know to make better investment decisions in property and the rest of the asset classes.

2. Business

Maybe the hardest route of them all is business, because it usually involves trading a large chunk of your time and money until the business is profitable enough so you can replace yourself. By replacing yourself I mean hiring someone to take over your responsibilities so you can just be the non 1working owner. A business is usually valued following a simple formula: (profits x 2-7 depending on industry and location) + Assets + Goodwill (the potential for growth or to create extra revenue it may have).

What I love about business is that there are countless ways of increasing profits and for every dollar you increase in revenue you are also adding 2 to 7 dollars value into the business. For example, you bought a business for $350,000 (assume assets and goodwill at $50k of that price and an income multiple of 3) because the business was creating $100,000 of annual revenue. Over the next 24 months, you increase the revenue to $200,000 which is fantastic in itself since you doubled your income! Now not only you are making twice as much money but your business is worth $600,000!!! That is a $300,000 capital growth on your investment plus a $100,000 annual income growth.

Once again I need to reiterate that I only consider it a business if it continues to generate those annual returns without your input. I am okay with you being a part of the board of directors and making big decisions every few months, but it is not a business if you are running it or heavily involved.

1. Shares

Hopefully, you are not thinking of working on Wall Street or spending sleepless nights trading multiple shares in markets around the world. That is not investing, that is just another job and to me, JOB stands for Just Over Broke.

What I am proposing here is medium to long term transactions in shares in companies that will provide dividends (cashflow) and have growth potential. This is the most complex of all markets but at the same time the easiest one to set up. There is a plethora of options for all kinds of investors regardless of where you are, how much you know or how much money you have. There is even access to leverage (although I strongly encourage you to not use it until you have a lot of experience) and automation options. Most Western jurisdictions will also let you invest in the share market tax free directly from your income earned so you can accrue profits for your retirement. This is an avenue most income earners should explore but it lacks a basic and in my opinion the best benefit of investing in shares: Its liquidity.

Liquidity means that if you need money to buy something you can almost instantly sell your share position and transform it into cash to buy whatever you want. Real estate and businesses are not liquid markets and the transactions can take weeks, months or even years for complex business or real estate deals. This means that if you need that cash at short notice you should explore investing in shares as a powerful alternative.

2. Commodities

Commodities are natural products that are consumed by people and these products and their derivatives have been traded in open markets for a very long time. I consider precious metals like gold and silver a commodity, although, just like I explained before with your home, they are not assets since they do not produce income. Don't get me wrong, I own a fair amount of precious metals but it is a speculation play, not a safe investment in an asset.

Joining the commodities world is the vast universe of cryptocurrency powered by the best and most robust ledger ever: the blockchain. Crypto does meet the asset definition as it can produce income if you stake it and it can go up in price. To me, the blockchain looks and feels a lot like when the internet first came into play. It is a game changer and we are at the initial adoption stage still.

As governments stumble to find solutions to the financial crisis they have created through their senseless and futile mandates to curve the spread of Covid 19, they will all start creating their digital cryptocurrencies (CBDCs) as their traditional currencies lose value in the inflationary world they have created. This will signify the end of the early adoption phase and the beginning of the mass adoption period.

My prediction is that NFTs (Non Fungible Tokens) will become comparable to our current websites which will be supported by the blockchain as the internet supports our current websites. NFTs will act as electronic receipts for everything from art to consumer items. This will revolutionise the way we do business and transact in general. If you are not learning about this new technology, you will regret it in just a few years time when you will have to use it whether you want it or not. Once again you can visit www.lazyhappysuccessful.com for more information and education on crypto assets and technology.

I will also give you one of the best tips ever when it comes to creating wealth. If you want bigger paychecks you have to solve bigger problems. Think about it. The people that solve the biggest problems will always get paid more than the ones who solve the little ones.

Cycles affect your investment decisions

Just like I explained in the Lazy Health section hormones also affect your financial decisions. When I look back at some of my best business deals they tend to have come to fruition in after work meetings (between 6 pm - 10 pm) or during long lunches (the longer the better). I now very rarely schedule any calls or meetings in the morning and dedicate that prime testosterone time to health and achievement. This is when I get shit done. Calls and meetings are a thing to do around lunch or evenings. I am ruthless when it comes to calls and meetings and will not do them unless I am certain there is a benefit to them. There is nothing more frustrating for me than to meet someone for an hour or so to achieve what could have been achieved in a 5 minute email or call. Business meetings are for big decision making and to strengthen relationships, that is it.

You can also “hack” your testosterone level if you know you are going to need it for a short amount of time at an inconvenient time. It is scientifically proven that you will increase your testosterone level (momentarily but long enough to impact an activity) if you exercise vigorously, get sexually aroused (do or watch whatever rocks your boat but do not ejaculate!!!), watch your favourite team win (watching your favourite team lose will deplete your testosterone) or have a short nap.

You need to listen to your body in a world where people have lost that connection and try to perform their revenue making activities like robots. You will achieve more and have a more balanced and happier life if you reconnect with your own body and start making better decisions at better times.

Obviously, your hormonal balance also changes throughout your life. This affects how we perceive the world and our own decision making. Some years of your life will be better suited for specific activities while others will feel like you are rowing against an extremely strong current. The key to this fact is to be patient and to use your strengths at the right time. Remember TAG, think, act, get.

Always a learner

You have to keep on top of new ideas and developments when it comes to investing in any assets. If you have the mentality of a student, you will be able to foresee and adapt to new paradigms and profit handsomely while at it.

Learning is fun anyways, so make sure you get your fair share of it.

Understanding ROI and ROTI

I want to conclude this section by talking about the most powerful formula and concept when analysing any form of investment.

R.O.I. (Return On Investment)

R.O.T.I. (Return On Time Invested)

R.O.I. = Profit / Cash Invested (usually expressed as a percentage)

R.O.T.I. = Profit / Hours of time invested

Your goal is to maximise R.O.I. and R.O.T.I. until you get infinite returns in both! You may ask, how do you do that …. well, the mathematical answer is simple: Invest none of your money and time.

For example, Elon Musk recently purchased Twitter. Elon is the richest man on the planet but instead of using his money, he announced that he was going to use finance and other people's money to settle the purchase. Why would the richest man in the world use someone else's money rather than his own? Because he understands R.O.I. and what it takes to be wealthy.

The theory is simple then, but what about the practical aspect of these formulae? I can tell you that it is also simple but it takes two special skills to be applied:

1. Experience

2. Strategic clarity

In terms of experience, it can be your own or you can "borrow" it through education or coaching. Investors who will provide you with the funds for your investment will need to believe in you before they let go of their funds. To me, it is also very logical to borrow someone else's experience rather than use yours. I hate wasting time and making mistakes and working with people that have already made them will save you both time and painful headaches.

Strategic clarity has two subcomponents.

You need to have clarity and believe in your strategy without any doubt or hesitation. That means that you are the expert on the investment.

But that is not enough, you also need to be able to convey that clarity to investors and that is where most wannabe entrepreneurs fail miserably. If you have ever watched the tv program "Shark Tank" you understand exactly what I mean by this. Most entrepreneurs that go to the sharks (investors) asking for funding don’t have the ability to portray trust and knowledge and that is why they fail to secure investment funds. It is not so much the product or business idea, it is their lack of clarity and communication skills.

The reality about minimising risk and time to create wealth is that it is much easier to achieve when you work with the right people and invest enough quality time to become an expert in an area. Surround yourself with the right tribe to maximise performance. My last piece of advice for you is to go out there and make it happen. The quicker you get to your financial goals the more life you will have to truly enjoy happiness, whatever happiness means to you.