

The Power of Income Layers

by Matthew S. Chan

(Excerpt from "The Intrepid Way")

Every day someone enters a retail store to buy a snazzy big-screen television, a bank approves a loan for someone to buy a house, or a car dealer approves a new lease on a new car for someone to drive. In these cases, people understand the power of borrowing and credit - where you receive the product today but pay over time.

The power comes from allowing you, as an individual, to buy something that is worth more than what you currently have access to. In essence, you are buying something today with tomorrow's income ... wherever that income may come from. You accomplish this by making smaller monthly payments to a lender.

I wonder how many people actually stop to think about why large companies are so willing to accept small monthly payments from so many people year after year? And yet, why is it that individuals always seem to want ALL their money at once instead of small streaming payments?

The answer is because companies are focused on ongoing business and cash flow by creating huge numbers of streaming income from their customers! These companies understand the power of financing. They will receive more money over a span of time rather than if they tried to get all of the money from you at once. And there is definitely no shortage of people willing to pay more than the purchase price for the privilege of paying over time!

Once a sale is made, the company continues to make money off of you for many months ... and even years to come.

Done on a grander scale, this equates to a massive accumulation of thousands and millions of income layers that will forever sustain the company.

For example, America Online has thirty million subscribers in its network. This equates to nearly thirty million income layers, at \$22+ per subscriber. America Online does not try to collect an annual subscriber fee. They are much more content with receiving the small \$22 per month from you. They know that more people are willing to pay \$22 per month rather than coughing up a lump sum payment of \$264 each year. You can do the math to see how much they receive per month ... it's staggering!

My cell phone company charges a monthly fee instead of an annual fee, despite the fact that I have agreed to a one-year contract. My rent is collected on a monthly basis and not a yearly basis. These one-year commitments allow the companies to create a strong likelihood to receive a predetermined amount of dollars per year from me while they make it financially easier for me by only asking me to pay once a month.

I mentioned that people understand the power of borrowing and credit because it allows them to get something today by using tomorrow's income. The power comes in making it affordable through their monthly payment to the financing company.

It should be noted that one person's expense is another person's income.

Person A Expense >>>> Person B Income

The more expenses you have, the more income you are providing to someone else. That is the essence of how an economy works ... whether it is the local, national, or world economy.

Conversely, to increase your income, you have to encourage others to spend

money on your products and services while providing good value.

What keeps most employees grinding away are the things they focus on. Most employees can see the value of having expense layers to get what they want today. However, they cannot see the power and value of having income layers to get what they want in the near future.

- Using expense layers to get what you want reduces your personal wealth and freedom.
- Using income layers to get what you want increases your personal wealth and freedom.

Instead of looking for ways to create income layers to get what they need to improve their lifestyles, most employees look for ways to create expense layers!



Matthew S. Chan is the author of several business books including “The Intrepid Way” and the “TurnKey Investing” Book series. In addition to being an author, Matthew currently oversees the management of his Internet business, property management company, and publishing firm.

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