

# Which Income Model are You Working Under?

*by Matthew S. Chan*

(Excerpt from "The Intrepid Way")

In the early 1990's, I was becoming well established professionally and academically. I had already achieved what I thought was appropriate for the time. I had received my Bachelor's Degree in Business Administration, I had a good position at a good company working for a reasonably good salary, I had earned technical certifications in my field of expertise, and I was getting two nice vacations a year

I began to think to myself, "What do I do next?"

I thought about starting my own business, but I didn't feel prepared for it ... mainly because I never received any training or education in how to start my own business. I was only taught how to be an employee in someone else's business in college.

Therefore I thought I needed more business-oriented education. What seemed to be the next logical step for me was to get my Master's Degree. So for two years, I worked full time during the day and went to school nearly full time at night to earn my MBA. Because it had taken me seven years to get my Bachelor's degree, I had no intentions of taking a lengthy amount of time to get my Master's.

I then completed the MBA program and earned my graduate degree. While I did think I was better off for the experience ... I really didn't feel any more equipped or qualified to launch my own business than I did two years earlier!

It then occurred to me the reason why that was! They didn't teach me the skills of entrepreneurship ... a very special breed of business. All the education I received was provided by teachers ... who were employees themselves ... and the purpose of the education was to teach us to be even higher paid employees! They did not teach us how to become better entrepreneurs; they taught us to be better corporate and professional employees.

It was this realization, in addition to my growing discontent with working as an unappreciated employee that eventually led to my departure from the corporate world later that summer.

Even as I had launched my own business later that year, it took another three years of working as a highly paid self-employed "expert" before I realized that what I was doing and the model I was working under was fundamentally flawed for what I wanted to achieve in my life.

The biggest flaw I was working under was working under a Limited Income Model. I realized that my income was entirely labor-based. If I stopped putting my labor in, my income would almost immediately stop.

But I was also limited on how much income I could make because what I got paid was largely based on how much time I put in. It didn't matter whether I got paid by an hourly, weekly, or project rate ... it was all the same. It was all based on how much production that I alone could generate. And unfortunately, that limit was often reached very quickly.

That is why achieving a six-figure income for most people is still so highly regarded ... whether you are an employee or self-employed expert. It is relatively a great challenge for most people to get some employer or person to agree to pay you a six-figure salary year after year. You have to demonstrate a very significant value for a company before this would ever occur.

The interesting thing is that if I wanted a six-figure income, I knew what I had to do. I had to work much harder and to work more hours! I had to be willing to sacrifice more of my personal time and energy.

The problem was, based on my calculations, I would still have to work well into my 50's to achieve personal freedom and comfortably maintain the lifestyle I wanted.

And once I got there, how long could I hold on to that six-figure income? Many people in recent years found out the hard way that it is one thing to talk someone into hiring you at a great salary; it is another thing to talk someone into keeping you indefinitely.

Many "fallen angels" have learned this hard lesson after being thrown into the streets by downsizing or bankrupt companies. Regardless, many still cling to the old ways. They know of nothing else to do!

During this time, I realized that if I continued with my way of thinking about trying to negotiate better salaries and better contractor rates, I would make a better living ... but I wouldn't necessarily live a personally freer and more enjoyable life.

I would be like many other higher-income workers I saw: own nice cars, have a big house, and an even bigger overhead to support. They would

continue to grind for 40 to 60 hours a week to maintain that lifestyle until they were 65. And if they ever stopped working for any length of time beyond their predetermined vacations ... their livelihoods would come to a speedy end.

Many people have learned the hard way what it means to not have income layers and working exclusively under a limited income model.

In my view, having income layers is a significant step to gaining personal freedom. And if that is all you did, you could lead a very comfortable lifestyle.

However, part of generating streaming income is creating incomes that have few or no income limitations.

The reason so much conventional advice today stresses on saving money is because the advisors' own income is in fact limited and scarce. There is only so much income that one person can generate. There is an artificial cap based on what an employer will agree to pay for one person's services and labor. But can you blame them? After all, there is a limit to how much labor any one person can put in. That is why you may hear people taking on second jobs ... yet at the same time you rarely hear of anyone with a third job. There simply is no more time and energy a person can put in for a third job. Ultimately, their time and their income are limited.

The ability to increase your income and create income layers is largely determined by the underlying system that you are building on.

For example, when I buy investment houses, I do not depend solely on my own ability to qualify for financing. The reason for that is because it is much too limiting. I can only qualify for so many loans before a lender will stop me from purchasing more properties. Lenders are risk-averse. They won't risk that I could lose all the properties and go broke. In reality, what are the chances of every tenant picking up and leaving my investment properties they have called home? From my point of view, it is very slim chance indeed.

As such, I find ways of financing that do not require my own credit and borrowing power. I use owner-financing, as well as financial partners and investor financing. There is no limit to how many owner-financed properties I can take on ... just like there is no limit to the number of financial partners and investors I can potentially work with. Therefore, I do not have a limit to how many investment properties I can buy.

Another example is that I prefer online businesses to physical storefronts. Physical storefronts require too much capital and physical maintenance. While there are certainly physical aspects to every online business, online businesses

reach a worldwide market and can be in operation 24 hours a day, 7 days a week. The actual attendance and support on the backend of an online business can be controlled at your discretion. However, the digital storefront that people see on their computer screens can continually accept orders and payments all day and night.

Online businesses are flexible enough for me to sell \$500 items as easily as a \$5 item. The work involved to sell either is relatively the same. Thus, I can generate far more revenue moving the same amount of merchandise with the same amount of work. Please keep in mind that this is only one simplistic example of thinking and working outside of a limited income model.

I like the publishing business. For example, this book that you have in your hands was written once. However, the potential reward for this book can last a lifetime through book sales and enhanced personal credibility. I can be paid over and over again for a onetime piece of work. Whereas I would never consider being a newspaper writer ... the reward for one newspaper article usually results in only one paycheck.

Ironically, so many college graduates have had to write term papers, but they have never managed to put those skills to work for them. In many ways, this book has been easier to write than most term papers because there are not many set rules or formats that must be used within a book. I have some artistic and creative freedom here. And yet, this book has the potential to live on even I after I am deceased. It is all in how you see things and how you apply your skills. I am an author, yet I do not consider myself a writer ... much less a very good one. My editor helps make my words sound and flow better.

Likewise, I consider many aspects of websites a form of online publishing. You do it once, but it continues to live on and produce for you.

Prior to writing this book, I produced a few audio programs for business associates. But I never worked for a fee. The problem with working for a fee is that you only get paid once. I would simply produce the programs for free in exchange for the opportunity to sell and promote their products ... but also create goodwill with them for my future projects when I may need their assistance.

The opportunity to sell and create goodwill is unlimited. Simply getting paid for my labor and time is very limited.

At the center of most unlimited income models is your ability to sell. Whether you are selling yourself, your products, services, or credibility, your ability to sell and reach out to the marketplace is paramount. Unlike what they taught in school,

salesmanship today is not about cold-calling or being a used car or door-to-door salesman. It is about your ability to communicate, demonstrate, educate, captivate, inspire, and motivate.

The examples I have given you are but a very few ways that I work in an unlimited income model. There is no limit to how many of these types of projects and businesses you can take on because there are always ways to accommodate the growth ... whether it is through hiring others, automation, computerization, investors, or partnering.

Unlimited income models allow you to not only give yourself personal freedom; it allows you to become wealthy ... and even rich! While you have the option to cut expenses, unlimited income models actually work better by increasing your expenses. If you increase the right expenses, you can actually generate far more income than if you were simply being stingy or frugal.

Limited income models allow you to be comfortable; rarely will it allow you to be rich. In fact, that is why the emphasis on cutting back on expenses is so important. There are simply few options.

The questions I generally ask myself in any project or business I work on are as follows:

1. How much personal time and energy do I have to put in?
2. How much money do I have to invest? How much can I use of other people's money?
3. What is my payoff? Is it financial rewards, credibility, or goodwill?
4. How much of it will I get in return? How often will I get a return? Is it only one time, many times, or infinite?
5. How much do I have to put in to maintain it? Weekly, monthly, annually?
6. How scalable is it? Are there ways to grow it without requiring much of my personal time and energy? Can I outsource it?

If I must use my personal time and energy to work, I generally work on projects that have unlimited income potential with many types of payoffs (financial, credibility, goodwill).



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