

Hi and welcome to your final 2001 edition of Financial Independence.

I recently hurt my ankle playing basketball to the extent that I've been redistributing some of my wealth to the local physiotherapist. Since I've been going a couple of times a week I've started to ask her what's the usual injury this week.

The first few weeks it was backs or necks, but when I went on Tuesday morning Lena advised that it's now Christmas stress. People want their backs strapped up so they can get back to the shopping centres and carry on regardless.

Well, I hope that your lead up to Christmas is certainly more relaxing than that!

Your December Financial Independence includes:

- **Personal Wealth:** Don't wait for January 1 to make your New Year's Resolutions. Get busy now and decide whether 2002 will be a year of sowing or a year of harvest.
 - **Business Wealth:** It's time to finish off Stage One of the Better Basic Business Plan by pinpointing the need for short and medium term goals and also setting performance milestones.
 - **Real Estate:** The win-win outcome when it comes to Christmas landlording.
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Personal Wealth:

2002: Will It Be Planting Or Harvest Time?

As I build more and more wealth I've come to the conclusion that making money is a lot like crop farming in that there are four cycles that must be completed to turn an idea (seed) into profit.

Let's explore this analogy further.

Cycle One: Buy The Seed

The aim of any wealth creation plan is to make money. However before you make one cent you must take a seed and plant it in fertile ground.

So the first question that must be considered is, 'What sort of seed should I plant and how do I obtain it?'

There are many different kinds of 'wealth creation' seed but the bottom line is that the crop is either regenerating (like the apples from an apple tree) or alternatively the seed raises an annual crop that must be harvested and then replanted for the following years crop (such as wheat).

In this example, the apple tree would be cashflow investing and the wheat would be capital gains returns. Neither is right or wrong and as such it would be smart to have a mixture of both types.

The way you acquire the seed either a choice of paying cash (which means going to seminars and / or buying product), investing time developing your own idea or a combination of both.

What's important to note here is that unless you have seed you cannot plant a crop. And if you don't plant a crop then the space available in your life for wealth creation may become overgrown with weeds, which will make the wealth creation farming process much more difficult.

Of course in this analogy the weeds are lifestyle expenses that prevent you from being able to plant your wealth creation seed in the first place.

Cycle Two: Plant The Seed

The only way to turn a seed into a seedling is to plant it in fertile ground. Buying product or having a good idea will never turn into profit unless you take action and implement a strategy that turns the concept into a reality.

For example, the idea of positive cashflow property investing is fantastic - but you'll never earn a dollar of profit unless you actually find a property and then harvest it using the strategy of your choice.

I've been to and presented at seminars around the world. The most frustrating thing to see is people who buy product but will never actually use the information. I also know lots of people with good ideas but these do not translate into profits without effort.

Another class of wealth creator I've come across are looking for the illusive seed that will self-germinate without any further effort on their behalf other than buying it. In this case the person goes from seminar to seminar and product to product searching for the non-existent seed that will actually self-germinate without any need for planting.

Cycle Three: Nurture The Seed

It's not enough to just plant the seed and expect it to ripen on its own accord. You must also regularly water and fertilise your wealth creation crop too.

This is a hasty profit seeker comes unstuck.

Sure, they do the work to collect seeds and even plant them, but instead of nurturing their crop they become distracted from their strategy by other quicker ways to become rich or they expect their crop to be self-sufficient.

Yet when a crop becomes neglected it begins to die and those nasty weeds are prone to start taking hold.

You can nurture your investment by continuing to take action to make the investment outcome you desire a reality. It is also important to monitor the performance of your asset to ensure the results are consistent with your expectations.

Step Four: Harvest

Given time and commitment your effort is will be rewarded with a successful crop of either regular cashflow or eventual capital gains returns.

You might think that the cycle process may end with the harvest, and for farmers who spend all the profits from the crop and have nothing to buy new seeds with, it does.

It is critical that when it comes time to harvest your crops that you don't let it over ripen. It's common for greedy farmers to wait for higher yields only to have the entire crop spoilt by insects or disease.

So it is with investments too in that there is a time when you could harvest your investments and make a profit rather than looking out for the one big massive return that will make you rich. I'm aware of many share traders who have missed their signal to sell on the expectations of massive gains only to see shares 'gap down' and open well below the previous days close.

There is a difference between being prudent and being greedy. Pay attention to when is the best time to harvest and avoid spending all your profits and not having enough capital to by the seed to resow your wealth creation fields.

What This Model Reveals About Successful Wealth Creation

1. You cannot expect to ever make a profit unless you gather seeds, which is done when you acquire new information and open a new possibility in your life
2. Information by itself is useless unless you take action. The action needed is planting the seed in fertile ground, which can be achieved when you apply your theoretical knowledge in a practical situation.
3. Just planting a seed in the form of an investment or new money habit is not enough. You must continually nurture that seed too. Many investors plant seeds, yet few profitable crops eventuate because neglect causes the possibility to wilt and the weeds to take root.
4. There is an optimum time to harvest your wealth and then use a portion of the proceeds to begin the seed - harvest cycle again. Investing is a continual process and not an exercise where you can become massively wealthy overnight.

In the same token though you must be vigilant in deciding when your crop is mature and ready to harvest and when it becomes over ripe because you have waited too long.

How David And I Apply This Model

We don't expect that all our crops we plant will be ready for harvest at the same time and we also know that it would be silly to plant all the same kind of seed in all our fields.

Our goal is to have regular periods where we plant and regular periods when we harvest.

For example, on the face of it, you might expect that our wealth creation progress during 2001 has slowed, since we haven't continued to purchase real estate with the same frenzy as previous years.

However, this impression is deceiving unless you consider our results in light of what I wrote back in the March Hot Topic, which was:

"I'm taking a cash position in the market right now and not looking to purchase properties to the same extent as over the past eighteen months. I believe that a lot of fools are entering the market buoyed by the prospects of instant riches using creative techniques such as 'flips' and 'wraps'."

You might like to say that our plan during 2001 was to buy seed and begin to carefully plant some of it while also nurturing our existing investments. In fact, in some cases we have also harvested investments where we have been presented with offers to good to refuse.

How You Can Apply This Model

I encourage you to consider your investments in the same crop-farming model outlined above. Do this by completing the table below and writing the activities or action steps you have completed in each stage of the model. If you've followed what I've said then the process of completing the table below is seed sowing, which is enough to open a new wealth creation possibility for you.

In the table below:

- 'Seed-Collecting' refers to activities where you acquire knowledge.
- 'Planting' refers to action taken to turn the knowledge gained in seed collecting process into a reality.
- 'Nurturing' refers to the monitoring of investments or action taken in planting; and
- 'Harvest' refers to investments that are currently profitable.

1. Seed Collecting Activities	2. Planting Activities
<ul style="list-style-type: none"> • <i>Member of Wealth Tips Online</i> 	
3. Nurturing Activities	4. Harvesting Activities

When you have completed the table you may like to review your results and think about how you can turn seed collection into planting, planting into nurturing, nurturing into harvesting and then how you can reinvest part of your harvest your profits into more seed collecting.

In summary, what do you have to do to turn your seed into harvest during 2002?

Business Wealth Goal Setting And Success (Cont'd From November)

Last month I revealed that the reason why many businesses plateau out is because they lack direction. It's easy to just go from day to day and earn an amount that's needed to get you comfortably through life.

And that's OK so long as you want to continue working for a living or only ever expect average results from your business. If you want a different result then you're going to have to do *something* differently.

I can give a testimony that the success that I've enjoyed in my own businesses is a direct result from setting goals at about 103% of what I am capable of. You might be wondering how it is possible to ever achieve more than 100%, but it is achievable if you shift your paradigm of thinking.

This occurs when you start focusing on what has to happen to get a result rather than focusing on all the reasons why it hasn't happened before. But understand that unless you take a different approach then you'll never be able to tap into the extra reserves that you do have but just can't utilise.

Commit to achieving that extra capability by setting goals and objectives.

In your November Financial Independence I outlined the five categories of objectives that I set, which were:

- Value Based Objectives
- Rolling Ten Year Objectives
- Annual Objectives
- Weekly Objectives
- Daily Objectives

The first two categories were outlined last month. Let's now consider how to effectively create annual, weekly and daily objectives.

Category Three - Annual Objectives

The secret to setting effective annual goals is to think about where you'd like to be at the end of the year and then work backwards identifying all the major milestones that must be achieved in order for you to achieve your desired outcome.

For example, I am currently redesigning the business unit around Property Investing.Com and my two broad goals are to obtain a list of 10,000 names and make gross sales of \$50,000 by the 31 December 2002.

After setting the broad goal and knowing where I am now, I can identify what and when key milestones must occur in order for me to achieve my goal.

For example, in order to generate sales I need to sell product, which means I must first have a product to begin with. Accordingly, here's how my annual goal translates into my business plan:

Annual Goal	Milestone	Responsibility
Products - generate sales of \$50,000 from product sold online at the site.	1. Complete PSR	SM 15/12/2001 <u>Finished 16/12/2001</u>
	2. Complete the online ordering process	EW 15/1/2001
	3. Sell remaining Wrap Libraries	SM 1/3/2002
	4. Source other (Australian) product that fits the identity of the site	SM 31/3/2002

By splitting up the annual goals I can now see what action steps are needed to bring me closer to achieving the outcome (selling \$50,000) I desire.

Categories Four & Five - Weekly And Daily Objectives

Milestones associated with completing your annual goals are unlikely to be achievable by completing just one task.

That's why it's important to again dissect your annual goals into more detailed weekly and daily objectives.

There is no right or wrong way to do this, just as long as you break the bigger goal into smaller action steps, outline ways that your progress can be tracked and also assign responsibility for getting the task done by a certain deadline.

Personally I use a table similar to the annual goals for my weekly goals, which looks something like this:

Week Ending Friday 21 December		
Goal / Milestone	Action Step	Responsibility
Complete PSR	Receive header image from Graphic Artist	SM, AW <i>Completed</i>
	Complete notes for Section One	SM <i>Completed</i>
	Complete notes for Section Two	SM - 16/12 <i>Completed</i>
	Photocopy 50 sets of manuals ready for seminar	TB, DB <i>Completed</i>

For my daily tasks I set out a 'to do' list and then prioritise my tasks based on what will earn me the most amount of money.

Most people find setting goals a difficult process yet marvel about the progress that's made when they complete the tasks. It's always far easier to progress towards your goals when you know that each step you take is bringing you closer to your objectives.

This concludes the first stage of my 'Better Basic Business Plan'. If you have followed it all the way through you will now have a comprehensive document that outlines:

- Why you are in business and what you hope to achieve from it.
- Identifies why it is that your customers will use your product or service.
- What are the strengths, weaknesses, opportunities and threats for your enterprise.
- How you can identify and then secure a long-term competitive advantage; and
- How to set five types of goals that will ensure you stay focused on achieving results and avoid plateauing out.

Please remember that if you have any questions or comments about my plan then be sure to post them on the General Wealth Creation forum.

Real Estate: The Win-Win Outcome In Real Life

Most property owners feel that they are doing their tenants a favour by renting them a property to begin with.

But it's this sort of attitude that is keeping the tenancy tribunals full of disgruntled tenants and landlords.

In reality, the easiest way to achieve above market rents is to offer a service where you reward the tenant for complying with the lease rather than threatening them if they don't.

Having just completed an exercise where we have again rewarded our good tenants, I thought it would be both insightful and a great way to finish off the year if I shared it with you.

The process began by determining which of our renters / wrappers have been good clients, which Tim was able to do easily by looking at our payment summary spreadsheets that we set up for each property we own.

For the tenants who were good payers or had let us know when they would have problems paying in advance, I wrote them a Christmas card thanking them for being wonderful tenants and providing them with a gift.

What was the gift? Two adult movie passes with a total value of \$20.

Now while we spent a little under \$500 in doing this, the goodwill it creates is worth far more. If nothing else, we must be one of the only landlords to receive Christmas Cards and calls of thank-you back from our tenants.

Imagine how you'd feel if you received two movie passes from your landlord or bank (if you own) as recognition of being a great customer.

So what about the other people we have in our houses? Well again I avoid the big stick approach and offer encouragement. The only time I'm inclined to become nasty is when a tenant's attitude changes and s/he just stops paying or honouring their obligations under the lease.

Thankfully, due to our extensive screening process, this is just a tiny fraction of all our clients.

To recap on this edition:

- Wealth generation from investing is a continual cycle of collecting seeds, planting, nurturing them and then harvesting them in the most efficient manner. Your decision about whether 2002 will be a year of harvest or a year of planting should be made as soon as possible.
- Many people set objectives that are broad and difficult to measure progress towards. However, an annual plan which is then dissected between weekly and daily goals means that you'll be making massive progress towards your bigger aspirations without even knowing it.
- Property investing is all about creating a win-win outcome. When it comes to landlording, this is easy because you don't need to do anything too extravagant because so many other landlords do the job so poorly. Just look at the goodwill that our business generates by writing out thank-you Christmas cards and including a token gift.

Speaking of Christmas, I'd like to take this opportunity to wish you a very Merry Christmas and a wonderful New Year.

For me it has been a year of many achievements. I hosted my first seminar, created two products, continued to build businesses, mentored many people in the area of wealth creation, was called 'Melbourne's Housing Hero' on national TV and in the last three weeks alone David and I purchased another 20 positive cashflow income producing properties.

Next year promises to be another exciting year and I'm thrilled to have you as an Inner Circle member sharing the journey with me.

Remember that success comes from doing things differently.

Regards,

Steve McKnight