FOREVER CASH

Forever Cash Real Estate Podcast 011

How to Build Forever Cash through Real Estate Investing

Hosted by: Jack and Michelle Bosch

Intro: Are you ready to transform your financial future? Here's your chance to see inside the mindset of self-made millionaires, Jack and Michelle Bosch as they pull back the curtain on secrets that can make you rich. Discover how everyday people are breaking the norms and building empires from the ground up using little known yet proven and time-tested wealth building real estate strategies. It's my pleasure to welcome you to the ForeverCash.com podcast and introduce you to our hosts, serial entrepreneurs, investors, educators, and best-selling authors, Jack and Michelle Bosch. Strap yourself in for the ride of your life.

Michelle: Hello everyone, this is Michelle Bosch and...

Jack: And Jack Bosch and welcome to the next episode of the Forever Cash Real Estate Investing podcast with your hosts as Michelle just mentioned Michelle and Jack Bosch, married to each other for now 13 years going on 14 years very, very soon in just a month by the time of this recording. If you listen to it after June of 2015 we are already married 14 years and have been working together pretty much since day one and love it. We are one of these weird couples that actually love working together, and we might have to do podcast about why it works so well.

Michelle: Yeah, absolutely.

Jack: All right, so what are we going to talk about today, Michelle?

Michelle: Well, I would like to talk about the three types of cash and how you can use these three types of cash to basically fuel your wealth wheel, and the three types of cash are onetime cash, temporary cash and what we also call forever cash.

Jack: Right, so if you might or might not know, if I just quick... do a quick introduction we, I have written a book in September of 2013 by the name of Forever Cash because in our family we have developed terminology of based to, based on what kind of a financial activity we are doing. What kind of financial... when we earn we basically categorize it in one of these three classes, but before we go into that I want to remind everyone that typically what we are going to talk about partly is how we do our deals which is through tax delinquent real estate.

We go after people that haven't paid their property taxes and there is multiple other podcasts about that subject that we have created already and that you can listening up. In today's podcast we are going to go a little bit a different route of actually looking at the different kind of cash that you generate, but we have a free mini course about tax delinquent investing for you that we just for the, as a thank you for you watching, listening to this podcast that we want to give you and that one, you can claim that one, you can go to ForeverCashFreedom.com and get there your free mini-course.

It's actually a seven part mini-course. You get all seven parts at once, so it's not something that you go one after the other, you get it all at once and it's really cool, I created it just recently, and it's very nice we are getting some very good-good feedback on it. So there is no cost to that you can just simply get it for free as I mentioned.

Good, so having said that let's jump into what we want to do here. As I mentioned I wrote the book called Forever Cash because in our family we have started developing this terminology that when we do a deal depending on what kind of a real estate deal it is or what kind of an investment it is or what kind of cash generating activity it is, it is either as Michelle said in a second ago a onetime cash deal, a temporary cash deal or a forever cash deal, and Michelle perhaps you can explain a little bit what they individually do.

Michelle: Yeah, and before I explain and I go into that, I want to tell a story. So about the end of 1999... Beginning of 2000, the year 2000, here we were or here I was finishing up school, Jack was working for a software company and he hated it. He was 100% trouble, I would drop him off at the airport on Sundays, and then he would come completely trash exhausted after 60 sometimes even 80 hour weeks in that period of time. And we were not in a very happy place in terms of the time that we had for our relationship and just for anything else other than working for somebody else. And so that's where we were back then and what we realized also financially is that in spite of putting all those hours what we were getting in return was not...

Jack: We were not getting forward in life, with five years into it we had more depth, more obligations, and more bills to pay than we had before, we felt like we weren't going backwards financially or forward.

Michelle: And so what had happened is what we realized is that, what was happening is that we were income statement wealthy, Jack was having a very nice paycheck, but that paycheck was going towards paying our mortgage, paying car payments, insurance payments, payments on our couch, payments on our bed, payments on our laundry machine, payments on everything. And so what we realized is that we were basically earning what we call onetime cash, and we were doing it the worst possible way. We were exchanging dollars for hours, a lot of hours for not very many dollars.

Jack: So in other words we realizing that when we clamed, we marked it with that name onetime cash because it was cash that was only coming in one time. I worked a week, and I got a week's worth of pay right. And if I... and on top of it I was on salary, I work... I was getting the same pay where I worked 20 hours, 40 hours or 80 hours.

So basically if I broke down my pay over 80 hours a week I was probably getting something like $10 or $15 an hour which was not very much. Now but it's crazily onetime cash is the cash that you receive for one activity. You mow the neighbor's lawn, it takes you an hour and you pay, and you get $20 for mowing the neighbor's lawn, that is one-time cash and within one-time cash now Michelle there is different quantities of one time.

Michelle: Absolutely, and so you were basically earning salary onetime cash, and that is when you, that is basically onetime cash that you earn when you find yourself in the effort economy, where basically no matter what result you get you are going to be paid the exact same thing and you are going to be paid just once.

Jack: All right, so that's exactly true and I like that you mentioned that we are in the effort economy.

Michelle: Yeah, when you are in one-time cash.

Jack: Because in the effort economy it's like yeah, you get paid for the effort that you do no matter what the result is. I got paid the same amount of money week in week out even whether I worked a lot or worked a little in that job, and mostly I worked a lot.

Michelle: Yeah, so they weren't results that... we didn't have the results that we wanted for the effort that he was putting in. So we were like okay, we need to do something different and somehow we came across tax delinquent real estate investing, tax liens, and tax deeds and we-

Jack: And then our method to actually circumvent these to go directly to the owner, send out with our different methods.

Michelle: And then we started producing higher, higher, much higher checks for the effort that we were putting in, and so those results were much better, but we still had to basically work and in order to work we would have that big influx of cash. So we would sell them a property or wholesale a property and we would have a big check, but if we start basically hustling for that next deal, the checks would stop.

Jack: But we did make one transition in that moment already which is we went from the effort economy over to the results economy. Basically now we could work ten hours let's say or five hours on a deal, and sometimes we would make $3,000 on a deal and sometimes we would make $30,000 on a deal so-

Michelle: So we were getting compensated adequately for the hours.

Jack: Adequately and basically but for the same amount of effort if we focused on the right kind of properties we would get a much bigger result. So our results depended on our focus, but at the same time there was still one thing that is every time if we stopped which Michelle just said, if we stopped, you just said if we stopped doing deals the income stopped.

So then we looked at that and said, "Well, you know what? There are needs to be or actually just happened by coincidence," but that one day we were selling a piece of land for $20,000 and that we had bought for $2,000 and somebody comes to us and he says like hey, Jack, Michelle I want to buy this property, but I don't have $20,000. So would you be willing to take a $2,000 down payment, and then allow me to make monthly payments, monthly installment payments basically of $300 for the next... we calculated 10 years.

Michelle: And we had paid for that property about $700, so $2,000 down, I mean all our money was back in right there, and we could totally afford basically to offer him some kind of seller-financing.

Jack: Right, so we looked at that and we were like so you mean you want to pay us $2,000 on a property that we paid... we said to ourselves obviously not to the buyer. We said, you mean that this guy want to pay us $2,000 on a property we paid $700 for, it means we are already ahead of the game by $1,300 and then he wants to give us $300 a month for the next 10 years.

I like this because if we do this not just once, but if we do this ten or 20 times, let's say we do this 20 times, let's say we do this 20 time at $300 a payment, we now have $6,000 a month coming in for the next 10 years. And that point of time our monthly expenses were not $6,000 a month, our monthly expense were only like $3 to $5,000 a month. We were like that means if we just do this 20 times, we are financially free at least for the next 10 years.

So over time we did that, we love that and we started doing this more and more, we did more and more of these seller financing deals, started building up cash flow from land actually funny enough, and started getting all these monthly payments for years and years and years and years, and realized that now we could actually go on vacation and when we come back from vacation...

Michelle: The mail box would have a lot of checks waiting for us.

Jack: And we were actually having more money in the bank than when we left. So it was like we love this concept ever since, but then we looked at that and we looked at the numbers and we said like, that, this is amazing, this is absolutely phenomenal. And it has allowed us to do some great things and has provides stability for business that otherwise is a deal based up and down business, right? I think you just have to chase the next deal for a big cash for a big check. If you have a dry spell of three months with no deals, you might run out cash, but if you do seller financing in this way you create cash flow, now you have stability. These $6,000 or whatever the number is let's say 20 deals for example, they come in for 10 years and...

Michelle:; And that's what we called temporary cash.

Jack: Right.

Michelle: Because it's coming for a temporary time and it will end at the end of those ten years or whenever those people decide to pay off the property, so...

Jack: We realized that, we realized that it's going to end someday, so even if it's 10 years down the road, we can put up our feet for ten years if you want which obviously we didn't, but we could that and then, but then after 10 years it would end. So we are like well, why we don't do...

Michelle: And start basically taking some of that cash that is coming in from that temporary cash flow and some of the cash that is coming in from our one-time cash, and let's start investing it into assets that will produce cash flow forever. So that means we turned from wholesaling or seller-financing to actually more of a buy and hold strategy.

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Jack: Buy and hold strategy on cash flow real state which is in that case rental properties, both residential as well as commercial rentals. And in effect that obviously because the cash comes in forever, that is obviously then the ultimate goal of real estate investing in that case is forever cash. And that's why when I wrote the book in September 2013 which you can get on Amazon and everywhere else is called Forever Cash the name of the book.

You can also go, I think you can go to ForeverCashBook.net, I think it's ForeverCash.net and you actually can also purchase a copy of the book there from us, and we actually give you like a really good deal where you can buy it for like I think it's like seven or eight bucks or so. So instead of in Amazon you pay 15 for it, either way you can go to either place.

Michelle: And when we are talking about forever cash. Don't think that you need to go and invest and purchase an asset like a big multi family, it can be something as small at the beginning until you get comfortable with this whole investing. It could be something as simple as a mobile home and a mobile home lot that you buy at a discount using our techniques and then that you go ahead and basically rent out and you'll have cash flow for as long as a mobile home is they are on that chuck of land.

Jack: All right then what you can if you don't want to deal with a mobile home in that example, you can actually sell them mobile home. Here is another story, another example of a deal we have done. We have done quite a few of those deals. So this is little community up in northern Arizona where is like people that kind of want to be a little bit off... not off the grid because I sell utilities and everything there, but they want to be a little bit off in their small community and... It's a very artistic kind of different kind of community, and it's really cute. There we bought a mobile home with the land underneath for the whooping amount of $1,850 from a lady that was kind of getting older, she was moved away to New York to her daughter to take care of, and the mobile home was sitting empty for already a year, two years and they didn't want it anymore. So we bought it for 1850 and literally sold it to the guy across the street, who was living in a bus for…

Michelle: It's not like... I know it sounds wild, but these stories do happen.

Jack: Yes, he was living in a bus. So moving from the bus to the mobile home…

Michelle: Was an upgrade.

Jack: Even though it was an old 1960s pretty junkie mobile home was a substantial upgrade for him. Because it had a bathroom, and it had water, sewer, septic, everything setup right, telephone, and so on, electricity. So he was willing to fix it up. He was on disability, very restricted income. So what we did in this case is we negotiated with him that we could actually sell the mobile home to him with monthly payments, but lease the land underneath.

Michelle: Forever.

Jack: Forever. So therefore what happens is if you don't want to deal with a mobile home itself, because mobile home repairs I don't know anything about it… I don't know much about mobile home repairs and so on. I basically got rid of the maintenance need in the mobile home by selling it to the Vietnam veteran, also to the guy that was on disability for monthly payments and he... low monthly payments that he... was enough for him to afford and he would fix it up himself. But I rented the land underneath to him for another couple $100 a month.

All of a sudden you get now rental income from land. And what do you have to do on the land? Absolutely nothing. The only thing you have to come in is if there's something in the ground breaks. And what's going to break in the ground. Perhaps the septic tank, but not even that, that belongs really to the house. So there's nothing you need to do and you just collect a check. In this case I think it was $250 dollars.

The thing is $250 doesn't sound very much, but if you really compared it to the average rental property in the average market in United States. And when I say average I mean, let's take out of that Los Angeles, San Francisco, New York and perhaps another couple of cities, because they're just outrageously expensively.

All around the rest of the country you can buy a house for let's say $150,000 dollars.

If you buy a house for $150,000 and you put 20% down. You're putting down ...first if all you have to put down $30,000 on that place. And then you have a mortgage of a $120,000 on that property. That means you have a mortgage payment including property taxes and other things, an Escrow payment of probably let's say $750 on that property. And you rent this property for $1,000 a month; guess what your cash flow is? $250 a month on this property. Plus you have a tenant now, you have issues, you have repairs, you have midnight move outs, and so on and so forth, which if they move out for a month, guess what? Now you have to pay $750 a month in mortgage payments and your cash flow gets eroded very quickly.

Even if everything goes well, you're making $250 a month on a rental property. Well, we just showed you a way that you can do the exact same $250 a month in cash flow without any hustles whatsoever. So that's a cool way or perhaps a little eye opener on how you can actually get cash flow from land, and use the same techniques that we talked about in all of our podcasts, not just to flip deals or to do deals with seller financing, but also rent land and actually get forever cash from it.

That's what's our big kind of breakthrough that we basically realized for several years, we did mainly flips and temporary cash seller-financing deals. And at some point of time it's like, "You know what? What if we ever want to stop doing this? What if we want to ever retire? What if we want to take a couple of years and just travel around the world with our little daughter, and so on? What if we want to do that?" Well, the answer is we can with the temporary cash, but it's going to end. But the ultimate Holy Grail to be able to retire forever is forever cash.

Michelle: Yeah.

Jack: So now to this day what we're doing is we're using one-time cash, basically our cash flips and the temporary cash as money sources, as profit sources to fund the investments into forever cash.

Michelle: Yep. That's exactly it. He couldn't say or explain it better. And it's like that boxer guy. What's his name? Floyd May something.

Jack: Mayweather.

Michelle: Mayweather.

Jack: Yeah that's a great story.

Michelle: Yeah.

Jack: Yeah.

Michelle: He was in the plan of fight, earn, and spend. Fight, earn, and spend. And so he was stuck in that one time cash world. And I don't even know. Did he ever break out of that?

Jack: Well, I think he's still boxing, but the thing is Floyd Mayweather is a very famous boxer. I think he still has fights going on. I'm not into boxing, so I don't really know. But somebody told me that he was interviewed by somebody and basically his business model. His business model of what Michelle just said; fight, earn, spend. Fight, earn, and spend. So basically if he needs more money he goes makes another... does another fight. He earns another whatever it is, $5 million at the fight. He goes throws parties, does crazy stuff, and blows that money. And then when he runs out of money, he goes and does another fight.

His fights are the equivalent of a real estate flip with one difference. How long can he fight and still demand a $5 million pay check?

Michelle: Absolutely.

Jack: Well, he might be able to do that for another 5 years, 10 years, but at some point of time who wants to see a 60 year old guy fighting that was a former champion. He's not going to get anything anymore, if still has brain in his head, if it hasn't been mashed out of it by all the fights. So the thing is that's, however, that's a good parallel. I love that you mentioned it Michelle, because that's a good parallel to what most people do in the job world. We go have work, we get paid, and we go spend it. We go work, we get paid, and we go spend it.

Michelle: Spend it.

Jack: And how long can you do that? That's what the ultimately result and you seeing the people at Wal-Mart being the greeters, because they realized that when they earned, they spent it all, and at the end they didn't have any... they only went for one time cash, they never went for temporary cash, let alone forever cash.

Michelle: And there are so many people that walk around like zombies with this business model in place. And I heard something the other day I was listening to another podcast. And they were describing…

Jack: You're listening to podcasts?

Michelle: And they were describing basically the difference between economic children and economic adults. And basically economic children are people that want to be taken care of and therefore, their business model sounds like that. You go to work, you get paid, and you spend it. And then there's people that are actually economic adults and basically decide okay, "I need to take the reins of my financial future." And they've actually go out there and find ways to start producing either temporary or forever cash. You can call it passive cash flow, whatever you want to call it. It's the same thing.

Jack: And in all reality it's never going to be completely passive, except for that land underneath the mobile home deal. But even there, if the owner of the mobile home that you sold with seller financing now, if he takes, once he pays off his mobile home, if he takes that mobile home and moves it on different piece of land, you're going to come back in, and then go buy another mobile home and put it on there. So there's always every few years, every 5, 10, whatever the number of years is, you're going to have to come in for a little bit, for a few weeks and do some activity.

If you have rental property it can be very passive. We have a whole bunch of rental houses, it's extremely passive. We receive about a tenant phone call every two weeks with some kind of need, then we home warranties…

Michelle: Home warranties and property management companies.

Jack: And we have a property management company. So when we get a phone call, we just place another call to the home warranty company, they call the tenants, they go fix it and we're done. So it's not entirely passive, but we have to still do a few phone calls, but I compare that... the income from that is more, way more than I was making back when I had a job. So would I rather work 40, 60, 80 hours a week for a pay check? Or I would I rather... get two phone calls a month that require me to do two or three more phone calls a month?

It's not even comparable. I'm working... I'm a property manager, we work like perhaps 4 hours, 6 hours a month to make more money than before I made in 40, 60, 80 hours a week.

Michelle: Yep.

Jack: So it's absolutely ridiculous. Now there's one question that our listeners might have is, "Sounds good Jack, but how do I get started? How do I do that? Is there a methodology behind how to start with wherever you are right now, and actually get to that point of financial independence through temporary cash and particularly to forever cash?"

Michelle: Yeah. It's a…

Jack: And there is such a thing.

Michelle: Yeah.

Jack: That's actually... we wrote about it in the book Forever Cash. And Michelle I will let you talk now, I've had the microphone for long enough.

Michelle: No problem. And I want to say that entrepreneurship isn't for everyone. But forever cash is. And so even if you do have a job right now, and you want to get basically this going, I want to basically, quickly describe a wealth wheel which basically involves you earning extra money in some way shape or form...

Jack: So methodology. Don't just jump into the wealth wheel; tell them the name of it. The name of the system that we're actually talking about is called the Wealth wheel.

Michelle: Wheel. Yeah.

Jack: Because at the end of the day, what you... The process that you do is like a wheel. You go through it not just once. It becomes a way of living and it becomes a way of looking at your financial life, and it's... in essence it turns you into a wheel. You start on one side; you go around the wheel in multiple steps… And then you go turn it again, and again, and again. And overtime that wheel will turn faster, and faster and faster. Now that sounds really cryptic right now. Michelle is going to uncover.

Michelle: So basically you start by earning extra money. If you have a job right now, that could be in the form of like we explained earlier, flips, either land flips or house flips, something that you can start basically doing on the side that will give you one-time cash. Extra onetime cash other than the one that you're using right now to support your family, and pay the bills and keep you going and even fuel your initial investments in marketing and so on, in order to find your deals for one time flips. So…

Jack: And really anything works in this area, doesn't have to be real estate. Of course we love real estate because in real estate you get the biggest check for your effort.

Michelle: Yeah, absolutely.

Jack: But you can even if you know how to sell stuff on eBay, go sell stuff on eBay. Make some money that way. If you know how to do internet marketing, go do some internet marketing, sales affiliate marketing, sell some stuff that way. But if you're really good at mowing lawns, go lawn a neighborhoods lawns and make some extra money that way. Doesn't really matter what you do, just get started making some money.

Again we're big proponents of real estate and of course our roadmap of real estate, the tax-delinquent real estate is obviously our favorite way because it has the least competition, has the highest margin in the industry. And it's the easiest one to learn because there's a least red tape around. But you can listen to the other podcasts and... The key is to really get started and do something, whether it's real estate or whatever it is.

Michelle: And so once you've earned some extra money, extra onetime cash, you save a portion of that income. Basically you play what we call offense and defense. You save a portion of that income, you reduce unnecessary expenses, pay some of down... any debts that you might have going, either credit card debt or whatever debt you have, and then you invest. When you reduce unnecessary expenses and you save some of that extra income, you're basically going at it from the two points; offense and defense.

Now you have extra cash to go ahead and invest in an asset and we call... not all assets are made equal. You want to invest in jackpot assets. And that produce cash flow forever.

Jack: I like that name. I like to... strictly the first part of that name, the Jack part of that name.

Michelle: The Jack…

Jack: So let me just jump into the other piece just for one second. The thing is... number one, when you... you want to look for places in your life that you can make extra income, obviously we just talked about that, but then the natural tendency of most people is that if they have extra money they go spend it. And if you are one of these people that just cannot hold onto money, you got to help protect yourself from yourself. So again I wrote about it in the book Forever Cash and you can get a book of it at Amazon or ForeverCashBook.net or .com, it's one of the two.

We'll actually put the right link to it on the podcast notes, so if you just go over to ForeverCash.com/Podcast you can actually see over there the podcast notes and underneath there is the links that we use there, and we will make sure that we put the right link in there.

So when you make extra money you got to protect yourself from yourself and the way you do that in some cases is if you really take one of these people that just can't hold onto any money, you want to literally open up a bank account. Like find a bank in your city if you live in a big city that has like... where it's like a small bank that only have one office and that office is like 40 miles across the city on the side of the city.

And that's where you want to open your bank account and then every time you make extra money you go deposit the money over there, and you throw away your check book for it and you throw away your debit card for it. You just go in there with your ID and you just... once a month or once a week you automatically do a wire over there or a transfer over there.

Basically the key is you want to keep that money for the moment as far away from your direct access as possible, so that you don't fall into the strap of these impulse buys-buys because you find something is like well, I just got my tax return. I got $3000 back in my tax return, I have the money. No, take that $3000 tax return and move it right away into a different account that you don't have instant access to.

Michelle: And now I want to just use a parenthesis... So, if you find yourself being such a person like the one that Jack described that cannot hold onto money, those behaviors are indicative of the self-worth that you have right now. And so habits whether they are conscious or not, show up in how you handle your finances, so keep an eye on that as well. I know this is a little bit off subject, but in a way it is because we are not fragmented humans.

There is this holistic approach on what mental habits, what emotional habits, what other things from our other aspects of our lives we bring into our financial lives that are basically sabotaging our efforts]. Keep on going Jack.

Jack: So that's the piece. So you are earning some money, you stash it away because... and it's not for long term because it's not that you can't use that money, but you can't spend that money on the junk that you're used to spending it. You got to keep that off to the side and then you also want to go look into your regular life for stuff that you can get rid of. It's like the other day I looked at my... we have some cable television like the dish network.

So when the dish network called me they had the special offer and it was like $70, $80 or something like that for this big package. I got a bill from them yesterday for $187 and really our offer hasn't changed. Guess what, even I where this doesn't matter, but we're following our own technique. I'm going to call them next week and I am basically going to switch over to another provider, or negotiate them down again because if they were able to give that to me for $80 bucks they should be able to give that to me again for $80 bucks, because we don't even watch much TV anyway.

We watch the same three channels in about an hour a day or something like that or half an hour a day and most of it is for kids' stuff. So therefore you want to go and look and reduce unnecessary expenses without lowering your lifestyle. So I am not a big fan of you cutting off the Starbucks and cutting off all the stuff that you like, if you love Starbucks go to Starbucks, but the thing is there is stuff like your cell phone bill.

Go have it checked, there is probably a cheaper plan out there you can take and you still have the same cell phone and other kinds of things that you can reduce without affecting a lot of stuff. So this is a piece... and if there is extra money you save, again don't go and spend it on a trip to Vegas. Go put it into that same account that you just set up where you put all what we call the seed money.

Michelle: Like Jack said you don't have to give up on the things that you love. What I will say though is that if you want extra ordinary results, it's going to require extra ordinary measures. And for us we were that type of people that we wanted extra ordinary results and therefore we took extra ordinary measures. We even sold our nicest car, and we kept my old slim car, it was an old dual prism.

Michelle: But therefore... yes, eating a burger, reading the paper and checking your phone in any case. So…

Jack: At this time I was only driving five miles an hour.

Michelle: So basically we were willing to take extra ordinary measures to see extra ordinary results. We were there, but you don't have to go to that extent.

Jack: So the faster you want to move forward towards your financial future, the more obviously cuts you need to do. But even if you are not ready to do major cuts, well I just talked about these little things that don't affect your lifestyle, they do make a different because if you add them up, if you save $50 bucks on your cable bill a month, and if you save $20 bucks on your cell phone bill, if you save $30 bucks on your electricity bill, and if you save other things you are saving two, three, $400 a month which translates into three, four, $5,000 a year.

And with $5,000 in one year, in many markets of the United States you can already buy an income property, or at least have the down payment for that income property that is cash flowing with three to $500 a month. And all of sudden you turn $500 a month or five to $5,000 a year in savings plus a little extra income if you add to that little extra income of let's say you figure out to make an extra $500 a month only with other little activities like one deal a year, five $6,000, all of a sudden you have 10 or perhaps if you do a few deals you have 20, 30, $40,000 a month.

But even if you... at the very minimum everyone should be able to generate 10 or 15,000 a year in extra income and savings that you can put off to the sidelines, that you can use to invest, and that is already enough to buy your first income asset. For example we bought a house last year, a condo last year that we paid $6500 plus back taxes, so total a purchase price of a little over $10,000 for a condo. We just rented that condo for $500 a month and somebody paid two years advance rent on it.

So basically they paid $12,000 to us in cash to rent this place for two years. We paid 10 for it; we got 12 out of it. Isn't that a cool thing? So we have 12 in our pocket and we can go by the next one with it.

Michelle: And the best... the beauty of it is we have kept the asset. We still are owning the asset, and that basically is when you start changing this entire paradigm from you becoming an income statement wealthy person, basically your income is just depending on a paycheck to actually becoming a balance sheet statement wealthy. That means that your assets are the ones that are producing the income versus your efforts.

Jack: Right. And that's basically now if I quickly summarize the wealth wheel. So we have the process of adding extra money, then you want to save that part of your income and then you want to look in your life for easy ways to save some extra money, and then you want to take both of these things together, put them in a separate account, don't touch it.

And once they have reached that critical mass of seed money, which is off nearly around 10 or $15,000... Which believe me, once you start doing these stuff it will go... it's only $800 to $1000 a month that you have to generate and save that produces already $10,000 a year, and all of sudden you have the ability to invest in a cash flow asset.

A friend of mine just bought a house in upstate New York, $35,000 house, car rents at $900 a month, with property manager in place and everything. He has the cash, he just paid for it cash, but such a house you can buy with a $10,000 down payment and you get a $25,000 loan. I mean even your uncle Bob or your mother or somebody else is going to give you a $25,000 loan for that even if you don't have the credit for it. And then you give them $200 a month, but you take in $900 a month.

Now what happens is you have cash flow coming in. So you continue... now you are back to the top. You made your first... you invested in your first asset-producing cash flow…

Michelle: Cash flow producing asset.

Jack: Cash flow producing asset, right. And now we did one full turn in the wealth wheel. What do we do now?

Michelle: We do it again.

Jack: We don't stop. We continue living the exact lifestyle that you live right now. You continue making extra money, perhaps by now you've learned how to make even more extra money. You continue saving up a portion of that income, you continue keeping your lifestyle in such that you have savings. And now you put this all off to the side, but now you have one cash flow stream that puts in let's say $700 a month every single month into that thing. That's $8,400 a year.

So if you were able to produce... to save $10,000 a year with between no income and savings, and you now have a cash flow stream that adds another $8,400 a year to that, guess what, you just almost doubled the amount in that seed money account. That means in the next year now you can do two cash flow investments and basically now... each of which perhaps throw off $500, and now you have an extra $1,000 coming in plus the $700 from the first year. So now you have $1,700 a month coming in.

Now $1,700 times 12 is over $20,000 a year. So you have $20,000 a year coming in from your assets plus the $10,000 that you save; now you get $30,000 a year accumulating on guess what? You can use that to pay off the other assets or you can use that to now buy another two or so of these assets or three assets.

Michelle: And that's basically how you go…

Jack: And that's how every time you go around and every time you do this every year you do this, you can buy more and more and more of these cash flow assets until in a matter of literally reasonably five years you can... most people or let's say in a time period of five years the average American can replace the average American income with passive income. Now if you make more than the average American income, you might have to do this for a little bit more than five years but also if you make more you probably have the ability to actually save more.

Michelle: And get bigger checks.

Jack: And get bigger checks and make... Additional ways, perhaps you have a special expertise that you can use part time to making more extra money. So again it should work the same time period, three to five years is very reasonable to actually make enough that allows you to replace your current income. And that's the beauty of this wealth wheel. If you look around, this is not a method that we have invented.

Michelle: No.

Jack: This is a method that the people in the ancient Egypt that have gone forward from zero to wealth have already created. The people in ancient... you name it. The people, the immigrants that came to the United States 300 years ago, they have used the exact same method. Those that prospered have used the exact…

Michelle: The aristocracy in Europe.

Jack: The aristocracy in Europe is doing the exact same thing. Aristocracy... they have no more political power, but they still have a lot of assets. They are using the exact same thing. At the end of the day you reach a point where your assets pay for…

Michelle: Your lifestyle.

Jack: For your lifestyle, exactly. And that's the point of financial independence. All right, so with that we want to close up our call of this podcast. Again I want to remind you if you are interested in utilizing our techniques to do this, you can go ForeverCashFreedom.com and download a free mini course on how tax-delinquent real estate investing works, and as I said in also the podcast notes and all those things are being published on ForeverCash.com/Podcast. There are the notes, there are the transcripts, all those kinds of things.

If you are listening to this on your iPod or actually on your iPhone or so, you can literally write there on the podcast there is a couple of... like an information button or more button or something like that where you can also see the notes right there and then or at least a good part of them, and perhaps you can even click on the links there, I am not sure. But the simplest way is to actually go to ForeverCash.com/Podcast to look at the things right there, and look at also the podcast notes of the previous episodes are right there. So with that…

Michelle: We let you go and we hope that with this you can go ahead and get off the hamster wheel of financial hell, and get your wealth wheel actually turning and going in your favor.

Jack: That's right. So with that, thank you very much. This is Jack Bosch…

Michelle: And Michelle Bosch.

Jack: All right. Goodbye.

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