

# **Residual Income: Hard work but worth it**

**This article could revolutionize the way you think about your job and your financial future.  
Read with an open mind.**

## **Residual Income – What Is It?**

Residual income ("passive", "recurring" or "leveraged") is by far the best type of income available to most people. Once you set the wheels of residual income in motion, you can continue to earn money day after day after day, without much, or sometimes any, additional effort. It can be dependable income that keeps coming in month after month, year after year. Residual income is usually based on a previous activity, but sometimes needs nurturing to keep it coming.

One of the ideas that make residual income so powerful is that residual income is not directly proportional to the number of hours invested or number of products/services sold. It is income that continues to be generated after the initial effort has been expended. With residual income, 40 hours of work can garner much, much more than 40 hours of pay.

Understanding the idea of residual income is easy if you consider the word residue. Residue refers to something left behind as a result of something else. Residual income is left after the work is finished and keeps paying over and over again for the work you have previously done, even if you stop working on that project. Very few jobs have an option for residual income.

In general teachers don't have it. Neither do lawyers, doctors, firemen, politicians, Indian chiefs, business executives or accountants. At least 80 % of people have jobs that offer no chance for residual income. And often many of these people that hold traditional 9-5, M-F jobs can not expect or even plan to continue receiving an income from their employer should they ever leave their position. They (and mostly likely, you) have what most people have – linear income.

## **Linear Income**

Linear income ("Transaction Income", "Fixed Income" or "Earned Income") is basically a one-time compensation or payment in the form of a fee, wage, commission, or salary. Linear income is directly proportional to the number of hours being invested or number of products/services sold. You do something once and you also get paid only once. It is probably the type of income you receive from your job right now.

The vast majority of people work each day and earn linear income. They work for 40 hours a week and get paid for 40 hours. Some people put in 50-60 hours of work and still only get paid for 40 hours, but that is a different issue. For most people the effort they put in is directly proportional to the income their employer pays out. This is not bad, but it is not great either.

The problem with linear income is that if your work effort drops or stops due to sickness, newborn, lay off, etc., your income drops as well (after your vacation/sick leave is used up). You may have been the star performer in your office the month before, but that will not matter. Your current check will only reflect your most recent effort. With linear income No work = no money. Residual income allows you to change the normal flow and make money even when you are not working.

Now that we know the difference between residual and linear income, let's look at the benefits of

residual income.

## **Benefits of Residual Income**

Many of the benefits of residual income are obvious, but I'll run through them to make sure they are all clear.

1. You can make an initial effort to get a residual income stream started, then do minimal work (or virtually none) thereafter, resulting in earning more money for little to no effort.
2. You can have the freedom to choose when and where you wish to work. Keep your favorite pajamas on all day if you wish.
3. You can worry less about getting sick or being disabled and unable to work. Expectant mothers can create a residual income and not have to worry about missing time from work after delivery.
4. You can have the ever-so-fun feeling of earning income even when you are not at work. It is a great feeling!
5. You have the ability to increase your income whenever you want by working and creating additional income streams.
6. You can have all the usual benefits of working from home.
7. You can have more free time to spend time with your family, friends or go on vacation or create more income streams.
8. You can do it in your spare time if you choose. Don't want to work full time? No problem!
9. You can prepare for future expenses easier. - Ex. Know you want to buy a car in 12 months? Instead of saving your current income to pay for it, you can create a new income stream that will cover the car payments. Same for college or retirement.

## **Drawbacks of Residual Income**

I'm going to be honest with you. Nothing in this life is perfect. Sorry if that bursts your bubble.

Creating your first residual income stream is often difficult as the payoff can be uncertain and often far away. For all its disadvantages, linear income is predictable, consistent, and usually comes 1-2 weeks after you finish your work. Residual income will require dedication in the face of unknowns. This is why most people never bother to develop a residual income stream. They don't reach their expectations in time so they quit before they even really begin. Others have estimated that this usually happens somewhere between 1 and 12 months.

One of the first things you need to realize is that success and a better financial situation will not happen just overnight. Apparently it usually takes anywhere from 1 to 6 months to start seeing results of your work with residual income -- depending on the type of the business model, the opportunity, compensation plans and other factors. Know this going in, but also consider that once you start seeing

results you will never look back. Your motivation, your excitement, your satisfaction, your determination, and ultimately your income will all skyrocket.

## Examples of Residual Income

Now that you know what residual income is, how linear income differs, and the advantages and disadvantages of it, here is the way you can get it.

1. Rental from property

*How to get it:* Purchase a home, apartment complex, office building or other real estate and charge people to live or work there.

2. Royalties from publishing a book, singing a song, being involved in a movie or from licensing a patent or other form of intellectual property

*How to get it:* Write a book and get it published. Get a song on the radio. Produce or act in a movie/T.V. show/commercial. Invent some cool gadget. Make a neat software program. There are other steps, but I'm guessing if people were doing these, they would not be reading this article.

3. Earnings from a business that does not require direct involvement from the owner or merchant;

*How to get it:* Create and grow a business and then sell it to someone else or have a manager run it for you.

4. Pensions

*How to get it:* Work at some job for a long, long time and then retire.

5. Percentage of the revenue from a company that drills on your property.

*How to get it:* Buy some property, hope it has cool stuff like oil/gold/diamonds underground, and then let a company start drilling.

6. Interest income or dividends.

*How to get it:* Buy a bunch of stocks/bonds or leave a bunch of money in a savings account. Accrue interest/dividends.

Note: Unless you have millions tied up in stocks and bonds, dividend interest will not be substantial money. With \$500,000 in a 5% bearing account, you would make \$25,000 a year in interest/from dividends.

The above ways of earning residual income generally aren't that easy to implement. So how does a regular guy make residual income? **Answer - Online.**

## How to make Residual Income Online

1. Create and Market Your Own Information Products - the web is great place to sell an ebook that makes life easier for people.

Why sell an ebook?

A. Cheap and easy to make.

B. Takes a short amount of time - you can create an ebook in a day or two if you really want.

C. Self-publishing your own information products is a great idea. The main advantage is that as publisher you get 100% of the profit, versus a small percentage of royalties through traditional publishing companies. Also important is that you get to decide when, where, and how to market your product. Complete control.

Write articles - In addition to writing articles that generate affiliate sales, you can write for various websites and share in the income your article generates. ex. include, eHow, Smorty, and ReviewMe.

2. Creating software products - if you have an idea for a software product that will help people do something faster, better, easier or teach them something, then go for it.

3. Referrals - create a network of people. Ask for a commission every time you refer someone to a product or business.

4. Become a Reseller - resell other people's services/products.

5. Advertising commissions - if you have a web site/blog/newsletter/ebook that attracts lots and lots of visitors you can offer to place a banner or link on your site for a fee that you collect each month.

6. Create a membership site - if you are knowledgeable about a subject, you can charge a monthly fee to gain access to your membership site. More subscribers = more money.

7. Affiliate Programs - Join affiliate (referral, reseller, associate, bounty) programs. Companies arrange such programs to compensate affiliates for promoting their products and services.

These 7 options can be done by practically anyone, but I will focus on the last one as I believe it has the best combination of ease of set up, expense of start up, and potential size of revenue stream.

## **Affiliate Programs with Residual Income**

The concept of affiliate marketing is very easy. You simply join with a merchant as an affiliate, promote their products on your website/blog/newsletter, etc., and receive a commission when someone buys something from them. The company you join with creates, maintains, supports and provides the products, tracks the sales and gives you a commission for each sale. Your job is to drive traffic to the pages/site that promote the affiliate products. The more traffic, the more commissions. It is like word-of-mouth advertising except you get paid for the referral.

Affiliate marketing at its best is a Win-Win-Win

Win - The customer gets useful information and buys a product or service with more knowledge than they normally would have.

Win - The business get a new customer they would not have had otherwise.

Win - The affiliate makes money.

Note: There are two ways to get residual income in affiliate marketing

1. Promote products that include an option for residual income
2. Get your affiliate pages into web searches where people can find them on their own

If you have an affiliate program where you constantly have to drum up customers to buy your affiliate's products, you are back to a sales job with linear income. To avoid this, find companies that will track clients for multiple sales over a long period of time so you can get recurring commissions. A few companies will pay you as long as the customer you found for them buy products or services. Also try to get ones that offer multiple tiers for sales so that you still get paid if one of your affiliates makes a sale.

One of the best examples is the 5 Pillar Affiliate Program from Ken Envoy. Read the free ebook: [Affiliate Masters Course](#) to become a high-earning affiliate champion.

Other good affiliate programs are [AWeber](#) and [GetResponse](#), which are both autoresponders. [Affiliate Funnel](#) is also a good starting point for affiliate programs.

## Conclusion

Imagine you go in to work tomorrow and your boss says, "For each hour you work this week, I'll pay you for 8 hours of work. Also, you can work as many hours as you want". How many hours do you think you'd put in that week, 50, 60, 80, 100? Imagine putting in 60 hours of work that week and getting paid as if you had worked 480 hours. How awesome would that be? That is what residual income can do for you.

Very few people have decided to develop any type of residual income. Given a choice, which would you rather do: work hard and get paid only once, through linear income, or get paid continuously - perhaps for years or even the rest of your life - for work you performed only once?

Realize that approximately 80% of people that retire early are self-employed. Wouldn't you like to take a vacation whenever you want, or have your spouse stop working so he/she can look after the kids and not have to worry about money? Having a stream of residual income can free up your time for these things or it can allow you to recruit new customers or grow your business into new areas while still earning commissions from past efforts. This is a great way to earn a long-term income from home. Put in the effort today and you can receive money for years to come.

Building multiple passive income streams is a great way to prepare for the future. You never know if you will be laid off from your regular job, get too ill to work, have an unexpected expense, or just get too tired of waking up early and fighting traffic. If you are interested in the benefits of residual income and you are willing to put in the effort to achieve them, let me know and we can work together to achieve that goal.

Peace,

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