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Cash flow from multiple sources can grow your net worth and provide financial freedom

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To grow your net worth and provide a higher level of diversification and financial freedom, it is important to have cash flow from multiple sources.

Many people who work in the real estate industry are working as employees of larger firms, independent contractors or self employed. The real estate industry usually provides steady monthly income provided the economy is strong and you are physically able to work each day.

In addition to your daily employment, look into developing at least one other source of income. That source could include investing in and operating a business or through real estate investment.

Purchasing (or starting) a business that generates income while you are not present will add diversity to your current income. Businesses that can require minimal management include a car wash, laundromat, ATM locations, self storage facilities, rental agencies, and certain franchises. Owning this additional business will continue to add investment dollars to the asset column on your financial statement and provide diversity and safety to your wealth.

Another source of investment income can come from real estate. If you are working in the real estate industry, apply your knowledge and purchase an investment property that you are passionate about, a building that would make you proud to own. Over time select quality tenants and treat them as your best clients and they will return the favor. Good tenants will seek out good landlords. Be conservative and purchase investment properties with enough money down to create a debt service coverage ratio of at least 1.25. This will provide a 25% additional net income over the annual property expenses. If you have four equal tenants and you loose one, you will still have enough rental income to pay your mortgage and operating expenses. In my experience, the more attractive and better managed buildings lead to happier tenants. Happy tenants keep buildings full and rents at the top of the market. One other benefit is when a retail building is in top notch condition with sharp looking storefronts, more consumers will patronize the stores, resulting in increased sales for those tenants.

Start by establishing a real estate investment company. Acquire a property and invest your extra earnings into this business and keep your net profit in long enough to buy another property. This continued conservative reinvestment of profit will compound those earnings over time and grow to eventually provide you with financial freedom.

Another hidden benefit to rental properties is on-going debt reduction. Debt reduction is the amount annually reduced from your mortgage balance. As your tenants pay you rent, you use their money to pay down your mortgage.

Let's say you are able to purchase a building for \$750,000 and you agree on a \$600,000 mortgage for only 20 years at 6.5%. If you hold the property for 10 years, the debt will be reduced to \$396,296. That's a value worth \$200,000. That \$200,000 of equity is in addition to the tax savings and future

value appreciation that you will benefit from. It is also in addition to the positive cash flow that you should be receiving from your property.

If you hold that one property for the full 20 years, you will have added significantly to your net worth. Much more than you could have by saving your earnings from your paycheck.

Now imagine a retirement which includes rental income from that building you purchased 20 years ago, that building that was paid for by your best tenants.

Just that one investment can make a positive difference in your financial future. If you buy the right building in the right location, allocate and spend a portion of its earnings, maintain and upgrade it to the highest standards, you will have an asset that can be passed on to someone special to you. And it will continue to produce positive cash flow!

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