

Your Money

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Creating Passive Income

I work at a job which will not provide a pension. I'm trying really hard now to earn more so that I'll have enough money saved up when I retire. However, the problem is that my time is limited as I go to college part-time and I'm a single parent of a nine year-old boy. Any ideas how to increase my income without spending a lot of time doing it?

In our never-ending search to make more money, we all face an unchanging limitation—there are only twenty-four hours in one day. There is just so much work that we can physically do to generate income and no more, given the constraints of time.

Is it somehow possible to create income that is not restricted by our capacity to work? Yes it is! The answer can be found in passive income.

Passive income is simply earnings that are generated without you physically working to get it. It is not a get-rich-scheme where you receive large sums of money without any work at all. To create a passive income source, you would have had to work very hard initially, so that in the future you can have a steady income stream without any continuing effort on your part.

Let's look at some possible sources of passive income:

Portfolio Income

This is income that comes from investments that you make with your money. The strategy is to save some of your working income and invest it wisely in instruments like money market accounts, stocks, and insurance annuity plans. As these investments grow, they will eventually provide you with interest, stock dividends and annuity payouts that can supply income without you working for it. Purchasing real estate can also provide positive rental income once any mortgage debt is paid off.

The reality is, portfolio income takes a while to build, and is more likely to start earning for you in your retirement years. Despite this fact, it is very important to invest consistently now, so that you can benefit from this form of income in the future.

Residual Income

This is earnings that occur repeatedly over time, from work that you did just once. The idea is to put in a lot of effort to build the product or service initially. You will usually have to work hard at marketing your idea or product at first, so that it can provide income over and over again, with minimal effort on your part.

Some examples of residual income are:

1. Royalties generated from songs or books
2. Commission paid to insurance agents annually from old policies
3. Recurring sales from direct customers in network marketing
4. Sales from creative efforts such as training videos or CDs
5. Internet sales of downloadable software and e-books
6. Income from coin-operated services like candy dispensers or slot machines

Leveraged Income

This is income that comes to you based on the work efforts of other people. The idea is that you are leveraging somebody else's labour to provide an income source for yourself.

Some options of leveraged income are:

1. Receiving commission from network marketing down-line sales
2. Offering a tutoring service and paying other persons to teach
3. Getting a large job and sub contracting out the work to others
4. Collecting fees from giving referrals or finding customers for other people's businesses
5. Franchising your business idea to other people

In your search for extra income, it would be useful to concentrate on sources that eventually will be self-sustaining. You should also try to find multiple streams of income, so that the combined returns can be greater, and that you are not dependent on any one source.

Creating passive income may require you to make tough sacrifices in what little available time you have now. However, if you focus your efforts on creating income that will replicate itself in the future, you will see the benefits in more money and more time on your hands.

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