

The basic foundation of money mastery starts with:

‘Understanding the Cashflow Quadrant’

Unless you plan to work forever, it's crucial you fully understand this concept!

Luv Asha x

**Asha's
Financial Academy**

If only they had taught us this at school...



Inspirational financial education and guidance to help you plan and create the life you want to live!

Understanding the Cashflow Quadrant

Unfortunately, our education system, whether we like it or not, teaches us to be 'good employees,' and goes something like this ~ Go to school, Get decent grades, Get a good job, Work your way up the ladder for 40 odd years, Retire! **Sound familiar?**

For most people, 'JOB' stands for 'Just Over Broke' as the system moulds the vast majority of the population into consumers who have a reasonable lifestyle and just about keep their heads above water to maintain it, this is more commonly known as the 'rat race.'



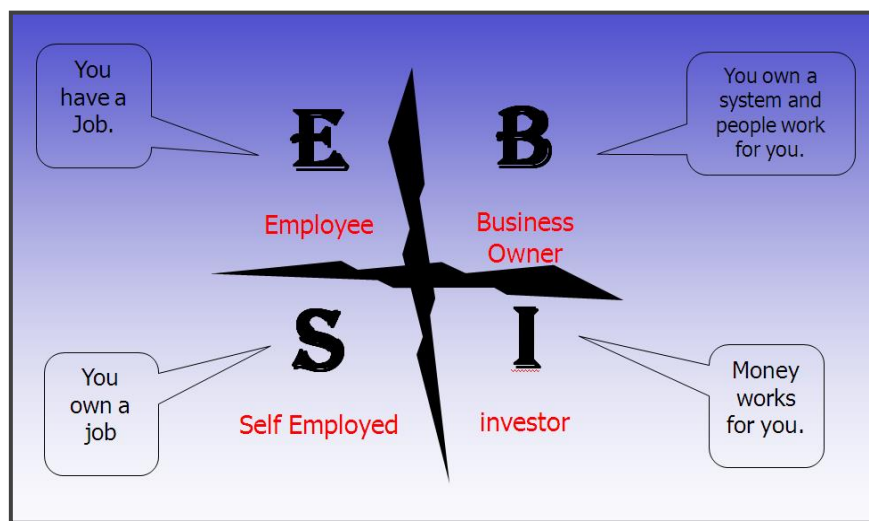
Whether you agree or not, that is the stark reality of the system and it takes a certain amount of financial intelligence and a concerted effort to break free from the 'rat race.' Unfortunately, the system doesn't teach us how to become wealthy or how to achieve financial independence, we either discover it by accident or must go and find the education and the means to do it!

The Cashflow Quadrant

This is a simple financial educational concept developed by Robert Kiyosaki of Rich Dad fame (*n.b. a lot of this Section is from the excellent educational material of Rich Dad*) as a visual representation from which to teach the difference and interaction between the 4 standard methods of earning money.

Its main purpose is to help educate people who are looking to get ahead financially (i.e. achieve financial independence or a decent level of wealth) and move beyond the illusion of job security and begin to achieve financial security. It is not necessary an easy path (will take some effort on your part) but the financial prize at the end of the journey is worth it!

Here is the Cashflow Quadrant illustrated:



The 4 quadrants depict the 4 different ways we can all earn money, and we all reside in at least 1 of them. The quadrants are defined as:

E ~ **Employed**...You have a job. Someone else is the boss. Security is generally more important to you than money.

S ~ **Self Employed**...You own a job. Want to be your own boss. You tend to be a perfectionist with a small business. Independence is generally more important to you than money.



B ~ **Business Owner**...You own a system that others operate. You are the Coordinator, Delegator or Franchiser. You use other people's time and money.

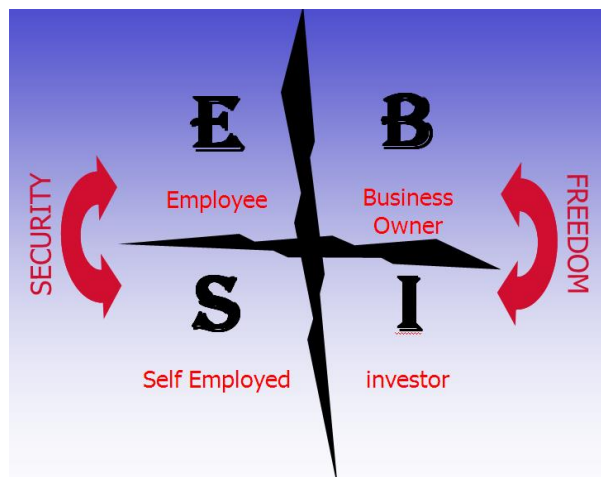
I ~ **Investor**...Your money works for you. You make money with money. Other people's liabilities are your assets.

Note: Self-employed people often make the mistake of confusing themselves as business owners when their business relies on them personally to operate it. For example, if you're self-employed and you go on holiday and the business can't operate fully without you, then you come under the self-employed quadrant. The business owner is defined as someone who has a business that can function fully if they're involved or not.

How many quadrants are you in?

It's not just about identifying which quadrant you fit into as you can successfully operate simultaneously in all 4 quadrants. It's all about identifying which quadrant(s) you are in and then establishing **which other quadrant(s) you also need to be in**, to create the future prosperity you desire.

Let's take sides... as you read the description of each quadrant above and study the illustration below, you'll clearly see that if we split the quadrant down the middle as shown on the following graphic:



➤ **Left side** (most of the population) is all about working to earn money and **Security**.

➤ **Right side** is all about having your money working for you and financial **Freedom**.

Important question...which side of the quadrant, left or right would you prefer to be on?



We can sum the whole thing up as follows:

- **Left Side (E & S) = Working for Money.**
- **Right Side (B & I) = Money Working for You.**

Whilst it's possible to get out of the 'rat race' and achieve financial freedom independently in all 4 quadrants, it's much easier and quicker if you operate in at least 1 of the 2 quadrants on the **right side**.

Owning a business offers the most income potential but also comes with a fair requirement of time, skills and risk in setting it up and developing it. Being an investor is far simpler and easier to get into, but it's all about taking action and doing one or both and developing the skills and knowledge as you go.

Sickness & Redundancy Test....

If you were off long-term sick starting tomorrow or were made redundant, how long could you continue your current standard of living? If you currently operate on the left-hand side of the quadrant, the chances are you would only be able to survive a number of months.



However, if your income came from the right-hand side of the quadrant and covered your living expenses each month, you would be able to continue your standard of living indefinitely, **now there's a thought!**

Have you signed up for the government's 40+ year plan?

Most people already have a footing on the right side (the **I** quadrant) in terms of their pension fund, unfortunately, most of them will be contributing for around 40 years or so and then hoping it will provide a decent income in retirement.

Let's assume the average annuity (i.e. what you buy with pension fund to create the income in retirement) pays 5% and you wanted a £24,000 annual income in retirement, you would need to have a fund of £480,000 with which to create the required income.

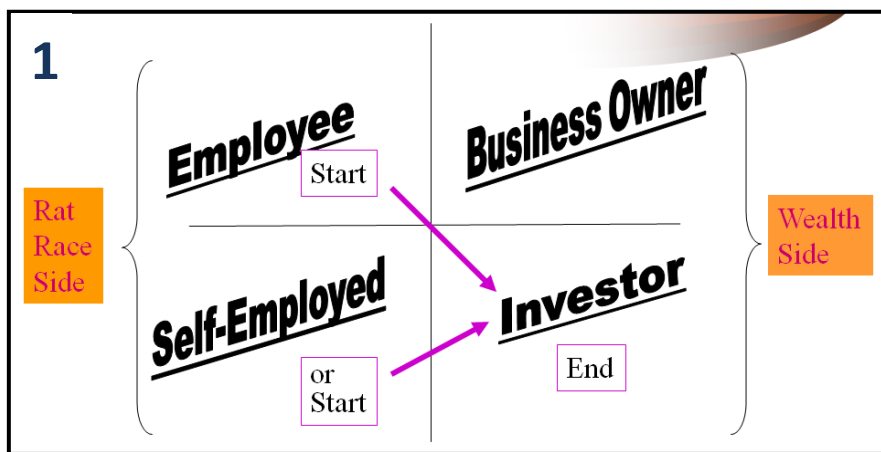


Pensions are a very good way to invest for the future and an important part of financial planning, but I suggest you implement additional ways (i.e. acquire income producing assets) starting as soon as you can, if you really want to escape the 'rat race' and achieve financial freedom.

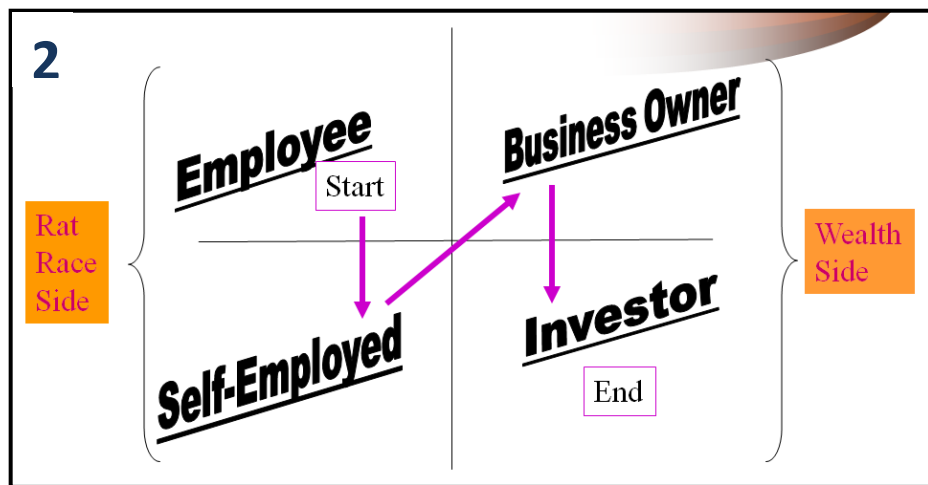
So, let's now talk about practical solutions for escaping the 'rat race' early...



The following 2 illustrations highlight just 2 possible paths to creating financial freedom:



Above is the simplest method, systematically build an investment portfolio.



Feeling entrepreneurial? Why not start or buy a business which you can later sell, ultimately you end up as an investor.



When money works for you, every pound is effectively an employee of yours. Each pound works to bring you even more pounds while you're asleep in the form of growing assets or passive income, such as:

Interest, dividends, property income, royalties, residuals, annuities.

The key question is: "What investments/assets do/can you own that will bring you passive income now or in the future?"



Start today....it doesn't really matter how you do it, what matters most is you understand this concept and you develop your financial intelligence and the associated actions to engage in the right-hand side of the cashflow quadrant.

Don't worry if this seems brief as I'm going to explain everything in very simple terms in upcoming sections and give you all the action steps. Also, this isn't about trying to do it all one your own, I want you to fully understand...

Wealth creation is a team sport!

Throughout these masterclass sections you will see me preaching this mantra. I highly recommend you surround yourself with right professional experts and specialists who have the experience and knowledge to help you move in the direction you wish to go.

We'll talk more about professional advice and expertise in later sections.

Section 1 Summary

Remember, job security is one big illusion; you have to keep doing it year after year in the 'rat race' to keep the illusion alive. Financial security on the other hand from investments and business interests, takes a lot more effort and discipline, especially in the short term, but is real security.

It is not your boss's job to make you wealthy or secure. It's their job to give you a 'paycheck' and nothing more.

If you want to take control of your financial destiny and escape the 'rat race,' make the decision, read all 17 sections of this masterclass and **take action!**

Final Thought:

Practice "delayed gratification." Buy assets first, luxuries last. Ask "how can I afford it?" This stimulates your creativity.

Wishing you all the best,

Asha x

Fortune favours the disciplined, start with the right plan and go from there.



Final Word:

"Financial Success is neither magical nor mysterious. Financial Success is the natural consequence of consistently applying basic fundamentals."

