

THE
*F*inancial
Freedom
Formula



PENELOPE JANE SMITH

Welcome



**Welcome.
I'm Penelope Jane Smith.**

In this short eBook, you'll discover exactly what it'll take for you personally to become financially free so you don't have to depend on your business, a job, the government, a partner, or anyone else for money.

You'll also learn:

- The Two Types of Passive Income (and How to Get More of Each)
- Why It's Important to Create a Clear Financial Freedom Vision
- The Common Misunderstanding About Passive Income that Leaves Even Savvy Investors with HUGE Money Leaks in Their Portfolios
- 3 Keys to Accelerating Your Journey to Financial Freedom
- Simple Steps You Can Take Right Now That Your Future Self Will Thank You for (She'll Have an Abundance of Money and Choice in Her Life!)



What is "Financial Freedom"?

"Financial Freedom" means different things to different people, and actually each of these definitions describes one specific milestone on the overall journey.

As you reach each milestone, you'll experience more freedom.

The #1 reason that most people don't get what they want is that they don't know what they want.

That's why it's super important to get clear on what financial freedom means specifically and what it looks like for you.

It's much easier to hit a target when you know what you're aiming at!

As Zig Ziglar said, *"If you aim at nothing, you will hit it every time."*

In the context of this eBook, we're going to focus on the final milestone on your financial freedom journey, which is where your money is working so hard FOR you that you don't have to work anymore, if you don't want to.

Your investments are generating enough income to cover all of your expenses.

The Financial Freedom Formula is:

$$PI > E$$

The “E” stands for “Expenses.” I’m sure you’re already familiar with those. This is how much it costs to support your lifestyle... everything from your rent or mortgage payment to your yoga classes.

The “PI” stands for “Passive Income.” Passive income comes in whether you’re working, sleeping or playing. The America Internal Revenue Service defines passive income as income from “trade or business activities in which you do not materially participate.”

Some examples of passive income are:

- Rental income from real estate
- Earnings from a business that doesn’t require direct involvement or participation from the owner
- Royalties from publishing a book or from licensing intellectual property
- Earnings from internet advertisements on your websites.
- Dividends and interest
- Interest on private mortgages
- Income from vending machines that you own
- Income from an online business that you have put on autopilot

Once you've tuned into your Financial Freedom Vision, I encourage you to write it down.

Where do you live?

What kind of car do you drive?

What do you do for self-care?

What kind of support team do you have? A house cleaner? A personal chef?

What do you do for fun in your spare time?

How often do you travel and what kinds of trips do you take?

How much money, if any, do you contribute to family or friends?

What role does philanthropy play in your life?

And now... put actual numbers to it!

If you want to own your dream home, do some research to find out how much a home like that would cost in the area you want to live in and what your monthly mortgage payment, taxes, insurance, and utilities would be.

Want a 90-minute massage every week? What does your favorite massage therapist charge, and how much does that work out to on a monthly basis?

If you really want to own a private island, do some research and find out how much your ideal private island costs to buy and maintain.

When your passive income is more than your expenses...

...you're in complete choice about what you do with your time because your assets will continue to pay for your lifestyle whether you work or not.

The truth is that to be financially free, you don't necessarily need to be debt free, pay off your house, make a ton of money or be a millionaire. You just have to have more passive income than expenses.

To discover exactly what it'll take for you personally to become financially free, the first step is to create a clear Financial Freedom Vision for yourself.

Your Financial Freedom Vision is your desired lifestyle if you didn't have to work for money. Of course, you may still choose to work as part of your life purpose and passion, but if money were totally handled, what would you want to do with your life?



Having a clear vision like this is important because it helps you program your mind to see opportunities and overcome obstacles to making that vision a reality. Your vision will guide the decisions you make and the actions you take along the way, helping to keep you moving in the direction you want to go.

Come up with an estimate of what it would cost to maintain your Financial Freedom Vision in reality.

You may even want to track your actual expenses to see what you're spending now, since that will help you come up with a more accurate number.

Then add in a cushion to cover taxes and stuff you might have forgotten about, like property maintenance or buying a new car.

Once you know what your expenses are, you know how much passive income you need to be financially free at that level of lifestyle.

If it costs \$10,000 per month to maintain your desired lifestyle, you'd need at least \$10,000 per month in passive income to cover that.



How do you get more passive income?

There are two main types of passive income...

The first type of passive income comes from buying assets that get your money working for you. If you've ever put money into a savings account, a money market account or a certificate of deposit and earned interest on your money, you've had this experience.

To get your money growing faster for you, you may consider investing in mutual funds, ETFs, stocks, bonds, businesses, vending machines, or real estate... there are so many options!

You don't necessarily need a ton of money to get started. My first experience of passive income, other than interest on my savings account, was buying a candy machine for \$500, filling it with M&Ms and placing it in the lounge at my fencing club.

I calculated the cost of a single M&M and figured out how many M&Ms I would give the other fencers for their 25 cents. Since I then knew my profit margin per sale, I discovered that I was making an average \$25 per month in passive income after donating 10% back to the junior fencing program. That's a 60% return on investment!

If you have money available to invest, then the next step is to focus on doing an appropriate amount of research and due diligence to decide which passive income vehicles are best for your situation.

To generate more passive investment income, explore how you can generate or free up more money to invest and how you can get a better return on investment.

A common misunderstanding about passive income that leaves even savvy investors with HUGE money leaks in their portfolios is thinking that passive income has to show up in the form of a regular dividend or check. So they focus on investing in assets that have a dividend or yield, which can massively slow the growth of their money without even realizing it.

One of my VIP clients shared, “My stock market investments are so boring. All they do is grow. I want something that will give me passive income.”

I pointed out that his portfolio growing in value still “counts” as passive income. He’d just need to sell some shares and take the money out to be able to spend it.

The second type of passive income comes from creating your own passive income stream, which you can do with little or no money. For example, you might write a book and get royalties, start a website that generates revenue from ads or join a network marketing company that will allow you to continue to receive income when you are no longer actively working the business.

For my Financial Freedom Accelerator program, I interviewed a woman who became financially free in just two years by investing in mobile homes, starting with only a few thousand dollars.

There are 3 keys to accelerating your journey to financial freedom:



A VIP client of mine partnered with a larger company to roll out a new product that gives her \$30,000-\$70,000 per month in passive income royalties. The less money you have to invest, the more you have to be willing to contribute time, energy, and creativity to generate passive income, but you can still do it!

Key #1: Financial Education

This is the “outer game” of money... learning specifically how to make, save, manage, invest and protect your money. If you’re reading this eBook, you’ve probably had some form of formal education. What did they teach you about money in school? If you’re like the thousands of other entrepreneurs I’ve worked with, the answer is “not much.” You may even have some level of professional education like a license, degree or certification.



#1
KEY

You may even have some level of professional education like a license, degree or certification. What did they teach you about money during your professional education?

Again, if you're like most people I've worked with, the answer is "not much."

If you're not going to learn about money in your formal or professional education, where are you going to get a FINANCIAL EDUCATION?

Most people were taught only one way to make money in school: Sell Your Time.

That is not necessarily the most effective way to make money.

And while you probably know you "should" save more, very few people have systems and structures set up in their lives to make that happen consistently.

When it comes to managing money, imagine that you have a team of people working for you.

Are you giving your money a specific job?

It's also important to learn how to get your money working for you by investing it wisely. You can hire a financial advisor, but there is a big difference between delegating and abdicating responsibility. When it comes to your money, you can certainly get support, but YOU and only you are ultimately responsible for your financial future.

Finally, learning to protect your money means discovering how to pay the legal minimum on your taxes. It also means protecting your estate from estate taxes when you die and from lawsuits while you live.

As you increase your financial education, you'll discover how to safely earn great returns on your money, how to hedge against risks and losses, and how to realistically reach your financial goals so that you can enjoy your desired lifestyle.

Key #2: Prosperity Consciousness

This is the “inner game” of money... the emotional, psychological and spiritual side. I love this quote by Unity Minister Eric Butterworth, “Prosperity is a way of living and thinking, and not just money or things. Poverty is a way of living and thinking, and not just a lack of money or things.” Prosperity is the experience of feeling grateful for the abundance that’s in your life right now AND looking forward to even more. When you cultivate that way of thinking and living, can you see how it would be easier to attract more wealth than when you’re living in scarcity and fear? The best financial education in the world won’t make a difference without expanding your prosperity consciousness.



Key #2
Review

Key #3: Money Systems

Most people aren't born knowing how to manage money well. Actually, our natural human behavior and the way our brains are wired can often work against us when it comes to growing money. That's why it's important to put systems in place that work with our natural human behavior instead of trying to overcome it. For example, most people practice "bank balance accounting." This is where you make financial decisions based on how much money you see in your bank account. If there's plenty of money in there, you think "Great" and you buy something. If there's not much money in there, you think "Uh-Oh" and go try to make more.



3

KEY

Most people tend to spend as much as they make. And when their income goes up, so do their expenses.

You can try to overcome that tendency but it's easier said than done because in order to do this, you're relying on your will power, which is highly unreliable. Willpower works like a muscle that gets fatigued from use... and pretty quickly!

If you look at a brain scan of this happening, you'll see a slowdown in the anterior cingulate cortex, the brain area that's crucial to self-control.

As this part of the brain slows down, people have trouble controlling their actions and behaviors.

However, if you put a system in place so that you don't have to rely on your willpower, you're going to be more successful.

At my Financial Freedom 101 Live 3-Day Event, attendees create a money management system with one or more entirely separate bank accounts for specific purposes. When you do this, you don't even see that money when you login to your main account so you're far less likely to spend that money.

When it comes to investing, another money system that's absolutely critical is your Investment Strategy, which means having a clear plan, based on real data, for protecting and growing your money.

If you don't have a clear investment strategy, then investing is really scary. I've worked with lots of people who were so scared of losing money that they just kept their money in cash for years and years, which meant that not only was it NOT growing and working hard for them, they were actually LOSING money year-after-year to inflation.

Other people decide to hire a financial advisor that they like and trust to help them invest, but they don't really understand what's going on so there's a low level anxiety there, whether they realize it or not, around, "Is this actually going to work? Do I want to wait 30 years to find out?" Even if their financial advisor is trustworthy and excellent, when clients come to me from the Big Box Financial Advisor world, I can typically find 2-5% in money leaks in their portfolio that are stealing from their financial future, without them even realizing it.

That's why it's important to learn how to follow a clear investment strategy. You'll know what's going on with your money, you can tell if you're on track to reach your goals, and if you want to work with a financial advisor, you can tell if your financial advisor is earning their keep or not.

One mistake that a lot of investors make is thinking that telling their financial advisor that they'd like "something medium risk" or "something green or social responsible" is an investment strategy

It's fine if you want to only invest in green or social responsible companies or funds as part of your investment criteria, but that's just one criterion, not a strategy.

And when investors say that they want something "low or medium risk," what they actually mean is that they don't want to see a lot of price volatility because it scares them to see the price go down. There's a difference between volatility and risk.



If they had a clear understanding of their overall investment strategy and saw that even with some volatility, they could safely accelerate the growth of their money, they could get their money working much harder for them. This lack of financial education and money systems costs investors a LOT of money!

When you're ready to increase your financial education, expand your prosperity consciousness, and improve your money systems, I encourage you to check out Financial Freedom 101.

**For More Information Visit:
FinancialFreedom101Event.com**



About Penelope Jane Smith

Penelope Jane Smith is the premier financial freedom coach for women entrepreneurs and the go-to expert for some of the biggest names in the conscious business industry.

She is an acclaimed international speaker and certified trainer with over 20 years of teaching experience, and the author of *The Little Book of Prosperity*.

Through her signature programs, like Financial Freedom 101, she has helped thousands of entrepreneurs from all over the world to create more ease, peace and freedom around money.

For more information, visit:

[REALPROSPERITYINC.COM](https://www.REALPROSPERITYINC.COM)