

## What time is it?



### What is financial freedom?

Let me ask you a question. Just think for a moment, close your eyes, and tell me the answer to the following:

*How much money would you need, in cash, right now to be able to live for the rest of your life without worrying about working, paying the mortgage, leasing cars, feeding your family, enjoying life, and taking care of all your friends and family?*

Was your number modest, like a few hundred thousand dollars or extravagant like \$100 million, or somewhere in between like \$5 million? If it was \$5 million how far away from that are you right now? What are the chances you will reach that goal before you are too old to enjoy it? Where is the \$5 million coming from? Would it have to be a lottery win?

What if I told you that this kind of thinking is all “ass backwards” and there is a much better way to think about financial freedom that is realistic, achievable, and you can start on your path to it right now?

If you are intrigued, and have read this far, then read on – this way of thinking about financial freedom, and the Income for Life™ portfolio may just completely change your life if you let it.

### Financial Freedom Defined

In my book *Protect Your Wealth from the Ravages of Inflation* I talked about the concept of Financial Freedom. To cut a long story very short financial freedom is where your **Passive** income is greater than your **Mandatory** Expenses. This means you don't have to worry about losing your job, or even if you need a job if you don't want one because all your expenses are covered whether you work or not.

The 2 important words are “Passive” and “Mandatory” so let's talk specifically about what that means for your financial freedom.

#### Passive is the key word

Everybody knows what income is. It's money you earn by doing something. Turning up at work and spending some of your time doing something the company you work for thinks is of value. How much you get paid depends on how valuable you are to the company which, in turn, depends on how many other people can do what you can do. The one key characteristic of “sell your time for money” income is that if you stop turning up, the income stops coming in. No company will pay you for doing nothing, and if you are a “self-employed” professional like a

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doctor, or an accountant then if you don't do any work and don't have any clients then your business doesn't make any income.

The key to financial freedom is creating passive income streams but what do I mean by passive? Passive income is income that once it has been set up properly the income will keep coming in regardless of how much time you put in or whether you "turn up" at all. How can this work you may ask? There are lots of example of passive income you are; familiar with but may just not have thought about them in this way. Let me give you some examples.

You write a book that get put on the NYT bestseller list and the Amazon Kindle version sells a million "copies" and continues to sell every month for 10 years.

After the initial effort of writing the original manuscript and getting published, every single sale is passive income where the royalty gets paid to you regardless of whether you ever write another word, do road shows, or just go on vacation.

Another example would be you have a great idea for a product or piece of technology or algorithm and you patent it. The idea is so good that a major international company wants to pay you a license fee when they use the idea in a product or service they want to sell globally.

They do all the work and you receive the licensing fees every time they sell their product or service.

A last example would be receiving royalty fees from music you wrote that was recorded by an established major artist. You don't have to go on a world tour and build your own music brand, but you do receive cash every time the music is sold or performed.

All of these kinds of passive income require specialized knowledge, an innovative mind, for you to be extremely skillful or have talents that few people possess so they are outside the scope of most of us mere mortals.

My favorite form of passive income has none of these drawbacks. You don't need special skills, an amazing idea, or a unique talent. You can let someone else do all the work and still receive the fruits of their labor as passive income. If you can't guess what I am talking about then keep reading, it's going to be a pleasant surprise for you that may change your whole life.

[Mandatory is the other key word](#)

Now I've piqued your interest with the "passive" part of the financial freedom equation, it's time to focus on the relatively boring "Mandatory Expense" part before we get to the exciting information that will change your life.

Imagine you just lost your job and it's going to take you probably four months to find something else. Mandatory expenses are all the things you still need to cover every month to stay living in your current home, keep driving your current car, feed and clothe your family, and pay all the

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other regular bills that keep the lights on and the water flowing. Note that the key thing here is “expenses you must still pay even in survival mode”. It doesn’t include \$5 coffees every day, or eating out in expensive restaurants, or designer suits, or expensive wine – just the things that are not luxuries you can’t do without.

How awesome would it be if your passive income was big enough so all the mandatory expenses were covered and everything left over would be for pure luxuries? Imagine if you could spend your time working only if you wanted to, and you would never have to face that “how can we pay the mortgage now I’m unemployed” moment.

Think back to the first question I asked you about how much cash you thought you would need to be financially free and now you should see it was kind of a “trick”. It’s not how much cash you need it’s about how much passive income you need to be financially free.

So close your eyes, take a moment, and now answer the question again with a slightly different perspective.

*How much passive income would you need, in cash per month, to be able to live for the rest of your life without worrying about working, paying the mortgage, leasing cars, feeding your family, enjoying life, and taking care of all your friends and family?*

Hopefully that sounds like a much more achievable number than the first one you thought of, but it still leaves us with the question – where exactly is that passive income coming from and how much cash do I need in the first place to generate that much passive income?

This is where the Income for Life portfolio comes in and I’m excited to show you exactly how you can work towards financial freedom with goals that are achievable for you.

## The Income for Life Portfolio

So what is the favorite secret sauce passive income I mentioned earlier where somebody else does all the work and you just receive the income? Sounds too good to be true right? If it was this easy everyone would be doing it? Well that’s partly true – it’s only easy if you know what you’re looking for.

Just like the awesome patented product idea looks “easy” after the fact and people say “why didn’t I think of that”? The fact is saying “why didn’t I think of that” is a bit like saying “Why didn’t I write Bohemian Rhapsody” but people tend to know they aren’t as talented as Freddie was, but seem to think that they’re just as good at inventing as Johan<sup>1</sup>.

Finally I’m ready to tell you about my favorite passive income tool that requires a small up-front effort from you, where I do most of the work to find the right opportunities and all you have to

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<sup>1</sup> I’m referring to Johan Vaaler, the inventor of the paperclip in case you were wondering :)

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do is get together some spare cash to bootstrap the whole thing and start on your way to financial freedom.

What is the miracle passive income stream I'm talking about?

Dividend Paying public listed companies selected for the Income for Life portfolio.

### What's a Dividend?

Just in case you are not familiar with dividends, here's a quick primer. When you buy shares of a public company like Apple or Microsoft you are buying a small slice of ownership in the company. Most of the time you receive any profits the company makes in the form of capital appreciation as the price of the shares rises if the company prospers and more people want to be owners and buy the shares.

Some companies that are generating excess cash pay this cash directly back to the shareholders in the form of a dividend payment which is a per share amount paid in cash on a monthly, quarterly, or annual basis. The dividend is the passive income I have been referring to because once you own the shares, the dividend is paid to you directly in cash deposited to your brokerage account without you having to do anything further other than buying the shares in the first place.

### Super-Compounder

Some companies even pay monthly dividends which is great since you can take the dividend and immediately re-invest it so the next month you receive dividends on your dividends. I call this super-compounding and it's the reverse of the nasty situation where you can't pay off your credit card and you end up paying interest on your interest. If this has ever happened to you, you can see how quickly it gets out of control when the compounding is working against you and for the credit card company.

How awesome would it be if the compounding was working for you rather than against you and pushing you further and faster towards financial freedom than you ever thought possible.

If that's not enough to get you excited there's even more we can do to pump up the compounding and it only takes a little bit of extra effort so it's not truly "passive" but the amount of extra work is negligible compared to the extra juiced returns you can make.

Read the next section if you are willing to put in a little extra work for a potential big reward.

### Advanced Techniques for Extra Juice

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Once you have your portfolio in place and month after month you are receiving a nice dividend payment and super-compounding your returns by buying more dividend-paying stocks, you might be thinking “what else can I do to boost returns and get closer to financial freedom faster?”.

Fortunately I have developed an advanced technique that does just that with only a little bit of extra effort on your part.

The advanced technique is to write covered calls on your portfolio and then super-compound the call premiums received by buying....

.... you guessed it - even more dividend paying stocks.

If you are not familiar with options here is a quick introduction. An option is a contract to buy (a call) or to sell (a put) stock for a certain price (the strike) up to a certain date (the expiration date).. So for example if you bought a November 20<sup>th</sup> 100 Call on AAPL that would give you the right to purchase 100 shares of AAPL before November 20<sup>th</sup> for \$100 per share.

The important thing to remember is that it doesn't matter what price AAPL is actually trading at before November 20<sup>th</sup> – you have the right to buy at \$100 from the person who sold you the option contract. If AAPL is trading at \$110 and you paid \$1 for the Call then you can exercise it and buy AAPL for \$100 and make \$9 per share profit (\$110-100-premium paid).

If AAPL is trading at less than \$100 then you would just let the option expire worthless and you would lose the \$100 per contract you paid for the option.

How does this relate to juicing returns for the IFL portfolio?

If you already own at least 100 shares of a company, then instead of buying a call contract you can sell one instead and receive the premium. Let's say in the previous example that AAPL is trading at \$100 and it is going to pay a \$1 per share dividend before the end of the month.

In order to juice your return, you could sell a \$101 call that expires after the ex-date<sup>2</sup> of the dividend. If AAPL trades above \$101 + the premium the holder of the call originally paid, the option will be exercised, and you will sell it for \$101 (but keep the option premium).

If AAPL does not trade above \$101 then the option will expire worthless, you will receive the dividend, but will also keep the option premium, and be able to write another call next time the stock pays a dividend.

The big advantage is that you can reinvest the call premium you received for writing the option immediately and so you can super-compound your portfolio just like with the dividend payments.

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<sup>2</sup> The dividend ex-date is the date you must own the shares before in order to be eligible to receive the next dividend payment

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Even if the call is exercised you end up liquidating the position and can then reinvest the cash in the same company or another better opportunity. It's a win-win and one of the very rare cases of "free money" you can find in the investment world.

With the Income for Life portfolio we do all the work for you, we find the companies to invest in, we tell you which ones are monthly and quarterly payers, we tell you which ones have options and when and where to write calls to juice your returns.

You may be wondering now what kind of return this portfolio is going to have given that it's mostly passive and somebody else is doing all the work. Would you be happy with 5% per annum? 10% pretty good? 15% sounds impossible?

What if I told you that right now that in my own proprietary account, I am getting almost 20% annual return when I use this one last advanced technique that I am going to tell you about in the next section. How quickly could you get to your financial freedom number with this kind of return per year on your portfolio?

### [Even More Juice](#)

The last return-boosting technique I want to tell you about is for advanced users only and also isn't possible in retirement accounts, so if you are planning to focus your IFL portfolio on your IRA first then you can skip this section until you've maxed out your IRA.

Here is the technique stated simply:

If margin interest rates are less than the weighted-average yield on the IFL portfolio then it makes sense to borrow money from your broker to super-size your portfolio – it is the one last example of "free money" I'm telling you about today.

If you can borrow money from your broker at say 3% and then invest it in the IFL portfolio paying 15% then it's a no-brainer as long as you don't push it too far and end up with a margin violation.

This is where the advanced technique comes in and the IFL portfolio tells you exactly how much is too much when it comes to margin usage and I have developed a proprietary formula that gives you specific guidelines regarding how much margin loan is "safe" for you to use for the current portfolio.

I'm not going to go into mind-numbing detail here but just let's say that it considers portfolio correlation and also estimated drawdown to give an accurate calculation of how much margin it is safe to use. We recalculate daily and also any time a change is made to the portfolio or a company changes the dividend amount they are paying and obviously with changes in the NLV of the portfolio.

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### What's Next?

That's it. Here are the main key concepts you need to act on.

Tweak your idea of what financial freedom is to make it focused on passive income rather than simply cash accumulation.

Invest in the dividend paying companies we diligently search for that have good yields and stable prices. Reinvest monthly dividends and use the advanced technique of writing call options.

Juice your returns by adhering to our guidelines for safe margin levels and we promise you will reach your goals for financial freedom faster than you ever thought possible before.

[Get Access to The Income for Life Portfolio](#)

Happy investing and here's to reaching Financial Freedom a lot sooner than you thought possible.

For more information about how to subscribe to the Income for Life portfolio and receive all the details about which companies to buy, what current yields look like, which call options to write, and how much margin is safe to use, send an email to us at [ifl@pmkingtrading.com](mailto:ifl@pmkingtrading.com) with the subject line "Income for Life".