

Financial Independence

What is financial independence? How much money do you need to be financially independent? Like almost anything else in life, it depends who you ask. Money managers and investment consultants can make the answer really complex. That's OK, it's their job.

The job of the investor is having a specific financial goal in mind, which can define the types of investments that will produce the desired outcome. The challenge is where to start.

Start with the number twenty-five. Next decide how much you want to live on every year. For the sake of this exercise, let's choose \$75,000. Multiply \$75,000 by 25 and you get \$1,875,000, which represents the value of the assets that will support an annual cash flow of \$75,000 indefinitely (if the portfolio is conservatively managed).

Now, as an investor, you have a focal point. Whatever assets you acquire or develop need to produce that outcome consistently and as free of market forces as possible.

To achieve this goal, two things are needed:

First, an active source of income. A business that is self-managing and profitable can provide the resources needed to invest. Taking a share of the profits and putting them in various passive cash flows can result in a financially independent lifestyle. How quickly that happens depends on the overall investment strategy.

Second, as noted above, an investment strategy focused on passive cash flows. The type of cash flow can be anything that produces consistent results month after month and year after year. The keystone is its ability to provide consistent cash flows without the direct involvement of the investor.

Does something like this exist in the real world? Of course. Banks and mortgage lenders, do it all the time. Once the contract is signed and the new owner starts making monthly payments, the lender has no interest or obligation to maintain the property or fix anything that gets broken. They happily accept the monthly payments.

Dividend stocks? Income from rents (or real estate contracts)? Royalties from the sale of a book or similar assets? The type of investment depends on the temperament and risk tolerance of the investor.

Being focused on a specific financial goal along with a conservative, highly focused financial plan can lead to financial independence over the course of time.

Why go to all this effort? To earn the ability to make decisions that are as independent as possible of outside forces (political or otherwise). Want to write and publish your own books just because you can? Go for it. Travel the world free of financial concerns? Perfect! Buy all your friends a trip to the Super Bowl (regardless of whose playing)? Hey, I'm there.

As a side note: ***I am not a financial consultant or "guru" of any kind.*** This is an op-ed piece based on accumulated knowledge from wealthy people I got to know living in a wealthy Seattle suburb. I took notes when they shared their "secrets" and set them aside. Now, at this point, I'm sharing some of their wisdom.

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