



With all the information currently available in books, on cassette tapes, compact discs, ebooks, websites and videos, you could be forgiven for thinking that gaining economic and personal freedom is a relatively easy thing to do. All you have to do is follow the instructions and it will be done. Seems pretty straight forward doesn't it?

However, if you examine the financial statistics of most wage earners, career people, investors and retirees, you'll quickly arrive at the observation that despite all the information that's available, most people never achieve anything remotely resembling economic freedom.

### ***So what's the problem?***

You might start with an examination of today's popular rhetoric of wealth strategies and notice how often they're promoted with an attached vision of 'happy – easy – now'.

Perhaps out of desperation, perhaps out of naivety, whatever the reason, many people want to believe in such visions and flock towards those peddling them. We live in a fast food, fast lifestyle, instant riches society where seemingly 'enormous profits' can 'easily' be gained through lotto, gambling and trading along with any number of 'advanced' real estate strategies, mysterious formulae and amazing wealth secrets.

Because of a strong desire for change, the lure of something that sounds almost feasible, once you know the 'inner secrets' of course, is just too strong and many fall prey to the 'happy – easy – now' high risk strategies and 'instant' wealth traps. As a consequence they lose money, time, relationships, self-confidence and begin a seemingly never-ending downward spiral.

It's generally a downward spiral into despair and emptiness. I know about this spiral because it's familiar to me. I've experienced it first hand. In 1994, I was forty years of age, had been working in various jobs and careers for over twenty years and was dead flat broke. I was living in outback Australia, 600 kilometres from Perth and going absolutely nowhere. I was surrounded by people trapped in similar journeys, caught up in their own monotonous routines and lives of quiet desperation.

Then something clicked, 'enough was enough' and I decided to do something about it. I wanted to change my results so much that I began searching for answers. I wanted to learn everything I could about economic freedom. What did it mean, how could I create it? I wanted to crack the elusive code and so I began a process of learning and knowledge accumulation. Just under four years later, I gained my economic freedom and within six years of starting my journey I was a multimillionaire.

There was nothing extraordinarily special about what I did and in fact, anybody can do it if they put their mind to it. I'm of the belief that what I did is only special because most people don't do it. If most people did it, which they can, it wouldn't be special.

### ***So how did I do it?***

The story of my personal journey towards economic and personal freedom is captured in a trilogy of books including, *The Psychology of Wealth*, *The Mechanics of Wealth* and *The Essentials of Wealth*. These books hold all the thinking, all the action steps, all the strategies and all the blueprints necessary

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for anyone to enjoy the fruits of the same processes.

While knowledge from each of the books is important, it's the *Psychology of Wealth* to which I draw people's attention. Unless you understand how most people have been conditioned and programmed to live life as financial underachievers, and you learn how to overcome that conditioning, information contained in *The Mechanics of Wealth* and *The Essentials of Wealth* will be of little value to you.

The biggest barrier to wealth is that most people have been, and still are, taught to earn income in the form of wages and cannot emotionally or psychologically move past this point. During their formative years, the notion of a job, or swapping time for money, was the heavily promoted mainstream paradigm.

People are programmed and conditioned into accepting the inherent limitations of wages and along the way they develop a belief that achievement is about working hard and letting the rest of life fall into place. The consequence of this belief system is that people trade their time for money in forty-year plans of financial underachievement. Somewhere deep in their mind, an attitude of 'she'll be right, everything will work out' slowly oxidises their psyche.

Most people are taught the skills of social working drones. They learn these skills from people who have learnt their skills through conformity. They learn from people who are, "doing the best they can." The best they can is limit thinking and while this may seem like a harsh statement to make, you must understand there are only two alternatives. You either create the financial means that allow for time and choice freedom or you don't. If 'the best you can' doesn't equate with success it must therefore equate with its opposite. You can't have it both ways. In learning the skills of 'doing the best you can', most people never learn how to create a secure financial future. They become financially imprisoned in a never-ending downward spiral of sacrifice.

Let me ask you a couple of questions. "How is this year going to be different than last year?" "Will you continue with your current financial results or do you want to break the shackles, get off the hamster's wheel, escape the rat race and start living a life of more time, more freedom, more choice, more money, more fun, more adventure, more purpose and more satisfaction?"

The present system is engineered to prevent most people from having a quality seventy or eighty year life. It's set up in a way that creates one work week. You perform the tasks involved in that one work week and then you repeat that one work week until it becomes one work month. You then repeat that one work month until it becomes one work year. You take three weeks holiday and repeat the whole process over and over and over and over again until you reach a point where the system says, "you're no longer required!"

In the economic crisis of 2007 - 2011, this message is being received earlier and earlier. Most people don't have a quality sixty or seventy year life; they have a stressful one year life which gets repeated sixty or seventy times.

It matters little what your current annual remuneration package is because at the end of the day, as statistics demonstrate, most people end up without the means of supporting their dreams. Less than one percent of the population retire with an ability to generate \$50,000 or more per annum. In other words, despite the wages they earn, few are able to enjoy their dream lifestyle when they finally get the space and time to do so.

### ***Principle one: Freedom must be gained via a medium to freedom.***

One of the first principles of economic freedom is that it requires a medium through which it can be created. Unless you are the CEO of a large company, or something similar, a job is not a medium for economic or personal freedom, it's only a medium for the basic requirements of a modern life.

Freedom can only be created through something that society values highly. In some cultures, beasts of burden represent such value while in other cultures; value might be reflected in the number of pigs you own. The more exchange value you have, the more you might be considered wealthy in that society.

In most Western societies, economic freedom can be gained through mediums such as land, real estate, precious gems and metals, art and collectables, profitable businesses or shares in profitable businesses. It can also be gained through mediums which have the potential to produce cash flow. The more you accumulate, the freer you become.

In learning how to successfully utilise any medium, you have to understand the concept of risk. And while many books have been written on the history and concept of risk, one of the first things I decided to do was define what risk meant for me. I settled on 'risk equals my probabilities of making ineffective choices in any given context'.

After having reached the age of forty without making any significant wealth impact, I decided my probabilities of making ineffective financial choices were extremely high. If you've never made a significant impact on your financial freedom, then you might also want to consider your probabilities of making ineffective financial choices as being high.

The best solution to 'high probability of ineffective choices' is the acquisition of knowledge and experience. However, in their haste to create the freedom they say they want, the one thing most people fail to do is gain access to knowledge. As a consequence, they fall prey to the 'happy – easy – now' peddlers and over time, they never get to enjoy the abundance of their dreams. It seems that expediency is used as a substitute for experience but generation after generation proves that it's a poor substitute.

Let's begin our journey by approaching economic freedom in the same way you might approach a career in any number of professions or trades. Intuitively you'll understand that it takes years to become a doctor, a lawyer, a plumber, a carpenter, a teacher, a nurse and so on. All our educative structures reinforce this and we're prepared to put many years of study into being successful in the career of our choosing.

The problem with many of these careers is that they don't have the capacity to produce the freedom of your dreams. They are not mediums to freedom; they're mediums to repetitive processes and a certain level of comfort, or discomfort, in a contemporary society.

### ***Principle two: Change your thinking and you will change your future.***

If you can move from the 'happy – easy – now' thinking system, or thoughts of 'it's too hard, or 'I don't have enough time', or 'I might fail', then it's possible to move to a more effective thinking system.

If you can move from any number of other limiting thought systems – and move to the idea of becoming a serious student of economic and personal freedom, it then becomes possible to make a career move from financial underachievement to financial abundance.

You must be able to change from a thinking system based on time and wages to a thinking system based in knowledge and experience acquisition. You must be able to move to a paradigm that stands outside the wisdom of convention, one that encourages long-term expansion rather than long-term contraction; a thinking system that encourages the learning of new skills and the future harvest of financial rewards.

If you cannot change thinking systems then your results will remain the same. The Law of Laws states that thinking causes all.

### ***Principle three: Find a medium that has the capacity to do what you want it to do.***

There are several approaches you can take in order to achieve economic freedom. The first could be described as the savings approach. This involves making regular deposits into cash accounts, managed funds, property trusts and the like. Make sure you get some good guidance here. I can recommend Christina Cabrera CFP- Founder, Managing Director and Senior Financial Planner of Blue Edge Financial Planning. She's impartial and has a good track record.

You can visit her at <http://www.blueedge.net.au/index.asp>

Such an approach generally relies on the compounding effect of regular savings and an ability to make regular deposits. It requires years of discipline and if all goes well, you could expect to be economically free in approximately 20 years.

Now some people will think that this is not really sexy and it takes a long time but I encourage you to think differently. Chances are that you're still going to be alive in 20 years time so you may as well be alive and economically free instead of alive and still sacrificing yourself to the system.

Not much skill or risk involved in this approach, the only risk is not doing it. It's a medium that requires dedication, commitment and determination to overcome the gravitational pull of 'happy – easy – now', a consumer society and free spending peers.

Though this seems to be a time proven strategy, few achieve economic freedom in this way. Perhaps it's because it takes too much discipline, or perhaps it's because most people cannot overcome the enormous pressures of the 'happy – easy – now' message of instant gratification.

Most other wealth mediums require the accumulation and store housing of assets such as real estate, shares, precious gems and metals, land and collectables. Essentially, these mediums move through three stages: accumulation, growth and harvest.

In the accumulation phase, you require money to service the accumulation phase. If you borrow money, you also need an ability to service those borrowings through various interest rate cycles. Knowledge and due diligence are high on the priority list. If you get your timing wrong, you could go backwards at a high rate of knots.

You must fully understand prices and economic cycles along with the how, why, where and when of asset accumulation. Without the necessary skills, time, experience and knowledge, the risks of loss or financial underachievement are high.

The growth phase means understanding the economic conditions that need to be in place in order for the asset class you're holding to sufficiently appreciate in value over time. Is the timing right? Do you have enough time left for assets to move through a growth cycle or is the present timing wrong? Are we at the brink of an economic downturn where asset values are falling?

Of course the most obvious barrier to these mediums is the lack of cash or purchasing power. If you don't have the required deposits, or an ability to service loans, you're excluded from their potential.

Once the value of your assets have grown sufficiently, it's important to understand how to harvest their value in the most effective means. Again, you might need an independent, licensed advisor/planner to help you here. I am neither of these; I'm an educator, not an advisor.

Traditionally we've been encouraged to build or save our way to a nest egg that represents a 'pot of gold' in retirement. Let's say you achieve this with a net \$million in real estate assets. The question then arises, what do you do with your assets? Well you could sell them and live off the cash - less tax of course.

Alternatively, you could keep them and live off the rental income but this might not provide as much as you want. Suppose you have four houses valued at \$250,000 each and you live in one and rent the others. Let's assume that you own the houses outright and there are no mortgages. Rental in Perth, Western Australia, would generate around \$400 per week for each dwelling, which would produce an annual income of \$62,400. But now you need to subtract management fees, rates, repairs, maintenance, insurance, land tax, income tax, vacancy factors and other outgoings.

If you still have mortgages then your annual income will be considerably less. While the idea of financial freedom through real estate might seem appealing, it's a difficult journey to undertake and less than 1% of Australian investors have three or more investment properties.

Suppose you create \$1,000,000 in cash assets, which you invest at today's interest rates of

approximately 5.5%. You can live off the interest and your annual income will be \$55,000 less tax.

There are other combinations you could seek advice on but the reality is that very few people ever achieve financial freedom via traditional means and depending on what age you are, you have to question whether or not there is sufficient time for you to head down this pathway.

What if there was another way to approach financial freedom? What if you could create a residual income of \$50,000 to \$100,000 or more per annum for the rest of your life, without having to create a net asset base of \$1,000,000 plus?

Well the reality is that you can but only if you can change your thinking from models of traditional asset accumulation to models of leveraged and residual income.

You can do this by investigating businesses that provide residual income streams and that have the ability to grow exponentially. You can especially investigate businesses that did well during previous recessions. To be successful, you must be able to make the switch from a wage and servitude paradigm to a business and cash flow paradigm. The majority of the world's wealthiest people created their economic freedom through the medium of business and cash flow.

At its most basic level, a business is an entity that provides for the means of distribution of products, goods and/or services. This can be achieved either indirectly through manufacturers to wholesalers, to national distributors, to regional distributors, to local distributors and finally to retailers and customers. Alternatively goods, products and/or services can be supplied directly from manufacturers to customers.

In order to reach their customers, direct distribution businesses advertise and operate through mediums such as the Internet, television, magazines and newspapers and/or word of mouth referrals.

### ***Principle four: Understand rapid growth trends.***

Because it's cost effective for large organisations, direct distribution is now one of the fastest growing trends in the world today. This allows companies to lower their distribution costs and increase profits. It also allows astute and entrepreneurial self-starters, who can make the necessary switch from wages thinking to business and cash flow thinking, to create large residual incomes.

The potential upside is huge and the potential downside is limited. Such potential can dramatically outstrip the growth of interest bearing assets or the labour requirements needed to grow million dollar portfolios. There's generally low start up costs, which means they carry little financial risk. For a minimal financial outlay, you can potentially create a million dollar residual income business and the only thing that's required is a switch in thinking.

It's not uncommon for self-starters to generate residual incomes of \$100,000 to \$200,000 plus in as little as three years. Some do it faster, while others take longer. With good support, creating a residual income of \$50,000 per year is one hundred times easier than creating a nest egg of \$1,000,000, sticking it in the bank and getting 5% interest on it.

One of the most impressive aspects of residual income is that every successive year you have the opportunity to dramatically increase your income through the power of leverage and exponential growth. This is something you simply cannot do with wages. Compared to the forty years people spend in traditional jobs with minimal opportunities for income growth and compared to the prospects of no income once they retire, or are retrenched in economic downturns, there is simply no match to the potential offered through new ways of thinking.

### ***Principle five: Find yourself a good mentor.***

To be successful on your journey towards economic and personal freedom, you must think in the same way as you would if undertaking an apprenticeship, attending university or gaining a professional

degree. Success comes in increments as you qualify for more advanced undertakings along the way. Basically, we're told that rewards come after years of effort. Now this is a basic truth however its application is often misdirected.

People are conditioned to place their time and effort into mediums that do not have the capacity to produce the lifestyle they want. They're conditioned to do this because it serves the system. It's critically important to understand that the system is not there to serve you. You have to gain the knowledge and skills that allow you to serve yourself. Failure here means failure in the future.

If you have the capacity to change your thinking, in as little as three or four years from now, you could be living off a six-figure residual income for the rest of your life.

However, as most people are not naturally gifted at changing their thinking, it's important to find a good mentor. They'll work with you until you have successfully developed the necessary skills for independence. It's the psychology that's most important here.

You must be able to break the connection between time and money. No matter what your income level is, if you're not already economically and personally free, you must be able to disconnect from modern day master/servant relationships of sacrifice. You must be able to switch from 40-year plans that go nowhere, to four-year economic freedom plans.

If you cannot make this switch then you'll condemn yourself to your present financial results and you'll condemn yourself to remaining where you are. You'll do this because the idea of change presents too great a challenge to the security of your wages paradigm, even though that paradigm is unlikely to ever produce the lifestyle you want. It's your choice.

Success begins in the mind. If you can make the necessary shift, it's only a matter of learning new skills and putting them into practice. So if you want to be successful, if you want to enjoy true financial freedom, if you access to more time, more money, more fun, more independence, more adventure, more joy, more happiness, more certainty, more mastery and more connection then make the necessary mind shift, find a good mentor and get down to business.

To be truly successful, the most advantageous decision you can ever make is to get into the energy orbit of somebody who already has the lifestyle you say you want for yourself. They're the only ones who can teach you. Everything else is theory.

If you really want to be financially free, if you really want to break the shackles, get off the hamster's wheel, escape the rat race and start living up to the potential you were born with, the greatest lesson you'll ever learn is that wealthy people do not swap their time for wages. It's simply not a strategy for economic freedom. The master/servant relationship is a medium of financial underachievement. If you look closely, you notice that the majority of every successive generation proves it over and over again.

Economically free people invest in time, they invest in skills and they invest in people. They invest in knowledge and experience. They use their knowledge, skills and experience to build businesses that reproduce income over and over again. They do this in the same space and time that people use to invest in jobs that continue to frustrate them.

Economic freedom is a future that awaits you – if you can make the necessary mental shifts.



**MONEY MASTERY**

**I do hope these thoughts have been of value to you and thank you for sharing your time.**

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