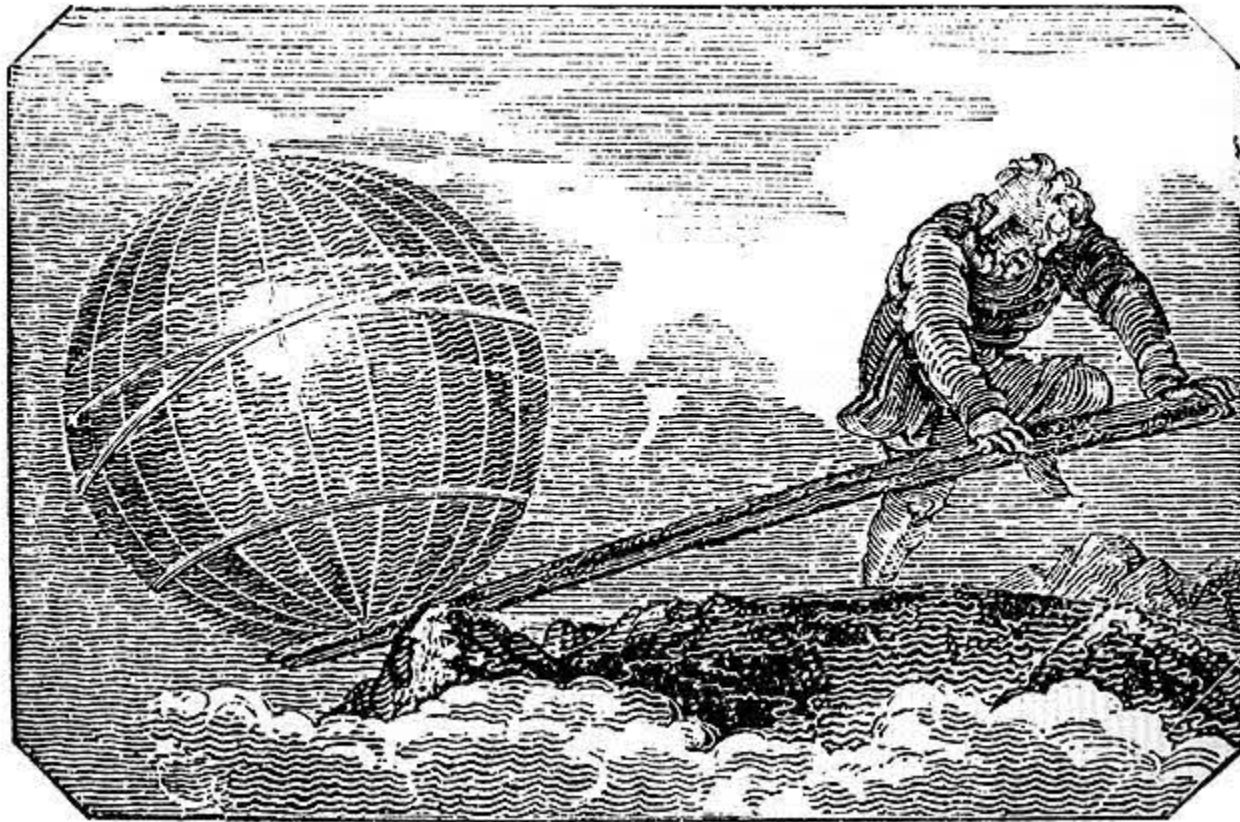


LEVERAGE

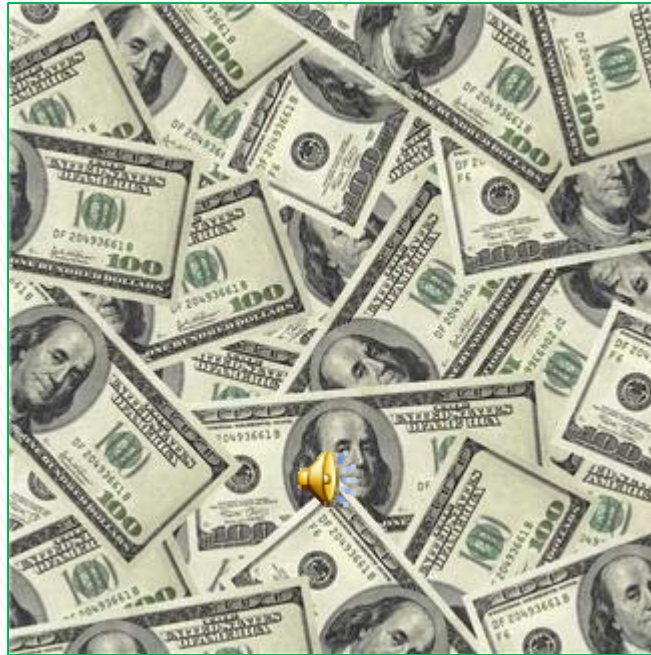
The Awesome Power of Leverage

By PAUL BATTISTA © 2012

Give me a lever long enough, and a place to stand on and I will move the entire World. –Archimedes



▶ Leverage = Speed



Leverage is the ability to do more with less.

Leverage equals speed. If you want to create wealth, you need leverage...

THE LONGER THE LEVER, THE GREATER THE IMPACT

- ▶ **A movie star makes a movie once.** The leverage comes when thousands of prints are made and the movie is shown all over the world. The money comes when millions of people pay to view it.
- ▶ **A baseball player plays baseball.** The leverage comes when he is watched by tens of thousands of fans at the stadium and viewed nationally on TV. The large salary a ballplayer earns comes from the revenues of leverage.
- ▶ **Teachers, on the other hand,** usually have 25 to 40 students per class. They have very little leverage and thus their salary is relatively low. Both the baseball player and the teacher add value (with the teacher generally seen as adding more value), yet the baseball player has the greater leverage and thus is able to demand and receive more money for his services than a teacher.
- ▶ **All large sums of money embrace the generalized principle of leverage...**

THE AWESOME POWER OF LEVERAGE

Leverage is the power to control a lot with just a little. Big doors swing on little hinges. In the business world, there are five kinds of leverage.

- ▶ **OPM—OTHER PEOPLE’S MONEY.** In real estate investing we buy residential real estate with 10% down and yet control 100% of the property.
- ▶ **OPE—Other People’s Experience.** It takes too long to learn it yourself, so borrow or learn from others. The easiest way to become rich is to apprentice personally with someone who is rich. Learn all they know, meet their contacts, and do what they do—do it even better. (or read their books)
- ▶ **OPI—Other People’s Ideas.** Your objective is to associate with people who can share with you their powerful moneymaking ideas.
- ▶ **OPT—Other People’s Time.** Individuals will sometimes volunteer their time in certain circumstances, but most will sell you their time, talent, connections, resources, and know-how relatively inexpensively.
- ▶ **OPW—Other People’s Work.** Most people want a job. They want security rather than opportunity. Hire and delegate to them everything that you don’t want to or can’t do as well. Leverage yourself through other people and grow.

REVIEW OF LEVERAGE

1. Leverage = Speed
2. The longer the lever, the greater the impact
3. Successful people are masters at using all five kinds of leverage in the business world
 - ▶ **OPM—Other People's Money.**
 - ▶ **OPE—Other People's Experience.**
 - ▶ **OPI—Other People's Ideas.**
 - ▶ **OPT—Other People's Time.**
 - ▶ **OPW—Other People's Work.**
4. Business people are constantly looking for leverage

APPLYING MAXIMUM LEVERAGE

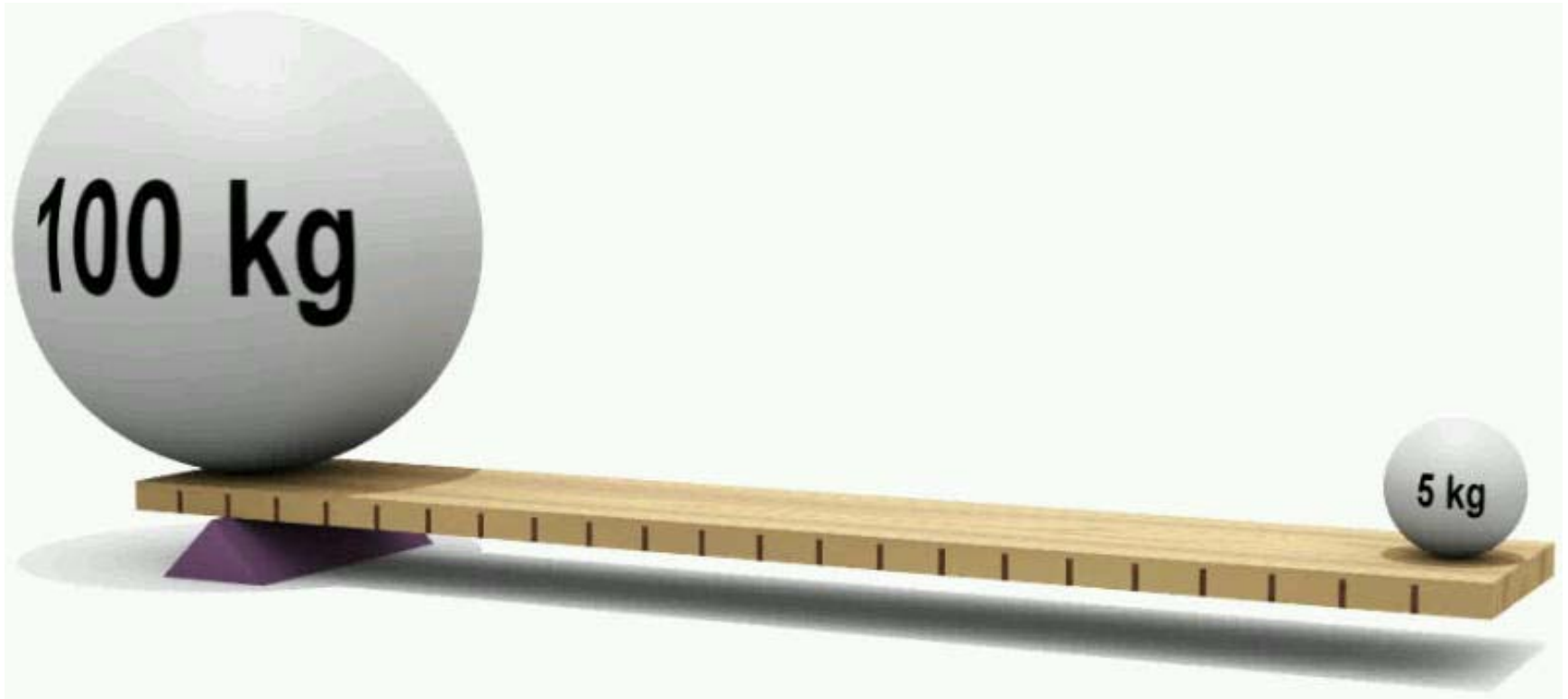
Alone, you are without leverage. You have to rely on your own knowledge your own experience, your own money, your own resources. This is the long, slow way to success. Eventually your resources run out. You become discouraged. You quit.

Your first form of leverage is to acquire a mentor. Your mentor has tackled this mountain before you. Your mentor knows what to do. More important, your mentor knows what **NOT** to do. This is the first short cut
—avoiding lost time and money in trying to correct mistakes.
You need a mentor.

APPLYING MAXIMUM LEVERAGE

- ▶ **Your second form of leverage is to acquire a team.** If you want speed you need a team.
- ▶ **Your third form of leverage is a network.** Each member of the team knows 100 contacts. A team of 6 therefore knows 600 people, etc., etc. (Facebook)
- ▶ **Your fourth form of leverage is the Infinite network.** There is a spiritual connection that links us all up.
- ▶ **Your fifth form of leverage is the use of tools and skills.** Successful people use the tools of wealth—computers, the Internet, e-mail—for fast communications, fast calculations, fast decisions.
- ▶ **Your sixth form of leverage is systems.** Systems streamline and organize the process of success. (Like in Franchising)

OTHER TYPES OF LEVERAGE



OTHER FORMS OF LEVERAGE

- ▶ **BOOKS:** Reading is the best way to stand on the shoulders of others. Just as you don't have to reinvent the light bulb to make use of it, you needn't recreate the works of great thinkers to profit from them. Robert Kiyosaki, for example, has already gone to the trouble of writing Rich Dad Poor Dad. All you have to do is read it!
- ▶ **DELEGATING:** Effectively delegating to others is perhaps the single most powerful high-leverage activity there is.
- ▶ **THE PARETO PRINCIPLE:** (also known as **the 80-20 rule**, the law of the vital few, and the principle of factor sparsity) states that, for many events, roughly 80% of the effects come from 20% of the causes. The principle and named it after Italian economist Vilfredo Pareto, who observed in 1906 that 80% of the land in Italy was owned by 20% of the population; he developed the principle by observing that 20% of the pea pods in his garden contained 80% of the peas. It is a common rule of thumb in business; e.g., "80% of your sales come from 20% of your clients."

MORE...

- ▶ **MIGRATION:** Immigrants coming to the USA from poor countries become richer as soon as they cross the border in the USA. (Poor country to rich country. Poor state to rich state).
- ▶ **MACHINERY:** Small investment = large output
- ▶ **SOFTWARE:** Templates and programs made by highly skilled experts.
- ▶ **CREDIT & CREDIT CARDS:** Use now—pay later
- ▶ **RESTAURANT MEALS:** No Shopping, Prep, Cooking, fuel, clean up and skills.
- ▶ **MONEY:** USA—South Africa, Mexico, etc.
- ▶ **TIME:** USA –India (9-5-hours) -- New York –California (3-hours)
- ▶ **LABOR:** India, China, etc.
- ▶ **GOODS:** China,



DELEGATION

We accomplish all that we do through delegation—either to time or to other people. If we delegate to time, >>

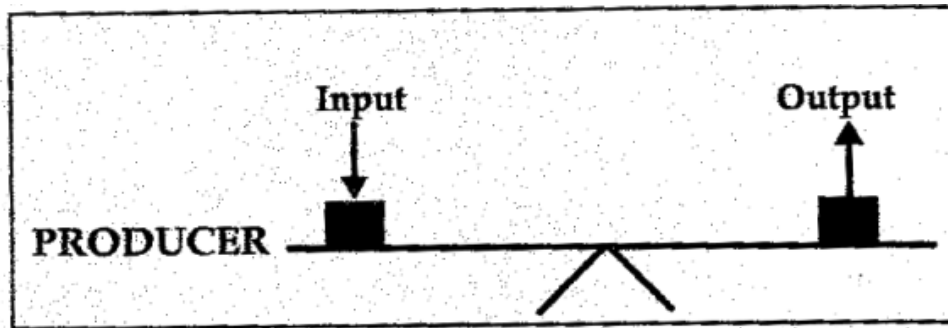
we think *efficiently*.

If we delegate to other people,

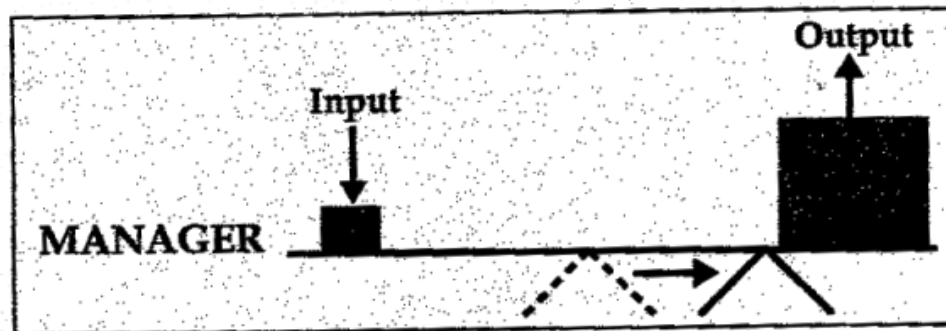
we think *effectiveness*.

DELEGATION

- ▶ **A producer can invest one hour of effort and produce one unit of results, assuming no loss of efficiency.**



A manager, on the other hand, can invest one hour of effort and produce ten or fifty or a hundred units through effective delegation.



Management is essentially moving the fulcrum over, and the key to effective management is delegation.

- ▶ **Transferring responsibility to other skilled and trained people enables you to give your energies to other high-leverage activities.**
- ▶ **Delegation means growth, both for individuals and for organization.**

MULTIPLYING MONEY...

LEARN THE RULE OF 72



The compound interest and financial success **Rule of 72** is the most important and simple rule of financial success. Gain financial success faster when you command the power of compound interest, instead of allowing compound interest to enslave you.

LEARN THE RULE OF 72

Step 1 of 2: How long does it take my money to double?

This step teaches you how to determine the number of years it will take for your investment or debt to double in value.

Divide the number 72 by the percentage rate you are paying on your debt, or earning on your investment. Here are three examples...

1. You borrowed \$1,000 from your friend, who is charging you 6% interest. 72 divided by 6 is 12. That makes 12 the number of years it would take for your debt to your friend to double to \$2,000 if you did not make any payments.
2. You have a savings account with \$500 deposited in it. It earns 4% interest from the bank. 72 divided by 4 is 18. It will take 18 years for your \$500 to double to \$1,000 if you don't make any deposits.
3. You have an investment account with \$10,000 in it. It earns 10% interest. 72 divided by 10 is 7.2. It will take 7.2 years for your \$10,000 investment to double to \$20,000.

Remember: 72 divided by the Interest Percentage is the number of years it takes to double.

That is the end of step one. Step two will blow your socks off!

Step 2 of 2: How many times will my money double?

This step teaches you how important it is for your money to double as many times as possible, and for your debts to double as few times as possible.

Determine how many years you will keep your investment before cashing it in. Divide that by the number of years it will take to double each time, the number you figured out in step one.

Now look at what happens to your money each time it doubles...

\$1 ... \$2 ... \$4 ... \$8 ... \$16 ... \$32 ... \$64 ... \$128 ...

You can see that it makes a huge difference how many times your money doubles. If you can make it double only a few more times by making just slightly better investments, you can end up with many times more money at retirement, or whenever you cash in your investment.

Think about how fast your debts can double with high interest rates, such as those charged on most credit card accounts.

You have learned the basics you need to use the rule of 72.



THE RULE OF 72

Compound Interest-- Not $E=mc^2$ -- Greatest Discovery

Albert Einstein is credited with discovering the compound interest rule of 72.

Referring to compound interest, Albert Einstein is quoted as saying:

"It is the greatest mathematical discovery of all time"

LEVERAGE YOUR BUSINESS

- ▶ **Business Is Leverage!**
- ▶ **Old Money—New Money**
- ▶ **Taxes**
- ▶ **Learn From The Best**
- ▶ **Do Only What Your Best At**
- ▶ **Outsource everything else**
- ▶ **Your House Is Not An Asset**
- ▶ **Buy Rental Real Estate**
- ▶ **What Kind of Business is Mc Donald's in?**
- ▶ **Get Rich From Investing, Not From Working**

MULTIPLYING MONEY

- ▶ If you keep a hundred gold coins locked under your bed, your money is stagnate. Deposit the money with a banker who promises to pay you interest in return, and you have both put your money to work and doubled the amount of money in circulation among your community. Now you have one hundred gold coins and so does the person you've deposited your money with. Let that person lend out the one hundred gold coins to yet another person, in return for an interest payment, and the power of your money has now tripled, with no diminution of the power source so long as everyone meets the terms of his or her obligation. Simply put, the more transactions that take place, the richer everyone is.

KNOWLEDGE IS MONEY!

- ▶ You've heard the phrase "Knowledge is power"-- right? Well, that's ONE way to put it. But I think a BETTER way is this: **"Knowledge is money!"** ...
- ▶ ...**More:** The more oil we use, the less we have left. By contrast, the more knowledge we use, the more we create. Economics can no longer be defined--as it often was--and still is--as "the science of the allocation of scarce resources." Knowledge is essentially inexhaustible...
- ▶ ...**More:** Knowledge is more portable than any other product. Once converted to zeros and ones, it can be distributed instantaneously to one person next door, or to a million people from Hong Kong to Boca Raton--at the same near-zero cost.

WIN THE MONEY GAME!

- ▶ **OLD MONEY NEW MONEY**
- ▶ Leverage old money you are already spending to create new money you can invest. By lowering your mortgage payment you free up cash, which you can then invest. Your goal is to have compound interest work for you and not against you.

BATTISTA'S SUGGESTED READING LIST:

▶ **BOOKS:**

- ▶ **Rich Dad Poor Dad**, Robert Kiyosaki
- ▶ **4-Hour Work-Week**, Timothy Ferris
- ▶ **The One Minute Millionaire**, Mark Vincent Hansen & Robert G. Allen
- ▶ **The 7 Habits of Highly Effective People**, Stephen R. Covey
- ▶ **The 80/20 Principle**, Richard Koch
- ▶ **Leverage**, Darby Checketts
- ▶ **Automatic Wealth for Grads**, Michael Masterson
- ▶ **The Banker's Best Kept Secret**, Mike Stevens
- ▶ **The E Myth**, Why Most Small Businesses Don't Work..., Michael E. Gerber
- ▶ **Think and Grow Rich**, Napoleon Hill
- ▶ **Ready, Fire, Aim**, Michael Masterson
- ▶ **The Complete James Bond Lifestyle Seminar**, Paul Kyriazi (Audio)
- ▶ **The Riches Man in Babylon**, George Clason
- ▶ **As A Man Thinketh**, James Allen

▶ **AUDIO:**

- ▶ **Lead The Field**, Earl Nightingale
- ▶ **The Strangest Secret**, Earl Nightingale

▶ **NEWSPAPERS:**

- ▶ **The Wall Street Journal**
- ▶ **Investor's Business Daily**

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