How To Survive Tough Times
(Part V-Generating Capital and Cash-Flow)
By: Homesteader

Finding Work
Harvesting Natural Resources
Creating Wealth by building something or selling your skills
Acquiring Wealth by owning or controlling wealth created by others

What do all of these have in common?

In just about all cases, once you stop working, so does your income.

No Productivity = No Wealth Generation

What a sad state of affairs. You mean to tell me that I will have to continue working all of my life to receive wealth or the income needed for my survival?

Not necessarily!

There are certain forms of wealth you can have which can generate capital and income for you, so you don't have to work.

The fields of investing, cash-flow generation and capital creation can be highly technical and befuddling.

Hard assets, stocks, bonds, IRAs, 401Ks and everything else under the sun, compounded by technical charts, advice, opinions, stock symbols and heresay.

Which direction should you turn?

First of all, let me state that I am no expert in these matters nor in anything else you are reading in this series of articles. I feel I have learned a few lessons in life the hard way, have a few opinionated ideas and am trying to share some of this info with you for your entertainment and consideration.

For any and all financial advice, legal advice, or any and all other advice you should always rely on a trusted and licensed professional in that field.

What I would like to do, is share a few of my own personal thoughts about investing your money in order to receive a pretty much hassle free income and capital when you need it.

Please take it with all with a grain of salt.

Many of you are lucky, in that you are/have worked for a company and have a nice little retirement package or have finally reached the government retirement age and are receiving your Social Security Check, etc.

Free Money! Coming in whether you work or not. I guess there is a God after all.

Now no offense intended to anyone, but let's examine this so-called Free Money for just a minute. Where does it come from?

For most of your working life, you have been paying a small percentage of each of your checks into these various programs. You may remember that first paycheck stub you received and wondered who the hail this fica guy was that kept getting a part of it. You give them your money in the hopes of a return at a later date (and usually because you have to).

Now without getting too technical, you can add up all of those paychecks stubs for the last 30 years of your life and find out just how much you paid into that particular fund. Wow! quite a sum-I can draw on this money I paid in just like it was my personal savings account for the next 8 years if I live that long. And they also give me great medical benefits. Well, I sure do deserve it-they owe me big time.

But you just happen to live for longer than those 8 years and still keep getting these regular checks. What a sweet deal. I guess when George died after being retired for only 1 year they divided all of the money he had paid in and put a little bit in everyone elses savings account. Or I did such a great job for this company or was such a good citizen, they are making extraordinary profits and finally giving me my due. Or the financial wizards that were in control of this giant pile of cash really knew what they were doing.

Enough kidding around-this extra money you keep receiving has to come from someplace and it usually isn't from the sources listed above. If you believe the Government has done such a wise job at managing the money you paid into the Social Security Fund and is profiting immensely because of your good citizenship, you are only fooling yourself.

In our introduction you learned that Wealth is the by-product of Human Effort or work. This so-called Free Money you are receiving isn't really free at all. It has to come from someplace. And that someplace is ultimately the producers of wealth. It is being stolen from them, in one way or another and given to you. (and this goes for many other free money traps).

Now am I suggesting you have a conscience and stop accepting it? Get real :) But what it is ultimately doing in the very long run is decreasing the standard of living for everyone.

Remember that people work for the reward it will bring them. Less reward = less incentive to produce. Less production = less wealth. Simple.

You studied and practiced for years to become a top surgeon. People pay you for your skills.

Due to various factors mostly outside of your control you have to raise your prices. The consumer complains to the Government about your high prices. Government steps in to protect the consumer and passes a law that says you can only earn $50,000 per year. You lose your incentive to produce. The standard of living for everyone goes down. And so on, ad infinitum, ad nauseum.

Getting Wealth that will actually give you some more wealth in return without working for it can be a tricky business.

I believe we are quickly approaching a time in this generation where the old ways of buy your stocks and hold onto them forever needs to be looked at (not that it was ever that good for the common man anyway).

First of all, what can we, as normal everyday middle-class producers do, which will give us the best return on our investment dollars (especially in tough times)?

We briefly talked about this earlier, but let's get a little bit more detailed.

1. If you aren't earning at least enough to survive on comfortably, you need to be spending your money on yourself in improving your abilities in the fields of harvesting, creating or acquiring wealth.
2. At the same time you need to be spending your cash by investing in future consumables like food, water, a saferoom and other items (there aint no better insurance policy around-read the articles on this site).
3. You need to get completely out of any type of consumer debt you may be in, except for maybe a home and a vehicle.
4. If you have a home and a vehicle, you need to get and keep insurance on them.
5. You need to either get medical insurance or find a way to handle major medical expenses.
6. You need to invest in the tools of your trade.
7. You need to invest in you own land and home (and IMHO in a rural setting).
8. You need to get at least burial insurance, if you have a family.

These are the basics folks. Personally, I wouldn't even dream of trying to put my money to any other use (especially any type of paper investment, unless you really know what you are doing) until the above are covered.

This is the Foundation upon which you can build.

Now as you are improving your abilities in harvesting, creating or acquiring wealth, you can also be looking for certain types of wealth which will generate either capital or income to speed you along the goals listed above (this is the tricky part I talked about).

What types of wealth?

There are many ways and once again many levels where Wealth can spin off more Wealth.

When you can acquire something through your specialized knowledge and experience that can be sold for more than you paid for it, you immediately have a built-in equity in that wealth.

When you harvest or create something through your blood, sweat and tears, you also have a form or equity.

What is this equity thing?

Basically, it how how much you can sell this wealth for minus how much you paid for it (or still owe on it sometimes).

When I go out and get my load of wood that I can sell for $120 a truckload, It has cost me a certain amount of money, time and work.

$10 for a permit, $2 for some chainsaw gas and oil, $10 for truck gas and 6 hours of work.

$120 minus $22 equals $98 worth of equity.

This is what is called sweat equity-you have used your thoughts, work, experience and tools to create it.

Or in the case where I find a used car I can buy for $1200, fix up for $300 and re-sell for $2500, I have an equity of $1000.

In this case you have used your cash, knowledge and experience in the used car market to find a deal.

In whatever way you get some wealth, whether it is through harvesting, creating or acquiring it, you need to be on the lookout for wealth which has built-in equity.

(note that the above examples are simplified; your time and equipment, etc are worth something and it may not be the classic financial definition of equity, but you get the idea).

(When you work for a living and borrow money you are *Giving* your time and work equity to someone else).

What can we now do with this equity?

-we can sell it for all cash to generate some capital to pay off a credit card
-we can sell it to someone on payments of $100 per month to help us increase our cash-flow for

everyday living expenses
-we can trade it for some other form of wealth
-we can use it as collateral and borrow money against it (if we also use this borrowed money to help us reach our goals and not for consumables)

Learn how to use your imagination when you have equity in some form of wealth!

When times are tough, ask yourself if you have wealth sitting around your home right now that can be re-sold because you no longer use or need it? Household articles, jewelry, used vehicles, a portion of your land? Find ways you can either sell it for capital, write a personal note on it for cash flow, or trade it for something else.

Used car for sale. $1500. $100 down/$100 month. Owner will finance at 10%.

You have just created a cash flow of $100 a month for around 13 months.

Do this ten more times and you will have $1,000 a month in cash flow.

Now this sounds easy to do, but it really isn't because I know from experience. I could always find the deals, but sometimes my cash was limited. (though your ideas aren't). If you do attempt it full time I'd recommend to:

Make sure you do credit checks, keep a spare set of keys, make sure they are insured, get a really good collection agency to handle all of it, find a repo man to do any dirty work, get a good mechanic and detailer so you can spend your time locating the deals, have some people pay every payday so they don't spend it, check your state laws on how many you can do without becoming classed as a dealer, etc. Basically do your homework and get some experience (even if it is bad :)

I still do my alloted 6 per year, but I find anything else pretty much makes it a full-time business (though it can be a pretty good business if you do it right).

You can create this type of cash flow and capital with just about anything . . .

-large appliances
-furniture
-electronics
-tools, guns and machinery
-antiques and collectibles
-jewelry
-vehicles, boats, planes
-other peoples time, energy and skills (as in employees)
-other peoples resources (like cash)
-real estate
-raw land
-natural resources

-tools and knowledge
-paper investments (stocks, bonds, mortgages, etc)
-chemical formulas
-licensing
-patents
-copyrights
-computer software
-trademarks

Just take one area of choice which fits you and your situation and become good at it. After you have established the good foundation we talked about above, you can use it as actual income to live on and give up that job which you hate. And remember in many cases it is easier to deal with things that are more 'idea' related than actual products which are heavy to move and take up space to store.

A small plan for those with limited time and cash

1. Maintain the foundation you currently have-don't go out and quit your job; if you don't have a job, learn how to harvest, create or acquire some wealth to support yourself
2. Start reading the classifieds every night and going to all yard sales, auctions and flea markets every weekend to see what is selling and to give you an idea of 'value'
3. Decide on a few product areas you like, are readily available in your area and think/know you can re-sell
4. Find out what these products are worth new retail
5. Find out the average selling price on the used market (classifieds, pawn shops, thrift stores, flea markets)
6. Save up or sell something for $100 cash
7. Use this very small nest egg to start acquiring products for resale
8. Learn to Re-sell these products for cash and build up a nest egg of $5,000-absolutely don't spend it and realize that this can take some time to do
9. Start looking for more expensive products which you can acquire with a built-in equity and you can re-sell for cash flow
10. Strengthen your foundation and then live off the income

And if you are more interested in the idea end, you need to be asking yourself where can I find idea related products which might be for sale?

Or what kind of tools or machinery can I use to harvest natural resources with the sweat of my brow that will have built-in equity?

Or where can I buy or acquire products wholesale from which have a built-in equity that can be re-sold in my store or even at flea markets?

Or in what ways can I employ the skills, time, money and resources of other people?

The above plan may sound simple, but it takes imagination, work, time, discipline and

experience to actually do and there is risk involved, no matter what you choose.

In its simplest form it is what business is all about. Buy low-sell high.

And just so you know that I'm not the smartest person in the world, or even very good at the above yet, we have actually been in this position twice in our lives. Once we had an income of more than $6,500 per month coming in from used cars and real estate and had to declare bankruptcy because I was overextended credit wise and buying things for resale that I hadn't properly done my homework on.

The second time we were making more than $3,000 per month from products we acquired and licensed and the market just dried up.

Where are we today? On the long road to recovery, pretty much following the same plan or forms of it. But it is easier.

The only real disadvantage of some of these ways of generating cash flow and/or capital, is that they have a limited life span and there may be more management headaches involved.

Once the equity is used up, you need to create or acquire more equity to keep going. There is limited growth and always risk involved.

But this doesn't mean you can't develop a diversified income that won't last for a very long time (if not your entire life) and management headaches can always be solved in one way or another if you have the income to do so.

Only after you have strengthened your foundation, payed off your home and vehicles and have some type of income you have generated to live on, can you start looking into other areas. Just keep building your cash flow until it is possible. And it sure does beat Social Security.

Now being the survival type person that I am, the next thing I feel you need to be looking at is real wealth in the form of trade goods and materials/supplies needed for any businesses you may own.

In our introduction we talked a little bit about money. We saw that its primary function was to make it easier for us to trade for certain forms of wealth.

Here is one of the best explanations I have ever seen on exactly what money is and what it can do . . .

"Without money, if people want to exchange goods and services, they barter. "In exchange for filling my car's gas tank I'll work for you for an hour." In most cases this simply wouldn't work because party A doesn't want what party B has to offer in exchange. With the use of money as an

intermediary (or go-between), a wider variety of transactions become possible, increasing the chances that more people will satisfy their needs.

To facilitate exchanges of goods and services, it helps if we have a sense of the worth or value of things. I might value my time at $15 an hour. In that case, if someone offers to pay me $15 an hour or more, I would consider working for him or her. If offered less, I would probably decline the offer. Similarly, I might value a loaf of bread at $1. Money as a unit or measure of value helps us to make better economic decisions. In the absence of money it would be much more difficult to make sensible economic and financial decisions. How things are currently priced by most people provides indispensable information for guiding economic and financial decisions.

The store-of-value function of money makes an important dimension to economic and financial life much easier. It enables us to produce a surplus in the present, to save the surplus, and to "move" it to different places or into the future. Money makes it easy to transfer value from place to place or present to future."

Basic Money Skills
Frederick Mann

So as you can see, money isn't really wealth, except when it is used as a store of value and sometimes this value may decrease if you hold on to it or don't put it to intelligent use. You can't really use it in the things you need for everyday living. It is mainly used to trade for real wealth-things.

So what types of trade goods and why? There are many articles on this site which go into more specifics, but just pretend to yourself that maybe everyone's money is counterfeit and nobody will take it anymore. You go down to the grocery store to buy some food and the clerk says "I'm sorry, but we don't accept cash, credit or checks." Well then "What will you accept?"

If people won't accept money for what they are selling, they still need to sell it. The farmer who grows food still needs to have his other needs met. He spends all day long growing food and still needs things like clothes, tools, etc and ways to maintain these items. He may be addicted to nicotine or alcohol. His wife may need some needles and soap. His kids may cry because they don't have any candy.

Now why may this happen and could it? As a person on the low end of the totem pole, we may not have very much influence on the current political or economic affairs of this world. That's not to say that we can't make a difference in both small and big ways. It just means we may wake up tomorrow and find that some of the Asian Countries will no longer accept US Dollars and will only take Euros or that the price for a barrel of oil has gone from $50 to more than $150. And if you do a little bit of reading and research, you may find this this is entirely as far-fetched as it may sound. We may in truth some day have have counterfeit money that is unspendable.

And If we do have all of our money invested in paper which is based on the US Dollar, it may be completely worthless. And you sure can't eat paper. So after you have a good foundation, paid off all of your debts and have some cash flow coming in, consider getting some trade goods,

tools/supplies/knowledge/materials to make products as they did in the old days and materials/inventory that you may not be able to get for your business if the economy is in shambles.

Now just a small note on metals and how they may come into play in your investment plan. Even if paper dollars are no longer being accepted, it doesn't mean that the economy is going to come to a standstill.

Even in very Tough Times people are still going to need and desire products. And straight barter systems are still going to be clumsy. So eventually some form of money is once again going to be used. And hard assets like gold and silver have the advantage of history and use behind them. Just make sure that inexperienced people you are trading with can recognize it for what it is. When a silver coin reads 1oz of silver right on it, there usually is no doubt.

A lot of ideas in this article that you can think about and hopefully use.

-Build and maintain your foundation
-generate some cash flow
-invest your money in real forms of wealth

Next time we will look into how we are being stolen from, how we are really still brainwashed slaves in this economic world and what we can do about it.