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## WHY RESIDUAL INCOME

Why it's better to have residual income and not solely depend on paycheck income? Residual income by definition is income earned by an individual that are generally coming from his assets at hand. It allows a person not to worry anymore spending 8 hours a day in the office working as his personal assets are now earning money for him.

The current practice for people in earning a living is by getting a job and work either on an hour or annual basis. They have salaries or paychecks that they receive usually on a monthly basis and this allows them to buy the things they want, travel to places they want to travel or simply buy anything that their paychecks allows them to buy but the happy story ends where the money has been spent already and people have to continuously report back for work and continue on with their current jobs again and again. Their paychecks do arrive again and again but so does the effort for them to continue working for that hard-earned money.

People can aspire for higher salaries by getting promoted in their current companies or they can opt to aspire for higher paying salaries with other companies. They can get a higher education, maybe an MBA degree and be assigned to higher management positions like a supervisor or a manager in a company. Their salaries become higher and their lifestyles can become higher too. Still, at the end of the day, they still have to report for work the next day, get more worries and pressure from work as they still have to continuously work their way on a daily basis in order for them continuously enjoy the paychecks they are receiving that will allow them enjoy and sustain the lifestyle that they want to enjoy.

This is technically the rat race and it's a cycle in most people's lives that goes on and on. The cycle of coming to work doesn't end. This is because people will always have obligations to pay the bills, to put the food on the table and to simply enjoy a good weekend doesn't end too.

So how will it be possible for anybody to get out of the rat race of working 8 hours a day? How will it be possible to simply just have the money that can sustain the lifestyle one would like to have and go on with life with the expectations of still being able to receive continuous income in the bank?

The answer basically lies with being able to create wealth for oneself not solely on the basis of becoming an employee and receive a paycheck continuously but simply by being able to have income coming in the bank without necessarily working for it on an hourly basis.

This is what we call residual income. Residual income, also what we call passive income generates income for a person thru his assets. These assets can be in a form of real-estate properties that returns rental income. Shares of stock in a blue chip company that consistently returns back dividends is also a way to earn residual income. This is also true for mutual fund shares that consistently return earnings to the fund owners from the funds' investments.

The process of switching from a lifestyle funded by earned income from a job to a lifestyle funded by residual income generated from a person's established assets will be the challenge for anybody who's currently tied up in the rat race cycle. Being able to save enough money or capitalize on a person's talents and skills in order to bring in income consistently without him returning back to work for good is the process towards financial independence.

People who have capitalized on their talents and skills and have settled down towards financial independence are those who have maximized their residual income potential. Songwriters for example may only need to write just a few songs that will make it big on the MTV or Billboard charts that will consistently sell out record sales for a lifetime will have residual income by earning royalties for every song they wrote that is played in the radio or sold in record stores.

Entrepreneurs or successful businessmen that started their business and capitalized on their business ideas that have taken off towards success can expect consistent profits from their businesses. They'll just need to hire effective managers and people that will continue to run their businesses for them and they can just expect their businesses to grow and receive profits from their business operations.

Why residual income is better than all sources of income? Its because it allows anybody who has initially capitalized on his efforts to plant his seeds on business ideas, artistic talents, or investment strategies regardless of his family background, education, age, or even career background. Residual income allows financial stability and freedom without the need to be back at the office the next working day again and simply enjoy the free time to devote it on their love ones or on the things that they've always wanted to do in life.

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