

Increasing Your Net Worth And The Role Of Income

There was a time in the not too distant past that my entire focus was on growing my income. These days I am more and more focused on building my net worth, which in theory should build my income (or at least my future income). I have read in many personal finance books and blogs that it is net worth that matters more than anything, especially since the government taxes you on your income and not your net worth. In 2015 I plan to increase my net worth by about \$69,000 before any appreciation from real estate, stocks, options, dividends, and interest income:

1. Max out my 401K with the new 2015 limit of \$18,000 (picking up an extra \$500 this year)
2. Contribute to an IRA for my wife in the amount of \$5,500 (2014 was the first year we started this)
3. Increased equity in my primary residence through [accelerated debt reduction](#) \$15,600 (based on the payment we are making we are paying \$1,300/month towards principal)
4. Increased equity in the rental condo \$6,000 (We have a solid tenant doing all the heavy lifting here. Now 10 years into this loan)
5. And general savings of \$24,000 (Just adding cash to the stash)

Total = \$69,000

In the early days, after graduating college, our net worth seemed to grow so slowly (maybe \$5,000 to \$10,000 a year)...then all of a sudden we fast forward to six years later and we are looking at increases of \$70,000 to \$100,000 a year. That, my friends, is a beautiful thing. The effect is exponential if you can be disciplined and consistent. Now obviously, income has also played a very important role in getting us to this point and will continue to do so for some years to come. I have just realized that it is important to make sure we put a good chunk of that income into productive assets that will put our money to work for us.

It is really hard to start building a net worth without income. If you don't believe me, try it out and let me know how that goes for you.

I can already see that with a few more years of deliberate saving and investing our net worth can and will be growing at \$200,000 or more a year.

How to Increase Your Income & Net Worth

It is more than possible to simultaneously increase your net worth and your income (and highly recommended). The more income you can create, the faster you can reach financial freedom. Here are some ways to increase your income:

Get a raise - I am willing to bet that the majority of the readers on this blog have a day job that likely contributes to most, if not all, of the income you earn. The key to consistent and sizable raises from my experience has been a balance between playing office politics (with those that can affect your career) and delivering measurable value to the organization. And sometimes I have even had to get out of my comfort zone to ask for a raise when my employer didn't initiate it.

But I will share a little trick with you. At the beginning of every year you need to set goals and expectations with your manager...basically something like, "If I accomplished A, B, and C it would be a very successful year." Once you have your manager's approval and input you know what you need to focus on. That way when review time comes around you know exactly what you are being measured against and you will have the ammunition to ask for the raise.

Start a Side Hustle - A side hustle is something you do outside of your regular 9-5 to make extra money. Last year I started a digital marketing and [analytics consulting business](#), where I managed all the PPC activities and analytics for a few clients. Other things I have seen people start include: an iPhone screen repair business, driving for Lyft or Uber in your spare time, renting out a room on [AirBNB](#), multi-level marketing, and many others.

Blogging and/or Podcasting - Yes, you can actually make money doing these things. However, this will take a huge investment of your time and effort before paying off. But if you look at guys like Pat Flynn of [Smart Passive Income](#) or John Lee Dumas of [Entrepreneur On Fire](#), you will see the kind of income that can be made online if you are willing to put in the time and deliver great content to your community. John Lee Dumas started his podcast in June of 2012 and didn't make a dime his first 6 months. He barely netted \$25,000 in his first year and is now making \$300k a month less than three years later.

Rental Income - This one takes capital to get started and rentals typically require 20% down in order to get a loan. To get around this, you could look into Real Estate Investment Trusts that trade in the stock market (there are non-listed REITS as well). This will allow you to get into real estate with far less capital and still produce some income; you just wouldn't get the leverage you get with buying the physical property with a mortgage.

Dividend Income - Buy stocks and ETF's that pay a dividend.

Peer to Peer Lending - This has been an alternative investment that has really blown up in the past 5 years. You can be the bank and loan people money on platforms like [Prosper](#). The loans are anywhere from 3-5 years and typically having a maximum of \$35,000 per borrower. The great thing about this is you can invest as little as \$25/loan and really spread your capital around. I have seen others saying they are earning around 7% doing this. I personally have just started getting back into this.

Selling Option Premium - This is one of my favorites. You can go and open up an account with [TD Ameritrade](#) to get the best investing platform available for **FREE**.

There are many other ways than the ones listed, but the point is that with a little creativity and effort you can compound your efforts with additional income to pour into other investments that ultimately increase income and net worth. I chose the 7 different income streams above because these are the ones I am focused on and will be talking about a lot on this blog.

The important thing to remember is that you need to put that income to work for you. A really high income with no investment is a foolish and poor financial decision. Unless you want to be forced to work until 65 or maybe older, be sure to invest a sizable percentage of your income. (yikes, looks like I need to start taking my own advice, given I have \$63K sitting on the sidelines)

Lastly, I would point out that income early on in your journey will likely be the most important factor in reaching financial independence (you do need money to make money, unless you inherit it). Because let's be honest, your income is what allows you to build your net worth at a much more rapid pace by acquiring assets and paying down debts (if you have any, like a mortgage).

What are you doing to increase your net worth in 2015? And what kind of [side hustles](#) or activities are you doing to increase your income?

- Gen Y Finance Guy



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)