

Passive Income Guide

By

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Introduction

Dear Friend,

Have you been told to go to school, get a good education and get a good job, and **You** will be set for life? Same here, my parents, teachers and neighbour's parents told me so too.

But we all know by now, this formula does not work anymore in the 21st century. Why is it so?

Well, it is really a different world compared to those years. We have:

- a. Globalisation where things are not seems to come from countries where we think they come from,
- b. Instant Gratification seems to be the trend, everybody want their things now, what happen to good old “patience”, and
- c. Job Security seems to be a phrase that drives the ecosystem but we all know that it does not apply anymore.

So, we still need to eat, sleep and plan for future, what must we do?

The answer lies in ***Passive Income***. Yes, we need to make money without working. Other than working for a living, we must also create streams of income by leveraging on our strength and passion.

In this book, I have analysed the process and identified several pattern and categories of ***Passive Income***.

My sincere wish is that you would take immediate action and create ***Your Own Stream of Passive Income!***

All The Best

Yeo Tien Kiong

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About the Author

Yeo Tien Kiong (www.yeotienkiong.com) was brought up in a middle class family. He was told since young to study hard, get a good education and get a good job.

He studied hard, became top student in town, entered prestigious university and became an engineer-his dream job. He continued by getting his MBA degree along the way, got promoted and life seems what was told.

He embarked on a career change in mid life, and became a Venture Capitalist. Life became a bit more exciting but he was still searching. Along the way, he was retrenched during the financial crisis of Asia.

Started his Venture Capital cum Advisory business but this time, his searched has continued into one particular “area” which he truly believe that everybody should get involved in. In fact, he should have been involved in it probably twenty years ago but it is still not too late.

The “area” is called Passive Income. He believes that with Passive Income, we can decide to

- a. quit the job if this is what we want,
- b. find a job that **we like** instead of **we need**
- c. spend quality time on family instead of in the job, and
- d. channel our resources to charitable cause that we believe in and make a difference to the world

He now manages his [Cache Group](#), a private equity and advisory firm full time but in his spare time, he manages his [Passive Income](#) business.

Since the beginning....

You were told since young that there were ONLY TWO “safe” ways of making money:

- a. get a JOB and be paid, and
- b. save your money and invest for Passive Income

Now that you have saved some money, what can you do?

This Guide will assist you to explore the various options, looking at Passive Income from a few perspectives and evaluating it from your current financial position.

1 – Know your Risk Profile

In order to evaluate what passive income you shall have, you must first know yourself.

You must evaluate your Risk Profile. Your Risk Profile would determine the type of investment you can comfortably make. There are many instances where two persons with the same disposable income, under exactly same investment conditions, made the same investment but one of them loses sleep over it while the other one is having a fun time monitoring it.

We want you to have fun instead of losing sleep.

Some people view money as something that is very difficult to come by, therefore, they cannot afford to lose it. They believe that if they lose it, it is very difficult for them to make the money back. These people would be the typical risk-averse people.

Some people, on the other hand, view money as something that is useful only if they put it to good use. They understand that there may be some risks that they may not able to get back their initial investment. However, if the risk is well mitigated and the returns appear attractive enough, these people would go for it. These people would be the typical general public when it comes to investments.

Some people are very ‘gung ho’ when it comes to investing their money. They go for high risks in order to get the high potential gains. They are willing to accept the risks that they may not see any money back. These are high risk takers.

Generally, when a person age, the ability to earn income becomes more scarce and therefore, the appetite for risk generally reduces accordingly. You have to determine your Risk Profile by assessing which category best describes you before you go on to the next section.

The general rule of thumb is to take 100 minus your age. The percentage number derived would be a good bench mark for you to allocate your money into higher risks assets class. However, what constitute higher risks assets? It differs according to an individual’s personal funds available, capability and time available to be channelled into the assets class.

The following few pages would address these issues.

2 – Three Crucial Pillars

After knowing your Risk Profile, you have to evaluate yourself against the Three Crucial Pillars.

The Three Crucial Pillars are:

- a. Investment amount – the amount of money that you can put aside
- b. Technical Knowledge – the ability to add value to your investment, and
- c. Available Time – the amount of time you can afford to monitor or manage your investment.

Understanding these Three Crucial Pillars would make your investment decisions easier.

Investment Amount

After working for a while, most people would have saved up some savings. These savings need to be put to good use in order to generate the level of income that we want. You need to determine the percentage of your total savings where you want to put into assets that can yield [Passive Income](#).

Investment Amount or some people also call it Disposable Amount means the amount of money that you do not need for a foreseeable future. It is money that you can leave aside until the investments mature to return you the money and profits.

This is also the amount that you can take risks on. Even if the return is not there, you will not need to adjust your lifestyle. So, how much is your Investment Amount, only you can tell.

For the more advanced discussion, people tend to separate this into various assets classes and they even drill down into assets allocation depending on the situation one is in. However, for this discussion, we would just put all as one class for ease of discussion.

The Investment Amount will vary from one person to another. It also depends on an individual's age, earning capacity and lifestyles.

Technical Knowledge (Know How and Know Who)

This refers to the ability to do research, monitor and add value to the investment so that the investment would worth more in the future.

Technical knowledge can be viewed from many angles such as:

- a. ability to evaluate and monitor stocks (futures, options, commodity, currency etc)
- b. Accessibility to tools and contacts that can enhance investment decisions. This can be further segregated into stocks, properties or any permutation in between. Tools, such as software can make tracking or management become a breeze. Contacts in the relevant sectors in financials, banking or properties sector would make a huge difference to your value adding capability to the investment
- c. Ability to interact with people to grow the investment. Soft skills, which can be acquired if one really wanted to, is indeed a skills that cannot be overlooked. In the end, we are dealing with other human beings.
- d. Ability to identify investment opportunity. Having a sharp eye, ability to go to the details, having the overall sense of what is going on, always having ability to feel the movement of the market etc are skills that differentiate the man from the boys.
- e. Knowledge of the financing options to enhance returns from the same investment. Ability to acquire the latest tools or banking products would sometimes make a non doable deal become doable.
- f. etcknowledge of the financial calculation to make more money from the same investmentenhance return, etc

There are many ways one can upgrade or acquire technical knowledge. You have to decide on your priorities as well as your passion in order to make the decision on which areas you want to be really involved.

In areas that are critical but you really do not wish to do the work, you can always outsource to specialist. You concentrate on what is really your core and delegate others to specialist who may do a much better job than you.

Available Time

The ability of time to research, evaluate and monitor or grow investment is very important consideration. There are many investments that will only produce good income if we commit sufficient time to nurture it.

Time allocation is similar to money allocation. We normally have a certain rules basing on our priorities. To some people, committing to many hours of working on your is way above the rest while others emphasised on having lots of relaxing time and enjoying life as their priority.

In terms of investment classes, they also differ. Some of them need lots of attention while others need not be. Some require your time allocation on a certain fixed period and fixed interval while others require you to put in a lot of effort initially and later, you can put in very little effort to just monitor.

There are various types of investment classes; you have to decide whether how much time you can allocate to your investment.

If making available time is a challenge, then you should look for assets that do not require much time to monitor. There are certain investments which really do not require much time but generally in order to get the amount of return that you want, it may require either more Investment Amount or more Technical Knowledge to compensate for the lack of time that you faced.

The following pages will dwell more details into the various classes of assets that you can choose.

3 – Asset Classes

There are many types of assets classes. Each of them carries different risks and reward. It is rather difficult to separate these assets into various classifications as they do come in really diversified form. Overlapping is something that is very common.

3-1

Based on traditional industry

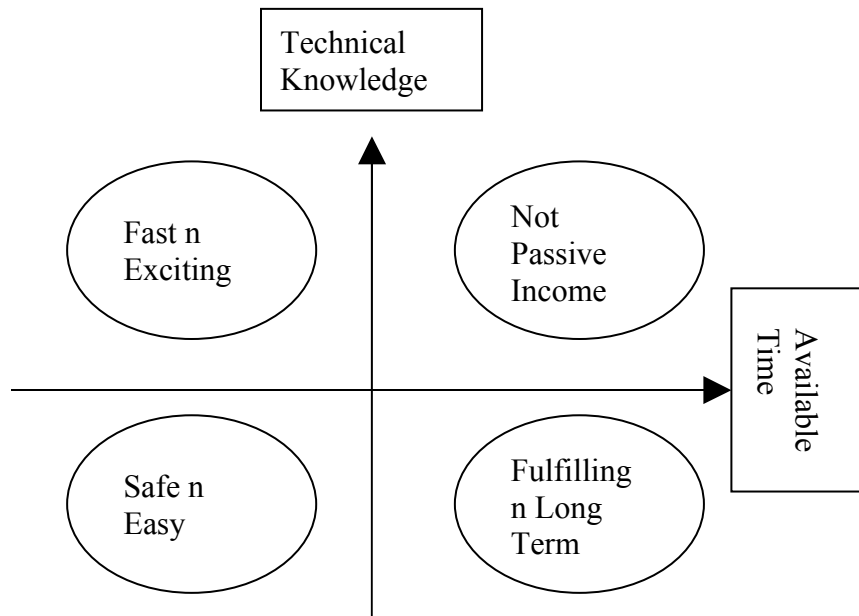
However, for a start, it is easier to group them according to their functionality or what we normally called the Industry Grouping.

Generally, it can be grouped into the following industry:

- a. Financial Instruments – Fixed Deposits, Mutual Funds, Stocks, Options, Placement Shares, Private Equity Shares etc
- b. Real Estate – Real Estate Investment Trust, Auction properties, Apartments/landed properties etc
- c. Online Business “Assets” – Online MLM, affiliate Marketing, blogging, eBay etc. Note: To some of you, it may not be obvious that these can be considered as “assets”, but I want you to see it differently. In this business, assets can mean website, contacts, opt in email list, down lines etc

However, I would prefer we segregate them according to our Three Pillars method. In order to ease our classification, I would divide them based on two Pillars initially, namely Technical Knowledge and Available Time. From there, I would divide them according to their Investment Amount.

The Passive Income Cluster Chart (PICC)



3.2 - The Passive Income Cluster

Based on the above chart, we can group the classes into:

Cluster 1 - Safe n Easy

These are products that the investors do not need to do a lot of work, do not require a lot of knowledge and can only allocate a little bit of time.

Examples of such products are:

- Online Assets – [Paid To Read](#), Paid For Survey
- Financial instruments – Fixed Deposits, Mutual Funds
- Real Estate – Real Estate Investment Trust

This is arranged according to the level of investment amount needed. Obviously if you are willing to spend some of your time in reading emails, you may earn some loose change but your risks is really zero

If you have accumulated some savings and you do not need the money, you can put your money in Fixed Deposits where most probably your money is being guaranteed by the government. Little risks but you do require a bigger

amount of money in order to qualify. If you have more, you can always put into Mutual Funds. These funds accumulate many people's money and invest into stock market. These people will diversify your risks. But there are still risks, if the whole market goes down, irrespective of what sector you are in, you will feel the impact.

If you have higher amount of money, you can consider REIT, they are very safe as it is normally secured with rental from blue chip companies. If you need the money (unlike property investment), you liquidate your position and take out the money anytime.

d.

Cluster 2 - Fast n Exciting

These are products that allow the investors to make a lot of money in a short period of time. However, knowledge is required for the investors to be savvy to pick and choose the correct ones as well as to know when to invest and when to sell your investment.

Examples of such products are

a. Financial instruments – Options Trading, Placement Shares of Public Companies.

These instruments require either lots of technical knowledge or know who in order to make some decent money. The level of risks can be rather high for those who are not familiar with the rules of the game.

b. Real Estate – Auction.

This option is available for those who have the time and resources as well as contacts to seek out “good deals” that are not hotly sought after. This opportunity relies on the imperfection of communication between the buyers. Those who are very familiar with the market with good access as well as good support team would be able to secure deals that are normally out of reach of most other people.

c. Online Assets – eBay

For those who are familiar with eBay, it is trading at its best. Your world is your oyster. You can sell anything to the world irrespective of where you are in. On top of it, it is trading on the fly with no time limit as it works 24 hours a day and 7 days a week. Your shop will forever be open.

Cluster 3 - Fulfilling and Long Term

These are products that allow the investors to add a lot of value, allow the investors to grow the assets over a long period of time and make it into a giant passive income making machine.

Examples of such products are

- a. Financial instruments – Hedge funds, [Private Equityies Investments into private companies.](#)

This instrument is normally available to the high net worth individuals or corporations. The main reason is due to the fact that the risk is generally higher and the investment is illiquid. This means that if the investment turned sour, it is very difficult for the investors to exit from the investment by selling the position. However, when it is a good investment, the return is generally much higher than any other form.

- b. Real Estate – accumulation of an array of properties across various countries and types.

To be successful at this, it does require much more knowledge about the workings of real estate investment. One has to be very familiar with taxation issues, Sales & Purchase issue, local authority issues, various options in financing issues, tenant management, close contacts with a lot of buyers, close contacts with retailers or multinational companies for good tenants etc

- c. Online Assets – [Online MLM, affiliate marketing](#)

This is the most exciting of all the assets. This is the one that is getting very hot at this moment because it is very new and it is growing like wild fire. The market still generally does not understand how this one works.

Since it is such an interesting topic, I shall discuss this in a separate topic.

4.0 Online Assets Classes

Yes, you read it right, Online Assets Classes.

It is so new that I need to explain a bit more details here so that you can visualise the assets.

In a traditional financial and accounting sense, any investment (be it tangible or not tangible) that brings you cash in more than your expenses is indeed an assets.

In this context, cars that you drive, boats or even your own house that you stay are technically not assets because they do not bring in cash flow more than your expenses.

In the online world, assets can generally be divided into several classes as they are various ways to make money from online businesses.

Over here, I highlight four distinct types of Online Assets Classes

Affiliates

Basically affiliates are people who resell others' products. Imagine they are traders of mostly informational products, virtual products.

As a trader, what are the most important assets? Knowledge about the sources of products, marketing channels, product pricing strategy, stock management etc is skills that a successful trader needs to know at his fingertips.

However, for online traders aka [affiliates](#), a lot of these are already taken care of. The most crucial part of affiliates is the understanding of the behaviour of the market they are selling to. They must understand their characteristics, their preference, and the sensitivity of timing.

For an affiliate to be very successful, one must have a very large list of potential customers that the affiliate has intimate knowledge of.

EBay

Similar to affiliates except that this trader has to go to the market place called eBay in order to sell their stuff. In this way, there are some rules and regulation to follows. However, this marketplace also has a distinct advantage in the sense that the number of people visiting this marketplace is humongous.

Another distinct feature is that this is an auction site; therefore, the market pricing is not fixed by the trader but by the market forces. This would require a different set of thinking in sourcing products and timing the sale.

For a person to have build up a solid assets in eBay would mean that this person has very intimate knowledge of the market, familiar with the latest rules and regulation changes (if any) and knowing where to find the product offline to service the online community.

Online MLM

Another source of long time passive income is in MLM. In this context - [Online MLM](#). Online has given the advantage to MLM industry by eliminating and/or automating the daunting tasks of doing prospecting, pre enrolment follow up and product knowledge transfer.

Let's do a comparison between Traditional and Online MLM

Traditional MLM	Online MLM
- Prospecting, Cold Calling	- Advertising, Viral Marketing, Affiliates etc
- Rejection in your face	- No rejection, No Selling
- Time for explanation on system and product knowledge	- Use technology, video, chat, emails, blogging , no need for face to face interaction
- Localised and expansion takes time	- Global from day one
- One company, one range of products	- Multi companies, multiple products

- Lots of training for down lines
- Use technology, web cast, video, self learning

A clear distinct advantage of doing Online MLM is that one can have multiple sources of income by recommending tools and facilities to their down lines.

For a person that has a good online MLM business, means that he or she already build up a good assets of down lines. The beauty of it is that these down lines are from various countries and it can run into thousands and multiple product lines, thus this can actually bring in passive income years after years, and probably leaving a legacy even if the founder is no longer around!.

Blog

Blog is the in thing nowadays. It started as an online journal and now it is being used as a means of making the blog owner lots of money.

There are many ways one can make money from blog, this is a surprise to a lot of people because they view that it is just a communication tool.

But there are ways and means to utilise blog for a lot of purposes, one of them is to make money.

Once you have a big pool of followers, they become your assets. They trust you, believe you and would be influenced by your action and recommendation. Of course, you have to be genuine and honest with them, if not; your followers will not be long with you.

5 - Conclusion

I hope with all these information provided, you would be motivated to create your streams of [passive income](#). I would urge you to take the full advantage of online as it is still in the infancy stage and who knows, you might be able to be the early bird and create your passive income before it go full swing.

I sincerely believe that all of us must have some form of Passive Income.