

LEVERAGE

A KEY TO SUCCESS AND WEALTH

CHAPTER 1 SAMPLE

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RON D. PATE

VP Publishing, LLC
Rocky Mount, North Carolina

Chapter One

What is Leverage?

“Give me a lever
and I can move the world.”

— Archimedes

THE MISSING INGREDIENT

The ability to become wealthy and to design a personal life of freedom, flexibility, and accomplishment is within everyone's reach. With the many modern advances available to us today, it is possible, by applying even just a small amount of correct knowledge, to become financially independent, and to do so with life balance, enjoyment, and excitement. Why then is it that after having read numerous financial and self-help books, and after having diligently applied lessons learned from countless seminars, that so many fail to ever achieve any measure of wealth and financial accomplishment? What is the missing ingredient that keeps people who apply all the valuable lessons they've learned from reaching their dreams?

While working to achieve my goal of life and financial freedom, I studied and researched diligently to identify this missing ingredient. It turns out the missing ingredient is well known and highly utilized by all who achieve outstanding success. **The missing ingredient is leverage.**

If you read and study popular books and training programs on wealth development and success you'll seldom see the concept of

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leverage outlined and explained. Many of the topics discussed have leverage as an inherent ingredient in the overall strategy presented, but fail to explain this fundamental principal. Without understanding the underlying principle which is at the root of success strategies you learn, it is difficult to truly internalize the concepts. More importantly, it is difficult to apply the strategies to all areas of your life and business. Indeed, understanding the fundamentals of any given strategy is essential if you wish to use it effectively for maximum success.

The leverage concept is one that can truly change your life. By understanding and utilizing this powerful concept you will complete the puzzle that keeps so many from financial success and life freedom. It is an incredibly powerful tool and when you begin to apply it in your life and business you will be astounded at how new worlds of opportunity will open up to you.

Excellent training materials are readily available today, materials that provide powerful concepts which can lead you to great accomplishment, particularly in the financial realm. In many financial and business success

training materials on the market today, the leverage concept is integrally woven throughout, though many may not realize it. It is the clear understanding of this powerful concept that will help put the strategies in these training materials into perspective.

Just one clarifying moment can change your life. If you realize such a clarifying moment with regard to the leverage concept, many blinders will disappear and you'll see what is missing in your strategies and why you may not be realizing the long-term results you desire.

Many courses briefly allude to the power of leverage, but usually in just an isolated fashion. If you study real estate investing, one of my passions, then you'll likely encounter leverage through the use of borrowed money. However, the application of leverage for true long-term wealth development goes much further than this. For many real estate investors the true power of leverage as a long-term wealth development strategy is overlooked. I am convinced it is because the core concept was never internalized and thus leverage was never integrally woven throughout all of their activities.

LEVERAGE DEFINED

As I wrote this book I searched diligently for a crystal clear definition of the leverage concept as applied to the development of wealth and overall life accomplishment. After hours and hours on the Internet and scanning through books likely to contain its definition, I came up empty handed. For example, the dictionary defines leverage as “The action of a lever; mechanical advantage gained by the lever.” This obviously offers very little insight into how leverage is used by those who achieve extraordinary wealth and success.

After careful consideration, I arrived at the following definition:

Leverage is a principle whose application allows magnification, without practical limit, of the output realized from a given amount of input.

Let’s carefully consider this representation of the leverage concept as used for wealth development and success.

First, leverage, like all powerful strategies responsible for achievement, must be viewed as a tool. Like any tool, if misused or used irresponsibly, leverage can be dangerous. But

if used responsibly it is the principle that will complete the other success strategies you learn, especially with regard to wealth development.

Second, the fact that there is no established limit to the magnification of output that the application of leverage can provide explains why some people achieve such extraordinary results in just a few decades, or lately in just a few years. For example, consider the wealth that Bill Gates has generated not only for himself but the thousands of others who have become multimillionaires through the growth of Microsoft Corporation.

This is why it is critical you understand leverage and its use. Many of the concepts taught in mainstream success and wealth training focus on tactical strategies and methods. Leverage is more of a strategic idea and concept. It underlies many of the most successful strategies taught for wealth development and a clear understanding of this powerful concept will open your eyes in a way that will almost certainly, if properly applied, result in rapid changes in your accomplishment, regardless of your field of endeavor.

For example, many books discuss the power of building your own business system, the

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power of real estate investing, or the power of the Internet to help you achieve financial independence. Leverage is the common element shared by all of these vehicles. In the popular Rich Dad™ series for example, one of the primary differences between the 'B' business ("big business") and the 'S' business ("small business") is the fact that the 'B' business is designed to employ leverage. The principal reason real estate investing results in so many becoming wealthy is that the lending guidelines in our country, as well as real estate laws, are designed to allow maximum use of financial leverage. Likewise the Internet is such an incredible tool for reaching financial independence because of the ability to leverage its structure to reach many people with very little effort. Every one of these vehicles has this one powerful concept as the driver behind its ability to make you wealthy or to otherwise magnify your accomplishment.

LEVERAGE VERSUS USE OF RESOURCES

When discussing the leverage concept, I am often asked about the difference between usage of a resource and leverage.

When you implement leverage, you increase the amount of effective output you realize with the given resource, with little or no increase in the amount of time required to do so.

To clarify this distinction, let's consider a simple example. Assume you hire a company to cut your grass and maintain your yard instead of doing it yourself. If you perform a task with equivalent output or value as you would have received by maintaining the lawn yourself, or if you produce no output of tangible value with the time saved by employing the third party, then you have used a resource but you have not employed leverage. Let's assume you pay \$10/hour for the lawn care services and a service takes 4 hours. Assume you would have also taken four hours to perform the same tasks. If you do something which results in \$40 of profit or yield in the four hour time frame, then you have indeed used a resource, but the leverage employed is essentially zero. Consider on the other hand that you perform a task during this four hour time frame which results in a profit of \$250, and with equivalent effort on your part. Now, you have not only utilized a resource, but you have also leveraged a resource, as the net yield from your four hours



is \$210, much greater than you would have realized without the use of the lawn care provider.

Understanding and distinguishing between the simple use of a resource and the implementation of leverage in a given situation is essential if you are to harness the power of this concept. Perhaps one way to keep this principle at the forefront of your mind is to understand a characteristic of leverage which I refer to as **resource amplification**.

RESOURCE AMPLIFICATION

Within the context of leverage, resource amplification refers to the increase of effective value of a given resource through the magnified output resulting from the leveraged use of the resource. For example, if you have at your disposal \$5,000 to invest in real estate, you can purchase with little difficulty, provided your financial status is sufficient, a performing asset valued at \$100,000. Through the use of leverage, you have effectively amplified the value of your available \$5000 resource.

Everyone has certain resources at his or her disposal. In order to achieve the greatest results from the use of leverage to magnify the



value of your resources, it is very important to distinguish those resources which most warrant amplification. After careful analysis you will most likely find the application of leverage for wealth development and personal or professional accomplishment is best applied to the resources of time, knowledge, money and in today's modern society, technology.

INTERNALIZATION OF CONCEPTS

If you wish to reach extraordinary goals, you must truly internalize and utilize the most powerful concepts at your disposal for the accomplishment of your goals. Thus, application of the leverage concept, and altering your thought patterns to integrate this into your daily life is essential if you wish to truly benefit from the power this tool provides. You must carefully evaluate your daily actions to see how and where you might best apply the leverage concept to help you accomplish more with the same or less effort.

EFFICIENCY AND EFFECTIVENESS

Efficiency, which is based on eliminating waste, is often considered with regard to accomplishing more with less. And while

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efficiency is a very powerful and useful idea, the amount of gain you can realize from its application is limited. Leverage on the other hand offers the potential for unlimited gain. For example, you can purchase a parcel of real estate with none of your own money and have that real estate provide to you income, effectively resulting in an infinite yield from your financial investment. Understand that leverage can never provide infinite yield on your total input, for in the example cited above you did have to provide some minimal input of time and talent. Because applying leverage can offer yields approaching infinity, leverage application is in a category well beyond simple efficiency. Combine the power of leverage with the power of efficiency (doing things the right way) and with the power of effectiveness (doing the right things) and you truly can realize amazing gains.

APPLICATION REQUIRED

As with any new knowledge obtained, without application, understanding the leverage concept will do you little good.

I remember when I was having dinner at a restaurant in Bradenton, FL with a business

associate. When the waitress delivered our meal, Dave and I were discussing how some people achieve high levels of success, while others simply go through life, never making progress toward their dreams. I asked the waitress, a young lady of maybe 18 years of age, if she'd like a suggestion, which if she followed, could change her life forever. She of course said, "Yes!" At that, I briefly explained the leverage concept and suggested she research how to apply it for greater success. I shared with her a quick example, and then she was off to serve the next table. In leaving, she thanked me, and said she'd give it a try. During a subsequent visit to the restaurant I encountered this same individual and asked if she remembered me. After a brief reminder of our conversation she said she did, but admitted she never really looked into what I had advised any further. Don't be like this person who, for whatever reason, avoided one of the very principles which could revolutionize her life and the life of those around her. Instead, take this principle and find ways to apply it in your life.

Let's briefly look at a few examples of leverage in action. Well before the invention of modern hydraulic equipment, the ancient

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Egyptians raised stones weighing hundreds of tons with the simple, rudimentary tools available at the time. They used ropes, pulleys, and levers, in a carefully designed arrangement or system, to move tremendous weights with mere human physical power. They used physical leverage.

There are many entrepreneurs who run multiple companies, earning millions of dollars per year, while working no more than 40 hours per week. These individuals leverage the time and knowledge of others, along with various systems that have been designed to allow far greater output and yield from their efforts than they could have achieved on their own. They don't simply use the time and knowledge of others, but rather they do so in a fashion that creates highly leveraged outcomes resulting in their high earnings with only a reasonable input of personal time and effort.

Finally, consider how modern computerized offices can process more information in a day than was processed in the entire world in a full week just a few hundred years ago. Through the power of technology leverage, information processing barriers are constantly being expanded at mind numbing rates.

In fact, there are many examples all around



you every single day. The problem is that most people go through life with mental blinders on, never realizing how so much is accomplished with so little in so many situations, and how it might enable them to achieve extraordinary results in their own lives.

Although physical leverage, with which most people are familiar, is conceptually related to the forms of leverage that can lead you to outstanding success, the ones you need to achieve success and wealth focus on the use of your mind more than physical strength. Indeed, the power of the mind to make you wealthy in today's emerging information age is far greater than you may imagine. If you develop the proper focus, apply the concepts of leverage discussed herein in a win-win fashion that provides value to others, and persist through the initial growth challenges you are likely to encounter, you will realize results in your life that will amaze you.



Let's look at another example of leverage application. My wife enjoys transcribing medical records on a part-time basis. She is often found at our computer, transcribing doctors' dictated referral letters. Each time a referring doctor's address is to be typed, Lucy just enters a couple of characters, and entire addresses appear instantly. In fact, as she types,

whole paragraphs appear with the simple entry of just a few keystrokes. Lucy completes whole pages, as dictated by the doctor, in as little as one minute. This feat is accomplished by understanding the repeated phrases and taking the time once to program them into the computer, so that they can later be inserted with minimal effort. Since Lucy is paid by the number of lines typed, if she has the computer type half the lines with just a few key strokes, she doubles her hourly rate with very little effort. Do you see the leverage here? This activity is still “swapping hours for dollars,” but is far better than using no leverage whatsoever.

Many other typists around the country have a similar system, and yet very few realize how this simple concept which they apply daily relates to achieving success and wealth. Leverage is a very simple yet powerful concept and can be applied to any number of situations, ranging from simple examples such as this to those with far greater implications. Indeed, this concept the typists employ, if it served as a seed idea for greater exploration and implementation, and if applied to more significant matters, might lead to remarkable accomplishments in their lives.

Carefully consider your work and home life. Identify at least three activities in which you currently participate where you might be able to apply the leverage concept. Develop strategies for introducing leverage into these activities and
TAKE ACTION!

SPOTTING OPPORTUNITIES

Before delving further into this discussion of leverage, let's discuss how you can identify opportunities to employ leverage in your own life.

Contrary to popular misconception, opportunity is everywhere. Most people have the seeds of great success within them, and have for all practical purposes unlimited opportunities to plant those seeds in a way that can result in a rich harvest. They have talents, relationships, and desires which can yield any level of success they might realistically desire. However, most have mental blinders on so they don't recognize, or worse, are never exposed to, this tremendous concept of leverage.

Why do many people go around never realizing the opportunities surrounding them? Believe it or not, just as with habits, it goes back to our mental programming. Allow me to share

another real life experience to help you understand how the mind works when it comes to spotting opportunities.

When I graduated from college, I purchased a new Ford Thunderbird, complete with a moon roof, custom wheels, and a premium stereo. I did not decide on the car to buy prior to visiting the dealership, instead allowing my emotions and the helpful salesperson to influence my decision.

Once I found just the right car for me, I considered that I hadn't seen many of this body style on the road. Therefore, I would be unique as well as sporty. After purchasing the car, I left the showroom and immediately headed to the beach, about three hours away, for a celebration weekend. As I drove, I must have seen hundreds of the same model car as my new gem. But where did THEY come from? They hadn't been there before, had they? I was shocked and dismayed that so many other people were driving the same car as I. But why hadn't I noticed all those Thunderbirds on the road before I bought my little beauty?

You see, before I purchased this car, I had no emotional connection to the Thunderbird design. Now that I had an emotional connection with this particular car, my brain

began filtering the input I was taking in differently. Suddenly I began to notice the very same cars that I had never noticed before.

Indeed, have you ever noticed how certain things just happen around you without your ever being truly aware of them? That is, you “tune” them out.

Let’s suppose you’re at home listening to the television. There are noises all around you that you simply tune out. Perhaps you hear but fail to notice the air conditioner compressor kicking in, the squeaking of your rocking chair, or the whirring of your computer fan. But then, when you hear a troubling noise from your little girl in the other room, faint as it may be, you’re suddenly on the run.

You see, your brain takes in the vast array of input signals arriving through your senses every moment, and filters them against the things that you consider most important and to which you have the strongest emotional connection. This is a miraculous part of your brain’s natural programming contained in a small section of your brain known as the Reticular Activating System.

So, how can you tap into this miraculous feature of your mental programming, coupled

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with the leverage concept, to move you toward greater success? First and foremost, it is critically important that you really internalize the importance of leverage in helping you achieve your dreams. Study this book, research the concept of leverage on your own, and begin focusing on identifying specific opportunities to take advantage of leverage in your own personal situation. Practice finding and employing leverage first in simple ways, then in more important or complex ways. As you begin seeking leverage opportunities at work, at home, and in every facet of your life, you'll be amazed at how many opportunities exist that you never noticed before! The more you seek and practice leverage, the more it will be internalized and the more your Reticular Activating System will help you find new, powerful, and profitable ways to employ it. Consider for example what truly necessary activities you are doing that could be simplified or automated, or better yet combined with other activities. Perhaps you are currently engaged in activities that could be turned into a system where others are hired to do the work for you. As you read this book, you will have many ideas. Stop and record them.

Think of at least one task you do frequently which does not make maximum use of your skills, and for which you could leverage someone else's time. Develop a strategy for delegating this task to the other person, while employing the same time you would have spent on this task doing something which is more in line with your core skills and which will result, over time, in far greater income than the amount you pay to this person for the performance of this task.

Remember, you must become diligent in looking for leverage opportunities every day, and you must constantly be thinking of how you can use those opportunities for greater personal success.

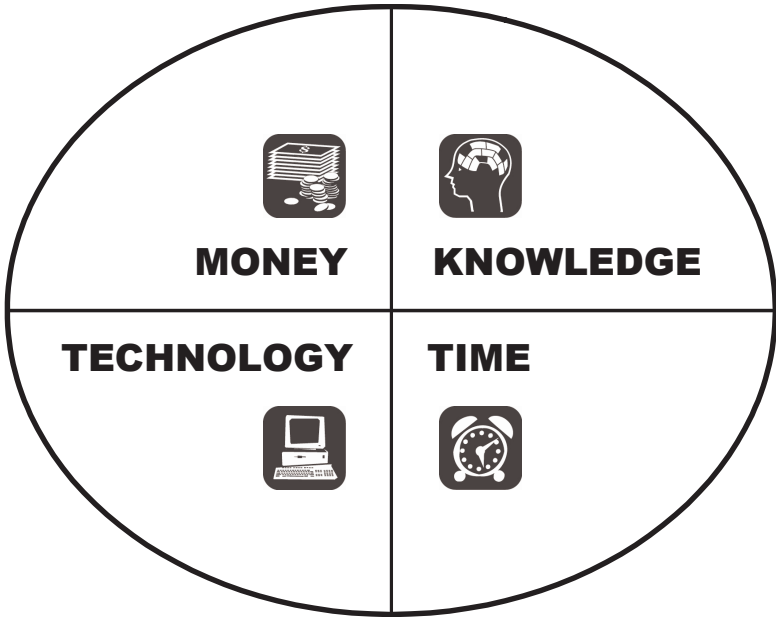
FORMS OF LEVERAGE

The basic time proven forms of leverage which you can use to achieve outstanding levels of success are time leverage, money leverage, and knowledge leverage. A relatively new and unique player on the scene is technology leverage. You'll see many variations of these in different reference materials, and when you talk with highly successful people. Regardless of what they're called, these concepts form the foundation on which many successful leverage vehicles are built.

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Consider celebrities who realize tremendous financial incomes in just a few years. Consider which forms of leverage drive the vehicles responsible for the rapid growth of their income streams. How might you apply one or more of these forms of leverage driven vehicles in your own life?

Let's review these forms of leverage one at a time and see how they can be used to accelerate your progress on your journey of success.



THE LEVERAGE FAMILY

This image represents the four most useful forms of leverage for the attainment of extraordinary outcomes, especially financial achievement. Whenever possible, employ multiple forms of leverage in combination with one another to maximize the yield from your efforts.