Jaime: Welcome to Eventual Millionaire. I am Jaime Masters, and today on the show we have my very good friend who I talk to every single week on our Mastermind, Todd Tresidder. You can find him at financialmentor.com, and he has a brand new book, it just came out, called *The Leverage Equation*. You can get it at financialmentor.com/leveragebook. So, go check that out.

Thanks so much for coming on the show today, Todd.

Todd: Thank you, Jaime.

Jaime: So, you're the guy in the Mastermind that is always paying attention to the numbers, right? We've had you on the show so many times before. Risk, reward – we go to you for all of this, so explain to me why you even wrote a book called *The Leverage Equation*.

Todd: Alright, so let's backtrack a little bit, okay? Most people think in terms of – like when they think of financial planning, everybody has in their head the traditional financial model, right? So, you go to school, you get a job, you pay your bills, and you hopefully save a little money with what's left, if anything, and then you try to build wealth. And that's the traditional financial planning model. And it works. You can get basic wealth. You can get basic financial comfort through that model, and after a lifetime you might get a little bit of financial independence in old age. And so that's how it works. It's fine. It's not broken. It's not wrong.

However, for the people who want a little bit more, and I think that's most of your audience since they're eventual millionaires, there's a different model. I call it the advanced planning framework. In the advanced planning framework, we're gonna get a little mathematical here. You're already keyed up. You told everybody that's the way I see stuff.

Jaime: I had to prep everyone, yes – ready, go!

Todd: Yeah, I'm an analytical guy. There's a concept called mathematical expectancy, and it sounds really elaborate and really sophisticated. It's super simple and intuitive to understand, okay? Everybody gets probability, right – the odds of something happening. A coin flip is 50/50 probability, right? So, everybody gets that. What people don't understand is that wealth compounds through expectancy not probability, and so the difference with expectancy versus probability is that it's probability times payoff.

So, what that means in reality, like in practical terms, is outsized payoffs, both negative and positive, have undue effects on your wealth growth. So, let's take your category here because you're teaching entrepreneurs how to become wealthy. And so, the beautiful thing about business – what I do is I teach everybody that in every asset class there are specific characteristics that you wanna harness for building your wealth because each asset class has unique characteristics.

And so, staying with business here as your example, first of all, there are three asset classes – business entrepreneurship, real estate, and then what I call paper assets which are the stocks, bonds, and mutual funds your advisor will sell you. So, there are three asset classes. Most people only think in terms of one. They think in terms of what the financial advisor will sell you – no secret, right? But the business asset class actually has a really unique characteristic in that you can manage the risk very tightly.

If you manage the risk very tightly in development, and you understand how wealth growths, which is probability times payoff, then you learn that what you can do is you can fail 99 times out of 100 in business and still have all of the wealth you ever need because you only have to be right once. And if you leverage up that one right play, if you play that right, you can have all the wealth you'll ever need. So, no other asset class is that true, and that's because in the business asset class you're not connected to your return on equity equation.

Now, all of these things are kinda coming around the edge of why I wrote this book. This book, *The Leverage Equation*, talks about the leverage portion of the advanced planning model. So, I teach the advanced planning model as well as the traditional model. I teach them both in the wealth planning class that I have. We can talk about that later if you want. And so, I teach both models. It's not right or wrong. You can blend them both in your own wealth plan, but the thing about it is the leverage equation releases you from so many limitations in financial planning that you're bound by in the traditional model. And so, that's why it's written is just to introduce the advanced planning framework.

And the way all of this connects is coming back to this mathematical expectancy equation. Your wealth is growing by probability times payoff. Leverage is how you tilt the payoff equation favorably. Risk management is the flip side of that. Risk management is how you control the loss side of the payoff equation. So, when you work carefully with risk management to control risk and then you leverage up using the leverage equation when you get things right, then what happens is you dramatically tilt the payoff equation. You get large gains, you get tiny losses, and then you multiply your wealth dramatically. So, that's where leverage equation fits into the context of the whole wealth-building puzzle. Does that make sense?

Jaime: It does, but I want you to break it down because I've seen you do this to our Mastermind participants, and they have these huge aha moments because it's in reality because talking about the theory side of how this works everyone's like, "Okay, give me an example." So, do you have an example because it makes so much more logical sense when you just sort of pull it out together with an example?

Todd: Okay, well let's just grab our businesses, okay? We've got online businesses. It's traffic times conversion. Our business model is traffic times conversion equals profit. I'm doing a lousy job of coming up with an example off the top of my head. Do we edit here?

Jaime: No, we never edit. We love seeing this. I've seen someone do the expectancy model when it comes to buying used versus buying new too, and I'm just trying to think if there's any way that we can do a calculation because I understand it, but I'm just wanting to make sure everybody else understands especially the expectancy of loss that you're really good at talking about. Does that make sense?

Todd: Yeah, well, I mean, one of the things that's unusual about how I teach stuff is I always focus on controlling risk first. I always figure out how to control losses and, again, that's very counterintuitive. Most people when they think about wealth building they're always thinking in terms of the gain. The flip side is I never do a business model that's not scalable because that's how you get large gains.

The way you play this game is when you understand leverage, you understand risk management, and you understand these ideas, what you wanna do first with a business model – so this might be helpful – is you bootstrap first. To get to profitability there are always two stages to ramping up a business model to build wealth. The first one is first you bootstrap to get to profitability. You prove out the model to find all the flaws in the model to eliminate the risk or reduce the risk. Once you prove out the model and get it right, then you leverage it up. Then you ramp it up. You scale.

And so, there are a couple of ideas in here that are key. One of them is don't do a business model that won't scale, right? If it's not gonna scale, you can never play for the big win.

Jaime: What does that mean, though, because some people are like, "Oh, $100,000." Like what does scale mean?

Todd: Okay, well both you and I are coaches. Coaches don't scale, right? That's a service business so it has a valid use in our business models. It allows us to connect with our clients, understand their problems. It's basically revenue-producing market research, so it has a proper role within our business models but it'll never be much of a business because it's trading time for money whereas products – you and I both have products and those are scalable. We both have teams. Teams bring in time leverage. That scales as well. We use business systems so we have online marketing systems through content marketing. We have conversion systems through funnels on the website, you know, all that stuff. Does that make any sense?

Jaime: Oh, totally. Well, and that's the thing. So, as somebody starting a business, you don't get into a whole bunch of debt before you start a business because you haven't even proven the model. So, you're saying prove the model first, which is great, and then leverage as much as we possibly can to make sure that it can scale later because there's no point in starting something when you're like I can only cap out at $100 grand because then I'll have to go back to the regular way we build wealth, which is sad, right?

Todd: Yeah, correct. So, if you look at my life history, I've always done stuff kind of unconventionally, but there was always a reason for it and that was I was pursuing scalable models. So, when I came out of college, and I was interested in investing and finance and all of that, 99 kids out of 100 would've gone and become a financial advisor or a stockbroker. I went into the hedge fund industry. It wasn't even a name back then. It was skill-based investment management. The word hedge fund didn't even exist back then.

Jaime: Really?

Todd: Yeah, we were private placement partnerships. It was before it was a sexy thing. And then you can look at okay so Todd sells the hedge fund and then I go into real estate, but I didn't just go buy single-family homes. I went and bought large apartment buildings. My first purchase was a 60-unit apartment building. My second purchase was a 101-unit apartment building. I'd never even bought a single-family home except for my own living.

Jaime: Do you recommend people do that, though, because that seems like a very steep learning curve?

Todd: Well, it was a steep learning curve. It's scary. It's like I always tell people that first purchase was like you go to a bridge and you attach the bungee cord and you jump off.

Jaime: Like I hope this works! Let's go!

Todd: Yeah.

Jaime: That doesn't sound like you're proving your model kind of thing like you're taking risk for –

Todd: But it is. Actually, it is. It totally fits the model because it was very risk managed. It was very risk managed because back then what you could do is they had conduit loans, and so I could buy a large apartment building for less risk than buying a single-family home because they had no recourse to my personal assets. So, all they could do is have recourse to the building itself, and so the only risk I had was the down payment on the property, and then I could even bring in investors to do the down payment on the property, so I could control 100 units for less risk than a house.

Jaime: See, this is why I like the way you think, Todd, because it's less about the jumping off the biggest bridge you can find and being like, "Let's test this out." It's like, "No, I did all my due diligence and checked everything to make sure before I jumped off." It's like that, right?

Todd: Oh yeah, yeah. I mean it's still scary. I'm not gonna say it's not scary. It was tremendously scary, but I figured it out that it was less risk to do and it was a more controlled risk to my personal net worth than buying single-family homes.

Jaime: So, let me bring up a scenario and maybe you can give some – because one the things you talked about which I loved in the Mastermind was about taking loans or not taking loans. And I know when somebody's building – let's say they're not in the first stage. So, they've proven out their business model, but they're maybe only making $200 grand a year-ish, and they're like, "Oh, as soon as this happens, we can hire that right team member," but it feels like it's taking too long. And if that's the case, should they ever get a loan? Should they not? I feel like this is what everybody asks about. Like is it a big deal? Should we invest, if we know that it's a scalable model, to try and achieve the goal, or do we not and we try and bootstrap the whole way through?

Todd: Yeah, and this is called financial leverage. So, there are six types of leverage, and the one you're referring to, which is the most common and the one people intuitively get, is financial leverage. Now, the unique aspect of financial leverage is it cuts both ways. It's the only form of leverage that cuts both ways. It increases your risk just as much as it increases your potential reward. All of the other five types of leverage do not do that. The other five types of leverage you can increase reward while reducing risk, okay?

Jaime: Okay, so tell me more about those after. Yeah, okay.

Todd: Yeah, let's do a financial leverage first. So, the answer to your question is you would take on financial leverage when the return on the investment exceeds the cost of the leverage. So, in other words, let's say you use that money to buy business assets, and those business assets generate more than the cost of the loan. So, that means it's a self-liquidating loan. In other words, the business asset produces the revenue to liquidate the loan, and you've got the return on the asset on top of that. So, the answer would be yes in that situation. So, it's situational. You have to understand what the return on that investment will be, and it has to exceed the cost of the capital.

You know, it's the same thing with employees. You take on employees but only if the return on the employee exceeds the cost of that employee.

Jaime: I love that you brought up employee. How does somebody calculate that, though, because I think what's interesting is everyone's like, "Well, if I have three months of a salary does that mean that it's good enough and then by the time they hit the three-month mark hopefully, they'll be making me more money?" Of course, it depends on the role and all sorts of other things, but we get asked that question a lot. When is the right time? So, give us the equations that we need to be running.

Todd: I look at the business model before and after the increased cost. So, you and I both have assistants. So, I look at what I can create and what the business can become with an assistant versus what I can create and what the business model would become without the assistant. And so, the assistant basically allows me to build the products and build the scalable model. Without an assistant, I get stuck in the drudgery. I get stuck in all the detail, and, frankly, my assistant's way better at all that stuff than I am.

So, the one thing I'm irreplaceable on is the development of the information products. So, the books and the courses nobody else can do except for Todd because they're all inside my head, and I've got them in files and drawers, and everything's mapped out. I have to give them product form. That's the one thing I'm irreplaceable on. You wanna leverage out everything else that you're replaceable on so you can focus on the high-value activities that only you can do.

Jaime: So, why haven't you hired an SEO person or a digital marketer or something besides that because it seems like, technically, in that scenario you can go, "Well, with that digital marketer that could go crazy, my business could be doing more. I could hire five new people." Does that make sense? How would you know where to stop?

Todd: Well, actually, as you well know, I did try hiring, and they didn't do it as well as me, and they screwed up the business.

Jaime: Exactly. So, what is the risk/reward in that?

Todd: Okay, it's not easy. I like to quote Steve Jobs on this about bozos. You know, you bring in bozos into your business. I've actually got a quote in the book, and I'm gonna butcher it, but it's something like A players bring in A players. B players bring in C players. C players bring in D players. D players bring in F players. And before you know it, you've got bozo explosion. And so, you have to really cut off quick when you're working with a team and building a team that you have nothing but A players.

My assistant and my technology guy are A players. They are brilliant. They're great at what they do. They're smart. They work on their own. I'm just so fortunate to have them. My designer is brilliant, okay? I brought in an SEO guy. He was a D player. I fired him quickly. He did a lot of damage fairly quick. It took a while for the A team to go back and clean it all up. What happens is when you have a D player, what happens is it pulls the whole team down. Everybody is dragged down by the D player. No A players wanna play with D players.

And so, if you wanna have an A team, you cut your D players quick. Cut your B players quick. And so, it's the nature of it, and you can't turn a D player into an A player. It's just too hard. You're far better off going back and finding somebody that has that natural bit. And you know as well as I do, the skills that make an A player are not necessarily – most of the skills are trainable. It's the being. It's the person that isn't trainable.

Jaime: Totally. So, that's where the risk/reward thing comes back in because while that hire sucked for you, of course, you did the best you could. You thought you were hiring an A player. That's what everybody does when they hire. They're like, "This guy is gonna be great!" That's what we hope. Otherwise, we wouldn't hire them. But on the loss side, why didn't you try and find another one again because then we start getting gun-shy? So, I feel like our emotions play into this equation. So, why haven't you tried to hire that again even though technically the risk/reward might be good?

Todd: It always takes time to bring the team up to speed, and so I have to prioritize my time. I have to prioritize what I'm focused on at the time. And so right now, that piece of the business is not the same priority as the other piece of the businesses that I'm focusing on.

Jaime: Even if the risk/reward can still be higher? So, there could be a lot of different choices you can make where the leverage equation works really, really well but you just have to prioritize when you do what.

Todd: Yeah, ultimately, as I teach in the book, your ultimate limited resource is time. And the older you get, the more that becomes prevalent, right? Jaime, see I've got the gray hair here. And so time is your limiting resource, and that's why leverage is so important because through leverage, you can accelerate all the wealth-growth equations, and through financial wealth, you can buy back time. You can't buy more time, but you can buy your time from the things that you don't wanna do so you can focus on the things you do wanna do. And so that's why leverage is so important.

It's two things. There are a couple of big principles I teach in *The Leverage Equation* that are very unconventional. The first is people understand that you can use leverage principles, and there are six of them. We should get to them before we cut off here. You can use leverage principles to accelerate your wealth growth. That part's intuitive. People get that. The thing they don't understand, and this is tremendously important for your entrepreneurs listening, is you use leverage to break through the obstacles that hold you back from greater success.

So, I know you're gonna want an example. We've got to bring this down, and you already got me off-guard. So, I'm gonna turn it back to you, and I'm gonna say give me an obstacle in your business right now that's holding you back from greater success, and we'll see that it's actually the solution's leverage. So, go ahead.

Jaime: You mean as far as needing another team member or something like that because I need another team member?

Todd: Okay. All right, so that would be time leverage. Or possibly you might be able to streamline the business better through technology and systems leverage so your existing team can run everything, okay?

Jaime: Okay. I'm an automation queen, so that might not be correct but yes, I get it.

Todd: That's true. Both you and I are kinda systems junkies, right? So, that's probably not our weak point. That's probably our strength, and so, yes. So, you'd probably be through time leverage with another team member. And so that's an example.

I ran into what I thought were SEO obstacles in my business and so I hired a team member and SEO expert. That would be two different forms of leverages. It's time leverage but it's also knowledge and experience leverage. Okay, knowledge and experience leverage, so let's go through them all real quick just so you get the list.

So, the first one is financial leverage – other people's money so you're not limited to your own; time leverage – other people's time so you're not limited to your own; technology and systems leverage; communications and marketing leverage; network and relationship leverage, which you are the genius on and I am weak at; and knowledge and experience leverage. Okay, so those are the six types of leverage, and through those six types of leverage, you can use them to break through any obstacle that holds you back in business.

And so the way I teach this is you actually want to identify the things that are holding you back and then match it to the type of leverage and then find the solution. So, the solution to business growth always exists within the leverage. That's why it's the leverage equation.

Jaime: Well, that makes so much sense. So, financial though, you were saying, sort of can be riskier but most of these aren't. Why are most of these not "riskier?"

Todd: Well, let's look at it. So, let's say that we bring in a marketing funnel. Okay, so a marketing funnel for technology and systems leverage. It's also a form of communications and marketing leverage. That's another principle that I teach in the book is that these forms of leverage we use them to break it up, so intellectually we can have categories. But what you find is when you put it into practice, it actually crosses over. Things cross categories a lot.

So, let's say we bring in a marketing funnel to solve the fact that we're not converting well. So, that's gonna bring in knowledge leverage for people that are skilled at building marketing funnels. You need the technology or systems to operate the marketing funnel, and the marketing funnel, itself, is a form of communications or marketing leverage, okay? So, you're bringing in like three forms of leverage here that are being applied, and you're using the different tools in different ways to solve a basic problem which is you've got a conversion problem in your business, okay?

Jaime: Okay. Then how do we determine whether or not we spend $20 grand on a new marketing funnel? Do you know what I mean because it could also go wrong like we were saying because I've spent a lot of money on marketing on those that have not done as well as I wanted them to?

Todd: Right. So, you have to decide. So, going into knowledge leverage, you can go from making the knowledge tacit within yourself. So, you take tacit knowledge and you make it known within yourself, so you could learn the marketing funnels rather than hire it out. You could start learning about marketing funnels and you could learn about copywriting so that you can manage the cost structure of marketing funnels in your business more effectively. Or you can just turn around and delegate it – time leverage straight up to other experts who have that knowledge.

But the problem is, a lot of times, they're not that good with your business. They're an expert at writing marketing funnels, but they don't get your brand, your marketing message. Maybe they don't understand your target market. They don't know how to position the product. There are a lot of skills involved and so that's one of the things about the entrepreneur is you've gotta have sufficient skill to wear a lot of hats so that you're a good delegator.

So, one of my rules is I always do it first and then I delegate second, and that way I have the skill and the knowledge to delegate effectively.

Jaime: See, I know you really go into that a lot where I'm like, "Todd, just hire this person." And you're like, "I'm gonna learn it first." But it sounds like time, as far as what you actually wanna be spending your time on, that's part of it like you know that the risk of potentially hiring someone wrong will waste more time, so you might as well learn on the front end yourself so that way you can delegate it, right?

Todd: And there's an integration process like I just had a conversation with my tech guy last night which was kind of interesting in that he knows his little piece of the business. My assistant knows what she's doing. This person over here that I hired knows their little piece of the business, but somebody's gotta stand in the middle and glue it all together. And I'm shocked at how much expertise it takes to do this because ultimately I'm selling my financial expertise, right?

So, that's what I brought to the equation, but in order to build this business, I've had to develop technology expertise. I've had to develop funnel marketing, communications, writing techniques. I mean, all these different skills have to stand somewhere in the middle to glue it all together to manage the team effectively and the buck stops with you. And, so, there is ultimately a bit of knowledge required to apply the leverage properly and cost efficiently.

Jaime: Well, that's the pain the butt of the owner because the owner then goes, "Now I know all of the pieces of all of the little things," and then they don't delegate well or they're trying to do too much, right?

Todd: Oh, no, no, no, no. See, that's where you have to draw the line. Chris Ducker did a great job with that in his book. You cannot be the superhero. He calls it the superhero syndrome and I thought that was a brilliant name where you start thinking you can do it better than everybody else. Uh-uh, no, no. You have to learn enough to delegate effectively. You don't have to learn enough to be the expert in everything.

So, I know enough about technology and the systems that operate the business, and I'm very good at managing and delegating, and I know when people are wrong, and I know when people are right because I'm deep enough into it but my technology guy has forgotten more than I'll ever learn. I mean he lives and breathes it every day. He can do in five minutes what it would take me a day to struggle with. He's brilliant at it – the same thing with my assistant. My assistant is so much better at all the details and all the work. She knows my website and my content better than I do and I wrote it. I'm not kidding you. I mean she remembers stuff on there that I don't know because I've covered too much ground whereas she's on top of it.

And so I have enough background knowledge in all the different pieces to manage it effectively, but each expert that I delegate to knows way more about it than I do. And so you can always find people that are better than you. Do not ever believe that you're better than the other people – uh, uh, uh.

Jaime: Seriously, your life will be so much better if you can actually learn to trust other people and how good they are with things, right?

Todd: Yeah. Well, what happens – like I taught this in finance. You have to develop enough knowledge to know people that are full of horse pucky. We're not allowed to swear here, right?

Jaime: Yes, definitely.

Todd: I mean one of the things when I teach investment strategy is you have to know enough to know that this money manager that you're doing due diligence on is simply wrong or he's looking at things wrong, and there's a specific structure you have to follow. And so when I teach people this stuff, they're eyes are wide open. They're like, "Oh my gosh. I'd never understood it that way." And once they understand it that way, not much gets by you.

Jaime: See, and that, to me, is that risk equation piece that you can sort of mitigate at least a little bit like having a background in technology I can go to my clients and be like, "That guy has no idea what he's talking about. Do not hire them. They will suck really bad" because you have that head set.

Todd: But let's look at something. Staying with your example, your technology background was from an academic thing and it was from a while ago, so you know enough to delegate. You know enough to find the flaws, but the guys you hire are way better at it than you.

Jaime: Yes. I'm like I'm not figuring this out. Somebody else has to do this. I know I could, but I don't want to, right?

Todd: Yes. So like right now I'm learning Facebook marketing, but I'm never gonna be Jon Loomer. I'm never gonna be an expert who practices it every day because I'm not gonna do that with my time, but I have to know enough to know how these puzzle pieces fit together because I have to run all the conversion funnels on the other side that they're running the traffic through, and I have to know how to analyze that data and how to put all the puzzle pieces together.

Jaime: I guess how much is enough, though, because you could go down the Facebook marketing crazy thing? And don't get me wrong. There's a lot of basic stuff, but how deep do you go in that learning before you delegate?

Todd: That's something you learn with practice. I have to know enough to make a decision. That's something that is a little bit unusual about me. You've worked with me enough on this to know. You have to know how to go far enough with the knowledge, and then you have to know to cut it off and make your decisions, right? Like an analytical type like me often they get lost in details and analyzing and analyzing. And I've always been unusual because I can just look at something and snap a decision which is unusual for an analytical type, and that's because you have to be clear. What are the critical factors to each decision?

Jaime: But because you have this background info it makes it way easier for you to make that decision because you can run calculations that will help you make the decisions anyway, right?

Todd: Yeah, bingo. So, you have to be clear about what are the critical factors to success in each decision. Once you understand the critical factors and you get to that point, stop and delegate.

Jaime: Okay, but there are a million things in business. There are a million choices. There are a million everything and that's the thing that gets annoying. So, how do we organize especially with what you've told us so far? How do we organize what goes where? How do we prioritize any of this stuff because a business probably needs one hundred different things at one time?

Todd: Right, so identify the most prevalent obstacle in front of you today. Start with that. Find the leverage type that will solve it. Identify the leverage solution. Leverage it out. Go to the next obstacle. Go to the next obstacle. In other words, the most prevalent obstacle would be the one you identify. So, you have to look at the whole business system that you're building and look at the critical factors that are failing or limiting you, you know? That's like what I just asked you. I said so what's the prevalent obstacle in front of you in your business?

So, then I would look at what's the prevalent obstacle in front of mine which was products. You know that from working with me. I was really good at building traffic. I got very good at SEO and very good at content marketing. I ramped up the traffic on my website and went, "What a fool I am." I had no products to sell. I had no way to convert it.

Jaime: "People love me, yeah."

Todd: It's a cute hobby, but it wasn't much of a business that way and so then I focused on product creation. And so I've been ignoring the traffic growth for quite a while, and I had been working on the product side of the business developing the entire product line and then I'll go back and build the traffic.

Jaime: See, you have patience, though. Like that's the thing that I find very, very – so what I loved at the beginning that you said is that you can get it wrong 99 percent of the time, and a lot of people have had an obstacle, right? I mean I'm a coach, you're a coach. People have an obstacle whether it be an obstacle also in their brain and in their business that they try and solve. And then if that doesn't work, then they try and solve it. And if that doesn't work, they don't feel like they're making any progress, and then everything else goes to crap. Do you know what I mean?

So, how many times do they keep trying to fix that same problem and focus on it? You have this patience that you're like, "I'm just gonna build products for a year." And I'm like a whole year. That's the only thing you're focusing on. That's very impressive.

Todd: I wish it was only a year. It's been a lot longer than that.

Jaime: It's been years, yeah. But I guess that's my point. For other people – I don't know. Maybe our patience is a lot less than yours but you try and solve a problem, try and solve it, try and solve it, try and solve it. If it took me three years to do something, I think I'd die. It would be so annoying to me. And so how do you stick with that or how do you keep getting it wrong and keep pursuing the biggest obstacle?

Todd: Clarity of thinking. People will say, "Oh, Todd, you're so disciplined," or something like that. It's not. I'm not disciplined. I mean I'm as lazy as the next guy, and I wanna go have fun, and I wanna go do other things. I'm very clear about why I'm building the business, what it's about for me, and I'm very clear about what the correct business model is. So, it's like very layered thinking of clarity so that I don't get distracted. I don't get pulled off by all the bright, shiny objects in the world.

So, I know exactly why I'm building this business and what it means to me. I've committed to it. I'm committing the time to it. I understand exactly how the business model works. I've spent the time learning it. I know how it grows. I know how the different puzzle pieces fit together and how they work, and so I methodically build. I grab this puzzle piece. I grab that one. I do this one. But notice how it all starts from the top. If I wasn't absolutely clear about the business and what I'm building and why I'm building it and what it means to me, it'd be very easy to get distracted.

Like if it was all about the money, it would be very easy to get distracted. I should've built a course long ago, and I should've used affiliate marketing, and I should've leveraged up through network leverage to go find the contacts and build the conversion systems and do webinar marketing and blah, blah, blah, you know, and go on, and on, and on. That's not why I'm building it. I'm building it to get my message out. I have an unusual understanding about how wealth building works. It worked for me. It's worked for my coaching clients, and so I'm trying to productize that knowledge. My customers are constantly telling me it's such an unusual perspective on how this is put together.

And, so, this book, *The Leverage Equation*, is connecting out that advanced planning framework. It's taking it back to the root. Notice how we even started the conversation. I started with mathematical expectancy. Not a great leader, right? It's not like oh, I'm just gonna hook the crowd with the word "mathematical expectancy." It's like everybody turned off the interview with that word, math, right? But that's the core and that's the foundation on which these principles are built.

If you don't understand mathematical expectancy and then probability times payoff and how it affects your wealth and if that's not central to your thinking, then you're not gonna have risk management and leverage as a center to your thinking. You're not gonna understand the characteristics of the asset classes and how to use them in your wealth plan to compound your wealth. So, it starts from the ground, and it builds up. You have to be very clear in your thinking.

Jaime: So, it makes it the chaos that is business and entrepreneurship, right? You're like, "No, it's methodical. It's this. It's that." And when people are in it, they don't feel that way, and that's why I so appreciate your perspective because it always is very grounded in reality. And you're like, "No, the box just needs to move here, by the way. That's it." So, it simplifies the whole thing.

How does somebody who is not as methodical as you or analytical as you do this if it's not something that is innate in them because if it's chaos normally, it's way harder to be like, "I'm gonna be like Todd," and be like, "I need a twelve-step, three-year program then I'm gonna just stick with it forever."

Todd: Twelve-step like AA, right?

Jaime: Eleven steps, good! Who needs that twelfth one? No, but does that make sense because you run from that world? You're really good at that but there are a lot of entrepreneurs that are literally ADD, squirrel and stuff like that. How can they apply it if it doesn't feel like it's innate in them?

Todd: I don't know. You get a coach, I guess. That was one of the things I did back when I was coaching 101. I mean I'm not here to pitch it because I'm not coaching 101 anymore. I just don't have the time, but, you know, that was one of the things I did for my clients. It's a corny coaching thing. I held the space for them. In other words, I understood what they were doing. I learned their model, and so while they were running around like a chicken with their head cut off implementing, I was the one that stayed back there and said, "Okay, what about this? We have to clean up this mess." You've got to get this foundation in place first before you leverage up over here. Otherwise, you're gonna create a disaster." And so I would understand how the pieces moved, and I worked very carefully with each client, and it worked. So, you could find a coach.

Okay, so here's the answer. It's leverage. You asked me a problem. The answer is leverage. If you don't have that skill set, then you leverage it from somebody else. So, I used the example of coaching, and I stumbled right into it didn't I? You're gonna leverage the background of a coach that has the skill set that you're missing to round you out, okay?

So, I have clients that create 10 times faster than I do. They are brilliant creators. They go so fast. You've had clients like that – Josh, right? I remember talking with Josh. He's an unbelievable creator. Some people are just brilliant at creating, but then they have other weaknesses. I'm brilliant at figuring it all out. I'm brilliant at putting all the puzzle pieces together, analyzing it, understanding it. I'm not so good at creating. I'm slow. You've seen it. I'm too methodical. I take too long. I'm too analytical. I'm too detailed. Everything has to be perfect.

Jaime: Yeah, I'm like, "**[Inaudible] [0:34:59]**." He's like, "No." Like, "Okay, well it'd work." "No, that's not how I work." "Okay, Todd." You know yourself so well, though. You know yourself so well which is very helpful on the rounding out everything else that is not of the main skill set that you have.

Todd: Yeah, and so play to your strengths. Leverage out your weaknesses. Again, leverage is always the answer. It sounds corny, right, but it works. It actually works. That's the way it works.

Jaime: How perfect! You wrote a book all about this.

Todd: It's so misunderstood, Jaime. Everybody thinks it's about financial leverage. They think it's gonna be risky like you're just leveraging up into some big pie in the sky thing. No. Leverage is way more useful than that. It's way more important. That's the message I'm trying to get out.

Jaime: Which I really appreciate because you have so many books in the financial space, which do really, really well, and then you came out with this one. You're like, "It's kinda businessy." And I'm like, "But you're the financial guy. You're financialmentor.com." That was the whole thing because this is the way your brain thinks, so I love the way that you've presented it all because it makes it seem less chaotic. And everyone that's an entrepreneur needs a little less chaos in their life I'm assuming.

Todd: Well, and there's a reason why that's true, right? There's more opportunity for leverage in the business asset class. Remember I was going back. I was saying there are three asset classes in wealth building, which is what I teach. And so there are more opportunities for leverage in the business asset class than there is in paper assets. There is almost no opportunity for leverage in paper assets. That's why it's the slow path to growth. That's why business is the fast path to growth, right? If you look at the results of how people become wealthy, you'll see it's mostly business.

Jaime: Seriously.

Todd: And there's a reason for that – leverage opportunities. That's why the book is called, *The Leverage Equation*. There's a reason we're featuring business in wealth building. All these things have reasons. The data supports it. I'm not conjecturing this stuff. It's all built from facts.

Jaime: Well, even doing all the interviews that I've done, close to 500 now, it's like business. Now, of course, I go after business people for sure but as a business. And then they take the extra money that they make on that and they put it in real estate and then they put it in investing. So, there are only so many places that we can move it to or make it from that it's not actually rocket science.

Todd: Yeah, and real estate is the second most prevalent form of wealth building, second to business entrepreneurship, and it has the second most leverage opportunities. Again, it's not a coincidence.

Jaime: Mm-hmm. I love this. Okay, so we have to start wrapping up. Where do we get the book first before I ask the last question?

Todd: At all the major retailers. Look up leverage equations, so it's at Apple. It's at Amazon, of course, Kobo, Barnes & Noble. It just went live last night as we record this, actually.

Jaime: Yay! I just bought it.

Todd: It's in all the retailers. Wherever you prefer to shop, that's where it is.

Jaime: And I told Todd, "I bought it." He's like, "You didn't have to. I would've sent it." No, buy the book gosh darn people. Okay, it is a book. It's amazing. Thank you so much for coming on.

The last question is what is one action listeners can take this week to help move them forward to their goal of a million?

Todd: Assess how much time you're dedicating in your day to leverage growth opportunities versus how much of your time is either being pissed away or spent trading time for money on unleveraged activities. So, literally track your time. You'll be shocked how little of your time goes into leveraged activities. When you do that, you'll understand the importance of this.

Jaime: I'm so excited that you said that. It's funny. I have people do Toggl and stuff like that. Someone just sent me one of these weird timer things so I can test it out. So, now I wanna actually do what you say and actually time it because I feel like the data will help me understand exactly what goes where. And I can make a little thing on it that says leverage. Awesome!

Todd: So, when you take that – because you and I worked together through the Mastermind and stuff. When you take that and some of the stuff I do that sounds so insane, it will make a lot more sense because what I'm doing is I'm organizing all my time around highly leveraged activities. So, that's why.

Jaime: And slow and steady wins the race. It's amazing to see your growth over this seven, eight years. I don't know how many years we've been doing this. We've been doing the Mastermind for a ridiculously long period of time, and it's so awesome to see the methodicalness and steadiness to the course. And you're like, "Yup, it's like this. Yup, it's like this." You just never have chaos in your life – well, besides the adventure craziness that you do.

Todd: Yeah, except for falling off mountain bikes and skiing off cliffs, but that's a different thing. Risk management goes out the door there, right, in personal life.

But that's part of what I teach. It's not an accident, right? The way

I teach it is when you're focused on risk management, your wealth grows like a staircase. It looks like a staircase, right? As you're in stuck areas and you're having problems, it goes flat because you're an expert at risk managing. And then when you get it right and you leverage up and you get the pieces right, you take a stair step up. And then it goes flat, and you take a stair step up. And in the time we've been together, that's exactly what my business has done, hasn't it?

Jaime: Yup.

Todd: It goes flat, up, flat, up, flat, up, flat, up.

Jaime: Yup, instead of going down which no entrepreneur wants to do.

Todd: And that's because of this combination built on mathematical expectancy. All I'm doing is I'm applying exactly what I'm teaching you. It's about how you take mathematical expectancy, and you leverage up for the big win, and you risk manage for the small loss. So, that way you only get small losses and then you get big wins and eventually it comes out well.

Jaime: Genius, yes. Thank you so much for explaining this to everyone on the show. Everyone go pick up the book. Todd, hopefully, I will see you again soon and chat with you again in Monday like we always do for the past seven or eight years.

Thank you so much for coming on.

Todd: Thank you, Jaime. Thanks for having me.

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Duration: 41 minutes