

Four Ways of Earning Money

One reason business owners struggle in business is because they are not clear what a business is and what the role of a business owner entails.

It's common that business owners will behave like they are employed!

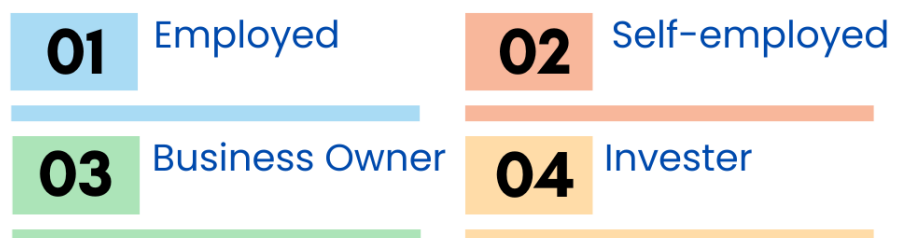
To have a strong foundation in business it's crucial to understand the different ways of working and earning money and where business fits in in relation. Distinguishing each way of earning money helps to understand their purposes, roles and qualities.

The objective of *The Four Ways of Earning Money* is to help you know which way of working is aligned with who you are, what are your strengths and what you want and need in life.

Note that people can be aligned with more than one so don't feel you have pick one and stick to it. Also – no matter what people argue – please don't believe that one way of working is better than another!

There are four
broad ways of
earning money...

Four Ways of Earning Money



Being Employed

Being employed can be a wonderful way of working because of the stability and benefits! Being employed involves hard work and answering to your employer by delivering and producing whatever technical work has been agreed, and likewise, your employer must answer to you by taking care of and compensating you. Your employer is in charge of making sure you have the work to do, are taken care of, are safe and paid!

To me, being employed would sound like a perfect agreement.

01

Employed

- Has an employer
- Has work created on their behalf
- Has a technical skill

There are downsides to being employed though, especially if you are the type of person who craves flexibility and independence at work!

You may wish to take complete responsibility of yourself and your work, especially if living without the benefits of a regular income and workflow is something you're able to manage.

Strengths

- Stability
- Collaboration
- Passion at technical work

Benefits

- Sick leave, holiday, pension, bonuses
- Contract stating roles
- Regular income
- Regular workflow
- Tax paid
- Development and career ladder

Risks

- Redundancy
- Job hunting
- Redundant skill set
- Lack of experience
- Toxic work environment

Downsides

- Little flexibility
- Hours to fulfil

The table above shows the realities of being employed in more detail...

How important is stability to you?

How important is the support and guidance of a team and employer to you?

How do you feel about being told when to work, who to work with and what work to do?

Being Self-Employed

Being self-employed is sometimes referred to as being a *freelancer*, a *contractor* or a *business owner*. There are many ways to call this way of earning money, but what's key for us is - **being self-employed means being your own employer, manager and boss, while also being your**

own employee. This means taking on the responsibilities of managing your time, generating work and paying yourself (and the tax man) that would have been taken care of by an

employer. Not only this, being self-employed also means working technically and delivering like an employee. It may sound very unappealing, which is understandable considering being self-employed is double the work of being employed. Despite this, being self-employed offers tremendous fun and a great sense of freedom and ownership over your work.

If you're very able to manage your time, your skills and generate your own work, self-employment may be just the thing for you!

02

Self-employed

- Owns a business
- Is their own "employer"
- Must create own work
- Has technical and managerial skills

Strengths

- Ownership of work
- Collaboration / independence
- Passion at technical work
- Ability to manage and organise
- Ability to manage risk

Benefits

- Flexibility
- No hours to fulfil (work life balance)
- High earning potential

Risks

- Redundancy
- Vague contract stating roles
- Irregular income
- Irregular workflow

Downsides

- Responsibility of taxes and budgeting
- Lack of sick leave, holiday, pension, bonuses
- Lack of team
- Lack of development or career ladder

The table above shows the realities of being self-employed in more detail...

How important is freedom and flexibility to you?

To what extent are you willing and able to manage your finances, your time and generate your own work?

To what extent are you comfortable to be without sick pay, holiday leave and irregular income?

Being a Business Owner

Being a business owner is very similar to being self-employed as both involve managing oneself, managing relationships with others and managing cash flow.

There are differences, however, which centre around the fact that a **business owner unequivocally owns a business and operates all five parts of a business.**

03

Business Owner

- Owns a business
- May lead others
- Must create value
- Has technical and managerial skills

(We'll look at this in more depth in the next part of this module, *Five Parts of a Business*.)

The realities of life as a business owner depend on the approach to business, the type of business and its success, and whether somebody works alone. Life as a business owner is a big, juicy, fascinating topic!

Importantly, being a business owner involves understanding business – which you are right now on this course, you've come to the right place ;) – being able to create value that other help need and care about and being able to carefully manage money.

Strengths

- Ownership of work
- Collaboration / independence
- Passion at technical work
- Ability to create value
- Ability to have a mission
- Ability to manage and organise
- Ability to manage risk
- Ability to run a business

Benefits

- Flexibility
- No hours to fulfil (work life balance)
- High earning potential
- Building and creating
- Fulfilling purpose and mission

Risks

- Changes in the environment
- Vague contract stating roles
- Irregular income
- Irregular workflow

Downsides

- Responsibility of taxes and budgeting
- Responsibility of legalities
- Lack of sick leave, holiday, pension, bonuses
- (Potentially) lack of team
- Relying on others / leadership

The table above shows the realities of being a business owner in more detail...

How important is creating a purpose and mission to you?

To what extent are you passionate about creating a great survive and helping others?

To what extent are you willing and able to take care of a business?

Being an Investor

Each and every one of us may be an investor, working like small fish in small ponds investing money for our futures while we are employed, self-employed or taking care of a business. The investor may invest on a small scale or on gigantic scale, like one enormous fish who focuses only on investing – think Warren Buffet, the ultimate investor (and philanthropist) who has earned over \$150 billion solely from investing.

An investor makes money work for them, and they manage risk so that their money grows and compounds into more money.

04

Investor

- Manages money so that it will grow

The table below shows the realities of being an investor in more detail...

Strengths

- Ownership of work / assets
- Collaboration / independence
- Management of risk
- Patience
- Dedication to a plan

Benefits

- Flexibility
- Passivity
- No hours to fulfil (work life balance)
- High earning potential

Risks

- Changes in the environment
- Loss

Downsides

- Responsibility of taxes and budgeting
- Responsibility of legalities

To what extent is working passively a part of your future hopes and plans?

How able are you to manage money and create a financial plan?

To what extent are you comfortable with managing risk and loss?

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Invester

- Manages money so that it will grow

It's important to note that all four ways of earning money are interconnected and all need each other. There is no hierarchy and non are intrinsically better than another, even though each individual will have preferences about how they personally prefer to work. **The most important thing is that you spend time and energy working in the way that's aligned with your personally, strengths, skill set and lifestyle!**