INVESTMENT WORLD'S NEW WARREN BUFFET

THE 10 COMMANDMENTS OF CASH FLOW

THE MONEY ISSUE 2021

EVERY DOLLAR GETS A RETURN

THE POWER OF PUTTING LIFESTYLE FIRST

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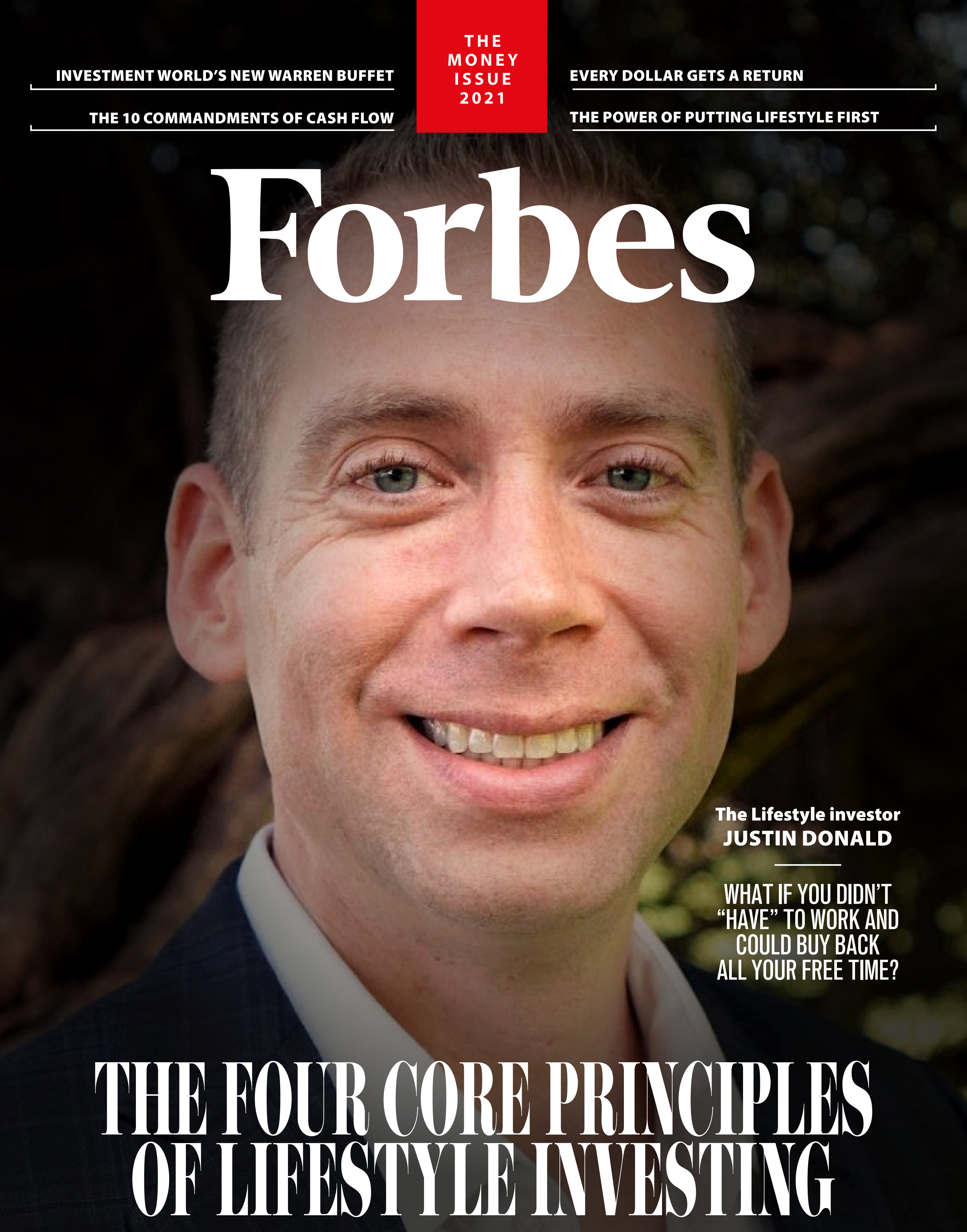

The Lifestyle investor
**JUSTIN DONALD**

WHAT IF YOU DIDN'T "HAVE" TO WORK AND COULD BUY BACK ALL YOUR FREE TIME?

# THE FOUR CORE PRINCIPLES OF LIFESTYLE INVESTING

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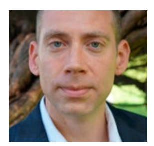
# The Four Core Principles Of Lifestyle Investing

**Helping experts build empires & celebrity-class personal brands. Subscribe to my podcast, Capability Amplifier with Dan Sullivan.**

POST WRITTEN BY MIKE KOENIGS

**Most people invest with a "buy and hold" mentality. Day traders place investment bets on the market's movement in short-term periods — a risky endeavor that requires vigilance and expertise.**

**These approaches aren't agile or liquid enough, but I've recently discovered an intriguing, entrepreneurial investment style: cashflow investing. I learned it through Justin Donald who, in the span of four years, has built a net worth in the decamillions with cashflow investing.**



He vets and structures deals using 10 simple components — his "10 Commandments of Lifestyle Investing" — and four core principles. I've previously interviewed Justin about these 10 commandments and today I'll share the key principles of lifestyle investing. I've applied them in my own life and my work with clients and I think you'll find them helpful, too.

## 1. MINDSET

Justin is a voracious learner. He's shared with me that over the past four years, he's read 526 books and invested over $650,000 in professional groups. This approach supports his tenth commandment: "Every dollar gets a return." Justin treats billable hours with professionals he hires as learning opportunities that provide new experiences, knowledge and capabilities for the future. As he sees it, if he were to lose everything tomorrow, he would still have his knowledge.

MY TAKEAWAY: Investing in your education produces the highest returns. I invest more than $250,000 a year in business coaches, advisors and training to produce millions in income. Every high achiever I know does this. Start on a smaller scale right away by asking the service professionals you hire — lawyers, accountants, marketing specialists, etc. — to teach you as they perform their contracted work.

## 2. STRUCTURE

Justin is highly attuned to "deal structures." Every deal he invests in must produce predictable, recurring cashflow; alternatively, his objective is to own 1% or greater of every deal he enters. He'd rather have less equity and be involved in multiple deals that return cash flow consistently. It's all about avoiding the "stupid tax." If he gets equity, he doesn't want to pay for it. And he must earn his principal back quickly.

For example, Justin recently invested in a recognizable retail brand with over 850 nationwide storefronts and a strong online presence. He found an "invisible deal" in which he only acquired the online portion of the business, not the troubled physical locations.

As part of the deal terms, he receives payments of 20% a year with monthly distributions. The full investment will be repaid in one year, with equity that totaled 3% per million on a $5 million investment, plus a kicker: a balloon payment in one year with an option to extend the term or convert it into additional equity, quarterly dividends and bonus warrants. The bottom line: Justin can continue receiving 20% a year with monthly distributions, getting his principal back in one year. Even after his initial investment is returned, he has long-term equity in the brand.

MY TAKEAWAY: By working with lots of clients in different industries, I've learned how to ask better questions about how their business deals work. I use this to restructure my own offerings. For example, I charge $250,000 per year to work with a client but in several cases, I have "skin in the game" by discounting my fees $100,000 in exchange for a percentage based upon earning our first million together. Both parties win but without a clear understanding of the business model, this wouldn't work. How can you deconstruct new opportunities to craft better terms?

## 3. FILTERING

How can you objectively tell a good deal from a bad one? For Justin, lifestyle determines a "yes" or "no" decision. He asks himself, "Will this investment create an unpaid job?" The key for him is to work on the business, not in them. He also hunts for invisible deals — simple, but more sophisticated instruments outside the typical recommendations financial advisors provide. These opportunities often come as a result of building his network. For example, in one of Justin's first years of investing, he found a unique opportunity that required a $2,000 investment and received 2% of gross sales paid monthly, resulting in around $10,000 per month initially, which doubled shortly thereafter as the company grew.
In lifestyle investing, less is more. Confusion and overwhelm are enemies.

MY TAKEAWAY: I start with my gut reaction. How do I feel when I think about this opportunity? Will it "hurt" my brain and my spirit? Do I feel overwhelmed just thinking about the company's challenges and people, or do I get energized? If it's not a "hell yeah," it's a no — period.

## 4. NEGOTIATION

Negotiation is a core element of Justin's strategy — one he estimates has created at least $7,000,000 in additional net worth. He believes every deal can be negotiated. When he sees a term sheet, he asks himself: "Is there a way to reframe the conversation or opportunity to reduce the risk?" He may add a kicker that generates revenue share beyond the ordinary deal terms. Perhaps he's paid as an advisor or gets a warrant that grants for additional interest or a percentage of gross sales. He may ask about collateral to sell if he needs to liquidate.

MY TAKEAWAY: Reframe every opportunity you receive. Don't assume the only way to do a deal is the way it's presented. Find multiple ways to benefit, and respect the value of relationships. My client Tony Robbins once shared how proximity is power. For example, I invested early in Dave Asprey's Bulletproof Coffee. Bulletproof later became a sponsor of my podcast, I connected with dozens of other investors and have returned my investment many times over through access and connections that relationship created — even though we haven't had a liquidity event.The bottom line: All opportunities are negotiable. Your responsibility is to get the best deal you can without compromising your values. By documenting your principles upfront, you have a playbook with which to focus your decisions in the heat of the moment.