IN THIS CHAPTER

- » Comparing the fundamental meanings of compounding and investing
- » Getting an overview of how triple compounding works
- » Exploring the time frame needed to hit your financial goals with basic compounding
- » Understanding how triple compounding can accelerate your portfolio

Chapter 1 Understanding Different Types of Compounding

So, you've picked up this book, and your first question is probably this: "What the heck is a triple compounding, anyway? Is it just a marketing buzzword? How is it different than normal compounding?" Simply stated, *triple compounding* is a method practiced by almost all self-made millionaires and billionaires like Robert Kiyosaki, Dave Ramsey, Grant Cardone, Cathie Wood, Kevin O'Leary, Oprah Winfrey, and even Warren Buffett to create generational wealth within their lifetime, even though they all have the same 24 hours as you and I.

It's the core philosophy that has helped them accelerate their financial growth. However, they rarely talk publicly about the details of the ecosystem they've created to help accelerate their financial success; instead, they point to only one element of their triple-compounding ecosystem — such as budgeting, real estate, index funds, media influence, or entrepreneurship — as the key to their success.

REMEMBER

When you look into how the wealthy really make money, you realize they've all developed a sophisticated triple-compounding ecosystem. It's the ecosystem as a whole that creates accelerated financial growth, *not* any one product, service, investment strategy, or person. You can't try to take the ecosystem apart and measure its pieces in isolation.

TIP

Gone are the days when you could just go to college, get a good job, and retire on your 401(k) investment portfolio. If you're looking to accelerate your financial freedom, you should look into building a triple-compounding ecosystem that compounds multiple investment assets simultaneously. As you discover in this book, two out of three of these assets are not traditional financial instruments. In this chapter, I explain what compounding is and how compounding is different from traditional investing.

HOW I LEARNED ABOUT COMPOUNDING

I first heard this word during the 2008 market crash when I was studying electrical engineering in Japan and moonlighting as a guest on a popular Japanese TV show where we discussed current events.

It was a massive global economic recession. Businesses were going bankrupt, and people were losing their jobs. We were talking about the recession on one of our shows, and one of my panelists, an economics expert, said something I'd heard of without knowing what it meant.

He said governments are printing money to save the economy, which, to me, sounded like a good thing — more money! — until he explained what really happens when governments print more money. He said that when the government prints money to bail out corporations and hand out stimulus checks, inflation goes higher.

Inflation, which is why your parents paid way less for a gallon of milk than you do, is designed to lower the value of your money every year. So, every moment your money sits in the bank, you're losing money. That means leaving your money in the bank is kind of like setting your money on fire. He said the best way to prevent your money from losing value is to start compounding.

Defining Compounding

TECHNICAL STUFF

The word *compound* originates from the Latin word *componere*, which means "to put together" or "to combine."

Imagine that you have a small snowball. You start at the top of a snowy hill and roll that snowball down the hill. As it rolls, it picks up more snow and gets bigger. The longer it rolls, the more snow it collects, causing it to get bigger faster and faster. (See Figure 1-1.)

Compounding works like that, but instead of snow, the growth happens to money. Let's say you invest some money, and it earns a little bit of interest, which is like extra money. Now, the next time you earn interest, you earn it not just on your original money but also on the extra money you made before. So, just like the snowball gets bigger as it rolls, your money grows faster over time because you're earning more and more on top of what you already earned.

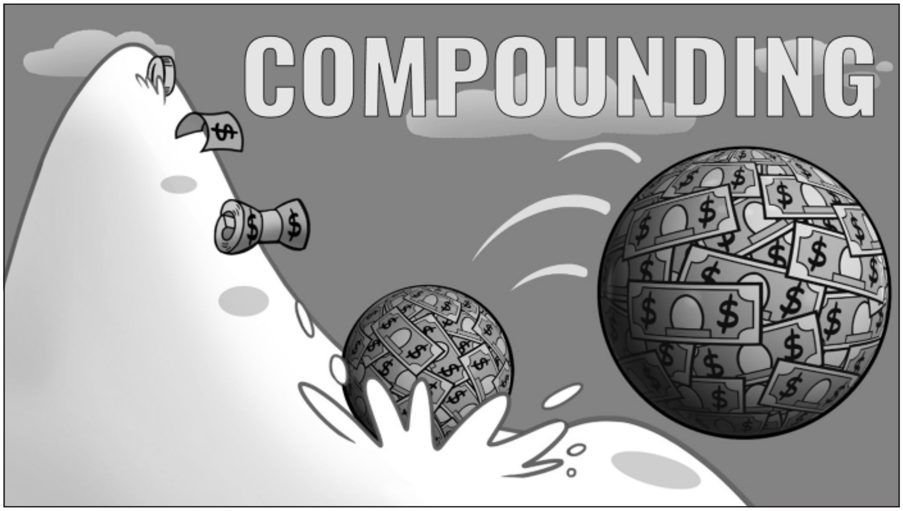

FIGURE 1-1: The snowball effect of compounding.

Source: triplecompounding.com

I like to say compounding is kind of like making your money make money babies (see Figure 1-2), and then those money babies make money grandbabies, and the grandbabies make great-grandbabies, which helps your wealth grow bigger and faster over time.

REMEMBER

The best thing about compounding is that it prevents your money from losing its value to inflation, so 20 years from now, you can still afford to live comfortably.

FIGURE 1-2: Making your money make babies with compounding.

Source: `triplecompounding.com`

Relying on Money Managers Won't Cut It Anymore

Once I found out about compounding during the 2008 market crash, I got very excited to start using it to stop the devaluation of my money. But I knew nothing about money. I had no idea how financial markets worked. It all sounded risky, and I was so scared I would lose everything.

I asked around a little bit and concluded that the best thing I could do was to find a financial advisor to manage my money for me and compound it on my behalf. I thought it would be better than having my money sit in the bank.

I thought these money managers with all their fancy C-level titles would not only have my best interest at heart but also be the key to me getting rich and making my money continuously grow so I could be set for life. With this in mind, I trusted a money manager with all my money.

As it turned out, it didn't work out the way I expected. Throughout the years, I noticed my portfolio was not only not growing but shrinking.

I got skeptical and started to look more into how money managers and financial advisors make money. What I found out absolutely infuriated me. I found out that the money managers had their partners' best interests in mind.

They invested my money in stuff that made *them* compounded income through commissions they get from their partners and companies they invest my money in, instead of what would make me money. Then, they were taking a commission off what little money I was making, too!

So, they were earning from compounding, and I was paying for compounding. This is called *reverse compounding*. It's when you pay compounded income instead of earning it. Flip to Chapter 5 to discover all the different things you could be reverse-compounding right now.

WARNING

What I found to be very concerning about giving your hard-earned cash to money managers is that 96 percent of them underperform the market average. The *market average* refers to the overall performance of a group of stocks or other financial assets that represent a particular market or sector. The market average return is around 8 percent to 12 percent per year. Money managers underperform that, which means my money was barely growing with my money manager's fund.

What's even crazier about this statistic is that the other 4 percent of money managers who are supposedly doing okay change yearly! That means no money manager consistently does better than the market average. They're supposed to be the so-called financial experts, but they actually *lose* money compared to the market average and then charge you a commission for completely mismanaging your money.

REMEMBER

Although this commission is typically only 1 percent to 1.2 percent over your lifetime, it can compound to over 28 percent using the same law of compounding. But instead of making your money grow, you're reverse-compounding, paying Wall Street bros at a compounded rate, which could add up to millions of dollars over time.

In addition, if you need to get your money out of the money managers' fund for any reason, you have to pay a hefty penalty. I found this out the hard way when, years later, I got fired from my job. I really needed my money back to pay rent. But when I called my money manager to pull the money out, he said — based on the 500-page terms and conditions agreement I had signed years before — I had to pay a 75 percent penalty if I chose to take my money out earlier than the date that was agreed upon.

Here's an example: If you'd put in $100,000, you would have come out with $25,000 thanks to this early withdrawal penalty. On top of that, they had also mismanaged my money, so what I left there with them was even lower than the initial amount I had given them.

REMEMBER

Although the terms and conditions and the penalty rate may differ depending on the money management firm, this can be a huge blow to the security of your financial future.

This is why you will be better off investigating the triple-compounding methods I describe in this book to take control of your financial future and accelerate your freedom.

How I Discovered Triple Compounding

After getting fired from my job and facing the reality of how my money manager mismanaged my money, as I describe in the previous section, I finally decided to take matters into my own hands and learn how to manage my own money.

I studied for the Certified Financial Planning (CFP) degree and the Charted Market Technician (CMT) degree, among other financial and investing-related certifications, to deepen my understanding of financial planning, investment strategies, and market analysis.

I was never going to be taken advantage of again. In the following sections, I share an overview of my biggest takeaways from my studies and life experiences, which led me to discover Triple Compounding.

Understanding the Rule of 72

One of the first financial planning methods I discovered during my new journey was something called the *rule of 72*. It's a formula you can use to find out how many years it's going to take for your money to double or compound. For example, if you have $100 and want to know how long it will take to double, you can figure it out using the rule of 72.

TECHNICAL STUFF

Here's a simple formula to show you how it works:

Years it takes to double = 72/annual rate of return

The *rate of return* (ROR) is the percentage gain or loss on an investment over a specific period of time. It measures how much an investment has grown (or shrunk) relative to its original cost.

Following this formula, you can calculate how long it would take for your $100 to compound to $200 at a market average return of 8 percent.

The answer is 72/8 = 9 years.

This means that if you're investing your money in a financial asset that compounds your money at the same rate as the market average, it will take your money nine years to double.

REMEMBER

This is certainly better than not investing your money at all. However, considering that inflation can sometimes be higher than the market average return, this method may not be suitable for those who want to accelerate their financial goals and retire early.

Considering Your Financial Goals and Financial Freedom Number

Why did you pick up this book? I'm guessing it's because you have some dreams and goals. What sets successful people apart is their definitiveness of purpose. In other words, successful people know where they're going. Napoleon Hill, the author of *Think and Grow Rich* (Tarcher, 2007), defines a goal as a "dream with a deadline."

I define goals based on what I've seen working for thousands of my students as a *measurable* dream with a deadline.

REMEMBER

The clearer you are about your goals, the more easily you can find a strategy to reach them. That's why the first point of my Invest Diva Diamond Analysis (IDDA) is breaking down your goals. I explain how the IDDA works in Chapter 10.

What's cool about setting financial goals is that they are very easy to measure. If your goal is to become *financially free* or work-optional, you can calculate exactly how much money you would need in your portfolio to achieve it. This is called the *rule of 4 percent,* and it helps determine how much you can safely withdraw from your investment portfolio each year without running out of money. According to this rule, you can withdraw 4 percent of your portfolio in the first year of retirement and adjust that amount annually for inflation. This approach is designed to help your money last at least 30 years.

WHY BASIC COMPOUNDING WAS SUDDENLY NO LONGER AN OPTION FOR ME

Based on the Rule of 72 I describe in the previous section, I knew it was going to take me years before I could become self-sufficient. But this method of basic compounding was not only what financial advisors were advising. It was what I was being taught when I was studying for various financial certifications. I felt stuck! No matter what I did, my portfolio was growing so slowly.

At this point, I had gotten married. But right off the bat, my marriage was suffering, and the only viable option seemed to be getting a divorce.

But I didn't want to rely on my husband for money. So, I had to figure out a way to be financially self-sufficient *before* filing for divorce.

Suddenly, my slow investment strategies were no longer an option for me.

Here's how you can calculate your financial freedom number:

1. **Find your total annual expenses (download the complimentary workbook for this at `www.triplecompounding.com`).**
2. **Divide your annual expenses number by 0.04.**

Voila! Now you know what you're aiming for! For example, if your total expenses amount to $60,000 annually, you will need $1.5 million in your portfolio.

WARNING

Investing involves a risk of loss. You must only invest according to your risk tolerance and financial goals. Flip to Chapter 3 to explore the different types of risk you can encounter when investing and/or compounding.

Discovering Triple Compounding

One day, I was complaining to one of my trading buddies about my slow growth and frantic search for something that would grow quickly and support me and my freedom in years to come. And he told me something that changed my life forever.

He said something along the lines of "I don't compound just one thing. I compound multiple things."

At first, I had no idea what he was talking about. But as I researched and looked around, I realized that all financial gurus were doing the same thing with their own money. But none were doing it for their clients or talking about it.

This included high-profile investors such as Robert Kiyosaki, Dave Ramsey, Grant Cardone, Cathie Wood, and even Warren Buffett. Even their mere definition of investing was different than the types of investments they talk about on investment channels like Bloomberg, CNBC, and Fox Business.

Discovering the Real Definition of Investing

Most people make the mistake of thinking the word *investing* only refers to monetary assets like stocks or real estate. But the truth is, investing has a deeper meaning. Understanding the root meaning of investing will help you utilize investing in a more profound way, like self-made millionaires and billionaires do; therefore, you'll accelerate your financial freedom.

TECHNICAL STUFF

The word *invest* comes from the Latin word *investīre*, which means to "clothe" or "dress someone in official garments." Thus, to invest in someone is to endow them with a new role or responsibility.

So, one way to interpret *investing* is that you become the new version of yourself, permitting yourself to become more powerful, embodying the person you desire to become, the future you.

You can accomplish this by investing in different assets, the most important being yourself.

TIP

You can be an asset because no matter who the president is and regardless of the economic conditions, what is going on geopolitically, and where you go, you will always have access to *you*!

REMEMBER

If you become your most important value asset, you can get dropped off in the middle of a desert, and you'll come up with a way to create value, create something out of nothing, and make the world around you a better place. But of course, there are other assets you can invest in, and then if you put them together, also known as compound, you get to accelerate your financial transformation.

When it comes to investing in monetary assets, investing means *making your money work for you.* (See Figure 1-3.) But self-made millionaires and billionaires never rely on just one type of investment. They compound three types of investments on top of each other, and then they continue compounding these three investments over and over again. The following are the three types of investments (see Figure 1-4):

- **Investing in yourself:** This is your most valuable asset.
- **Investing in your extensions:** This is your career, business, or any other extension of you that generates income.
- **Investing in external assets:** These are other people's assets, like their companies or other financial assets. In finance, they can come in different forms like private equity, stocks, cryptocurrency, real estate, and all other financial assets that would allow you to take a piece of other people's value creation.

FIGURE 1-3: Making your money work for you with investing.

Source: `triplecompounding.com`

FIGURE 1-4: The three investments you compound in triple compounding.

Source: `triplecompounding.com`

Flip to Chapter 2 to get an overview of all the different assets you can invest in.

But my discoveries didn't end here. Not only do they compound three types of investments, but they also take it three steps further! At each investment level, they compound three actions (see Figure 1-5) that allow them to grow their investments much faster than people who don't take all three actions. This is how they maximize the same 24 hours you and I have.

The three actions they compound are

- Generate
- Automate
- Accelerate

FIGURE 1-5: The three actions you compound in triple compounding.

Source: `triplecompounding.com`

For example, when it comes to investing in external assets like stocks, here's how this would work:

- **Generate** income by buying an investment asset at a low price and selling at a high price, as I explain in Chapter 10.
- **Automate** these investments using systems and processes (see Part 4 of this book).
- **Accelerate** their portfolio by reinvesting a percentage of the income generated in the previous steps in other investment types in triple compounding.

When you put it all together, triple compounding for the purpose of wealth creation looks something like Figure 1-6.

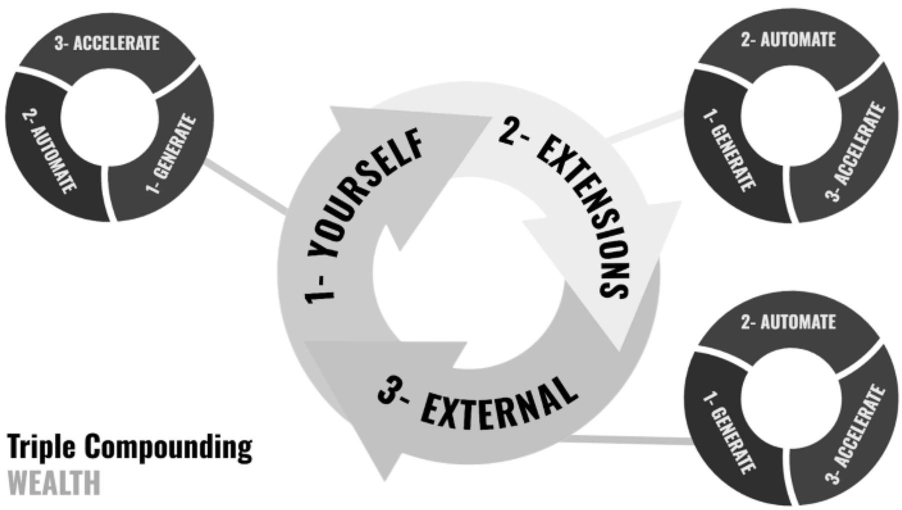

FIGURE 1-6: Triple compounding wealth.

Source: `triplecompounding.com`

It became apparent to me that these role models of financial success all pretend that all their wealth comes from budgeting and investing only in external assets, but in reality, they accelerate their portfolio growth beyond the rule of 72 by triple-compounding. Flip to Chapter 2 to see examples of how these self-made millionaires and billionaires used triple compounding to accelerate their portfolios.

Using Triple Compounding to Change My Life

As I did more research on how self-made millionaires and billionaires actually make their fortune, I realized that if I actually wanted my financial freedom to become a reality, I needed to stop doing what Dave Ramsey was *saying* to do with *my* money and instead start doing what Dave Ramsey was *doing* with *his* money! I couldn't rely on just one type of compounding. Not even two.

I had to level up my game and start triple-compounding. I started to

- Generate, automate, and accelerate my investments in myself by hiring high-level coaches, generating new skills, doing them over and over again until they became an automated habit, and unlocking a new version of myself. (I explain how this works in Chapter 4.)
- Generate, automate, and accelerate my income generation by investing in my business, Invest Diva. (Flip to Chapter 5 for more on generating income.)
- Generate, automate, and accelerate my portfolio by investing a fixed percentage of my income in external assets such as stocks and cryptocurrencies. (Flip to Chapter 6 for all the ways you can invest in external assets.)

Some savvy readers may see this and conclude that triple compounding is more focused on generating income with your business or selling courses online. If that is you, let me tell you a story.

As I started following the self-made millionaire's triple-compounding template, within a few years, in 2021, I hit a milestone of $1 million in cash flow generated in my business. I was a member of Russell Brunson's entrepreneurship Inner Circle. To celebrate this milestone, I received the Two Comma Club award (see Figure 1-7), which he gives to business owners who generate a million dollars in revenue using ClickFunnels, his software company.

However, after all my ad spending, expenses, travel, taxes, and staff payments, I probably only netted around $500,000.

REMEMBER

Revenue and net income are different. *Net profit* (also called net income, bottom line, or net earnings) is the amount of money a business has left after deducting all expenses from its total revenue. It represents the actual profit a company makes.

FIGURE 1-7: When I received the Two Comma Club award from Russell Brunson.

Source: `triplecompounding.com`

When I lined up to accept my award, I was surrounded by other business owners who also had won the same award for generating a million dollars in revenue. As I started talking to them, I discovered something shocking: More than half of these entrepreneurs had a net profit of zero.

You may be wondering how that is even possible. The reason is that most people confuse cash flow with net income. Most people who generate a cash flow of $1 million may call themselves millionaires, even if they have a net-zero profit.

This is not the correct definition of a millionaire. Flip to Chapter 2 to discover the six types of millionaires and which one you should aspire to become.

REMEMBER

If you can't manage $1,000, you can't manage $1,000,000. But because I already knew how to accelerate my income by compounding external assets, in the same time frame, my $500,000 net income had triple-compounded to $1.5 million. (See Figure 1-8.)

This means that while other entrepreneurs were only growing their business income (but mismanaging their finances), I had already tripled what I earned from my business, using the third phase of triple compounding in my investment portfolio. (For more about this phase, flip to Chapter 10.) This means I've given myself the Golden Diamond award for reaching a million dollars in my investment portfolio — a more accurate measurement of your financial health than generating a million-dollar cash flow.

FIGURE 1-8: My triple compounding portfolio in January 2021.

Source: `triplecompounding.com`

This is when I started teaching the triple-compounding methods I share in this book with my Accelerator members, a group of high-level professionals — from doctors, lawyers, and corporate employees to stay-at-home moms, entrepreneurs, and artists — in many different countries who seek my expertise as their mentor. Using the same method, hundreds of my students have now received our six- and seven-figure portfolio Diamond awards as they reach their financial goals one after another. (See Figure 1-9.)

FIGURE 1-9: The Golden Diamond award.

Source: `triplecompounding.com`

The ability to help others accelerate their financial goals made my heart sing and gave me a level of fulfillment, pride, and happiness that I was not expecting.

When it came to finances and business fulfillment, I finally got it right. However, my marriage was getting even worse. I'd finally reached a level of financial independence that allowed me not to have to rely on my husband and also take care of my daughter.

I was well established to get him out of my life for good. Secretly, I hoped this money would fix my husband and make him behave how I wanted him to, but it didn't. Now, I had enough money to file for divorce and support myself as a single parent without relying on him.

Finally, one day, I decided to hand him the divorce papers. To my surprise, he was shocked. He asked if I would give him a second chance. I agreed but was convinced nothing was going to change. I did it for the sake of our daughter. What happened after that was crazy.

Inspired by my success, he quit his job, which was burning him out. This allowed him to focus on his new passion from home, and as we spent more time together, we were gradually able to heal our broken relationship.

Triple compounding not only gave me full control over my money and peace of mind about my financial future, but it also gifted us with financial freedom.

Then our financial freedom led to mobility freedom, career freedom, and time freedom for my entire family. Now we're each other's biggest cheerleaders, and we're building our empire as a team.

TIP

This is when I realized that triple compounding can actually be applied to more than just wealth. You can apply it to health and relationships as well.

Here's the full spectrum of triple compounding. (See Figure 1-10):

- Investments you make:
  - Yourself
  - Your extensions
  - External assets

- Actions you take at each phase:
  - Generate
  - Automate
  - Accelerate
- Foundations you stake:
  - Wealth
  - Health
  - Relationships

TIP

I occasionally host online live events to help people implement the triple compounding methods I teach in this book with me in real time. We call it Triple Compounding Live. Go to `https://www.triplecompounding.com/live` to see if there are any events coming up.

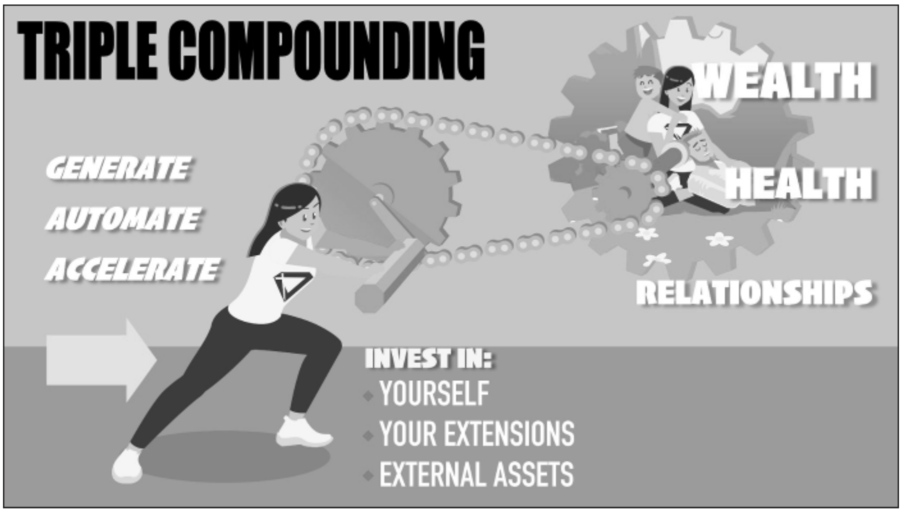

FIGURE 1-10: Triple compounding in life.

Source: `triplecompounding.com`

TIP

In Chapter 11, I reveal how triple compounding enables you to amplify your impact and harmonize your masculine and feminine energies, helping you reach ultimate fulfilment without burning out.

INTEGRATING THE NUMEROLOGY OF TRIPLE COMPOUNDING

TECHNICAL STUFF

If you're into numerology like I am, you may find it fascinating that the complete Triple Compounding system includes three sets of three, which brings the whole thing to the number nine.

Nine is the number of completion. It's the last single digit before the sequence resets (1 to 9), symbolizing the *end of a cycle*.

Nine is also the number of integration. It reflects the whole experience, the summation of your cycle. And it also happens to be my favorite number.

This is how, integrating all this from 2022 to 2025, I not only went from handing divorce papers to my husband to falling back in love with him while our net worth tripled from $5 million to $15 million, but I'm also healthier than I've ever been, living in my dream home.