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When A Two-Salary Income Fails

By Esther Smith

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by: **Esther Smith**

While this may not apply to everyone, you may find that a second salary brings in substantially less than you thought it would. In the beginning, Rachael thought that since she and her husband were just about breaking even as a couple, that staying home with the new baby would not work — infant needs seemed endless. So she went back to her old job.

After a few weeks, they decided to actually calculate their bottom line with and without her weekly pay. This should not have been a surprise because there was still no extra funds at the end of the month. Rachael's second income necessitated extra expenses resulting in a near-breakeven budget once again.

When you consider the hidden expenses of a two-income household you must include the obvious ones like child care and commuting costs. Add to this — order-out lunches, and those quickie dinners like take-out or prepared heat `n serve selections. Office clothes and dry cleaning will apply to some.

Increased exposure to common illnesses for the child in daycare caused Rachael's absence from work more often than her single co-worker taking another bite out of her weekly paycheck. Rachael's second salary pushed them into a higher income tax bracket bringing an added burden at tax time.

If a two-salary income doesn't work any better than the one-salary did, then your answer has to be the Internet. To accomplish this without household friction, you must have three things going for you: (1) partner's cooperation: he/she must be willing to share some of the household duties without complaint. (2) your flexibility: to be able to work odd hours like when the baby sleeps, and (3) the biggest of all, sacrifice: working at home will mean giving up a few things until your Internet income equals what you earned offline.

When new mothers were asked what they would be willing to sacrifice to stay at home and work, some of their answers were: Selling the second car to save on taxes, ins, and loan payments Cable TV

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Wal-Mart weekly stops Cigarettes; a costly as well as unhealthy expense Dinners out

Some added their willingness to shop for baby clothes at the thrift-store (they were surprised at the bargains). And almost all have begun coupon shopping; a big savings on the food budget.

The latest research states that 8,500 new home businesses are started every day in the U.S. So if you have been lifting couch cushions looking for loose change, get in on the Internet opportunities but you must be open to all possibilities. When you limit your focus, you limit your choices of income.

Opportunities such as Clickbank or Payaah are two popular avenues that can set you up in a heartbeat with multiple programs under one umbrella. You can hit the ground running, and explore other offers at your leisure.

Works for me.

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Esther Smith is editor of Partners-For-Profit Newsletter; always a good read, and publisher of
and member of

. Subscribers to

PFPP receive a weekly diet of resources to start up, run and explode your online business.

President

By David Teng

President by David Teng

Should You Be Investing?

Work vs. Investing

Let's say "little capital" means something like \$10,000. Suppose you invest that in the stock market. You pick your own stock by watching finance channels, reading financial statements online, and keeping ahead on the news events.

You diligently work 2 extra hours per day on these investing activities. And you make 15% annually which is well above average.

So that year with your effort, you made \$1,500.

You would then be below

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minimum wage

Hmmm, \$1,500 for about 2 hours/day. This comes out to about \$2.88 per hour. But that is actually below the U.S. minimum wage...

Say you make \$60,000 per year. If you devote that extra two hours per day to your job, can you make more?

Would a 25% extra effort make you stand out from your co-workers?

You Bet!

You only need a 2.5% raise to beat your investment in the stock market. If you are paid hourly, you can make up to \$15,000 more by working 2 extra hours per day.

Moreover, this is a compounded effort. 25% extra effort devoted to your career could be the difference between becoming the president of your company or a division director one day.

15% percent pay raise is
NOT even enough

However, when your "stock-investable" net worth exceeds your income then it is a whole different

story. With \$60,000 capital, a 15% return equates to a profit of \$9,000 profits annually. And You will need a 15% percent pay raise to beat that.

The following table should make things clear:

CASE 1: Salary > Stock Investment

Specific Numbers:
Salary = \$60,000
Stock Investment = \$10,000

Salary x (2.5% Raise)
= (Stock Investment) X 15% Return

Conclusion: It makes heck of a lot of sense to bang away at your career.

CASE 2: Salary
Specific Numbers:
Salary = \$60,000

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Stock Investment = \$100,000

Salary x (25% Raise)
= (Stock Investment) X 15% Return

Conclusion: What! I need a 25% raise to make more than my investment. I need to focus more on the more profitable income source.

As you can see, assuming a modest 15% return, it makes sense only to focus on your investment after you have saved an "investment fund" larger than or equal to your current income.

100% Investment Return ...
Just A Thought

However, if you can get an above average return then it is reasonable to focus more on your investment even if your investment capital is less than your income. Let's look at the following case:

CASE 3: Salary > Stock Investment

Specific Numbers:
Salary = \$60,000
Stock Investment = \$20,000

Salary x (33% Raise)
= (Stock Investment) X 100% Return

Conclusion: Holy Moly! 33% raise will probably take maybe more than a couple promotions. But how can anyone make 100% in a year?

Making in excess of 100% per year is not that difficult if you follow with discipline systems that had been proven to work:

Value Investing
Insider Trading Analysis
Industry Trend Analysis

What we have done is a very crude analysis of a hypothetical situation and it is very enlightening. There are really ONLY two choices before you have a net worth greater than your income:

Work Harder At Your Job
Or
Attain Superior Return from the

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Stock Market (which can be risky if you don't follow proven systems).

Since we are not investment advisors, we are not allowed to give out individual investment advice. This is as specific we can go.

For more information and advices on investing and finance, please visit:
<http://www.value-discovery.com>

David Teng is the President of Value Discovery, Inc. He led the effort to offer individual investors a comprehensive finance and investing topics website. Striving to be unbiased, Value Discovery uncovers many of common misunderstanding created by the investment arena.

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