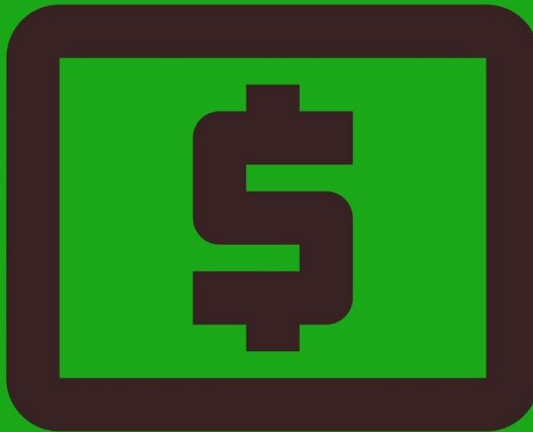


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# GENERATE PASSIVE INCOMES






*The Legitimate Guide for Malaysians*



KCLAU

# The Legitimate Guide to GENERATING PASSIVE INCOMES in Malaysia

BY KCLau.com

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To generate passive income is simple but hard, especially if one has limited resources (money and time). The first rule is not to trust any scheme that promises recurring passive income without much effort. That simply doesn't exist (except the five methods I am going to explain later in this guide).

**DON'T believe:**

- Forex trading system that let you deposit fund and automatically make winning trades for you. If it is that simple, they don't need to sell the system.
- A scheme that promises higher than a 10% return every year. There is no such thing. Even the world's wealthiest and most successful investor Warren Buffett won't guarantee that.
- Any franchise or turnkey program that will magically make money for you without fail. Selling you the franchise is a sure-win method for the franchisor. But franchisee (you in this case) have to work on the business for a while to make sure it runs smoothly before you can hand-off it to some operational managers. Any program that requires a few mouse-clicks are mostly bluff. Even if it works initially, it won't work for the long-term because the market will be flooded with similar programs or competitors, at a fast rate!

With that being said, here are the five proven passive-income generating methods that work. These are broad categories. Although there are probably hundreds of strategies that can

generate passive income, generally each plan falls into one of these five categories.

## METHOD #1: Passive Interest Income

You can generate passive interest income by lending your money to other people:

- Fixed deposits (FD): loan to the banks
- Bonds: loan to financial institutions (government, listed companies, etc)
- P2P: loan from individuals to other individuals and small businesses ([Funding Societies](#), [Fundaztic](#))

### Pros & Cons:



While it is an easy, safe and straightforward approach to lend money to banks and institutions, the return is too low whereby the buying power of your money will shrink over time. The interest of 3%-4% won't be enough to combat inflation.

The only high return you can get from interest income is through P2P lending. Generally, the interest from P2P is >10%. But the high risk of potential default will deplete your return if you don't diversify well. The general rules of thumb for P2P lending investment:

- **Spread your capital equally** to many different borrowers
- **Go with the lowest minimum investment** (say RM50, or RM100), **and nothing more**. I made the mistakes of trying to invest RM1,000 equally in each opportunity. But the problem is I couldn't lend RM1,000 to each borrower. Some opportunities were taken up fast that I could only put in RM100 due to high demand. In the end, I don't have an equal investment in each borrower, resulting in an unequal spread. There is no balancing I can do to reduce my risk. So you want to avoid my mistake, use the minimum allocation amount regardless of how much capital you have.

Due to this limitation elaborated above, you can't scale up this interest income from P2P. You will soon hit the limit when you have lent over RM100,000. The strategies won't work as well when you have over a million capital.

The other method is being a loan shark. Of course, this is out of the scope of this guide.

## What do you need:

What you need to generate passive interest income is only financial capital ---- MONEY! CASH!

**Want to discover more, check out these training:**

- [How to Invest Like a Banker with Funding Societies](#)
- [Fundaztic P2P Financing: What You Must Know as An Investor](#)

# METHOD #2: Passive Pooled Investment

Invest passively in:

1. Unit trusts
2. Amanah Saham
3. Exchange-traded funds (ETF)
4. Real estate investment trusts (REIT)

This second method of investment, such as unit trusts or Amanah Saham, do not require you to carry out extensive research, as this is outsourced to fund managers who will also be monitoring the investment.

When we talk about investment, the majority of people think of these pooled investments, managed by professionals. You

either don't have the knowledge to pick your stocks, or you don't have the time to do the research, or you are simply not interested in investing. That's why those who invest here prefer to have professionals handling their money.

You can easily research the unit trust funds and ETF in Malaysia on these sites:

- [Morningstar](#)
- [Fund Supermart](#)

Other than unit trust, the most popular pooled investment is ETF (Exchange-Traded Funds).

There is no active management for ETF because it tracks a specific index or asset class, so you can trade the entire market via the ETF shares, which is traded on the stock market like Bursa Malaysia. ETF is getting very popular nowadays in advanced countries because of its low cost and great diversification.

You can check the latest list of ETFs traded on Bursa Malaysia:

<http://www.bursamalaysia.com/market/securities/equities/products/exchange-traded-funds-etfs/>

The next thing is the REIT (Real Estate Investment Trust).

The assets of these REITs are in real estates, and the returns come from:-

- Rental yield
- Parking revenue

- Revenue from the sales of the tenants, etc

You can check the list of REITs traded on Bursa Malaysia <http://www.bursamalaysia.com/market/securities/equities/products/real-estate-investment-trusts-reits/>

## Pros & Cons:

### INVEST PASSIVELY



- Easy & simple
- Have professional's help
- Risky? Or safe?



- Fees!
- Slightly higher return

require   
little effort / 

This mode of investment is safe, especially when one is in it for the longer term. On the downside, as we engage fund managers to manage the investment, there is a fee involved. For example, we pay 1.5% of the invested amount per year for most unit trusts. Whether you make money or not, they will get paid. And that adds up to a lot of money over many years.

On average, the return from this method of passive investing through pooled investment funds is around 6-8%. You will be happy if some of the years you can get more than >10%.

Sometimes, investors get panicked too during market downturns.

But over the long-term, 6-8% is what's expected, since these funds track the general market.

## What do you need:

Money and a little effort and time.

That's why it is generally known as passive investing.

### Want to discover more, check out these training:

- ❑ [How to Generate Above 10% in Returns from Your ASB Investment?](#)
- ❑ [5 Things to Know about Unit Trusts before You Invest](#)
- ❑ [Introductory Class on Exchange Traded Funds \(ETFs\)](#)
- ❑ [4 Strategies to Invest in REITs Profitably Even if You are a Newbie in Stock Investing](#)

## METHOD #3: Active Investing

This involves actively investing in

1. Stocks: need to carry out analyses.
2. Properties: need to analyse on rental yield, property price assessment, location, etc.
3. Private equity/start-up )

- 4. Venture capital ) high risk with plenty of unknowns
- 5. Angel investing )

When you are spending more time and effort to invest directly in businesses or properties, you would want to have a higher return rate compared to Method #2 above.

When done right, equipped with the right methods, strategies, temperaments, and mindset, you should expect an average return of over 12% per year to make it worthwhile.

### Pros & Cons:



Instead of leaving the investing job to a professional, you actively engage in researching the companies, stocks, business models, or a specific real estate market, property prices, transaction histories, rental yields, etc. The more experienced you are, the better chances you will thrive as a sophisticated super investor.

Investing in stocks and properties yield high return if done right and you have the know-how. Risk comes from not knowing what you are doing. **It is actually safer to do it on your own when you master the skills.** Jumping into a swimming pool is a piece of cake for swimmers. But it is a life or death situation even for a grown adult who doesn't swim.

When you are comfortable with active investing, you **could also use borrowed money** (eg. housing loan, margin financing) **to amplify your return.** We call this leverage!

To afford a great lifestyle and significant passive income streams, you will want to acquire the ability to do active investing successfully.

But it could be risky if you don't have the knowledge and temperament to do active investing. Most of the time, you will have to actively manage your portfolio too because the business environment changes over time. And directly owning properties means there will be issues like tenant management, property taxes, mortgages, refinancing, etc.

It is called "Active Investing" for that reason. Do it right, and you might get paid passive incomes handsomely for a long time.

## What do you need:

Both money and time. But it pays off big time! This could be the most crucial skill you need to command financial stability and independence.

I have courses that help thousands of students acquiring these skillsets.

**Want to discover more, check out these courses:**

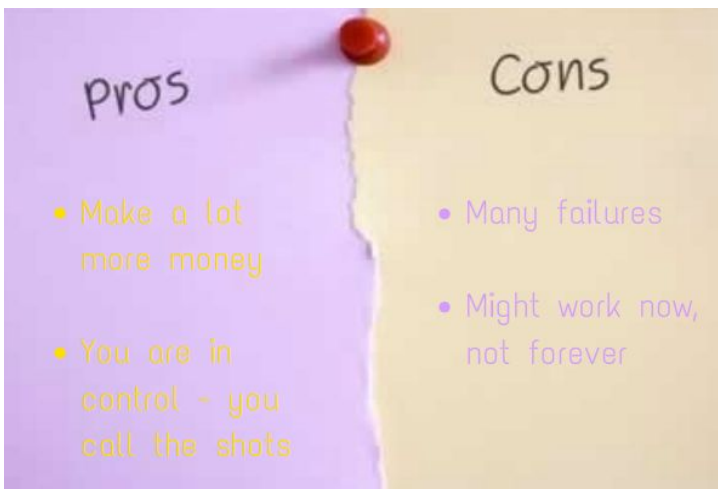
- [Property Method](#)
- [Bursa Method](#)
- [Invest Foreign Share](#)

## METHOD #4: Be an Entrepreneur!

Investing in business systems such as:-

- Start your own business to sell products or services;
- Multi-level marketing (MLM), e.g. Amway, Nuskin, etc.
- Agency System, e.g. insurance, unit trust;
- Franchise: buy a business model, eg. Tealive, Subway, etc.
- Start-up ventures.

## Pros & Cons:



Entrepreneurship could be the most common way to create wealth fast. The rich people I know more or less operate some kinds of business of their own. A profitable business generates income streams and returns that are more than 20% per annum. If not, why having all the hassles and taking on all kinds of risks to operating it?

I invest in my own business, too - KCLau.com. When I **put back every ringgit into the business, not only that I get a tax deduction in the form of capital allowance and expenditure, I also generate more profits.** The best thing I like is that I get the freedom to call the shot, to structure the business operation the way I like it. Do you know that I can

run the business from anywhere in the world? Currently, I am residing in the USA, and the company still runs as usual.

However, before you quit your job and start a business, please be aware that it is never easy to found a sustainable company. As high as 90% of businesses fail in the first year. Even when you can get through the first year, the business environment changes so frequently that you will always face new challenges right after you overcome the previous hurdles.

That's why entrepreneurship is not for everyone. Some people are not cut for it. Understand your strength. If you like challenges, entrepreneurship will fulfil most of your dreams.

## What do you need:

Money, and lots of time and effort.

In business building, you also need a lot of relationship capital (social network).

**Want to discover more, check out these training:**

- [How to Register a Business Entity in Malaysia](#)
- [How to Start Your First Business](#)
- [The Dummies' Guide to Building a Lifestyle Business](#)

## METHOD #5: Be a Producer!

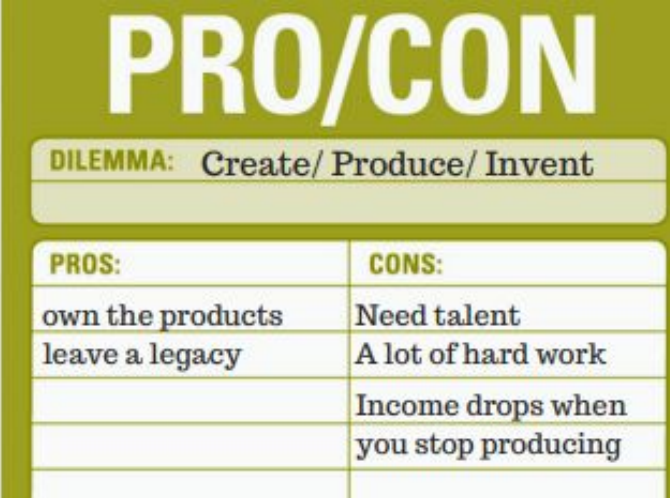
Creating, producing, inventing such as

- Write books
- Compose and sell music

- Photographs, artworks, templates etc.
- Intellectual Properties (IP) e.g. patents, license, invention, etc
- Famous YouTubers and similar influencers

The income is derived from royalties, licensing fees, advertising fees, etc.

## Pros & Cons:



**PRO/CON**

**DILEMMA: Create/ Produce/ Invent**

<b>PROS:</b>	<b>CONS:</b>
own the products	Need talent
leave a legacy	A lot of hard work
	Income drops when you stop producing

I love this type of passive income. I still got paid occasionally from some music clips that I produced, book sales, and some tiny royalties from webpages I put up long ago.

You own the products you produce, and you get to leave a legacy.

I produced two musical albums and put it up on Spotify and Apple Music. I also authored six physical books that were published. Imagine that after a hundred years later, these products might still exist for future generations.

The only problem is that it is not easy to be a producer. You need extreme talent and hard work to reap significant passive income. For one successful celebrity, millions tried and failed along the way. Although you get paid for one-time works, the profit drops gradually when you stop producing.

If you have the talent, please pursue your dream. Life is short after all, and you should make the best out of it. Needless to say, the reward is fantastic when you successfully become a celebrated artist, author, singer, influencer, or producer!

## **What do you need:**

You will need a substantial amount of time and effort. Money is not an issue.

According to Malcolm Gladwell's 10,000 Hour Rule, the key to success in any field is simply a matter of practising a specific task for 10,000 hours. In layman's term, if you want to be the top violinist, it could take you 20 hours of practice a week for 10 years.

# What should you do to generate passive incomes starting today?

- What are you doing with your time and money?
- Are you channelling your resources to help you generate passive income?
- Are you trading time for money now?
- Are you investing your time for passive income or spend time for instant gratification?
- Besides your full-time work, what do you do with your free time and weekends?

I don't recommend hoard money in the bank or FD as the rate of return is low. Inflation will soon erode your ringgit value. Investing passively as in Method #2 may not generate the return rate you desire for an admirable lifestyle.

Furthermore, it requires more capital for the same amount of passive income. Meanwhile, Method #5 involves talent and luck that not everyone has.

I recommend **focussing on Method #3: invest actively without the hassle of dealing with a business operation or managing people**. Invest actively only requires knowledge and analytical skills. With that skillsets, you get to invest and generate passive income regardless of your age. Although **starting young has the benefit of riding on the power of**

**compounding interest, old folks reap the most benefits when you have more capital to invest but less energy to work.**

**When you are young and love challenges, go for Method #4: Be an Entrepreneur!** Nothing is more liberating than building a business from the ground up. You get to enjoy the profit for a long time while making a positive impact on the market you serve and solving people's problem with the value you create.

Start your passive-income-building journey today, or increase the speed if you've already started!

I'm KCLau, a financial educator, author and trainer.

Get more updates and money tips from me at:

- ★ Website: [KCLau.com](https://KCLau.com)
- ★ Facebook: [Facebook.com/KCLauMoney](https://Facebook.com/KCLauMoney)
- ★ Youtube: [YouTube.com/KCLauMoney](https://YouTube.com/KCLauMoney)

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