

Understanding The 3 Types Of Money - The Key To True Wealth Transcript

Ryan Moran [00:00:04]

There is nothing I enjoy more than being on stage. Being in front of, especially, entrepreneurs, talking about things that I know will be impactful for them is literally an out of body experience for me. Do you have those moments that you feel completely in flow? Like it doesn't matter what happens, you know that you are on top of it, you know that you're going to crush it?

Ryan Moran [00:00:25]

That is the stage for me. Being the center of attention, I guess, while talking about things that I'm confident in, like business and philosophy and religion. If there is a stage, put me on it. I was in Miami a couple of weeks ago giving a talk to entrepreneurs and I shared with them a thought process around the three types of money. And when I shared this with entrepreneurs, there were light bulbs that went off across the room.

Ryan Moran [00:00:52]

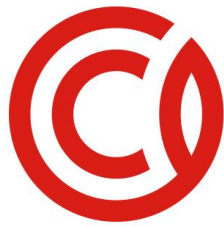
I could feel the energy shift in the room because these are entrepreneurs who are running really profitable businesses, businesses that make millions of dollars in some cases. And there were some people who were just starting out, but it was mostly really high level people. And there was several people in the room who I've admired for years who were coming up to me asking for my help because of this concept that I taught.

Ryan Moran [00:01:17]

And it's the idea of prioritizing enterprise value instead of cash flow. So, here's how I explained it. There's three types of money. The first is cash flow. We all know what that is. That's profit. That's what you can spend. It's what you've got left after fulfilling all of your obligations. This is money you can live on. This is what most entrepreneurs focus on. I want more cash flow. Because most of us come from nothing.

Ryan Moran [00:01:41]

Most of us come from humble beginnings. So, we focus on cash flow because we want a different life. And that's where most entrepreneurs stop the conversation, which is why most entrepreneurs stay on a hamster wheel of always working and never actually having freedom, which is what they ultimately wanted. It's a very interesting idea.



Ryan Moran [00:01:59]

The second type of money is wealth. This is what grows without you working. Your wealth is your portfolios all added up. You don't have to work for it. It's growing with or without you, and it's very long term. Now, if you're a good entrepreneur, you take the money that you got from cash flow and you put it into long term wealth, and you're ahead of most people when you focus on those two things because building a business and investing the profits is the way that you can get very, very rich over a long period of time.

Ryan Moran [00:02:31]

And if you did only that, you will be a very wealthy person over the long term. But the third type of money is enterprise value. Enterprise value is different than the other two. Enterprise value cannot be spent. It doesn't produce cash flow. So, most entrepreneurs don't think about it until they think about selling the business one day if they ever get to that level. But enterprise value is still real wealth because you can sell the business, you can also borrow against it, you can also use it to raise capital.

Ryan Moran [00:03:02]

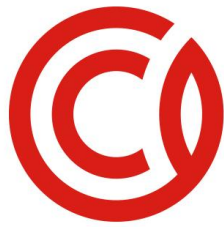
So, it is usable, it is real wealth. And the faster you think about that, the faster you think about building enterprise value, then the higher your net worth will be and you will make the most money and you'll have a business that you can sell and you'll never have to worry about cash flow ever again. So, whereas most people are thinking about cash flow, I'm going to make as much money as possible, then I'll invest some of it to build long term wealth and maybe one day I'll build a business I can sell, that's how most entrepreneurs think.

Ryan Moran [00:03:34]

But if you flip it and you think, I'm going to build a business and focus on enterprise value, then I can take that money and build long term wealth and passive income and I never have to worry about cash flow ever, ever, ever. Now, that insight changes the way that you approach business. It changes the way that you focus your attention and what you prioritize in your business. If you're thinking about cash flow, then when you go to sell a product or when you do a launch, you're thinking about, all right, how low can I keep advertising costs?

Ryan Moran [00:04:11]

How low can I keep overhead? Can I spend a dollar to make \$1.50? And that's how most entrepreneurs think. And they're bootstrapping the company in order to get enough cash flow to where they can reinvest it and two years later they have a successful business. But if you're



thinking about the same question from a perspective of enterprise value, you're not thinking about turning a dollar into \$1.50.

You're actually turning a dollar into \$100.

Ryan Moran [00:04:42]

And that's because instead of thinking about what am I going to spend on advertising, I think, all right, who can I partner with that is going to bring as many sales as possible from the get go, get me as much attention and long term customer value, long term fans, get as much awareness as possible? Well, instead of running pay per click ads, I could partner with an influencer or I could partner with another business and I could do a swap of advertising.

Ryan Moran [00:05:14]

I'll promote it to my audience, they promote me to their audience. Or maybe I could buy a podcast. Maybe I could go buy a podcast that has 100,000 subscribers and I could get an investor to put up the capital for that business because it's already producing cash flow, and then I will have all the free advertising that I could have by owning this podcast.

Ryan Moran [00:05:36]

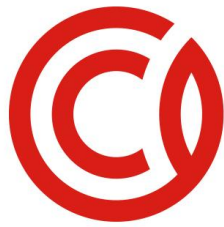
Those are the types of questions you ask when you're thinking about building enterprise value. And that grows a business so much faster. Now, a lot of entrepreneurs will say, I would love to think about building enterprise value, but I don't have enough money to think about enterprise value. I need the cash flow so that I can focus on building my business, and then one day I can build a business like the way you're talking about, Mr. Capitalism Man, Mr. YouTube Man, Mr. Podcast Man, Ryan.

Ryan Moran [00:06:04]

But if you have a compelling vision which requires you to think beyond the level of cash flow, if you think about the vision that you're building, then capital is everywhere. Capital is easy. Investors, banks, customers want to be a part of something with a big vision that is building a lot of enterprise value. And so, if you can find a way to punt the short term cash flow and think about building something of extreme value, the ironic thing is that it will make the most cash flow in the long term, and you will never have to worry about cash flow ever again.

Ryan Moran [00:06:48]

But it requires that you flip the script and think about enterprise first, then wealth, then cash flow. After I shared this mindset with the audience, I went into some details about how to do



this. But there was one part of the talk that gave people a big ah-hah, and it was when I talked about the numbers behind enterprise value. It looks like this. Let's say you're building a business, and you go out to investors and you raise \$250,000 on a million dollar valuation on your idea. And you say, hey, I am an experienced entrepreneur. I've been in this space for four years. I'm building this part of the business. I'm raising \$250,000, just like you would see on Shark Tank.

Ryan Moran [00:07:38]

That's fine. That's great. That's what we teach a lot of our students inside of the Incubator. Sell 25%, get the capital you need, hire the agencies, execute the business. That's great. But if you took it the next step further and you went and partnered with a blog that had a million monthly subscribers and you offered them five points in the company for advertising rights, you got to put your product and your business in front of their audience, is it reasonable to say that that one introduction, that one relationship could raise your valuation from \$1 million to \$4 million or even \$5 million?

Ryan Moran [00:08:20]

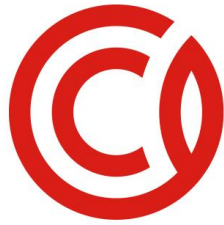
Well, if you know that that audience is going to pretty much guarantee that your product is going to start selling consistently, then yes, it's reasonable to say you now have a multi million dollar plan rather than a \$1 million plan. And if we took it two steps further and we said, okay, now that I know I can get sales ... I haven't sold anything yet, but now that I know I can get sales because of the relationship that I have, I'm going to go now hire a COO from a competitor that's built a \$25 million company before, and I don't have the money to hire them right now but I'm going to go build that relationship and I'm going to have a verbal agreement that once I'm ready, they're going to come work for me.

Ryan Moran [00:09:02]

Okay, well, now I have a COO that's going to run the company, and I've got an audience leader who is going to talk about the business. The only thing I'm missing is a couple of advisors. Let me go offer two points of equity to three strategic advisors that have done this before. Well, now we have a board of advisors, we have somebody who's going to run the company, we have an audience partnership.

Ryan Moran [00:09:29]

We haven't spent any money yet. But now, I can go to investors and raise capital on a \$10 million valuation, easy, because I say, this is my board, this is my advisor, this is who's going to



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run the company. Here's how we're going to get sales. Now we have a plan. Now we have a business with real enterprise value.

Ryan Moran [00:09:51]

So, before, we were selling 25% of the company, getting \$250,000 at a million dollar valuation. Now if we sell 25%, it's worth \$2.5 million. We now have \$2.5 million in cash to fund the operations for all the agencies we need, paying the CEO or COO, advertising aggressively, and we have the right team to be able to do it. That's the game. That is building enterprise value, because now you pretty much know that you're going to have a \$10, \$15 million a year company.

Ryan Moran [00:10:26]

That is actually a better thing to do for your investors because they have a higher chance of success of getting a return than if you were just bootstrapping this thing that you're doing all by yourself. This is a collaborative form of capitalism where we are bringing together the people that are required in order to build your vision. The irony of this is that you need a certain level of mental security in order to be able to do this, a certain level of peace, because you've got to think about this in a way that is more about vision and contribution and value for other people than thinking about how much money you're going to make.

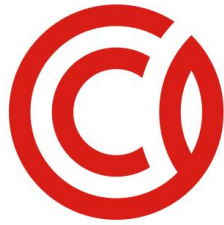
Ryan Moran [00:11:15]

But you will make the most money by thinking this way. You look at the people in our space who have eight and nine figure exits, who are billionaires, and we think, wouldn't it be nice to be like them? And so, we try to emulate them, copy them, reverse engineer their processes, but we're still doing it from a place of I'm trying to get more. But those individuals got there by flipping the whole thing, building enterprise value with the focus of creating it for other people, and that is ... That's when you get rich.

Ryan Moran [00:11:51]

You see, that's what we were all after when we became entrepreneurs. We wanted to be able to start projects that excited us, to create something we were proud of, and get paid for it and do that for the rest of our lives. And most of us have a story in our mind that once I get enough cash flow, then I will do that. But you will get there just by doing it, just by building enterprise value.

Ryan Moran [00:12:18]



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If you want some help doing this, my name is Ryan. I run Capitalism.com. I work with entrepreneurs. I invest in entrepreneurs. I am an investor, I'm an advisor. Sometimes I'm an influencer, I guess. And if you like this, let me know in the comments, because I want to work with entrepreneurs who think like this. I want to invest in entrepreneurs who think like this. This is how we create change, and it's a beautiful thing. So, if this resonated with you, let me know in the comments, and subscribe to the channel. Thanks for watching. See you.

Ryan Moran [00:12:51]

If you found value in this podcast and you're ready to go deeper, here are three resources where we can help you. One, you can grab my book, 12 Months to \$1 Million on Audible or Amazon. It has over a thousand reviews, and it's the playbook to building a seven figure business.

Ryan Moran [00:13:07]

Second, you can join our community of entrepreneurs who are following a plan to build a 1% net worth by building businesses and investing the profit you can get plugged in Capitalism.com/1. And third, if you're looking to go deeper and build a seven figure business that you can sell, you can work closely with us inside the Capitalism Incubator, and you can get on the waiting list and find out what we do over at Capitalism.com/inc. That's Capitalism.com/inc.