

Types of Passive Income That Can Be Generated Online, And What To Expect - Part 1

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Welcome to the 15th Session of the Smart Passive Income Podcast!

Thanks for listening in today. I've got a lot more awesome sessions of the podcast I can't wait to share with you - an interview with a highly successful entrepreneur and author who retired in his early 30s who preaches passive income as well, so I'm really excited about that, and then I've got something cool planned where in one session I have maybe 6 or 7 interviews, all in one episode, with a bunch of people who are finding success online with their own businesses that have nothing to do with talking about or teaching making money online.

I'm stoked about that one because I really want to show you that you don't need to talk about making money online in order to make money online. A lot of people assume this is the case, because those are the people who are the most public about it, and I'll admit I'm one of those people who is now making money from from SPI (which wasn't initially the intention), but - like when I got started in this business, it wasn't with a make money online business, it was with green exam academy.

If you think you're going to make money online by talking about making money online, you better have experience in the industry already because you're going to be just rehashing other people's information and get lost in the crowd. How I got popular in this niche was by using examples from my own experiences outside of the make money online niche. Just something for you to think about.

Sorry - getting a little off tangent here. So, stay tuned for those sessions in the future.

TODAY, we're talking about the different types of passive income made online and what to expect from each of them. When I say "what to expect", I mean the costs that are involved, how long till you might see some results, and how one could get started if that's a passive income model you're interested in. Plus, I'll try to throw in some tips from my experience to help you get some results.

I actually had to re-record this intro because as I was recording I realized that I had way too much to say - that it was going to be a very very long episode if I didn't break it down into parts, so you'll hear a few of the different types of passive income streams today, and the rest in the next session as well. It's just hard for me to stop talking about all of this stuff - I get so excited about it and want to share as much information as possible. I guess that's a good thing though.

This is the session I probably should have done in the beginning because this will be a good starting point for those of you looking to do business online and are a little confused on where to get started, and those of you who already have existing blogs and websites online but aren't really seeing the results you were expecting.

You might be listening to this in the future because you emailed me asking me where to start and this is what I told you to listen to. If so - cool! Thanks for actually taking the initiative and I hope this helps you.

So before I get started, I'm going to go back to something I talked about in session 1, and that's my actual definition of passive income, because I think a lot of people assume what it is and have their own expectations with it and I just want to re-clarify for the purposes of this session because passive income models are exactly what we're talking about.

So, passive income is: income generated without having to trade time for dollars. Meaning, if passive income businesses were setup properly, they'd be somewhat automated so that if I stopped working, I could still earn money - which happens. I just got back from a Staycation here in San Diego - my wife and I celebrated our 2nd year wedding anniversary and spent a night at the Hard Rock Hotel here in SD (yes, we are from SD, and that's why they call it a staycation). Well anyways, when I got back home today, I checked my email and saw that I had earned more money than I had spent for the entire weekend, which was awesome! The businesses that I have setup for me continually earn an income without me having to be there.

Now - passive income is hardly every 100% hands off. That's the part I think that confuses people. There is some sort of upkeep or maintenance involved after setting up your businesses (generally speaking), but it's very minimal. How much time that is depends on your business models or how many businesses you have setup, and also how efficient you are, but take for example my site at GreenExamAcademy.com. I typically spend a few hours each month - 5 minutes, here and 5 minutes there, answering a customer's email, or checking analytics and setting up new pages that I test out for optimization purposes. Just a few hours a month total, but it earns about 4 to 8 thousand dollars a month from products I've created and some affiliate offers. My security guard training website, which most of you know about from the Niche Site Duel at nichesiteduel.com, currently makes about 400 to 500 a month, but I'm spending time on it now to increase that income even more. I could let it be but I know there's a lot more to be made from that site so I keep going with it.

There are, however, some totally hands off passive income streams I'll talk about more later in this session.

So - to sum it up, generating a passive income is the ability to make money without having to trade your time for money, or, the ability to continue earning an income even when work has been ended or discontinued.

There are about 10 different models I'll be talking about to help you get started. Everyone is

going to have a different preference for what model interests them most, so don't worry if one or many of these don't fit the bill for you - really all you need is just one to hold on to, really focus on and be dedicated to, because that's what it takes, and after you get to a point where you're either generating a passive income already, or you find you have some more time or energy to dedicate to another one, you can try something else and diversify your passive income opportunities, which something I'm really in favor of. I've hand a hand in most of these models that I'll be talking about, and I'll give you examples from my own experiences as much as possible.

So - here's the first one:

Article Writing for Revenue Sharing Sites

I know some of you will be surprised by this, but when people ask me - "Pat, what's the fastest and best way to make money online right now.", I usually refer them to **article writing for revenue sharing sites**. Really though, I hate that question because it's a very hard one to answer. Immediately, I can tell that the most important thing on that person's mind is the money, and it shouldn't be like that. It should be about trying to change people's lives - getting in front of people and affecting the most people as possible, making the internet a better place, and as a result the money will come. So, when people say "I want to make money now", it's hard for me to answer. But, of course - that's what we all want and like I said I usually refer people to **article writing**.

How this works is you go to a site such as infobarrel.com, (I used to refer people to eHow but they've recently shut down their writer's compensation program) and you write an article. The site automatically scatters advertisements onto your article when it's published, and everytime someone clicks those ads you get a share of that income.

The reason I recommend this, especially for beginners, is that you can get started NOW, it's relatively easy to understand and there's very little setup involved. You can write an article and because it's published on an established site with lots of authority in Google, you have a relatively much easier time getting your articles ranked and then obtaining traffic from the search engines, and then getting clicks on your ads, as opposed to starting a blog and writing the same content there. Also, for the beginner, it's a great way to learn about things like keyword research, search engine optimization and writing content, which are three things that are important for a lot of other types of income generation online - so you can learn with article writing, and then branch off with the basic knowledge that you've obtained and do things like affiliate marketing, niche sites or blogging (which I'll get to in a sec.).

Furthermore, you see results much fast. Now - the results won't be CRAZY. You're not going to make thousands of dollars overnight, but if you do it right you can see little streams of income trickle in and I remember when I made my first few dollars online, how awesome that was. I was using AdSense on my very first site and to see \$0.22 here, \$0.75 a few hours later, and then a couple of dollars by the end of the day - it's really encouraging and really got me fired about

about all of these other income streams I'm involved with.

Realistically speaking, if you say - write 1 article a day for 30 days, you could potentially earn between \$10.00 and \$50 a month within the first couple of months, and then later down the road if you write more and your articles start to climb higher and higher you'll earn more!

I wrote 150 articles in a single month - this was December of 2008 and if you go back into my archives you'll see I was writing a lot about this "experiment". I was going to write 150 articles in one month and just let it be and see what happens. To this day - it's now February of 2010, I've been earning an income each and every month and I haven't put an OUNCE of extra work in beyond December of 2008. This is, like I was saying earlier, one of the truly passive income streams out there because there is no upkeep or maintenance involved.

Last month, I earned \$371.39 - my most profitable month ever from these 150 articles and not only is it good passive income, but it's passive income that is growing. Last month I was at \$317. Again, this is why I recommend this for absolute beginners. There are, however, people making over \$1000 a month from article sites, including infobarrel - and like with anything else these are the people that are really putting hard and smart work into the content they publish.

To get started, go to infobarrel.com. If you want to go through my referral link go to TRYINFOBARREL.COM and register for an account. There are a lot of other sites similar to infobarrel (eHow, like I said, doesn't have their writer's compensation program anymore. They have another program now for demand media which isn't nearly as good), such as associated content, bukisa, helium, just to name a few, but I like Infobarrel because they have the best terms for their authors, a supportive staff willing to work with the authors to improve the site, a great supportive community as well, and the most potential, in my opinion.

Before you just write about any ol' content, you know, like what you did yesterday - you'll want to understand that in order to make the most money, you've got to write articles that contain information people are looking for - specifically writing about terms people are typing into Google. You want to give yourself the most potential to rank on the first page of Google for those topics and keywords, which means picking topics that are being searched for, but aren't too competitive already either.

I could spend an entire day talking about keyword research and how to do it. My best advice is to check out my keyword research webinar, which you can find at <http://www.keywordresearchwebinar.com> - it's free and it'll walk you through the steps on how to find those golden keywords that you can rank for. Again, this webinar isn't just for article writing, it's for everything that you do online that'll relate to search engines, so this is a good lesson to start with if you plan on getting into affiliate marketing, niche sites or blogging in the future as well. So that's <http://www.keywordresearchwebinar.com>.

So, you find a topic that way - write about it, making sure to put that keyword into the title of your article, as well as throughout the body of your article as well. (Especially in the first sentence).

Also, there's a way to add images and media to your article as well, and it's best to use pictures and/or videos that also have the keyword in there, preferably in the file name (for videos it would be the title of the video from YouTube, for example). You want all of these things to match your keyword because it'll show your article's relevance to that term and help you rank higher in Google.

After you publish the post, your work isn't over, and this is where a lot of people mess up or don't give themselves the real chance to actually make some good money here. You have to do things like social bookmarking, which means signing up for sites like stumbleupon, delicious reddit, etc. or finding someone on those sites and other bookmarking sites to bookmark your article. Also, you could even do some backlinking strategies that a lot of do with affiliate marketing and niche sites for search engine rankings. That means finding other sites online that will link back to your article which is another way the Google finds your site relevant to a specific topic and ranks you higher for those terms. I won't get into detail about specific backlinking strategies here, but you can read my article at <http://www.thebacklinkingstrategythatworks.com> to read more about that. Just so you know, that's the most popular post on SPI - over 400 comments and counting, so it's a good one. Again check it out at <http://www.thebacklinkingstrategythatworks.com>.

Affiliate Marketing

Another passive income opportunity is called affiliate marketing.

Affiliate marketing is making money from a commission that you earn by selling other people's products.

The absolute best part about affiliate marketing is that most of the time, 99% of the work has already been done for you. The product has already been created, all the websites and checkout processes and delivery of the product and dealing with the customer - it's all done by the person or company selling the product. All you have to do is get people to click on a link which has a special code attached to it that signifies that it's from you, and then they are taken to the product's site. If the person buys it, you earn a commission.

Probably the most basic example I can think of is Amazon's affiliate program/ After you sign up to become an Amazon Associate (that's their fancy name for an affiliate), you basically can choose any product on the site, or any page on amazon.com and generate a special link for it. Anytime someone clicks on that link and makes a purchase, you get paid.

Now - if this is the first time you're hearing about this, it's probably going to open up a whole new world for you - like it did for me the first time I heard about it. Oh, just get people to click on a link and I can make money if they make a purchase - how simple is that!

Well, it sounds simple, and the concept is simple (and there are a TON of programs and courses and eBooks and products you can buy that make it sound so simple), but - as I'm sure

more of the experienced internet marketers listening to this well tell you, it's not an easy button. There's a LOT to it, which I'll briefly cover here.

My first experience with affiliate marketing was a complete failure. Back when I first heard about it, which was - oh I don't even remember how long ago that was but it was when I first started to join mastermind groups (which was where I heard the term and explored it), so it must have been right around the same time I started the smart passive income blog...

Anyways, I had heard about some products that people were affiliates for - these were internet marketing products which had a \$77 pricetag, and a 50% commission. 50% is pretty normal in the internet marketing industry. It varies from industry to industry but 50% on a price like this is pretty standard. You might be thinking, "Dang, that's a lot - 50%. Why would I just give away \$33.50 on my \$77 product like that?" - well, to answer THAT question, it's because that would be \$33.50 that you probably wouldn't have earned in the first place, because it's your team of affiliates that help spread the word about you or your product and help you reach customers who you would never have reached otherwise. And \$33.50 is a decent chunk of change. I mean, there are \$10 eBooks out there that offer a 75% commission, but that's only \$7.50 and it's not really worth the effort, for some, to promote it. And in case you were wondering what's the point of having affiliates on a \$10 product anyways, it's probably used as more of a tactic to build a list or get more of an audience, not to make a huge amount of money. There's probably some higher ticket items within that eBook that are promoted - and that way the affiliates only take 75% on the front end, cheaper eBook, not the - \$197 course that the eBook promotes, for example.

Ok, again - getting a little off topic here. Sorry - I just get really excited talking about these type of marketing strategies, hehe.

So - going back to that \$77 product. What I did was I signed up for a Google Adwords account - Google Adwords is where you can create advertisements (the ones that you see on the side of the page when you search for terms in Google that are highlighted - sometimes they're at the top too). You basically pay a certain amount every time someone clicks on the ad (This is what they call PPC, or "pay-per-click"). So, if my bid for a keyword (you bid on the keywords that you want your ad to show up on) - if I was set at a price at 0.50 per click, and 4 people clicked on my ad, I would owe Google \$2.00. So, the idea is spend a little bit to get people to click on the ads, and make money from those people who click and then purchase the product. I linked to my affiliate link in Adwords, which I thought was smart and pretty sneaky - bid on a few relevant keywords and set up a daily budget of about \$100.

The keywords I was trying to get ads for were really competitive, so each click ended up costing about \$2.00. This was fine, I thought, because if I make about \$34 in commission from each sale, all I would need would be 1 sale for every 17 clicks and I'd be even. And I was pretty confident I could get more than that.

Well, after I set it and let it be, I ran out of money because I was getting a lot of clicks, and I

hadn't made one single sale.

I spent a few more hundred dollars on other keywords, and tried different products and nothing was really working for me. I know a lot of people find success with PPC affiliate marketing, but it just wasn't for me. The thing about PPC Affiliate Marketing is that it's a lot of behind the scenes work - I mean it's all "working the system" and there's just so much to it - like not only the product that you promote but how you promote it using Adwords, so the copy of your ad matters, the page that your ad lands on matters (I later found out that putting the affiliate into my ad directly wasn't the best thing to do, and I'm not even sure they let you do this anymore - it's better to link to a landing page or some other page that then includes your affiliate link).

Some people make a killing using the PPC strategy, but it's really just not for me. It takes money to make money here, and it's all about trading nickles for quarters, if that makes sense. You definitely have to love numbers in order to make it work, and even then (because I know I love numbers), it's very difficult to get into a good groove. But, that said, if you find a campaign that works for you, you can just basically pump money into the machine and get more money out of it. That's what attracted me to it at first, but I was unable to find a good campaign and so I moved on.

It wasn't until I had started selling other people's product off of sites that I created that I finally began to see results.

Niche Sites

The first thing I want to talk about is **Niche Sites**. These are sites that you create that talk specifically about one particular topic, or niche. So for example, solar energy panels, or baseball bats or security guard training.

On these sites, you're basically trying to rank for one particular keyword in Google (sometimes more down the road, but usually 1 keyword that relates to that topic to start out with - and again to know what those keywords should be, check out <http://www.keywordresearchwebinar.com>) - and by rank, I mean get your page on the first page of a Google search for that keyword. This is important, because this is where the traffic is - on the first page.

I guess you could setup a page and then setup a PPC (pay per click) campaign to drive traffic to it, but again that costs money and if you're not familiar with Google Adwords you can lose a lot of money fast, like I had just told you. With ranking on the first page of Google, you're going to get traffic that is absolutely free, and it's also traffic that is totally TARGETED, which means they are perfect for your site because they looked up your keyword in Google, and because of that they are probably really interested in that topic, obviously.

The way you can make money from affiliate marketing with niche sites is by placing affiliate links (those links with the special code) for products that relate to your niche. If you built a niche site that targets a keyword like fly fishing, and you were to rank on the first page for that keyword

(which would be awesome because that is a heavily searched for term) - actually to be more realistic, let's pick a **long tail keyword** related to fly fishing instead. A long-tail keyword is a keyword that people search for related to a specific topic that has a few extra words in there. It's smart to pick these for your site because even though there are less searches for them, they are less competitive so you have a higher chance of ranking on the first page and you'd get more traffic in the long run than if you went with a very competitive keyword that you'd never rank for because the existing top 10 in Google are just too strong.

So, let's say you have a site that is optimized for the keyword fly fishing rods. So, preferably, you'd purchase the domain "flyfishingrods.com". That's preferable because it matches the keyword exactly and is a ".com".

.net & .org are next best, and after that I'd add modifiers to the web address - I wouldn't go with a .co or .info or others - it's said they don't have as much weight in Google. So, maybe I'd do iflyfishingrods.com - i dunno, but I think you get the point. From there, I would setup a wordpress blog (because it's easiest, by far). You can do a one click wordpress install when you use bluehost as your server (<http://www.smartpassiveincome.com/bluehost>) make sure my keyword, fly fishing rods is in the title and description of the site, I'd write a number of articles and then start my backlinking process - all of this is at <http://www.nichesiteduel.com>, which walks you through exactly how I took my security guard training site from scratch all the way to #1 in Google - all totally free information, check it out.

So, if I had flyfishingrods.com ranking in Google, I could put in some affiliate links! So, I'd maybe go to Amazon.com's Associate Program, find some really high quality fishing reels, write a review of them on the blog and then link to the product on amazon using my special affiliate link. Maybe I'd find a book on someone else's site that has an affiliate program, and that book is about Fly Fishing Tips, and I put a link to that in the sidebar of my site so that it's always there for people to see and click on. This is how you can make money with affiliate marketing on a niche site that you create yourself.

This, I've had success with. A lot of you already know about my security guard training site which is making about \$400-600 a month, primarily from AdSense Ads on the site, although I am making some commissions from Amazon products as well. I have 3 other niche sites that I created since the security site that do not have AdSense ads, but only have affiliate links for other products. I won't reveal what they are specifically (I know I reveal a lot but I have to save some of them as private! Just in case.), but they are each making sales which is awesome.

I think this is better than PPC because you can use the niche site or page as a way to show proof or build confidence in the person that is on your page so that they are more likely to eventually buy that item, especially if you're doing a review site. I mean, a lot of people specifically create review blogs just for specific products because they know people are typing in that term + the word "review" in Google to read about it. If you can get in front of those people with a review site, confirm their desire to buy that product and give them an affiliate link to click on - that's huge. Plus, like I said, this traffic is pretty much free, and you don't need any money

to start out with except the cost of the domain and hosting, which is pretty cheap - bluehost goes for \$6.95 a month I think.

Niche sites are good and I'm having a lot of fun with this process - and you can see some good results relatively quickly (it took me 73 days to get to #1 for my security guard training site) but that depends on the keyword that you choose, how you are in the Google Rankings and what kinds of products or promotion you do on your site).

Seriously though, if you're really interested in affiliate marketing and niche sites, check out the niche site duel at <http://www.nichesiteduel.com>, **OR**, if you're looking for some course work to help you get some clear direction from a very trusted friend of mine, Corbett Barr (who you may remember from session 8 on - How to Get More Traffic (<http://www.smartpassiveincome.com/how-to-get-more-traffic/>), he has, in my opinion, the top affiliate marketing course available for beginners right now. What I love about Corbett and his course is that it's no hype and sets realistic expectations - I think this is why he and I get along so well. Anyways, if you're interested, you can check it out at <http://www.topaffiliatemarketingcourse.com> - that IS an affiliate link to his course, just so you know. That's <http://www.topaffiliatemarketingcourse.com>.

And I'm actually going to stop here today because this is getting quite long, and we've got a lot more to cover so you can expect the next part of this series in the podcast soon, where I'll start by finishing off some stuff for affiliate marketing - then get into the idea of blogging for passive income (and I'll give you my opinion on whether or not blogs can be a form of passive income) - we'll talk about membership sites, developing software, podcasting, and even how you can turn services like design work and a lot of freelancing type stuff into a passive income as well, so I hope you stay tuned for that.

Finally, I would just like to take a moment to thank Cliff Ravenscraft from podcastanswerman.com, once again, for providing me with all of the great information about how to setup a successful podcast. The success of this show and how it has helped my brand would not be without his help - so thank you Cliff. And, I'm actually mentioning this here because Cliff wants to help you too, if you're interested in starting up your own podcast. He's dedicating the entire month of March to helping anyone who wants to learn the right way to setup a podcast and learn everything there is to know about it - so I don't usually like to plug things like this here on the podcast, but like I said Cliff deserves a lot because he's helped me and 100s of other people, so I'm happy to promote his podcasting A to Z course here for him. So, if you're interested, you can check it out at <http://www.podcastingatoz.com> and good luck if you're thinking about going down that road. It's a lot of fun, as I hope you can tell.

So - that's it for today, be sure to stay tuned for the next part of this series in the next session. Until then, thank you so much for your support and I wish you all the best. Cheers!

Bye!

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