

## How Much Money Do You Need to Make a Living Investing?

One of the reasons we invest is that eventually we won't need to work. Many people aim for a retirement in which investment income covers living expenses. If you are really good at investing that day may come sooner. Which brings up the question, how much money do you need to make a living investing? And that gives rise to the questions how much money you need to live on and how fast your investments grow. *The Simple Dollar* writes about when your **investment income covers your living expenses**. They talk about the cross over point.

*The crossover point is the point at which your investments begin to earn more money than the cost of your living expenses. The crossover point is usually reached by keeping your living expenses lower than your income and investing that amount for the long term. For many people, the "crossover point" is a major goal. It's the point at which your gainful employment has absolutely no impact on your ability to live your life; you can simply walk away and do whatever you want.*

To get to the point where you can make a living investing you need to have a steady income first of all and no interruptions in your income as your assets grow. And you need a rainy day fund which we mention in our article about **how much money you need to start investing**.

*The quick answer is that you do not need a lot of money to start investing. However, it has to be money that you can afford to lose! When asking how much money to I need to start investing the beginning investor needs to be looking at money in excess of basic needs and several months' worth of expenses in savings. And, don't forget those credit cards! Paying 18% on a revolving loan, which is what credit cards often turn out to be, is a burden that requires a strong investment portfolio to overcome. How much money do I need to start investing in the stock market can be as little as \$500 with some brokers although to trade online a broker will typically require \$5,000 to \$10,000.*

At today's interest rates you can get 2.5% on a 10 year treasury, the most secure investment. If you would like to have \$100,000 a year to live on, then you need \$4 million to make a living investing. To get a better return on your investment you need to take on more risk. You could have invested in an S&P 500 index fund on March 6, 2009 when the index was 683 and then today your holdings would be three times greater as the S&P 500 is 2276 on February 1, 2017. That comes to a 12% return on investment. However, if you had purchased two years earlier before the market crash the S&P 500 was around 1500 and your return on investment would have been around 8%. If we take the lower ROI and assume that this will hold true over the years you will need \$1,250,000 to create that \$100,000 a year income to live on

without working. Of course if you find the next Microsoft and multiply your initial investment by a thousand or more as the stock splits and splits again and then provides dividends you could start with a few thousand and eventually retire without a need to work. That is the beauty of successful investing in the stock market. But, the devil is in the details

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