



MILLIONAIRE IN YOU

Finding your canoe

By Jason A. Felts

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elcome to a new feature in The Green Sheet. This monthly column is

dedicated to merchant level salespeople (MLSs) reaching for the sky in the dynamic bankcard industry. I am honored to take on the challenge of sharing ideas that will inspire you, stories that will motivate you and specific activities that are sure to bring out the millionaire in you.

I started in the bankcard industry as a fellow MLS in 1996 and quickly realized it was a fascinating business. The concept of collecting a few signatures and then receiving a lease funding of \$1,000 or more (upfront cash) coupled with a long-term residual was intriguing and potentially a dream come true for the Felts household. From that day forward, I was off to the races.

I set an ambitious goal of reaching a six-figure income and achieved it in my first full year as an MLS. My next goal was to reach that six-figure income exclusively through residual income. I accomplished this in my second full year by understanding and embracing residual income's power.

Dream with me for a moment. Do you know what happens when you double a penny every day for 31 days? Get your calculators out. You will be amazed. At seven days, you have \$0.64, and at 14 days you have \$81.92. At 21 days you have \$10,485.76, and at 31 days you have \$10,737,418.24. This is a compounding penny. It is generating earnings, which are then reinvested in order to generate their own earnings.

Imagine the possibilities in an industry that offers compounding residual income.

It was exhilarating to wake up every morning knowing I had already earned more than \$100,000 that year before even writing another deal. I was also inspired to teach others how to improve their lives through the bankcard business. I took the next leap of faith and founded Advanced Merchant Services Inc.

In 1998 my wife, Kelley, and I started the business out of a home office with two agents, one being my brother Jeremy. Four months later, we leased our first office space. Over the years we have grown into a nationally recognized merchant service provider with more than 200 sales partners.

I once heard a conference speaker say that inside every tree over 10 feet tall and three feet in diameter is a canoe. To retrieve the canoe you must first uproot the tree or cut it down. Then strip away everything that is not a canoe. If you don't remove the matter that prevents the canoe from being harvested, you will have nothing more than a tree. I related the same philosophy to our industry.

Although many of our industry leaders have achieved millionaire status based on hard work and diligence, where do MLSs fit in? What about the average MLS pounding the pavement every day, all day long? When will his ship sail? What will it take for the average MLS to achieve the goal of building a million-dollar portfolio?

What is a million-dollar portfolio?

I define a million-dollar portfolio as one that can be sold on the open market for a minimum of \$1 million. I asked members of GS Online's MLS Forum the same question. Here are some of their responses:

"A million-dollar portfolio could be 1) \$1 million in monthly processing volume or 2) a portfolio that is valued at \$1 million. Example: Residual is \$20,000 per month. Value of the portfolio is 30 times [30 x \$20,000] = \$600,000. A portfolio of merchants doing \$35,000 per month times 30 times [30 x \$35,000] = \$1,050,000."

- ccguy

"\$1,000,000/\$2,000 = 500. So it is about 500 merchants."

- nwarshaw

"I'll keep it simple and say, 5 million a month in Visa/MasterCard volume with an average ticket of \$35 = 142,857 transactions per month."

- Inacio

"\$35,000/month in residuals. I'd then call myself Millionaire Walkin."

- Starsales

"Many of us, if we die tomorrow, heaven forbid, will find out that the IRS has determined that we have a million-dollar portfolio."

- Desdinova

"\$33,333 per month is a fair and equitable sales residual to generate \$1,000,000 if the portfolio is stable and not too old or too risk heavy."

- Sanford Brown

Crunching numbers

I believe the average MLS should be capable of achieving a portfolio worth \$1 million when the monthly residual within the portfolio reaches a valuation (the process of determining something's value or price) of \$31,250 to \$47,619 per month.

The portfolio would also contain a significant number of accounts, a reasonable mix of business and acceptable levels of attrition (along with a few other components). The contract would be based on the uniqueness of the individual portfolio.

To determine the average monthly income needed to actually sell your portfolio for \$1 million (taking into consideration factors such as number of merchants, monthly residual volume, time of season, average rate of attrition and age of the portfolio), you would need to review some average multipliers used in residual stream acquisitions. For example, at 24 times you would need \$41,667 per month and at 30 times, \$33,333 per month.

These numbers are not theory based. I selected them because I would pay \$1 million for a portfolio of this size. The purpose of this example is to point out possibilities by putting a number on the portfolio's value, not to entice anyone to sell.

If you are wondering how long it would take to develop a portfolio of this proportion, consider the following: Let's say the average sales partner with company X earns \$30 per merchant, per month. Based on the principles of compounding residual income, if you have 10 approvals per month, your residual income would increase an average of \$300 dollars per month.

For example, month one you would earn \$300; month six you'd earn \$1,800. At the end of one year you would be earning approximately \$3,600 per month in residual income. Continue with the same production levels, and in five years you would be earning \$18,000 per month. In 10 years, your portfolio would be worth \$36,000 per month, or most certainly \$1 million or more.

What if you were really aggressive and said, "I can write a deal a day and average 25 accounts per month"? If that's the case, at the end of one year you could be earning \$9,000 monthly in residuals alone. That translates to over \$100,000 per year.

Shave off six years of production time based on the increased activity, and it would take you only four years (or 48 months) to achieve the necessary \$36,000 monthly residual. Duplicate the same numbers, and if you were running a sales office and putting up 50 merchants per month, you could develop a million-dollar portfolio in only two years.

The numbers in this example do not take attrition into consideration. Ask your relationship manager/processor to assist you with putting together a formula specific to your current situation.

Why is running numbers like this necessary? Well, how can you attain a goal you cannot see? How can you achieve what you cannot first comprehend? For some, \$1 million may seem overwhelming. For others, it's a terrific place to start but certainly not the final destination. Having a clearly defined goal is helpful for everyone.

Now let's put it all in perspective. At this point, you should be thinking, if there's a canoe in every tree, there's a millionaire in me. And you are right. Now, ask yourself the following: Do I have the right tools and resources? Do I have the knowledge?

I hope you will find the answers to those questions in this column. With each installment, I guarantee significant take-home value that will bring you another step closer to that million-dollar portfolio. Together we will work to discover the millionaire in you.

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