

In Defense of Earned Income

There are many blog posts, books, and podcasts out in the world celebrating “passive” income. I’ve even got a partner blog in the WCI Network completely dedicated to [passive income](#). It’s time somebody stood up for the other side – active or earned income. Is it really all that bad to have earned income? Of course not. Let me explain why.

1 It’s Called Opportunity



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Thomas Edison famously said, “Opportunity is missed by most people because it is dressed in overalls and looks like work.” Earned income is different from passive income in that it requires no capital. It gives you the chance to pull yourself up by your bootstraps, make something of yourself, and build some wealth. If you think work is a bad thing, ask someone who can’t get any. Earned income is, well, earned. You trade a portion of your life, energy, and time for it. But you don’t need any capital to do it.

2 Work Is Good For You

It turns out that working is a good thing, despite its reputation – “It’s called work because they have to pay you in

order to get you to do it.” Work builds muscle, builds brain power, teaches new skills, slows dementia, and provides a sense of self-worth. Without work, there is no recreation. Without recreation, enjoyment is decreased.

3 Unemployment Decreases Happiness

Want to be happy? Don't assume the way to be happy is to stop working. The data is quite clear that the unemployed are miserable. Here is an excerpt from [HBR's World Happiness Report](#) on the subject:

One of the most robust findings in the economics of happiness is that unemployment is destructive to people's wellbeing. We find this is true around the world. The employed evaluate the quality of their lives much more highly on average as compared to the unemployed. Individuals who are unemployed also report around 30 percent more negative emotional experiences in their day-to-day lives.

The importance of having a job extends far beyond the salary attached to it. A large stream of research has shown that the non-monetary aspects of employment are also key drivers of people's wellbeing. Social status, social relations, daily structure, and goals all exert a strong influence on people's happiness.

Not only are the unemployed generally unhappier than those in work, we find in our analyses that people generally do not adapt over time to becoming unemployed. More than this, spells of unemployment also seem to have a scarring effect on people's wellbeing, even after they have regained employment.

The experience of joblessness can be devastating to the individual in question, but it also affects those around them. Family and friends of the unemployed are typically

affected, of course, but the spillover effects go even further. High levels of unemployment typically heighten people's sense of job insecurity, and negatively affect the happiness even of those who are still in employment.



So while most of us want to work less, not working at all is unlikely to be nearly as great as we imagine it will be. Even retirement is a mixed bag. [Recent retirees](#) are nearly as likely to say their life is worse than before retirement (28 percent) as better (35 percent.) There are a lot more benefits to earning an income than the income itself.

4 Higher Rates of Income

Here's another important benefit of earned income, particularly for readers of this blog: it pays more. A physician or similar high-income professional may be able to earn at the rate of \$100, \$200, even \$500 an hour. As much as \$1,000-\$6,000 per day. Good luck finding a source of passive income that will pay anywhere near that much any time soon. More likely, it will take you twice as long to get passive income anywhere near that range. It all spends the same, whether it came from dividends, rents, or your paycheck.

5 You Get Social Security Credit

One of the biggest downsides of earned income is that you have to pay payroll taxes, such as Social Security and Medicare taxes. That's not all bad though since there are actually benefits associated with paying these taxes. The more you pay in Social Security, at least until you've paid the maximum for 35 years and particularly up to the [first and second bend points](#), the more Social Security will pay you later. You also want to get your 40 quarters of Medicare taxes in at some point. It doesn't matter how much passive income you get, it isn't going to increase your Social Security benefits or count toward Medicare.



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6 Far More Likely to Work

Many attempts at increasing passive income are get rich quick schemes that simply don't work. But when you go to earn income, it works and works well. In fact, it works very well for a high income professional. Becoming wealthy as a physician is as simple as finishing your training, getting a decent job, carving out 20% of your gross income for wealth building, and investing it mostly in [index funds](#), mostly inside [retirement accounts](#). You don't have to buy [income properties](#). You don't have to [start a blog](#) or [write a book](#) or develop a new product or get a patent. You just have to go see

patients (which presumably you wanted to spend your life doing when you applied to school back in your 20s) and save a little money.

7 Passive Income Can Also Be Passive Work

A lot of people who go out looking for [passive income](#) discover that it usually isn't passive at all, especially in the beginning, and it isn't even guaranteed to provide income. It wasn't until the [fourth year of this website](#) that it started providing any kind of significant income justifying the amount of time I was putting into it, and there was no guarantee that it ever would. 95%+ of for-profit blogs never make any sort of livable wage. It's same with most types of passive income – a ton of work must be put in up front, and there is risk that the income will never be there. Earned income is initially higher, more consistent, and far less risky.



Earned income might not be on Kiyosaki's favorite side of the [Cashflow Quadrant](#), but it is nothing to scoff at. It certainly has a place in your life and is likely to be the most important piece of your financial puzzle, both for feeding your family and building wealth.

What do you think? Why does passive income get all the press? What part does meaningful work play in your life? How do you

expect retirement will affect your happiness? Comment below!

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