

Passive Income Vs. Active Income 2024 Beginner's Guide

When you want to make money, there are two main categories: passive and active income.

You've probably heard these two things mentioned before, but what is passive income vs. active income? Do they really create wealth? Is one better than the other?

This guide for passive income vs. active income will give you an understanding of what each type is.

You'll also learn how to make both types work for you and find out if there's one of them you should rely on more than the other.

What is Active Income?

Active income refers to money that you earn by doing something that requires immediate participation, as the name implies.

It comes in many forms. For example, you make active income from your job when you receive a paycheck for time worked.

Active income also includes selling a product, service-based businesses, and anything that exchanges work for money.

Typically, most people will either not be able to or will not want to work for active income forever. It is best suited for times in your life when you have the most energy, as it requires a constant exchange of services for money.

This is one of the main differences between passive income vs. active income.

A lot of business and company jobs fall into the active income category, including hourly work.

What Are Examples of Active Income?

- **Wages.** When you work a job, either by the hour or by salary, you receive an income regularly in exchange for the work you did. But making money requires that you continue to go to work and are there for an agreed-upon number of hours.
- **Tips.** If you are in an industry that allows tipping, you can make active income this way, too. Tips are usually based on merit, which means with hard work, you might make more money.
- **Commissions.** If you sell a product for someone else, you can make a commission. This means a percentage of the sale for the item will be yours. Many sales-based jobs operate in this fashion.
- **Services.** There are many jobs in the service industry, including accounting, consulting, construction, and more. The basic idea is that service jobs don't sell a product; they sell expertise or advice. Most things that aren't an exchange of goods are services.

What is Passive Income?

Passive income refers to money made without needing to do constant work to receive payment.

