L.I.F.E.

LEARNING

IN

FINANCIAL EDUCATION

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LULU PUBLISHING 2016

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INTRO:

The basic goal of this book is to help you attain a better sense of money. If you learn to understand that life in America will be a complex battle of financial competing wit, then you may have a better chance at being financially well off, and not struggle as much financially in your future. As sad as it may sound, if you learn that Capitalism is actually somewhat of a game- a very competitive game- you will stand a better chance at protecting yourself.

In this book, a lot of concepts will be thrown at you, and perhaps only a couple will stick. As the great philosopher Aristotle once argued "you cannot teach a man anything, he has to learn the lessons himself". Let this be a note to both teachers and students- that being engaged in thought and actually exercising the brain in school is the just as important as the information. The fact is, most of your memory about these topics will fade- unless you constantly are thinking about the ideas, asking questions and even applying what you have learned. However, after you learn something and forget it, the ability to relearn or remember the info happens at a much higher learning curve.

Personal Thought Question:

What is the Democratic Republic?

The US is considered a Democratic Republic according to the CIA.gov website

The republic means the people of a nation, and a democracy is the way in which our country is run; where people vote for individuals to fill seats of the house and the senate - that together create Congress.

Personal Thought Question: What is Capitalism?

The first and most important economic system you need to understand is Capitalism. Of course, capitalism is a free market, one of the last truly "free" things about North America. The foundation for Capitalistic thinking is that those who are motivated to make wealth should have absolutely no limit, no cap on the amount of wealth they are able to create. In turn, this fosters the motivation to have the entrepreneurial spirit, and innovation to create new products.

The premise of capitalism to allow for a person to attain unlimited wealth is exactly what put The United States of America light years ahead of other countries, attracted brains and money from all over the world, and is what has given the citizens of the United States of America the standard of living that is arguably better than 80% of the world's population. That is to say, without allowing people to attain nearly infinite wealth, we would not have the goods, services and luxuries we take for granted every day-- because it is usually the very wealthy who make these things.

If America did not have the extremely wealthy, the rest of America would not enjoy such a high standard of living. It is due to the incredibly wealthy that we are afforded the luxuries of beautiful cars, phenomenal living spaces with pools and lush landscaping, incredible food and every other resource we take for granted as Americans in a capitalistic society.

Unfortunately, while the main idea of capitalism was originally to be rewarded for creating value, today capitalism has turned to cannibalism. Now instead of providing value and receiving money according to how valuable your service (or product you make is) - capitalism has opened up the door to allow people to simply rip people off.

Before beginning, we need to cover a fundamental maxim or paradigm of capitalism in this new millennia. Below, you will find no citations to the work. This means that the work is not verified from another who verified it from another who could have lied to another. That is to say, even if there were citations, would you check all the citations to make sure they were correct? Would you trust that someone did their job to properly verify the information?

In order to teach a central lesson to capitalism, recognize that you as a consumer now more than ever have the obligation to be sharp with your own personal financial matters, because the new paradigm of Capitalism is that even those claiming to tell the truth and help you out- can very easily be doing just the opposite.

It is up to you to be analytical and check the facts twice, and be thinking about the information, rather than just accepting it. Stay alert and Stay alive!!

In addition, the reason there are no citations, is that instead of being a work of non-fiction// (that is a true story), this book is based more on a philosophical examination of financial matters.

CHAPTER 1

WHIGH SCHOOL?

Personal Thought Question:

Whigh School?

1)

Put simply, the brain is like a muscle, and the stronger it gets, the more likely it will be to fight and survive Financial Predators a person will encounter upon leaving the parents nest.

Personal Thought Questions:

Why Learn Info that is not relevant right now?

What are some reasons why school is important?

Thought Question:

Do you want to be bigger faster and stronger mentally?

To illustrate the first reason to learn, school makes the brain Bigger, Faster, Stronger and recently has been found to slow aging. The knowledge itself may actually be useless!! But the brain is like a muscle, the more one exercises it, the more capable it becomes. The more capable it becomes, the more opportunities it has for financial gain. The more opportunities it recognizes for financial gain, with hard work, the better quality of life can be possible.

If you exercise your brain, and simply try and focus in on school more, you will be training it not just to absorb information that you personally may not find relevant, but you will also be training your brain to more readily absorb that which is relevant and useful to you. As a result of pretending to care about one subject, you will learn to care about other things, and become adept at those.

2)

Personal Thought Question:

Do you think that life is a battle for natural resources, or are should we help each other create more?

The unfortunate reality of life is that it is a battle against each other for natural resources. You can look at your future with the idea that it is going to be a tough competition against your fellow man/woman for natural resources. It is going to be a financial battle, a financial war.

Capitalism is about "fighting intellectually" for money and survival- or a higher standard of living.

Therefore, let this be your warning, that not only do you have to provide specialized value to compete and stay financially viable, you need to stay educated about money in order not to make mistakes, and constantly on guard financially in order to not be taken advantage of.

A good quote seen from a motivational poster stated: "it doesn't matter whether you're a Lion or Gazelle in this crazy jungle/safari of life, either way you have to wake up every day and try your hardest to either capture the gazelle, or avoid the lion."

(This analogy is somewhat faulty however, because humans are not different animals, in fact we are all the same species).

Like the constitution says "we hold these truths to be self-evident, that all men are created equal"-

But it may be that we do all have different strengths and weaknesses…

In this analogy, in this "jungle/safari" where other animals are bigger faster and stronger, the fact is you have to train your brain to become bigger faster and smarter-or you will die.

You need to play to your strengths, just as you would train other muscles to be bigger faster and stronger.

Some people may have artistic sense or enjoyment, where others have more logical mind. It may be that if you are passionate about making money, you will do better at making money, because you will work to attain more knowledge about it.

Personal Thought Question:

While capitalism allows the capacity to "out fox" others for money- how far do you take it, is this ethical, and is there really Social Karma?

Perhaps what "ought" to be in capitalism is that people work together to create a better more viable business environment. T.E.A.M. = Together Everyone Achieves More.

Personal Thought Question:

How do you become smarter, so you can avoid dumb mistakes that can cost you time and money?

Also, do you think school//learning//education would affect your capacity to make better decisions concerning money?

3)

Everybody makes mistakes, and financial mistakes. The more weary you are about losing money, the rate of "mistakes" you make will drop significantly.

With education in general however, you will find that it exercises your brain to a point of simply being able to absorb more, and as a result, you might be able to avoid a plethora of foolish "unfortunate" things happening to you.

4)

The idea of school is many fold, one of which is to expose you to more things that could spark your interest so that you could possibly even make that subject a career, or hobby or passion. The more passionate you seem to be about your chosen career, the more money you will make and also the more you will excel in that field.

So far, we have covered 4 reasons you should remember school is important.

1) The Brain is a like a Muscle, and school will make that muscle mush stronger.
2) To negotiate and compete against the other animals in this jungle.
3) To avoid personal stupid mistakes that can be very costly to you.
4) To spark a possible avenue of interest that you can follow into a passion or career.

5)

You should engage in thought with school because: it will help you become more loving, and less violent to society (and ultimately make more money by being nice)

Jail is a punishment, and should be that way. However recent experiments shown on “60 minutes” have shown that inmates who are given the opportunity at attaining a degree in prison, actually become less violent. The correlation was fairly evident. This means the more you exercise your brain, the less likely you will be to go to jail. It is possible that because homo-sapiens have exercised our brains with more knowledge since many many years ago, we have become less violent as a global society. A Harvard University Anthropologist would agree with the 60 minutes example. On the “science channel” the Professor stated that despite the fact that it seems our societies are fighting more wars these days, war and violence have actually gone down among different races and societies over the thousands of years.

6)

It immerses you in society, and gives you valuable experience dealing with people

Dealing with people is perhaps one of the most difficult things to become skilled at in life. Perhaps the reason is the dynamic between people is never constant, it is always changing based upon different variables. These variables include the things we say, how we react to others and how they react to us, our emotions, and a host of other factors. School in general gets you out of your parents house, in part for them, and in part to simply immerse you into a more social environment to learn about people.

Granted we initially like those who we are most alike. But when we immerse ourselves into trying to understand others, we can become able to absorb new things and learn from others.

As Einstein may have said, “peace cannot be achieved by force, only by understanding”.

7)

It facilitates making connections and friends- the real treasure of life

You can see people as difficult, as many do, or you can take it in stride, and try to make friends of your own. It can be a self- awakening experience to see who we are most alike, if anybody.

Choose your friends wisely, however-

Personal Thought Question:

Why do you think you should choose friends wisely?

Your friends can easily lead you into trouble and destroy your future. These can include creating problems with the law, destroying your brain with drugs, and a range of other things. More on the negatives later, but having a solid set of friends to rely on is extremely important. Good friends that lead you to good places, and that you can have fun with, are worth more than gold. Bad friends can corrupt you and lead to places you don't want to be.

During school, don't worry if you "assume" or think people don't like you. It is more important to just keep liking them. Sociology has a theory about "self-fulfilling" prophecy. This fundamental idea in sociology states that if you think one way, you will then "ACT" accordingly. For example, if you make the assumption people like you, then you act nice to them and you actually make them like you. Whereas if you think they do not like you, you will act in such a way that causes them to not like you. Think about this: your beliefs will create your reality.

Think about this again:

Logically- If I think you hate me- I will have the inclination to ACT hateful to you.

If I think you like me, I will like you.

When I like you, I act in such a way that you like me. And when I act this way, I made my theory that you liked me become reality.

The reverse is also true.

If I think you don't like me, I will act in such a way that makes this true, when it may not have been true initially.

If I don't like you, then I should find something about you that I deem acceptable, and play to that strength when dealing with you.

The paradox sometimes becomes, if you care too much that people like you, and then don't feel it, you actually become more hateful.

The reality is we all want to be loved. But you usually have to give it, before you get it and it usually takes a lot of effort.

Thought Question

What is respect and how does one attain it…or how "ought" one attain it?

Can you deal with-out it and laugh?

8)

School leads to knowledge and creation of products that make life more interesting, and creates a better experience for all

With more knowledge, and more people on earth, we have created a more interesting life.

Being educated is what has led to the US becoming a developed nation with a high standard of living. As you will see later, it is important to keep pushing forward past the Bachelor's degree level, because working towards higher degrees has created knowledge that has advanced our society by leaps and bounds. Many of the things learned have helped us create a more enjoyable and stimulating society.

Personal Thought Questions:

Do you have any ideas that would make life better or more interesting?

Define "Better" from above

9)

Education has helped humanity survive the perils of the natural world, like weather and illnesses- helping humans' existence on earth.

In the 1950's, kids could not go out and play during the summer because there was a fear that they might contract polio- a serious virus that destroys the ability to walk. Because of high tech knowledge about the body, disease and biology, scientists were able to create a cure for this. Other biologists, chemists and scientists (who are very well paid) have created a range of medicines that have helped millions survive the perils of the natural earth, illnesses and other problems.

Other individuals excel in other necessities, like technology, or how to build a skyscraper or other habitation.

These kinds of things are necessities, and because they are needed, they are demanded more, paid more for, and the people creating these kinds of high tech engineering sciences are paid at some of the highest wages in the world. Author William Holstein says it is this kind of technology that currently keeps Americas standard of living where it is, and needs to be expanded if we are to stay a global leader.

10)

Finally, if you look into virtually any statistic regarding education and money, you will most likely always find that those who make the most money have college degrees beyond high school, and those who make the least money are the ones with the least education.

Correlation is not always causation however. It may very well be that the reason these people with higher degrees earn more is not because of the education per-se, but instead because of the fact that these people are simply more motivated. The education therefore could simply be a testament showing just how motivated these people are.

Indeed, one could be so motivated to start a business, they do not go to college, or even drop out. And as it stands, the most important element to have in a capitalist society is motivation to excel. This is a fundamental difference from other economic systems, such as communism. Without dissecting the entire anatomy of both systems, recognize that if an economic system does not reward a person for motivation, then most citizens of that system will most likely not be motivated to do anything to excel.

In terms of basic education, it is important to recognize that K-12 is simply a challenge put in front of you to see how motivated and sharp you are. College will then be an even more potent way to prove to employers how motivated you are.

Personal Thought Question:

Why you would see an absolute NEED to get education on an assortment of subjects, and then why there would be a need to stick to one subject of extreme interest.

Personal Thought Question:

Why do you think it's important or not??

Here are some methods you can use to better remember the information and thus have easy/quick access to in your head at all times:

1) Test yourself. Read the material, and then ask yourself what it was. You have to almost close your eyes, and consciously think about the words, the ideas. The slower you go, the more you will absorb. The faster you try and remember, the less it will stick.

2) It is important to connect one idea to another idea.

3) Repetition. Try and forget the material for 1 minute, and then find it. Try and forget it for 5 to10 minutes and then find it again. ("What was his/her name")?

4) When trying to learn names, if you are distracted, its tougher. Focus helps

5) Power burst absorbing info, go slow when "thinking"

6) Visualize the idea by connecting it to a strange idea or symbol. For example, to remember #3 from above "spark an interest" think of a spark plug next to passion fruit.

7) Be curious and ask as many questions as you can- about everything.

8) Ask yourself what you actually care about. If you don't care, it will be much harder to learn anything.

9) When reading for information, it is helpful to Survey the text, then ask yourself questions on what you might actually care about. Then Read. After reading, Recite what you heard, then Review it later.

10) Beyond that, like any discipline, understanding the basic financial concepts is a more powerful way to remember the material, than to simply use route memory.

CHAPTER 2

MATH AND SCIENCE

Personal Thought Question:

How do you do Math and Science????

ONE RULE:

FOLLOW THE RULE(S)   -PRECISELY.

Until you become a PhD in Mathematics, don't try to make assumptions, or create new and fun ways of doing math- because the methods you are taught have been around for thousands of years, and are proven to work correctly. To think your methods work, and work better or seem more logical might just border on insanity. But we all do it. It may be a way for us to better understand what is going on, but then this gets us to use unproven formulas.

DON'T THINK!!!

You are either following the laws, or breaking the laws by "thinking".

Thinking is for any other discipline.

Math and Science are like Law and Order in America.

There are a million rules. If you follow the law- you may become rich. If you break the laws- you might become poor. With Math and Science- you have to know the laws.

Wait until you're a PhD of Math or Science to go outside the box.

Personal Thought Question:

What if anything is interesting about Math and Science?

Personal Thought Question:

How does math relate to Financial Intelligence?

1. The first reason math is important is because it's in the realm of sciences, which on average will be paid more than other professions.
2. You should have some basic understanding of numbers so that you can apply it to your money issues throughout your life.
3. Math will ultimately help you become a more logical thinker, which will help with your money issues.

Chapter 3 College or Experience???

7 Key Points to this Chapter

1) Be Careful about how you pay for college, don't just create debt that lasts 30 years

2) In today's economy- you absolutely have to have 2 years of experience to get started --- sometimes placed as high in value to a degree!

3) Study for a specialized and unique profession- that not everyone can do. Create a Skill that not everyone has.

4) It's who you know- Network while in college, and keep those connections for future "intelligence" on whose hiring- knowledge that isn't publicized

5) "Starving Artists"

6) Enriching your capabilities with College

7) Reality Shock

1)

Here are actually some good nuggets of info on money. In order to pay for college, serving in the military is a phenomenal way to go. The GI bill virtually pays all the bills (and you keep what's left over if you pass). This is only one of the vast assortment of benefits serving the country has- you should look into it... If you stay in, or go to college while in the military, you get a huge discount. Or you could go to the military after college, and pay off your student debt.

Joining will also give you experience in the occupation you choose, so that if you get out of the military, you will have the required 2 years of experience needed to break into that occupation in the civilian field. But choose your military profession wisely, perhaps one that's transferable to the civilian world.

You could also recognize that serving in the military is an excellent route towards legitimate citizenship. The military can become a life-long job that can include a pension after 20 years, but can be very tough road and tough to accept this fate.

Another way to pay for college is to simply work for the University. This is why you need to do well in high school, because "For Profit" colleges, and community colleges do not have the same benefits as Universities.

You could also work while in school, and see if your company has a plan to help you pay.

Yet another way to pay for college is to research grants and scholarships. Here again, you need to be able to write to scholarships and grant givers and explain to them a passion you have early on. President Obama says the most important thing you can do is be motivated towards a passion.

The costs are usually overestimated from what you may hear, unless you are going to a private school. When the college website says how much it costs per year, don't be alarmed. Focus on the actual tuition per semester, or per credit. The rest of the amounts they show you are for things like food and shelter which you really would need either way. So it still is a good investment, and you definitely should do it if you have the chance.

2)

Currently however, there is a debate on the value of a higher education. The old style of thinking was that you went to college so you could prove you were motivated and smart so that you would get a higher paying job. However, because of the saturation of advanced degrees in the market, the high supply means lower demand for education. In addition, companies would much rather have 2 years of experience, an obstacle that makes the traditional thinking behind college much less potent. However, the brain is the most valuable asset. The ability to think critically is critical, and in the end, the one who has exercised their brains with education will be more competitive and financially savvy than the ones who do not endure the rigors of college.

As it is in high school, the knowledge is less important than the exercise you will give your brain in college to become bigger, faster and stronger to deal with life's hang ups.

In fact, college is sometimes so much more intense than high school, you will advance your mental capacities by leaps and bounds, and this will help you make smarter financial decisions in the future.

In turn, having a stronger mind may help you become more intelligent when it comes to money, which will aid you on your journey through the jungle.

Without 2 years of experience in a field however, businesses will likely not hire you. So you have all the knowledge and fire coming out of school, to end up in a lower economic bracket than if you just had 2 years of experience.

How do you think you would feel about going through 4 years of advanced education, that is not targeted to a specific profession, and then having 50k in student loans, and not able to find work afterwards?

Instead of working to pay for college, you should almost intern for free in a profession, or company you like, and use the money you would have spent on college on living expenses while you intern for experience.

This may be hard, because employers don't want to be bothered with you getting in the way at their work.

Perhaps one idea for you to get experience is to ask a company if you can simply observe their work. Within 2 weeks of you observing, they might ask you to do a simple task. And then you grow from that foot hold, making friends with the person who you are observing.

Here is a Question:

Would you rather go to the beach with friends while in college, or observe someone performing Human Resources activities??

Ok, the answer is obvious. However, answer this Question:

Would you rather be making 50k as a human resources officer straight out of college, where you could move up significantly, or work retail for minimum wage??

The most important part of college is to have it help you get a job. Therefore, you ought to be researching and interning in jobs and companies to find out what skills they need *while* in school.

You should be interning at a company you think you like, and even interning many other different places as well, INSTEAD of working at the Gap for running money.

By interning in a profession, or a company you want to work for, and learning at the same time, the information in college classes becomes more relevant and pertinent, because you will see first-hand why the educational books are teaching you the information. By doing work and education together, they become better learned, and more meaningful.

The bottom line is: don't just waste time working minimal wage- Research and Intern!

3)

Personal Thought Question:

Would it be better to tailor your education to a specific profession or not?

Your rate of pay will highly depend on supply and demand. A large supply of low skilled workers means that business can lower wages, and those individuals will still work for the low pay.

With a specialized skill, you can command a higher wage.

Class Discussion Question/ Personal Thought Question:

How do you get a specialized valuable skill?

4)

Perhaps a second very powerful reason to go to college is so that you can meet people, people with powerful connections that can help you land a high powered job.

A very important factor to High School, and even more important in College, is the emersion into the social scene. In the 2010 era, many jobs were given to people who the company already knew. That is to say, having a great reference from somebody already in the company would help you standout a great deal.

So the more people you can meet in college, the more connections you will have that might allow you to skip the screening process, and go directly to the hiring process. The reason is because these individuals, your friends- may already work for a company, and can put in a good word to the hiring authority for you. You would be surprised at how important this element to attaining a job is.

Another benefit of this route is learning of professions that only few know about, and thus there is much less competition.

Just a note, to save time reading "how to win friends and influence people", all you need to know is that people don't care about what you have to say, until they know how much you care about what they have to say. This means it all starts with being inquisitive and asking questions, who what when where why and how? This is true for school as it is for relationships.

5)

The next reason among many other reasons to go to college is that if you study a Science, you will most likely get a high paying and/or better job.

Not everyone is a scientist however.

You have all kinds of talented people with mental skills in things like: social intelligence, artistic intelligence, sexual intelligence, athletic intelligence, spiritual intelligence, philosophical intelligence, humanitarian intelligence- really the list goes on and on. It may be that you simply become more intelligent and excel in what you care about, or are interested in the most, because if you like something, you will enjoy learning and working on it.

Without detailing all the mental skill areas in definition, you have predominantly left and right brained thinkers. Right brained thinkers are more creative and emotional. Left brained thinkers are more logically driven.

The unfortunate thing for dominant right brained thinkers with artistic talents is that on average, right brained people are not paid as well as those who work in the logic driven work environment of math and science.

6)

You will improve your mental capacities by leaps and bounds if you go to college, and you will become that much sharper to avoid financial mistakes. The education will help your ability to make advantageous financial moves.

Going to college is why many study in high school. But if you know it's not an option, you should still work hard in high school to train your brain to be stronger and smarter, so you have a much better fighting chance at making appropriate financial decisions.

And if you do go to college, (or even if you don't) know that commencement means to start: it should be the beginning of your learning experience- not the end.

In today's economy, college will not necessarily be a path to becoming rich, but it will "enrich" your life.

7)

The actual reality is that upon leaving college, many get lost. It takes a long time for a degree to pay off and get one into a good job. It's like employers want to haze you because you have not grown up and experienced hard knocks to appreciate a good job.

Even with a degree, you will go through many trials looking for work. It varies how long it will take you, but if you keep trying- you will go far with a degree.

It may be the spirit you have, more than the education.

And the hardest lesson to learn in this generation, is that a 4-year degree usually isn't even enough, you need connections and experience.

Put simply, without experience (by interning or volunteering) you will be ready to take on the world upon college graduation, only to find that you *don't* have the "qualifications" to work at McDonalds. This is one of the most frustrating things you will experience in your life, so just be aware that this can happen.

Finally, know that even if you don't foresee college-- just as stated in Chapter 1-- it's still important to exercise your brain with actual knowledge so that it becomes strong. A person who reads educational books at the library can learn just as much if not more.

Paying for College is like Paying for a marathon. By paying to run, it can be much more motivating than trying to run a marathon alone.

LIFE

PART II

CHAPTER 4

SEX ED AND FAMILY

According to the United States Department of Agriculture, with their study in the nutrition policy and promotion, publication 1528- 2011 of 2011, "the annual child-raising expense estimates ranged between $12,290 and $14,320 for a child in a two-child, married-couple family in the middle-income group" (www.cnpp.usda.gov).

So if the cost of raising a single child per year averages $12,500.00 a year, and you will need 18-20 years of funding to shoot them off into the world, figure 200k to 300k or an average of 250,000.00 to raise a child in the USA.

Working full time, the average # of hours a person will work in a year is 2000. Now multiply 2000 hrs. (the average time per year one will spend in a full time job) by the minimum wage ($9.00) and compare that to how much you will have left over for yourself to spend if you have a child.

So if $9.00 x 2000 hours is $18,000.00 (before tax) and the child might cost 12,500.00, it leaves you with

$5,500.00, where the poverty rate for 1 person is $12,000.00

Here is how the wealth of the US is roughly broken up, according to Wikipedia and the 2012 Census:

Households that made $0-$25,000.00 consisted of nearly 1/3 of the United States Population

Households that brought $25k-$50k to the table every year was closer to 25% of the total population.

Households that were pulling in $50k-$75k were 18% of the population, or 1/5.

Households that made more than $100k was stated at 16% of the population. (or about 1/6).

Households that are more than $250k are about 3 % of the population

Understanding the cost of having even a single child, it becomes critical to see that having duel incomes to raise a child can be very helpful.

It is extremely important to recognize:

If you have 2 incomes and 1 child, the earned income is now about 36,000.00. With the cost of the child of 12,000 subtracted, it leaves you both with 24k. If the party budgets well enough, they can live pretty decent. $24,000 is much better than $5,000 would you agree?

With two incomes it makes a huge impact on the future financial capability of the family.

Thought Questions:

When is the right time to have kids?

Should it be spontaneous or planned?

Which is more important, kids (possibly a family), or money?

The primary financial cost of having kids does not include the "opportunity cost" to the fathers and mothers life, in that they will not be able to live in India or roam America nomadically, living a free life. Indeed, life changes once a person becomes a parent. And because life is actually so long compared to 100 years ago, many might need to recognize that you have more time than you think to grow up.

The fact that kids cost so much creates tough personal philosophical questions. This is something that you have to think about, and because there is no answer in philosophy, as philosophy is as open as the universe, and the choices are yours.

Part B

Insurance

As of this writing, the Obama Care Plan is still being fought over. This plan would give everybody in the US health care, and those who chose to not buy their own private plan- would then have the "insurance dollars" taken out of their tax returns/refund at the end of the year. However, hard lining Republicans say this is unacceptable, and will be fighting it for a long time. The reality is that many Hospitals are doing upwards of 300 Million dollars in Charity health care work, which is a trend that cannot continue, or our medical system would turn into a third world system. It is unfortunate, because in many ways the concept is highly logical. Until the situation is settled, it would behoove you to have health insurance. If you do not have insurance, and you have an issue like a broken arm, the cost of the health care is currently so extremely expensive that it would most likely bankrupt you. While it may be $50 to $100 a month you think you can avoid paying, this is extremely foolish considering the $100 a month could save you from having a medical bill of $100,000.00 for a very serious problem. Really, it should not be an option to opt out of paying insurance. Health insurance is probably the most underrated issues, yet one of the most important facets of your financial future.

Part C

Generational Wealth

We all know the great cliché: it takes money to make money. Put concisely, attaining wealth does not happen over- night. It is usually the result of a family consistently making the right decisions regarding finances over many generations of that family.

Said again, if some were born with money, and others not- it stands to reason that the family was the one who created that environment. Despite who is blamed for economic woes, the reality is that it is rarely outside forces that impact financial wellbeing, but instead it is the personal decisions of families made before we were all even born.

One of the themes of this book is that you need to be constantly on guard. Capitalism is such that you need to recognize how to make the right financial moves with your Offense, and also make smart plays with your Defense.

Those two words: time and learning are very powerful. With regards to our Chapter theme, generational wealth takes time. But capitalism has made this possible, and paved the way. With time, and smart plays, it is very possible for you to be at the highest ranks of financial wellbeing.

Just as a quick powerful example, let's say that when you have a child, you immediately buy stock for your child. You put in $100.00 a month for 30 years. Using a calculator from the internet called "compound interest calculator" you find that if you earn 10%, your kid will have access to $197,000.00 when he or she is 30.

Investing for future generations is what the wealthy have been doing for hundreds of years. Attaining wealth does not happen over-night. It comes through many generations of family having made good decisions. So while your family may be working class, your future lineage actually does have the chance to be the top 20% of America, or even the top 1%.

This was different in some Communist theories, where the Government did not allow for a family to own real estate, or pass down inheritance money. In Capitalism, a primary way to destroy the income in-equality gap is to pass on real estate to heirs, and pass on other assets. Further, capitalism promotes motivation to do these things, where communism destroys most motivation to become rich- because you basically can't.

Here is the take away: don't blow your trust fund if you get one! It takes less than 3 years to blow $100,000.00, but over 30 years to save that kind of money. Lock any amount of money up and go homeless after college if you have to, in order to save that savings at all costs. A good bet would be to maybe buy a super cheap condo for say 50k with a low HOA, just so you can have it, and liquidate it if needed. Or, maybe reinvest a portion of it and see if you can build on what you have.

Part D:

Marriage and Money

Personal Thought Question:

What are the strictly financial aspects of getting married?

What are financial aspects of staying married or not?

How does one govern a family and afford it?

With marriage, it was heard by a single marriage counselor that 9/10 marriages go south do to a money issues. While this may be way off from the actual reality, the point is that money can often be a very important issue upon which to agree.

If one person is *conservative* with money, and the other is a *liberal* with money, it can create problems. In general money issues can be a source of great stress and argument. This is why you need to become ever more educated about money, but it may be even more important when choosing a mate—to understand that it would very much behoove the both of you- if you found a marriage partner who had the same philosophies concerning money as you.

Without going into too much philosophy about marriage, it might behoove you to discuss fall out options if anything goes wrong in the next 50 years.

The future high income earner may need to consider a *prenuptial agreement*. This puts the other side in a great deal of "check-mate".

Personal Thought Question:

Why do suppose this is?

Usually what ends up happening if there are money issues that are un-resolved, it causes stress that is alleviated with just terminating the relationship of marriage.

After this, everything is divided

The reason is that if party A is the high income earner, and B wants to leave, they will leave with nothing.

That is, if a "Pre-nup" did a good enough job at stipulating what happens in a split,

For the high income earner who has a prenuptial, it creates an incentive for the other side not to leave, or leave with nothing.

It also puts both parties in a form of "Check" in that both parties understand that upon one leaving the other—there will be no "payout" no "bonus" for leaving. Thus, the incentive to leave is minimized.

While emotions override logic much of the time, it is just sad to see that the document that real estate agents use to sell a house can be 50 pages long—and a marriage document is 1 page.

Personal Thought Question:

What is your philosophy on Love and Relationships?

This is a complicated question that will take many years of thought to even come close to an answer, and just when you thought you had it- your philosophy might change.

With regards to philosophy, everyone seems to have a different one, which ultimately alters where our lives will lead us, and serves to confuse us on what we ought to do with love and relationships.

If you marry and have kids- it is arguably better to keep together until the kids leave at 18. This provides the child a “nuclear family environment” where they have more support.

Part E:

Teaching your Kids

Your child will learn more from you than school. So teach them things. Don’t just hand them over to the school system and expect them to take care of all your kids educational needs. Teach them young. Read to them and teach them things you think they should know.

CHAPTER 5

FINDING WORK

Personal Thought Question:

What are some ways you can think of to find a good paying job?

Here are some of the basic ways to get work:

1) Network with people and make connections and good friendships: Join groups even while you have a job, and be on a speaking basis with people in those groups for "inside information" on jobs that they might know of.
2) Know exactly what you want to do by researching job types in *"The Occupational Outlook Handbook"*
3) Think of company, and apply directly to that company or that company's website rather than just looking at the immediate want ads.
4) Get a feeling for the job you think you would like by spending a day at that work environment
5) Know what the professions require- and what they offer, what kind of people work there
6) Create a passion and stick with it
7) Take on others duties, including your bosses, in order to learn new skills
8) Have two years' experience and move on
9) Overstate and exaggerate your skills competence and enthusiasm
10) Don't get in trouble
11) Always try to get to the next level

1)

The most critical way to actually "find" the work we have already discussed- and that is networking with other people- especially in the current economic climate (2012); as opposed to spraying resumes to random employers.

In most cases, your reputation and your connection to people cancan help to inform you of a job, be a reference, or eliminate any experience needed.

What are some ways that you can think of to meet people?

You could join activity clubs, fraternities, sporting clubs or any type of group that meets up so that you can make friends and connections that might know where to find work that is not advertised.

2)

Another way to find a solid profession is to know exactly what you want to do.

So what do you want to do?

You should know specifically what you want to do, and then instead of just looking at the want ads- do research on companies who engage in the work you like. As mentioned, you should theoretically spend a lot of time thinking about this topic and doing research on it as well.

After answering this first question, ask what you think you can reasonably do. What are you good at?

What would pay the bills so you could work on a hobby or passion like family or business?

Should you try and make your work your passion, even if it does not pay well?

You should recognize that the work you do will take up most of your adult life, and because of this, you should really research and think hard about what you are going to do for a profession.

With that said, your researching your future profession should outweigh all the research and study you do in high school and college combined.

So where do you go for research? A powerful book that most libraries have and will not lend out because of its importance and expense is: **"The Occupational Outlook Handbook"**

After you have a good idea of what you want to do, go out and attain the skills required for that profession.

Does it require a 4-year advanced education from a University or not? Does it require specific education or skills? Do the Higher ranking positions require this? How much does it pay? Would you enjoy the work? How much Promotional Potential does it have? Does it require experience, like most do?

3)

Personal thought question:

What is a cool company on the market today, who engages in something you like and more importantly believe in?

When you think of a good company you may like to work for, apply directly to that company's website. This will show human resources that you really like the company, and will score points for you.

For example, if you are a photographer, instead of just looking for jobs on the job board or internet, go directly to a company like National Geographic and apply. Be sure to keep following up, showing how interested you are in working for that company.

It might be better to show your loyalty and enthusiasm for one company, rather than just spraying resumes and applications all over the place.

4)

To get a better idea if you really might like the work, rather than just working towards attaining that work, and then finding you don't even like the work, you can ask an employer if you can work with a boss for a day simply examining the work that takes place. Sometimes schools give a day off school to investigate jobs the students think they might like. Take advantage of this if they do. Other ways you can get a feeling for what the job entails include:

A Volunteering

B Doing a more official "internship"

C Doing an apprenticeship for trade work

The more you like your work, the better you will do, and ultimately the more money you will make. Being positive is a good way to go.

These methods can be good for getting a feeling of the job, but also can be extended to the point where you can attain extensive experience.

5)

Often it is important to be just a little bit overqualified- but not too overqualified. Employers like to know that you are more than competent to do the job they are looking to fill. If you are too over qualified, then they know that they assume that you are just there for the interim waiting until something better opens up, and as soon as it does, they will lose you.

HR wants want to know that you are going to be in the position for a long time- at least a year if not more. They look for people who want to become very close with the company and even climb their way up the ladder.

Of the many other things HR looks for is an overly positive attitude. You literally have to be beaming with energy, motivation and smiles. You should be to the point of outright arrogance about your abilities. Never understate what you can do- but at the same time if you overstate too much, you could set yourself to take on too much. Yet this can be a good thing- because a difficult job will give you experience.

6)

President Obama stated in a graduation address that the graduates should always follow a passion. This is powerful stuff. To heed his words, you need to get your feet wet and experience different things you like.

Steve Jobs founder of Apple gave a similar speech to Stanford, saying that you absolutely have to follow your passion- and absolutely never ever give up. You have to drive, even harder when adversity rises.

If you pay attention in school, you just might find a passion to follow.

7)

Anymore, when looking for really good work, it is best to be in the position of currently having a job while looking for others. In addition, a great way to get promoted is to help your boss with their duties or ask for more duties for skills and extra experience.

The list of jobs/professions/careers in The Occupational Outlook Handbook is 200 pages long and defines thousands of jobs. The reason it is important to review is because it will point out that there are many more jobs than you ever knew existed, and show that it is important to do research on what you think you might like to do, (even though once you start that work, you may not like it anyway). It may get painful, but it is actually extremely important that you have the knowledge of what types of jobs there are, because you may spend a good portion of your life doing what the job demands.

"The Occupational Outlook Handbook" can be found as a reference book at most libraries. This book is a critical and phenomenal resource for those interested in researching their potential career interests. The book goes into great detail about job requirements, how much they pay, promotion potential, and other interesting facts about the professions. Over all it provides a fairly comprehensive list of jobs and careers that are currently in the US economy, though some jobs/careers might have been missed.

Knowing what jobs exist in the job market will help you in your job search. The reason is that instead of just looking for job openings online, and applying to those limited amount of job categories, you now have many more options of jobs you can research, and will also have less competition as most everyone else is applying only for what jobs are currently available. If you keep in contact with the industries and companies that hire for these positions, they may let you and only you know when a job opens up. This method of knowing what companies and occupations you might like will advance your capacities to become hired and attain higher pay by leaps and bounds. The most important thing is that you might have to practice a lot of patience.

A smart thing to do would be to spend more time researching your future profession than you might spend studying in high school and even college combined. One of many reasons is that once you start down a career path, it might be difficult to transfer skills. Further, there is a good chance that you will be doing this profession for much of your life, and therefore deserves some looking into. By reading the **Occupational Outlook Handbook**, you will not only be opening your mind, but you can better see how much the professions will pay.

When it comes to your future work, it obviously would behoove you to have a great understanding of what it is that you actually might want to do. However, despite thinking you know what you want to do, and then actually attaining the work you thought would be a good fit for you, the unfortunate thing is that you may not still truly enjoy your work.

Despite not wanting to work or having the feeling of not wanting to work the best thing to do is to seek pain rather than to always seek happiness. The reason is analogous to eating food. If you're always seeking food that tastes the best you may not actually be eating very healthy. In fact, if you eat only the food that tastes good, it is likely that you will suffer major health problems; whereas if you eat the food that does not taste good you will be rewarded by feeling better later and for a longer period of time.

Happiness is often a paradox. If you seek happiness it will often run the other way away from you, whereas if you seek pain, happiness may just be chasing you. This is often something that takes a very long time to learn. (This kind of paradox can also be used to describe relationships).

The point is that even if you get an idea of what you want to do, your work will most likely be more enjoyable than the different job that you have no interest in, but still may not be the most fascinating thing in the world.

This is why it is important to also have a passion outside of work that you can also work on.

Here is a long list of jobs and careers, but note that this list is not comprehensive to all the jobs and careers out in the market.

Warning, this list is 16 pages long:

A

A&P mechanics, see: Aircraft and avionics equipment mechanics and technicians

Abdominal sonographers, see: Diagnostic medical sonographers

ABE teachers, see: Adult literacy and GED teachers

Able seamen, see: Water transportation occupations

Absorption and adsorption engineers, see: Chemical engineers

Academic deans, see: Elementary, middle, and high school principals

Academic deans, see: Postsecondary education administrators

Accompanists, see: Musicians and singers

Accountants and auditors

Accountants, see: Accountants and auditors

Account auditors, see: Accountants and auditors

Account clerks, see: Financial clerks

Account executives, securities and investments, see: Securities, commodities, and financial services sales agents

Account executives, see: Advertising, promotions, and marketing managers

Account executives, see: Advertising sales agents

Accounting clerks, see: Bookkeeping, accounting, and auditing clerks

Accounting professors, see: Postsecondary teachers

Accounts collectors, see: Bill and account collectors

Accounts payable clerks, see: Bookkeeping, accounting, and auditing clerks

Accounts receivable assistants, see: Bookkeeping, accounting, and auditing clerks

Accounts receivable clerks, see: Bookkeeping, accounting, and auditing clerks

Acoustical carpenters, see: Drywall and ceiling tile installers, and tapers

Acquisitions librarians, see: Librarians

Activities aides, see: Recreation workers

Activities assistants, see: Recreation workers

Activities coordinators, see: Recreation workers

Activities leaders, see: Recreation workers

Activity specialists, see: Recreation workers

Actors

Actor understudies, see: Actors

Actresses, see: Actors

Actuarial associates, see: Actuaries

Actuarial mathematicians, see: Actuaries

Actuarial science professors, see: Postsecondary teachers

Actuaries

Addiction counselors, see: Substance abuse and behavioral disorder counselors

Addiction nurses, see: Registered nurses

Addiction psychiatrists, see: Physicians and surgeons

Addictions counselor assistants, see: Social and human service assistants

Addiction therapists, see: Substance abuse and behavioral disorder counselors

The List just for A goes on for like 10 more pages

The full list is 196 pages—choose wisely

But if you do one thing, it would very much behoove you to go to the Occupational Outlook Hand Book at:

http://www.bls.gov/ooh/

Or

http://www.bls.gov/ooh/occupation-finder.htm

Or the Full Index at:

http://www.bls.gov/ooh/a-z-index.htm

A word about sales jobs:

Many college educated people and even non-college educated people fall into the trap of: taking the bait for what could be a very high paying sales job, in addition to being very simple to break into- the "no experience required".

Indeed sales jobs have a lure. The bait is high pay. The prestige is dressing in nice cloths and feeling a sense of "upper class". The jobs are not overly physical, and don't require overly hard work.

The reality is that the more complicated it is in attaining the job- the better job it usually is.

Just be aware sales jobs are often a trap. Most people cannot sell. Perhaps the worst thing about these jobs is that if you are not hitting good numbers with an "overly positive attitude" everyday-(that is often tough to keep up) you have no job security.

With sales, you need to know the story of the tortoise and the hair. Spoiler alert: the tortoise wins. Perhaps try to go for modest pay while you work on a more solid and secure route.

A word on trade work:

Trade work is another highly volatile industry in terms of work and pay. It can pay very well, but it is very demanding physically.

The problem that future blue collar workers need to realize is that they might NOT be able to work very late into his life with this work, due to the kind of physical demand it requires.

In this situation, they have trained and become very good at one skill, but once they turn 50, they are no longer able to do the rigorous work, in addition to having no other skills, and their income drops 65%, with NO retirement pension.

Another problem is that one could work trade work and do very well for a long time- making 30+ dollars an hour. However, they might suddenly find themselves out of that kind money because of a shortage on demand for the services. As a result, their standard of living goes from good, to very low, which is usually more difficult than getting slight pay raises, and gradually raising the standard of living.

A word for future pro athletes

Find a Certified Financial Planner early on. You don't want to make millions, spend it all having a blast, and then go bankrupt and become impoverished- having a standard of living that does not even come close to the "glory days".

If you are getting paid well today, just remember that you will not always get paid well unless you plan for the future.

In summary,

A great thing to do is to ask if your University has access to the "Strong Interest Inventory". There is a good chance that the Business School would have access to this test. It is basically a test that will help clarify what your true interests are. You most likely already have a good idea, but this test will illuminate things clearly enough that you might actually be able to make career decisions from it.

Chapter 6

Entrepreneurship

Fundamentally, entrepreneurship and innovation are the backbone of this country. Entrepreneurship is capitalism, it means capitalizing on the economic system and the opportunities that this system promotes. Capitalism promotes the creation of new products and services, and the government needs you to become rich- so you can pay more taxes.

Everybody wants to be wealthy, but there is a sentiment in the states in the 2010's (Twenty Tens) that most people simply just want jobs. While it is not a good time to start a business in a recession, if you really want to be wealthy, one of the very best methods is to either start a business, or at least have a very high skilled job that not many people can do.

Personal Thought Questions:

What is a great business idea that you would pursue if you had the time, money or most important: motivation?

If it takes money to make money, how can you generate capital to pursue a profitable business endeavor? Also, how can you turn your passion into a money maker, and should you -if it destroys the passion?

What are the best ways to engage in business, and what are the best products?

How much knowledge of the subject should you have, and how much experience should you have before you jump in with both feet?

What does it take to be a successful entrepreneur??

The point here is to basically not borrow or spend a lot on a business idea until you know what you are really doing with experience and/or firm knowledge base- not just education base.

An acronym for Job is also: Just Over Broke. Entrepreneurship on the other hand can be a way to become very wealthy. However, entrepreneurship takes a certain character, one who basically, will not give up. Therefore, believing in what one is doing is often the toughest of challenges.

A story that may actually be fictitious (or fake-titious) was that the writer of The First Harry Potter, and the following series, initially got rejected multiple times from publishers, when she was trying to find a publisher for Harry Potter and the Sorcerer's Stone. She had picked up the book to write, and then put it down for months on end. Imagine: What if she had just given up??

Most people have many million dollar ideas in a life, but what is lacking is passion, enthusiasm, belief, and possible mania to pursue such an endeavor. Indeed, there is the opportunity cost of time, money, and risk of failure, and most people might feel that it's actually better to have a stable job, a simpler life, one with less worry and frustration that entrepreneurship can create.

You should be aware, that while owing a business can be a way to the very top, it can also be a way to the bottom. It takes a lot of effort, passion, motivation, and of course capital. Running a business is a lot of work, and is not for the faint at heart. You should ***not*** expect to have your business run on auto-pilot without having to do anything. It's much more work, but possibly much more gratifying to work on something you like to do, something that you can be very passionate about, something that is highly rewarding and personally meaningful to you. Furthermore, it can give you energy and excitement, in addition to being highly financially rewarding. Indeed entrepreneurship is much more free thinking- and another great aspect to it is not having to deal with bosses.

You should understand that many major businesses take 5 full years of funding before they even turn a profit. (Thus, you need to have a decent amount of capital, and a base that can pay you enough to survive).

You should be aware that only about 1/10 true and unique startups succeed- mostly because of bad management or capital needs.

You should be aware that FRANCHISING has a 9/10 success rate. (However, while it may succeed- the owner may not make an excessive amount of money.

Franchising has great potential because of "Brand" value, notoriety, popularity, and better marketing capabilities.

Franchises have a much better success rate. The top franchises succeed 9/10 times, but the cost to purchase these franchises is expensive. A single McDonalds franchise can run 1 million dollars, but the success rate would be high, and the final net profits would more than make up for the initial cost.

Business is a highly complex animal, and there are more moving parts than wrist watch.

In addition, the world is moving so fast, demand for product and service changes along with it. It is important to stay ahead of the trends.

It is also imperative that you have the highest quality information with which to make decisions. This basically means not just trusting what people say- (like in this writing)- but actually researching "word of mouth" information college library databases and such. Don't just take peoples word for it when making business decisions.

When running a business, you have to extremely cognizant about expenses. Most businesses need to make educated guesses on future revenue and expenses. Unless you are modeling your business on another almost exact business, your projected/ expected revenue and expenses will most likely be far off from your "Assumptions". To put it simple, overhead costs can be a killer. The goal should be to have <u>low overhead</u>, and <u>high revenues</u> due to High VOLUME (think World Wide Web).

In addition, there are many complex factors with economics that make things very competitive, and profit margins possibly very tight.

It would behoove you to sell products or services that are in absolute demand/being absolute NEEDS, rather than sell products or services that people want, because disposable income for most adults and families is usually pretty tight.

Either way, marketing may very well be the most important aspect of your business model. Marketing can be fun, but it can get expensive. Not as expensive as you might think however. Remember not to just assume things you hear are correct, but rather verify your thinking with actual proof and true knowledge.

For example, day time Television which many people do indeed watch, can cost only $50.00 per 30 second spot!!! So instead of seeing the same insurance commercials (or trade college ads)- just think- people could be learning about a new product that they might actually like!

This kind of knowledge would actually be good for the economy, because with more commercials, you are being exposed to more products that could even be targeted at you, and possibly not be such a waste of your time!

If America is going to compete in the future, America should focus on re-examining what we thought we knew, being more curious, more creative and more inventive, while focusing on what makes this country great— not bosses and having a job, but rather the opportunity this country affords us to have with entrepreneurialism.

Inventing things like the Light Bulb, the TV, the Telephone and the Computer (coupled with the internet-- a Department of Defense Project) are what made America the most developed and powerful nation on Earth. Indeed, a big part of what made the US great was due to these innovative thinkers who were able to create such amazing things.

Because much of the industrial capabilities how now been shipped out of the US, it makes things harder for young inventive minds. However, your ideas are awesome. Because they are so awesome, you now have the DUTY to create these products and increase Americas GDP. Despite much manufacturing being outsourced to China, if you are interested, you should know that you can make contacts here that can still develop your product. Just search the internet for: "Develop Inventions" or "Develop a Product", or other queries of that sort. What you may find is 3rd party engineering firms who help you through the steps of bringing your product to life. Some of these 3rd party engineering firms in the US already have great connections with China, and can be the main liaison for the difficult exchange of ideas and money.

Many millionaires in America are made with creating "highly demanded" products. As an example, the creators of pillow pets went through China to have their idea developed, sold them at kiosks in malls, and became extremely wealthy from that one product alone.

So let's say to bring your product to life, and to put it in stores to be sold takes $100,000.00, the first year, and $50,000.00 the next years.

Where would you get this amount of money?

If you do enough research, you may find that states will fund bright ideas, and help turn them into products. You will find grants by the billions of dollars. Later other ideas are presented for how one can create capital. Creating Capital is usually the first, and possibly the hardest obstacle to overcome. Finding Capital is also why having a good credit rating and profile is extremely important. Banks like to see 20-30% of your own cash in deals before they will loan more money to you.

Out of the box thinking might be needed to raise capital you're your idea. This is where you can be creative. For example, you could take out business loans, or micro loans of $5,000 from 4 or 5 different banks, or even private banks. Then use that 20,000.00 as a down payment on 100,000.00.

Raising capital is tough. But ways exist, for example making your business public and selling stocks. This is why capitalism has much less equality anymore- sons and daughters with their families "old" money have better opportunities. With education on finance, your family could be set up for a bright future financially.

For the sake of argument, let's say you put 30k of your cash into a deal, and the bank loans 70k to you based on your good standing credit. Your investment is 100,000.00 initially. You sell your product, whether unique, or simply an improvement like Crocs shoes- (where shoes are a necessity).

You sell your product ONLINE. You charge a mere and highly affordable $20.00 so that many people can purchase your product. In one year, your product has sold to 500,000 people (out of 300 million North Americans, and 7.5 Billion people on this planet).

How much money did you just make- Gross (before taking out other costs like taxes)?

The answer is you just made 10 Million dollars.

Happy about your investment and risk now?

The major problem in America today, is everyone wants a JOB. Nobody seems to remember why this country is so great. It is the OPPORTUNITY that made us great, and the OPPORTUNITY that will save us. Merely wanting a job means you are not capitalizing on the freedom of our economic system. The countries founding principles were set up on the capitalist ideology- on innovation and invention.

It was not set up so that we could live like we were communists and be guaranteed a job by the government.

If your kids are to have any opportunities in America in the future, for both work and invention, then you should consider how important creating jobs is, rather than with "just get a job mentality".

Further illustrating the call of duty your generation has with the obligation to promote entrepreneurialism and thus capitalism, examine the following example.

Universities are not just institutions of learning, when you get into the higher levels, they become institutions of DOING.

School can be an avenue to attain safe harbor of a paycheck and shelter while working on a new technology. Often, colleges sponsor individuals with money who can help create new methods and products.

These institutions create many inventive things, one example seen recently that borders on sheer genius is two students who were creating soccer balls that absorb the energy put into the ball by being kicked around. Then, the energy that the ball absorbed during the day is able to be turned into a light source that can be turned on and off at night. This kind of idea is the kind of idea that can be exported to poor countries all over the world and shine light on the entire country!!!

As the author Holstein notes in his book <u>The New Economy</u>, Universities help facilitate and support these kinds of innovative thinkers with money, and they help new technologies expand, ones that can be exported to increase GNP, and are essential to keep Americas standard of living high.

Unfortunately, the US has become mostly a service driven economy. We still develop products, but not like the scale of the industrial revolution of 1890.

Now, ever since 1990 - we have seen a new revolution: the information and communication revolution (in addition to a bio-pharmaceutical revolution).

The internet has a lot of potential to reach far and wide, so a tip you should hear is that you should as much as you can about how to sell things online. Learn to sell things in other languages, on foreign websites. The reason is that you might be able to reach a lot more people than "brick and mortar" stores.

When we as a nation sell *less* high tech goods to other nations, we are actually lowering our standard of living (which is sometimes measured as our "GDP per capita").

PART 2

Finding elusive Capital to become a Capitalist

Personal Thought Question:

So where do you find money to start your business idea?

The first problem you may run into is that most banks or lenders want to first see 2 full years of being in business, proven by business tax returns, and they will want to see ***good credit.***

Lending standards will no doubt change every year, but here in 2013, it is tough to get any financing, and the Small Business Administration currently isn't guaranteeing any new business loans, according to Bank of America.

Personal Thought Question:

Define Leverage

Leverage is using your money essentially as collateral. The more collateral you have, the more you can borrow.

Here is a short list of funding ideas:

1) Baby Bonds
2) Hard Money
3) Private Money
4) Venture Capital
5) Angel Investors
6) Equity Capital
7) Real Estate
8) Parents Trust Fund
9) Crowd Funding
10) ???

1)

A "baby bond" currently does not exist—unless your parents created it by investing 100 dollars a month into a mutual fund, ETF index fund or some other investment when you were born. The idea of a baby bond is that the government could set this up for you upon birth, and work the opposite of social security, giving you a ton of money when you turn 25 or so, and then tax you on that money for the rest of your life.

According to a great writer from Yahoo:

"Young black people are much less likely than young white people to receive a large sum from their parents or other relatives to pay for college, start a business or make a down payment on a home, for instance. That, in turn, makes their wealth-building prospects shakier as they move into adulthood"

"Professor Hamilton has proposed "baby bonds," granting savings accounts to infants, seeded with funds that allocate greater sums to families with less wealth. (Such accounts would be race-blind, Professor Hamilton emphasized.) Accountholders could tap that money as young adults, to pay for college or start a business. “That’s really going to break the link of intergenerational poverty, and the intergenerational wealth gap,” Professor Hamilton argued

Basically, this is something that the government could do. Or, it is something that you could do if you were to become a parent. That is, if you have a kid, look into mutual funds or other stocks, put 1,000 in when you get a tax refund, and then try to put $100 in the fund every month for them. If you find a “compound interest calculator” on the internet, you might find that after 30 years, this could add up to a substantial amount of money. Now your kids will have more mobility in terms of possibly starting a business.

The actual numbers of that investment look like this:

$1000 initial principal

$100 per month

For 25 years

At 10% interest on say an index fund

= $128,851.18

With that indexed fund held for 30 years, the payout upon turning 30 =

$214,842.23

Unfortunately, this does not account for the actual “value” of that money in 30 years- due to economic variables like inflation. You would have to become familiar with “the time value of money”.

2)

Hard Money

The way hard money works is an investor will loan you money based on if you have equity in any real estate (not the interest portion going to the bank). Then, the investor would use the equity in the real estate as the collateral.

3)

Private Money

Private money is a bit different from Hard Money. Essentially while hard money works by loaning based on the real estate you already own, Private money is based on the value of the real estate that you are about to purchase. Hard money is from based from your real estate, and Private Money is there to go out and buy new real estate.

4)

Venture Capital

These investors usually provide capital unsecured by assets to young, private companies with the potential for rapid growth. This type of investing inherently carries a high degree of risk. But venture capital is long-term or "patient capital" that allows companies the time to mature into profitable organizations.

The Venture Capital Company will want active involvement; and almost all venture capitalists will, at a minimum, want a seat on the board of directors. Usually, venture capitalists want to see that the business is already running, and thus is not so helpful for starting from the very ground floor.

5)

Angel Investors

Business "angels" AKA "sharks" are high net worth individual investors who seek high returns through private investments in start-up companies. Private investors generally are a diverse and dispersed population who made their wealth through a variety of sources. But the typical business angels are often former entrepreneurs or executives who cashed out and retired early from ventures that they started and grew into successful businesses.

In the US today, a massive amount of money, possibly more than any other sector, is made by making interest on loaned out money.

6)

Equity Capital

This is basically making your company a publically traded company by selling ownership- or stock in your company, and providing an appropriate return. You most likely can't raise capital by selling stock on the Nasdaq immediately as a new business, but you can list your company on the Over The Counter Market, using Market Makers. Going Public and Listing are different.

7)

Parents Trust Fund

Again, this would be the easiest and best way to find capital. Easy come easy go- so just watch out for blowing it if you get something like this. Keep a good day job.

8)

Real Estate

Despite the hype, it is difficult to make money off real estate. However, with enough wit, luck and braveness, it is possible. As just one example, if you buy a house at a low rate (from say HUD, Fannie Mae, Short Sale or other) and you clean it up cosmetically (without breaking the bank to fix major problems), it is possible to sell fixed up and nice for a good profit. It is much harder to find the deals, buy right, time the market, and everything else that goes into this. To not lose money, you could consider reading some books by the pros at the library.

A couple free tips on using real estate to create capital for a business pursuit include the following:

- A) You make your money when you buy right-
- B) The location is important, but also look at sales records of the neighborhood and compare what the finished property could be sold at.
- C) Find out what repairs and fixes would cost first.
- D) Mostly, focus on cosmetic repairs, not blowing out walls
- E) If you became a real estate agent, upon buying you could make 3% in commission on your own property, and 3% on the sale of it.
- F) You may only achieve a 10% profit after a “fix-up” job is done-16% if you’re a real estate agent. A huge profit would be closer to 20%

9)

Crowdfunding

Websites like KickStarter.com could help fund a venture, but they cannot be for website businesses.

LIFE

PART III

CHAPTER 7

BUDGET AND FINANCIAL PLANNING

Here is the main big idea:

High income- Low Standard of Living = Wealth

Low Income- High Standard of living = Poverty

Don't over-extend your banks accounts ability.

It is tough to live in such a place where there are so many nice things. We in the states need to realize that we should not extend ourselves beyond our means. This means with everything from the car we drive to the place we live. To know your true financial capability is the first question you should ask when you get in to the real world at a young age. Be careful of making mistakes- and capitalize on opportunities when you can. Set your priorities to what you really need. And be extremely weary of going too far in debt…how much is more than you can handle?

Note that after high school and even college, you may not make very much money at all.

Most likely, with American capitalism, you should understand that you may never be able to buy EVERYTHING you want. That is why you need to pick and choose.

And because having money is addictive, it seems as if you never have enough. Sometimes if you're thankful for what you have, you will get more, because that is where your focus is. The reality of money is that virtually everyone will struggle with money; it just matters how you deal with it.

It takes most people a very long time to learn how to budget. Some learn in their 20's, some in their 30's, some in their 40's, and some never learn.

Talking about budget is not rocket science- but it is much harder to actually do. The discipline it takes to budget and even save is extreme. And when you have very little money, no doubt it is that much harder to save or invest.

You might try to establish categories of expenditures, and then watch out for spontaneous spending unless you have planned to buy something. If you have wanted a big item for some time, save up for it. It would be prudent to do research and spend time thinking about something before diving in. However, sometimes you have to know what you want, and be able to just pull the trigger if you see something you really like, like cloths, because you may not get another chance at them. Be very careful about spontaneous spending, because if it's not in your budget, it just away from something else you may have wanted.

As we have discussed, the best avenue for making money is to have a highly demanded skill, which is in short supply like, and in a field like science, so that you can simply be paid more. You can do this by researching professions and then directing your energy at those professions without ever giving up. On the other hand, while you wait for your passion or interests to show up, you may be earning minimum wage.

A very important thing you should note, is that kids that work a job in high school actually have a much higher rate of going to college. The reason is that they see just how much money they bring in for the effort, and realize deadly serious that they need or will want more. As a result of that experience, they study harder to get into college.

So let's say that you alone bring home 1,250.00 a month after taxes.

In reality, if you make minimum wage, which is 7.25 an hour and your taxes leave you with 6.00 an hour. You work 40 hours a week, 160 in the month, leaving you with 160 x 6, or $960.00 a month. This is actually decent disposable income! But, once you take out money for rent or a mortgage, you find it actually becomes much more of a tight financial squeeze.

1)

Rent/Mortgage:

Should never exceed 30% of your total income, as a good rule of thumb. This is a major expense that is not very easily avoidable. Let's say you find a furnished simple apartment in a rough neighborhood for $625.00. Normally, one would have to pay water and electric and also have to furnish the place with thousands more. In addition, most newer apartment rentals in a new area are up to $1000.00 a month.

So how do you avoid this?

If you can buy a cheap apartment, you are usually better off than paying rent. But, this means you have extremely limited mobility.

As one example, if you buy a $200,000.00 place, you will pay $200K in interest and 200k in principal for the house. However, if you buy a 50k place, and pay down the mortgage in a matter of 5 years, you might only pay 10k interest, and have paid 50k for the place. Would you rather pay 400k or 60k? Would you rather pay more than $1,250 from your paycheck for the rest of your life--- or virtually nothing at all from your paycheck?

It is definitely not as cool to live in a condo that is way old and broken down as it would be to live in a new place. However, it could be an opportunity to show your pride by planting trees, and painting. Furthermore, having money in the bank vs. no money in the bank and living in a great place has been studied by universities, finding that the people with money in the bank felt better, and more secure.

After spending an average of $500-$650 on rent/mortgage, how much money do you have left?

(min wage= 18,000 a year as of 2014, or 1,500 month X .78 tax rate = 1178 – 625)

2)

Food:

Food- say about $200.00 give or take. You need to be really careful about food. It is best to learn how to cook yourself. $200.00 / 30 days = $6.50 a day. If you eat fast food twice a day, and spend 8.00 at each place, that's $16.00. If you spend this much over 30 days, you just spent $480.00 on food!!! Even 1 soda at $1.00 a day is $30.00 over the course of a month. You will learn that it is amazing how expenditures add up so quickly.

3)

Hygiene

4)

Bills- ???

(car payment, credit card, cell phone, health insurance, car insurance, cable, internet, medical bills?, water bill, electricity bill, dental insurance etc. etc.)

These bills can easily add up beyond your means.

For example, let's look at how these bills add up:

Car payment: $200.00 a month

Credit Card (minimum payment of 25.00 will only pay the interest every month, and you will never pay down the actual balance. This means you have to pay at least $50.00-$100.00 to ever really be paying down the bill)

Credit Card – $100.00

Credit Card- $100.00

Cell Phone $50.00

Car insurance -$50.00

Health insurance- $50.00

Cable Bill- $50.00

Internet- $50.00

Medical Bills-

Electric Bills- $75.00-$100.00

Water Bills- $25.00-$50.00

Student Loans--

Other Bills?-

Ok, granted that if you make minimum wage, you probably need to thin some of these expenses down. If you don't, you see that these bills alone can add up to a lot of money.

These expenses add up to 1,625.00

Now let's explore different categories of other more disposable income:

FUN/ENTERTAINMENT:

FURNITURE:

CAR FUEL:

CLOTHS:

MISCELLANEOUS:

SAVINGS/INVESTMENT:

Just a note, Just Miscellaneous expenses can be easily upwards of $200.00.

You probably need furniture, unless you have a furnished place, cloths can be nice, savings is almost a luxury at this point, and you probably want to have more fun and entertainment in your life and in the month than $25.00 allots for.

Now consider the following expenses

SCHOOL:

Students in high school who work have a higher rate of attending college. Why? Because they realize first-hand how hard making little money is. As a result, they try harder in school to go further, and they may be more money motivated.

While the college websites and other media say that college can be $40,000.00 a year, the reality is that it is not that much, unless you go to a private school, or "For Profit College". State schools are more reputable, and less expensive, but you have to study – do well in school and on a placement test like the SAT'S or ACT'S. Doing well in school and on those tests to go to a state school might save you a lot of money. The reality is tuition is about 4,000 a semester, give or take considerably. So all in, specifically just school can run as low as $40,000.00 for all 4-5 years if you are really savvy. If you are even more clever, it can be free- say by attaining the G.I. bill or a scholarship.

KIDS:

Having a child is not like having a dog. God bless you if you do, but you may want to be more careful about having them in the future, and really contemplate the issue, once you begin understand the complexity of the matter.

If you make minimum wage- and work 2000 hours a year, you may only make 12,000.00 for the whole year. (18,000 as of 2014)

Remember, that experts have said having kids can and do cost about 12,000 a year just for each child.

As you can see, unless you have a job that pays fairly well, it is nearly impossible to afford a child, and adds to the difficulty of climbing the financial ladder.

At this rate, unless you have a side business or innovation you are marketing, things will be tough for you- and you can make your life much more financially difficult when having a child.

EXAMPLE 2:

So let's do the whole thing again. This time, give yourself a raise to $10.00 an hour.

You work 2000 hours.

Gross = 20k

Multiplied by the tax rate of keeping about .78% = about 16k a year.

How can you better support yourself- and not need over 3k a month?

Rent:

Food:

Hygiene

Credit:

Credit:

Car Payment:

Car insurance

Car Fuel

Medical Bills-

Cell Phone

Cable Bill

Internet

Electric Bills

Water Bills

Fun/Entertainment

Furniture/Electronics

Cloths

College Loan

More School?

Kids

Health Insurance

Miscellaneous

Savings/Emergencies Funding

Investments

And if this is all not enough to handle- inflation averages 3%, meaning $100.00 today is worth 97.00 next year, unless you invest it and make 3 dollars.

So what can be done??

First, unfortunately what you just read is somewhat of a sobering reality in the states. But it should also be something that helps wake you up.

The sooner you recognize that this is how the budget looks after college/high school, the sooner you will be working to get training and knowledge in a complicated and competitive field.

Let's start at the very top of the budget, and address each issue to see how you could best negotiate it.

Rent/Mortgage:

The main factor to the economic crisis of 2008 that caused the worst economic downturn since the great depression of the 1930's was that people thought they could handle more of a mortgage payment than they actual could. It gets more complicated than that, but essential that is it. When they realized they could not, they had to bail out of their investment because they either had no income, or not enough disposable income.

To have a Champaign taste and beer budget is normal. But just because you have the taste, remember that there are literally thousands of other things you can spend money on. If you choose to spend most of your money on housing, you obviously have less money for other things. This is obvious, but actually difficult to apply in the real world.

Here is one simple idea on real estate:

With regards to a mortgage, it would behoove you to buy a highly affordable condo, and then move every year. Instead of selling, rent that condo out. Within 15 to 30 years, your tenants will have paid off the condos, and when you sell you make a huge profit. The problem is of course coming up with a down payment of 30% every time you buy---- or putting in enough money so that you have put in 30% equity into the actual house payment and not to interest.

There are numerous problems with this, like vacancy and down payment, but you can negotiate these if you are clever.

When you sell a piece of real estate, you lose all the money you have paid in interest, and also no longer can have the next renter pay off the mortgage which would create a valuable asset.

In terms of rent, the goal should be to make money off of rent, rather than to pay it. So for example, you could consider buying a multifamily complex with 4 units. If you rent 3 out, you can live in the 4th rent/mortgage free, as the renters pay your mortgage.

Many creative ways exist in real estate to make money rather than spend money. And while you don't have make real estate investing your job, you should learn as much as you can about where 1/3 of your life's wages will be spent.

There are also many programs for the Low income housing.

Food:

If you find yourself temporarily poor, you should recognize that there are many places to get free food. There is no reason that anyone should go hungry in America, and in fact they don't have to. Just do some research, and you will find action centers and non-profits that are given food donations that they then give out to the needy. Some of it is better food than you would even be willing to pay for if you had money. In addition to non-profits and church organizations, there are also numerous soup kitchens around the country that serve breakfast lunch and dinner. You literally can walk out of these places with Strawberry Cheesecakes and steaks for the grill. The grocery stores get tax breaks for donating food, and it has been heard that some non-profits leave grocery stores weekly with 10 baskets full of food (lots of bread).

If these methods regarding the cost of food are not for you, just consider *avoiding* the grocery stores. Food is much like money- if you have it- you use it. So if you always have easy access to food, you might constantly be snacking, when you don't need to.

Instead of going to the grocery store and spending so much at a time, just go day by day with a budget for that day. Then if you can only afford one taco, consider it a great diet.

Hygiene:

Action centers, or 501c(3) Non-Profit organizations subsidized by charity and the government can be a way to find supplies. All you have to do is start making connections and asking more questions of where you can find help- it's out there.

Credit: You should not have used this in the first place, because it is extremely hard to budget money to pay off.

Credit:

Don't use credit cards period.

Credit:

Don't ever use Credit. Period. It's like quick sand.

Car Payment:

If you make $15 an hour, can you afford a new car and the payment?

The answer is probably not. You can't afford not to drive sometimes however. But car payments of $200-$300 seem manageable, until the bill comes every month. It is only then that you will come to realize the financial burden and strain that you have put on yourself.

Perhaps one way to negotiate this is if you ever receive a big paycheck, use it to buy a car.

Car insurance:

Yet another bill with your car that if you avoid paying- you can lose your license over- usually from $30-$100.

Car Fuel:

In Europe, 1 liter of fuel = about 1.5 Euros. There are 3.78 liters to a gallon. This means it costs 5.67 Euros Per gallon.

If you can ride a bike, it is good for your health and a lot of fun. In addition, younger single people are moving closer to town now-a-days, which could benefit you if you ride a bike.

Medical Bills- ---75,000.00?

The way to avoid this is obviously to have health insurance. Like any of your purchases or lack thereof- hindsight is always 20/20.

Cell Phone:

If you live like an early adopter, but are in debt 100k, are you really as sharp as you seem? Or would it behoove you to come off as poor, with a cheap phone, but actually have a decent size bank account? Appearances in America matter, but unfortunately they might matter a bit too much- and the story that matters most- that of financial health- often takes a back seat. Having money in the bank usually leads to stress relief. On the other hand, not having money in the states is a fundamental predictor of stress, which can cause argument and dismay in a family.

Cable Bill:

You could spend this time with books from the library, or live in a complex that already has free cable and Wi-Fi

Internet:

Free Wi-Fi usually requires that you have to go find it, or get out of your comfort zone. Much of the things we buy are conveniences that we could actually avoid.

In todays' age, information/ internet is not merely a vanity or a luxury, it is an absolute necessity. Information is absolute power to make more educated decisions. If you don't have access to the internet, you are not only going to be light years behind, you will also have no power, and stay fully ignorant in what some would consider the dark ages.

Fun/Entertainment

Literally a need.

Furniture/Electronics/Goods

Basically, get what you need, and spend your life paying the credit cards off.

Cloths

Your disgust for things like the good will and your parents love for the good will may change later. It's not as bad as it seems, but is usually hard to accept shopping, until you see what you can get. Pay it forward.

College Loan?

Kids?

Health Insurance?

Miscellaneous?

Savings/Investments/Emergencies Funding"

As you can see, there are many bills you will have to negotiate in your future. Obviously, if you get a higher paying job- you can afford these and many more things. But then you need to ask yourself: How do I make more money or get a better paying job?

The goal of showing you this was to instill and bit of fear to better show you why you should be motivated to research even more information on financial matters as soon as possible.

Chapter 8

Un-Employment

Here is a tip that was worth the dollar you paid for this book: Don't ever let a company give you the opportunity to "say you quit" (like if they are actually firing you). The reason is- if you document that you quit "so you can look clean for your next employment" you will be giving up any chance at getting un-employment benefits; whereas if you just let them lay you off or "fire" you- you will be eligible for un-employment benefits.

The reason they want you to say "you quit" is because often their insurance pays into the benefits, and they would get lower insurance premiums to do this.

Personal Thought Question:

How would you prepare for a day when you have rent or a mortgage to pay, and food to buy, and you lose a job? How much do you prepare for this? What are the fall out strategies?

Perhaps the scariest of all financial situations in life is the loss of a job. This can wreak havoc on your mental health, because it can be so stressful. As a result, your relationship will be tested, and to make things worse, the stress might destroy both of your sex drives, when you really need it the most to de-stress. "Given enough time, losing your income is a major fundamental cause of divorce in the United States today" (relationship psychologist Dr. Kim Iverson).

So, the first thing you need to realize is that even the government can lay you off. You need to realize that you and your financial situation are not invincible, and only when you become scared about your financial situation can you start working to make it re-enforced.

You can lose your work for a variety of reasons, like getting hurt on the job, or making a large mistake, or too many mistakes, or for virtually no reason at all do to "at will employment".

However, a big way to lose your job is to be laid off due to a recession, or perhaps the business needs someone with new skills.

Personal Thought Question:

How much money should you have saved in case of being laid off/ fired??

In general, the common rule of thumb is to have 6 months of savings in the bank in case of UN-EMPLOYMENT, because if you don't have this savings- and you lose your job- just think: you basically can't pay for anything including your mortgage, and you will lose your house and possibly your family!

Personal Thought Question:

When can you receive unemployment benefits?

You can only receive these benefits when your contract expires or you are laid off, not when you quit.

Let's look at 2 different industries that were affected as a result of the Great Recession: Trades workers and Real Estate Agents.

Trade work in general is very on and off work. You can work for a month, make great money, and then be off with no work for 2 months. At the beginning of the 2000's, the work was booming and houses were being built everywhere.

However, the pace could not be sustained, and eventually, the builders stopped building. As a result, there was very little trade work to be done, and many blue collar workers were out of work with no money coming in.

In theory, it is always better from a living standpoint to have a steady amount of money coming in, rather than a massive amount for a while, and then none at all. You go from being able to buy anything, to flat broke.

It is extremely hard to say that these trade workers should have put most of the money they were making away, because you cannot predict the future, and when you have money, you usually spend it.

You spend it, unless you realize that the good times don't always last, in which case you put it away to be used later.

For example, if they made 60,000.00 a year, for 4 years, while it takes extreme discipline, perhaps they could have spent 30k a year, and put 30k away that could not be touched or taken out and spent very easily.

This would have given them the same level of income for 8 years 4 years of which that was the recession.

The goal of most is to have an increase in finances. You may not be able to imagine how hard it is to live a certain level of life style, and then having to lower your standard of living considerably.

It is like multimillionaire sports-players, or others who have so much money, live at such an inflated lifestyle, that they end up going broke or bankrupt because of poor financial planning, or getting too addicted to spending, and then simply running out of money.

Wouldn't it make more sense to gradually increase your standard of living, and live a more stable and financially secure lifestyle?

The other side of the real estate crash highly effected real estate sales agents. People who were new to real estate sales were making 100's of thousands of dollars, many were making millions of dollars.

They lived a lifestyle that was highly elevated from the norm. However, most did not plan for the future, but rather "seized the day" and spent most everything they made. After the feast, many started to suffer from "famine" or lack of income enough to even pay their mortgage.

In the real estate sales industry, it is usually known as "feast or famine", but the famine became so great in the late 2000's that many just had to quit and take other jobs- if they could- some just might have had to live in their cars.

The main point here is that you need to plan, and have not just a rainy day fund, but a rainy year savings/ or investment account.

It may be the hardest thing you will ever have to do, but it also might save your house, your marriage, your ability not to lose your kids, your ability to sustain support for your wife and kids, and sustain a basic level of civilized life support.

Your goal, and Americas goal in general should be to at least have a place to live, and not be homeless. Try being homeless for a day- it is very weird and strange experience. If you do it for a year, you may just lose your mind- or perhaps you have already lost it.

Personal Thought Question:

Where can you hide money that is more difficult to access?

1) The first place that usually is set as a lockout for money is a CD. A CD has a set life span of different times, like 3 months, 6 months, 1 year, 5 year, 10 years ect. The benefit is that it usually keeps up with the rate of inflation, or just above it at about 3.5% a year. If you take it out early, you will be penalized financially. Plus, you need all parties to sign on taking the money out.

2) Investments can be just another way to hide your money. Try putting them with different brokerages, and then forgetting about the money. Perhaps a mutual fund that is managed for you is a good bet to put money into. You may gain a bit, or lose a bit, but it usually is safer than stocks you manage yourself. Again, the idea of mutual funds is 30 years or more, starting with $1000, and putting in $100 every month, if you make 6% it will be worth a super amount later. But it can also act like a savings account if you need the money to pay your rent, or for emergencies.

3) You could literally hide money in the ground like in ancient times

4) Buy rental Properties that you could liquidate if needed.

5) Learn to sell stuff at an e-bay auction

6) Collect antiquities and rare material- like gold

7) Other places or ideas on how to save?

8) Have started a part time online business that brings in some cash

Usually, it is best if your bank account automatically withdraws money into a savings account you cannot touch until such a time, doing it automatically without you having to think about it.

The final point to realize is that the American Economy is very cyclical. This means it cycles dramatically from highs to lows. We have huge boom times, like in the 1920's, most often followed by extreme lows- in this case "The Great Depression".

Making the connection that our American Economy is indeed highly cyclical, going from extreme highs to extreme lows- what do you do with your finances to protect them from being exhausted- and creating a terrible "financial low"?

So again, what are some things a family can do for their financial health to prevent the perils of the inevitable cyclical lows in a capitalist economy?

Again, it is usually recommended to have 6 months of savings lined up at any time just in case you happen to be let go from work.

With savings and unemployment insurance payments, you should be ok for 6 months while you work to get another job. You may have to start at a lower level than you were at your previous work, and you should expect to earn less initially.

A second way to cover yourself is to be in a financially secure marriage. This way, if one spouse loses a job, the other spouse might be able to hold the fort down for the time being. Married couples with college degrees have less of a divorce rate mostly because they earn more money, and can support each other more securely. In addition, where there is the power of 2 incomes, things start to become less expensive. For example, renting a one bedroom (that you split the cost of) might be $950, if you have a 2 bed, it might cost around 1250. Furthermore, when you have a higher amount of real estate you can afford to purchase, the "value" of the real estate becomes better and better. At the less expensive end, the value gets worse and worse.

Perhaps a third way to cover yourself in times of un-employment is to have a network of friends. This way, if you are struggling, you might be able to crash with them for a while until you get it together. This only works if you don't have a mortgage to cover.

The way the Japanese operate is to have lots of support from family, and with possibly have everybody including in laws living together.

To be an American in your 20's and still living with your family was once considered very taboo. But due to economic forces of late, it is important to establish a good relationship with your family in case you need them later.

A great way to get into even more financial trouble is to just put everything on credit cards, and then expect to pay it back. Going into debt in tough times should not be an option- you need to think ahead for these times.

Chapter 9

Debt, Credit and Negative Interest

Here is the final answer to this chapter: Just don't use credit cards period. Instead use them to simply build credit. Again they are like quick sand that can be very hard to escape.

So here is a hypothetical situation regarding credit cards and other loans:

Say you have a monthly salary of: 2000

Monthly Expenditures: 2000 (barely making to the end of the month)

Now you create a credit card that has limit of $400 in credit.

Month 1 you have: 2000 + 400

Expenses: You spend 200 extra from your 400 dollars in credit: $2200 spent

Month 2: You spend last 200 from 400 in credit:

Expenses: 2200

Now you will eventually have to pay the 400 back

Month 3: 2000 Income

Expense: 2000 (+ $100 that you pay for the debt)..

So your real spending ability is now 1900—see? But your expenses are still what they were at 2000. So if you were on a careful budget, where you used all 2000 every month, this month you are 100 short, and have to drop your standard of living $100 below normal, in addition to dropping your standard of living for the past 2 months from 2200 to 1900- a $300 drop.

Month 4: 1900 Spending power (vs. 2000)

(You spend 2100 with extra debt)

Month 5: 1900 spending power

Expend 2100

Month 6: 1900 Spending Power

Expend 2100

Now, just 400 dollars took you 4 months to pay back, and you really lowered your standard of living 100 dollars for 4 months.

So as you can see, while 400 may sound good, the reality is that it will eventually **lower** your standard of living for an extended amount of time. In this case you raised your standard of living for 2 months, and lowered your basic standard of living for 4 months.

When you artificially increase your standard of living using credit, you will have to eventually balance that out by lowering your standard of living.

However high you want to go, is actually how low you will go. The question is: How low can you go?

Personal Thought Question

If you were offered 10,000.00 in credit, what would you do?

Personal Thought Question:

How would you pay off 10k?

Personal Thought Question:

Would it be smart to go bankrupt on $10,000.00?

Or would it be better to go bankrupt on $500,000.00

Or what if you had assets tied to a credit card bankruptcy- like a house that you might lose?

"When you receive a Chapter 7 discharge, your personal liability on the mortgage is wiped out. This means that the mortgage lender cannot come after you personally if you don't pay your mortgage. However, as we discussed, the lender still has a lien on your house which does not get wiped out by your discharge. As a result, the lender still has a right to take the house back through foreclosure if you don't make your mortgage payments. So if you wish to keep your home, continue making your mortgage payments during and after your Chapter 7" (http://www.nolo.com/legal-encyclopedia/lose-home-file-chapter-7-bankruptcy.html)

Personal Thought Question:

When would be the best time to use credit/why would you use it?

Perhaps one Idea when to use credit is when you had a great business idea.

Another great time to use credit is for emergencies- like fixing a broken car. You need the car right away, because you need to take care of business.

And yet another example of a wise time for using credit would be other unexpected emergencies like a trip home for a family problem.

A bad time to use credit and credit cards is when you simply want something, and have not waited and thought about it for a while.

When you are young, the best thing you can do is to take out credit cards, keep increasing your limit, but maintain the discipline not to purchase with these cards.

The reality is, you most likely will abuse them by purchasing 10k worth of goods and services, and then when it is time to pay it all back, you simply cannot. So, now you go bankrupt over something fairly small. You ruin your credit, and as a result, are either not able to buy the perfect house that would appreciate, or you are not able to get a real loan to actually build a business that would get you ought of the situation and the daily grind, or have to pay a much higher interest rates on everything you use credit for in the future, costing you 5 times what you got free from your credit card company the first time.

Think:

So what's wrong with Bankruptcy??

Not only will banks most likely turn you down for loans you for up to 7 years, but it will take about that long to repair your credit, and you will miss possible opportunities to become a true Capitalist or Entrepreneur.

It will make it much harder to borrow money from venture capitalists and angel investors.

Bankruptcy will also make it difficult to purchase real estate, and then later more difficult to use your equity to borrow against.

Part B

Negative Interest

If you pay the absolute minimum on 2,500.00 on a purchase for a TV that's on sale- at 18% interest it will take you 28 years to pay off, and you will have paid 8,396.00

While Check Cashing stores have an allure, it may just be that you pay $700 to borrow $700. On top of that, who really pays 400%? I have seen rates at 250%. See, if you start to develop a money making attitude, rather than a money spending attitude, you will start to see things like this and say "instead of borrowing from places like this, I need to open one of these "money loaning stores" and make 250% from other people"!!

In sociology there is a concept called "self-fulfilling" prophecies. What it means is that the nature of your thinking will inadvertently create that which you expect. So if you expect bad things, and concentrate on being poor, you actually create this reality. If, however you concentrate on what you have, and in having money, you will create more.

This goes into the spiritual realm, where many spiritual people have agreed if you become **thankful** for what you have, the spirit will reward you with more. If you concentrate on what you don't have and your poverty, you may just create more of that.

Relating to credit cards and negative interest, just know that if you swim out too far, it may become much harder to create self-fulfilling prophecies and be thankful for what you have, because credit can and will actually take it all away.

The final word on Credit Cards: Basically,

Don't Use Them!!!

LIFE

PART IV

CHAPTER 10

STOCK MARKET

POSITIVE INTEREST

You need to know that you can make a lot of money in the stock market if you know what you are doing. Conversely, if you don't keep your eye on the ball, and don't know how to invest, or don't invest wisely, you can also lose a lot of money.

Like anything in this book, you need to do extra homework, and learn things about investing, because there is a lot more things you need to learn about stocks, and everything else in this book.

This is just the tip of the iceberg.

Here are a few thoughts on stocks:

You can see the stock market, and stocks as somewhat of a commodity or "GOOD".

Stocks are not a tangible asset or good however.

At the beginning of a publicly traded company (when a company goes public trying to raise equity capital), there is an initial public offering (IPO) where a company sells partial ownership to the company. If you buy shares, as shareholder you can then even vote on how you want the company to be run.

If you own 51% of the stock of a company, you essentially are the most powerful person in that company, and can even dictate how you want the company run.

After the IPO- the initial public offering, stocks are traded from person to person.

The way a stock goes up or down is when a serious investor does homework to find the company is doing well financially, he tells his broker on Wall St. that he will not sell until the price goes up 1 dollar- or other amount.

For example, Person A has 100 shares of stock that is valued at $5.00- or $500.00 worth of this company. He does research and homework and finds that company is doing well. In order to find out about a company, you could use things like a company's Earnings Reports, Balance Sheets, Income Statements, or look into a Prospectus.

More detailed rationality as why stocks go up down is beyond the scope of this book. A reason why the market volatility of stocks is somewhat of a mild phenomenon is because the stock market does not seem to correspond or align with the traditional market forces of supply and demand.

As a result, now other people may want to buy that stock. The price that other people who own that stock and are selling drives up slowly. For example, during the day the price goes up to $5.05, then 5.10, then 5.50, then 5.75. Person A waits until the individual stock price goes up to $6.00, and then he sells his 100 shares. As a result, he just made $100.00.

If this stock goes from $5 to $25 per share, how much will this person make by owning 100 shares of stock?

As you can see, the value of the stock is based on supply and demand of the investors, bought and sold with brokers, who can help negotiate reasonable sales for the investors, kind of like a broker would on the sale of a house.

Basically, the value of anything is what other people are willing to pay for it.

In addition to that, the value of something is what other people will sell it for. So the real value of a stock is simply based on either what you are willing to pay for it, or what someone else will buy it for.

If the "market" says the value of a stock is $5.00, you could try to sell it for $50.00-- but usually, the value goes up much slower, by cents, dimes and nickels.

An interesting fact to note, is that when you buy "stock" in a company, unless it is "Initial Public Offering" or IPO, you are NOT actually "investing in the company"-- because you are buying the stock from another investor, and not specifically investing in the company itself- that is giving them money to use for business activity.

And because the investment you are making is not an investment in the company, technically it can be seen as having no connection in the company itself. Rather, it is a gamble in what other investors think and feel about how the company is doing, has done, or how it will do in the future.

However, it could be said that when you invest in a company, if you were to buy big enough, you could be driving the price of the share up by 5 cents. When the price goes up 5 cents, and the people who own the company own 5 million shares, you just made them more wealthy. As a result, they have more money to invest in the company.

It is the very wealthy that own the most stock, and when they make moves in and out of a stock, they are the ones that move the prices, not so much small investors.

In addition to stocks having no investment to a company after the IPO, stocks have no "real" connection to the actual health of the economy.

Be curious- but weary of the stock market. There are many things that the stock market has influence on, where there actually is no direct connection. Here is an example: The health of the economy is sometimes reflected by the stock market, and the overall economy may move up and down with the stock market index- but which one is influencing the other? The actual economy therefore is directly correlated to the top 20% of stock investors with the most money in the market. As such, people with extraordinary amounts of money who can sell of most of their investment can influence how the media and the masses think the general health of the entire market is doing. Indeed, the Chinese government has started to invest an extra-large portion of capital into the American Stock market. They are doing this not to just make money, but could possibly be doing this as a form of leverage. That is to say, because the Chinese government is becoming a major player in our stock market, and people think that the stock market is based on how well the economy is doing, the Chinese have the ability to manipulate how Americans feel about the overall economy. So even though stocks should not be correlated with the health of the economy, most people think that it is at least an indicator, even though it may just be the top 5% or the Chinese government making the market crash and sending an emotional shock wave across the entire land.

Now is it rational to base the Entire countries economic health on what 5% of the wealthiest Americans think? And are they even American? Or would it be rational to base the health of our entire economy on a situation where China pulls out from the market so abruptly that it causes everyone to think our entire economy is actually crashing?

Sometimes, trading is actually backed up by data, which would be a good indicator of the economy, other times people trade on how they feel.

While the stock market should not totally be considered an absolute indicator of an economic markets health, it may very well be that if a company itself is heavily invested in other companies—as a way to make extra money aside from that businesses actual business--- and the stock market takes a huge hit, then the business that is heavily invested also takes a huge hit. When the company suffers stock losses, they may have to actually start laying people off- even though the product their business produced was not impacted

Finally, when you "invest" in a company, all you are really doing is trading imaginary paper among other people, hoping to beat them- in this sense it's more of a competition.

There are many philosophies on how to make money with the market. Some invest aggressively, and some not.

Learn your History:

In addition to the fact that the stock market can really be manipulated by just the top 5% wealthiest people, take into consideration lessons from history. If you keep all of your assets and savings in the stock market, despite the fact that you may have diversified in the market, take into consideration that you really have not diversified that well at all. If the market takes a dive, or crashes completely, you lose everything you have invested in the stock market, regardless of whether you have diversified among stocks.

Furthermore, it seems some people miss the mark of understanding the counterintuitive nature of the stock market. Rather than follow what everyone else does, if you want to make money, you have to lead by thinking a bit different. When the market goes from 12,000 to 6,000 like it did in 2008 from economic concerns, this is not the time to sell. For one you take a massive loss. Second, the whole idea of investing is simple, buy low and sell high. So why people follow the market and sell low with everyone else, and buy at the peaks when the stock is doing well? When the market crashes, and hits 6,000, this is the time to be bullish and buy everything you possibly can.

When others in the market are being aggressive, be a "bear". When people are being "bear", this is the time to be aggressive. That is the art to winning any sport. This is especially true with the stock market when the game is all about social wit.

Part B

POSITIVE INTEREST

On the other side of the cynicism concerning the stock market, there are some really great things about the stock market that you should definitely learn about! There is a lot to learn. So start asking questions!

Here is a question for you:

What is a Compound Interest Calculator and where do you find it?

If you go to Investor.gov, you can look up this form of calculator and play around.

But think about inflation, and also try to calculate what how 3-4% inflation effects the value of your future money.

Let's look at some examples of why compounding interest rates matter so much, and why you can create a lot of "generational wealth" with them.

Because we are going to bet on the market average with INDEX FUNDS**,** and realistically set it and forget it without trading, let's say that we make the market average of 12%.

12% for 15 years after $5,000 initial and $100 per month= $72,103.00

12% for 30 years after $5,000 initial investment and $100 per month= $439,398.00

12% for 15 years after $10,000 initial investment and 100 per month = $99,471.00

12% for 30 years after $10,000 initial investment and 100 per month = $589,198.00

10% for 15 years after $100,000 initial investment and 100 per month = $455,851.00

10% for 30 years after $100,000 initial investment and 100 per month = $1,942,333.00

The downer to this is that money will not be worth the same amount as it is today. If future dollars have 1/3 the spending power 30 years from now, 2 million is like 750k today. Still you multiplied your money 7 fold, which is not bad.

You may want to adjust for what 3.5% inflation per year would do to that money- but be careful with your calculations, because compounding is not straight forward- you can't just subtract 3.5% from 10%.

If subtracting just 3% for inflation has a significant negative impact on the value of your investments, imagine what losing another 2% would due to the value of your future investments. You would lose this extra 2% if your investment was "managed". 401Ks are often managed, and Mutual Funds are too. If possible, try to avoid the management fee, unless it more than pays for itself.

Let's now just pretend that your parents did fairly well and say for example purchased real estate. You now have $500,000.00 with which to party with.

Personal Thought Question:

How do you spend the money?

First, it would behoove you to diversify in various fields outside the stock market. However, if you were to choose small cap index funds at 12%, and you put all 500k in the market, watch what happens- it's fun:

12% after $500,000 initial investment kept in for 30 years =$14,979,971.00

If you were to add $100 per month, it's only another million, but if you left this money in for 60 years for your grand kids,

12% after $500,000 initial investment kept in for 60 years = $448,798,466.75

Beyond that, it starts to get ridiculous. When the money gets to a certain point, one idea could be setting up an annuity payment from this. An annuity is a payment every month like a paycheck that comes from such an investment above. Certain annuities can be set to have no end in their payouts, which is what is called a perpetuity annuity. So essentially, if you set things up right, with enough time, your future family may not ever even have to work, and can just raise kids with an excellent amount of opportunities.

You can play with these numbers by using an internet calculator/ called a compound interest calculator.

So how could one make his heirs 6 generations in the future Trillion - Heirs?? (trillionaires).

A good bet for him who would be to put in $2,000 initial down in to a fund, $100 per month for 200 years, and invest in the **Index** of the 25 companies of the DOW JONES INDEX, and thus earn:

$83,711,626,455,128.69

Going back the idea of Generational Wealth, and trying to address the argument that there is so much "income equality", we now have just one of many avenues that can totally destroys the argument that it is unfair. The answer to this fundamental problem can be found in this book and many others like it. In fact, after the books goal of providing basic ideas and thoughts surrounding money, the goal of this book is meant to give enough insight so that people can destroy the glass ceiling they are under.

CHAPTER 11

REAL ESTATE

(Yet another factor in creating generational wealth, and destroying the wage gap/ income inequality).

What do you know about real estate?

Were you aware:

1) More millionaires are made in real estate than in any other discipline? (not billionaires)
2) Major mistakes in the field of real estate could put you in complete poverty?
3) With interest you pay to the bank over 30 years, you will effectively pay double for that house? For example, if you buy a house for $100,000.00, you will effectively pay $200,000.00 for that house after 30 years (You'll pay 100k in interest).
4) On average, people sell their house every 7-8 years?
5) Real estate is something that needs to be thought about with LONG term planning, and that fluctuations of value and appreciation with-in a matter of 10 years mean virtually nothing?
6) The value of housing *usually,* or better put "<u>on average</u>" appreciates at 3-4% with inflation. In theory, this might mean a 65,000 house purchase in 1980 would value at about 165,000 30 years later. However, using averages is not necessarily the correct way to view the matter. What matters the most for appreciation is location. If the 65,000 house was put somewhere else, it could rise to 300-350K or more- or less than 165,000. In Vegas, sale prices in some areas are the same as they were 30 years ago- meaning -3% appreciation.
7) Did you know that the value of a dollar in 1980 was worth the value of nearly 3 dollars today?
8) The real cost of goods (especially electronics) is actually going down when you look at it over time, and from a "*value*" perspective.
9) Minimum wage usually is set to rise with inflation
10) When thinking about how much you can afford, be sure to look at HOA fees, Taxes and Insurance, and don't exceed 30% of your NET income.

A great calculator to use is the <u>Consumer Price Indicator</u> to give estimates of past and present USD value.

More millionaires make the majority of their money in real estate than any other capacity. Perhaps the reverse is also true. Many people become impoverished as a result of real estate dealings, one example being the "Global Financial Crisis of 2008"—a reality that very much motivated the writing of this book.

The principal that drives all these things is the fact that that there is so much money involved in real estate.

With regards to mistakes that can be in real estate, ignorance is not bliss, especially when dealing with a capital investment that involves so much money that it becomes hard to comprehend just how much you are actually spending.

Here are some more things you should be aware of:

1)

ARM's or adjustable rate mortgages would only be a wise decision if the interest rates were 17% and set to go down, a fact you knew. If rates are low, you **always** go with a **fixed rate**, despite assuming you might be able to refinance. The reason is if the interest rate goes up even a little, then your mortgage payment will very well become too expensive for you to afford. And never make assumptions that you will be able to refinance later on. Selling and Buying ARMs was a central cause to the "Global Financial Crisis of 2008".

2)

If you pay a mortgage *bi-monthly* mortgage, that is pay 2 times a month, and/or you do a *15-year mortgage*, you could save a massive amount of money. If you do 30 years, you pay less money in monthly payments, but you pay more altogether. Note, at about 3% interest, the actual price of your house will cost double the sticker price after 30 years.

3)

If you have heard of Reverse Mortgages, you may be unclear. Essentially, they give you a loan on the equity you have paid in to the house. Then you pay interest on your own money in addition to having to pay your money back, which really does not make sense. Buyer beware.

Am I telling you the truth on this? It seems absurd right? But do you know this is correct? Are you willing to trust what this author tells you, or if you're interested and it pertains to you, will you perhaps research if what I am telling you is correct and accurate? When you become a senior citizen, the flood gates will open for people to take advantage of you.

4)

As for timeshares, they are expensive, mostly because of maintenance fees, but they force you on vacation which actually increases life span. But do the math.

As a general rule, real estate and business takes math, and “proper” “assumptions”. Sometimes our math and assumption skills are not very good.

You do not want to buy a timeshare, unless you are very well off. The reason is the Maintenance fees, and the fact that some you can never get rid of. The only way to get rid of them is to go bankrupt.

However, in some instances, if not all instances, you can actually go bankrupt on one asset, and as long as you continue to pay for things like your primary residence, or investment properties, you can continue to keep those things! Significant legal help would be required to get yourself out of purchasing one. You don’t want to go bankrupt at all, not on something like this. And note that the resell market is not going to work, just get a lawyer. But before you do that, probably watch out for the maintenance fees and actual price tag of the thing.

5)

Try to look online for as many real estate calculators as you possibly can. Get familiar with them. They are important. See what an “Amortization Calculator” is, and how the amortization schedule will affect your principal/equity, and your interest. See what refinancing would do to this schedule. A great place for this is the Yahoo Finance area, and the Yahoo Real Estate Calculators. Ask yourself questions, and make the connections.

Personal Thought Question

Do you know what you want from life?

Is it a nuclear family? Or living single in a city?

Will you relocate and to where?

Just realize that buying a house or condo is no small task that you should be cavalier and nonchalant about. 15-30 years is a long time.

Major questions need to be raised during many aspects of a person’s life. It would behoove you to spend time asking yourself things to answers you seek. You have to know what you’re looking for if you are going to find what you’re looking for. But the tough part is creating specific questions to ask yourself.

When deciding on real estate purchases, keep your wits about you. Ask yourself and your partner tough questions.

It is the single most expensive decision you might ever make.

Personal Thought Question:

How do you calculate how much your mortgage will be and how much you can actually afford?

The answer is by looking at the various calculators that there are on the internet. Just like you can look for "Compound Interest Calculator" that will tell you the answer to how much you might make by investing your money, you can find calculators like "Yahoo Mortgage Calculator" and other calculators on Yahoo or the Net that will surly help you with all your real estate questions.

Basically, banks feel they want your mortgage to be less than 1/3 what you expect to constantly bring in. The less you spend on mortgage or rent, the more you can spend on everything else.

Personal Thought Question:

Why would you buy a house?

Primarily, the idea is that while rental prices keep going up every year, your mortgage payments will stay the same, and become less of a burden each year. For example, right now you can rent at $900 per month or buy into a mortgage at $900 per month. In 10 years that same rent will be say 1600, and your mortgage will still be $900 (if the mortgage % rate is fixed like it always should be).

When examining real estate, you should use not only good solid logic, but also try and use a bit of liberal understanding as well. For Example, if your plan was to hold a house for only 7 years, one could argue that you may as well rent, because you are only going to be paying interest payments during this time, paying very little to the principle, and when you sell, you will have developed virtually no equity. If you used a down payment, most of it will have vanished into the interest payments.

On the flip side, the other party could say that "they would actually make money when they sold in 7 years, because the value will be worth say 20% more than they bought the house at, and this will translate into a profit. But if the market for housing averages only 3-4% they are merely keeping up with the rate of inflation, and actually not making a profit. Further, what if the market takes a dive? The argument is open, but why not add some spice and move every year to a new exciting community if you are not prepared for the long haul of a 15 to 30-year mortgage?

Finally, never assume that the market will do what you think it will. Usually it will do quite the opposite.

The problem with buying a house is that for one it is a huge investment. Lots of research should be done on the area you think you might like, the schools, businesses etc. More importantly is the fact that it is a long term commitment. Most people do not realize how long 30 years of a mortgage payment is, and purchasing a home is something that should be done when you know you are ready to settle into a community for the long term.

It can be complicated to understand the amortization mathematics. Calculators abound on the internet to help you with every aspect of your financial mathematics. You can play with numbers, see schedules, and perform financial computations for things you can't even imagine.

With Refinancing basically, <u>if you refinance, you start over paying the **maximum** *interest* payments,</u> and are automatically paying down <u>less on your principal</u>. So even if you get a better interest rate, the reality is that because you are now starting over on the amortization schedule and paying mostly interest initially, you could end up paying more interest over the life of the loan than you would have if you had kept the original loan.

The way the sales agents will spin it is that you will now pay less interest overall, but you must not forget how much you have already paid to interest, and how starting over on the schedule it will affect your overall health. This may require that you manually add up all numbers. This could be time consuming, but it may save you a lot of money.

Basically remember the interest payments that you have already dumped into the bank.

While real estate can be a lucrative investment, it can also be a disaster if you don't know what you are doing.

PART 2: Other Real Estate Investments

If you want to be more liberal, and have more liquid cash in the present times, consider the following avenues of investing:

Fixing and Flipping

Renting Multi-families

Building and selling/renting

Buy land and hold

Developing land/dirt with utilities

Foreclosures

Short Sales

Options to buy

REIT's

Auctions/Tax Liens

HUD Homes (purchase on discount)

Fannie Mae Home Path Homes (purchase on discount)

REO's (owned by the banks)

Other creative and even exotic ways exist. Information is power- and good information is often hidden/ or expensive.

Because capitalism is a beast, be aware of dis-information.

Including many other creative ways to make much needed capital (if you need to make investments or start a business).

If you want details on these topics, there is no shortage of books pertaining to each discipline. It would behoove you to become educated by reading on them. Reading and getting knowledge about real estate can be highly beneficial, for one to motivate you, to prevent you from making mistakes, and to help your financial health by leaps and bounds. There is a lot of money on table when it comes to real estate, which is why many become filthy rich when dealing with it, and others just become plain filthy because they have no home, or knowledge on real estate.

Here are some basic concepts that you might find from attaining education on making money off of real estate.

Fixing and Flipping

Purchasing at auctions is a good method to find cheap properties, but the downsides are that it moves very quick, it can be hard to inspect the property before hand, the owners can trash the place before they leave, you have to have all the money in cash up front, or at least be approved for the money to buy that day, and among other things, you need to also have money to fix the place up.

Probate

Buying an estate by contacting members of a family where a member of their family passed away. This information can be found at the court house.

Renting Multi-families

The benefit of renting multi families is that you can set yourself up to not have to pay association dues and fees. These HOA's can often be so high on each property, that it destroys any profit, and might actually make it cost money to own.

As opposed to buying single condos or apartments, with multi-family units the theory is that you get more bang for your buck.

Purchasing a multifamily could be a way to have tenants pay your mortgage, where you don't have to see them in your living space. For example, if you buy a 4-unit apartment complex, and rent 3 units out, you might be able to live mortgage free, and be able to invest the money you have saved.

Building and selling/renting

Building housing has potential, but could also be more expensive. For example, there are government programs that sponsor people with grants to build low income family housing. On the other hand, major builders who mass produce housing can often do it for a discounted rate.

Buy land and hold

This is how some have made billions. Many years ago, a gentleman purchased portions of Manhattan Island. When the town grew, he sold, and then bought surrounding land further out of the city. He did this until he had virtually bought and sold the entire bit of New York City.

Developing land/dirt with utilities

Developing has different meanings, in this case the developer is not the builder, but one who prepares land for future housing.

"Short Sales" or "Pre-Foreclosures"

A short sale is a "Pre- Foreclosure". These were big in during and after the recession. Essentially, an owner that was facing foreclosure, and went to investors to see if they wanted a discounted house, or an investor would find a Pre-Foreclosure that was listed by the bank.

A real estate agent would have to negotiate with the banks to take low ball offer from the investor, and if they did, the people who bought the house would avoid bankruptcy, and thus not lose all their assets in the bankruptcy.

The banks would sometimes accept a low offer, because even though they would lose money, they would not have to resale the house.

A question was why did people destroy their former homes? Perhaps so that banks would take more short sale offers, and then not be left with a disaster of a home that they would have to sell even cheaper. Investors at auctions did not care about missing dry wall however, as dry wall is one of the cheapest things to fix on a house. So banks would sometimes take a short sale, but it became harder to do, because investors were ready to give good offers at auctions. After the recession, they quickly bid prices sky high, and absorbed a good deal of the market. This lack of supply, and limited quantity caused a huge demand with interest rates low, and just 5 years after a person could buy a house for an average of 1/3 the cost to build (or 1/3 the cost to build of $125-$150 sq. ft. depending---at $50.00 a square foot) by 2015, places like Denver have virtually no 15-year-old 3 bed 2 bath homes in the far suburbs for less than $300,000.00 USD… for 1920 sq. ft.- which is cost to build given US trade labor standard wage.

REOs

This means Real Estate Owned by the Bank. This happens after a property gets foreclosed on, and does not get purchased at auction- thus it goes back to the bank that originally loaned on it.

Tax Liens

Go to the courthouse records or tax area and you can pick up a brochure that tells what properties are going to auctions and when, in addition to buying a debt of tax that someone else failed to pay to the government, and thus the government will not only give you an in interest rate that is very high – past 12%, just for freeing that tax liability to them. Some states allow you to own the property after a year has passed.

Options to buy

When Donald Trump was building a building in Hawaii, people were lined up for weeks outside the sales office waiting for it to open. Many of those people lined up were hired by the investors. The investors then bought the option to buy a condo before the ground was even broke. The thinking was that once the building was built, the condos price would skyrocket, and they would then sell their position of the nearly sold out project for much more than they initially were set to pay.

REIT's

This is for those who don't want to deal with the actual real estate. An REIT is a Real Estate Investment Trust that is basically a stock of one or more real estate developers. These stocks are fairly stable and offer a highly competitive return.

Fannie Mae

When the market supply was high, and the demand was low, these were properties that you could buy cheap. The timing of the market is important. Fannie Mae had pool sales in the early 2000's where major investment firms spent hundreds of millions of dollars to buy properties all across the country for 1/3 what it cost to build, and 1/4 the price they should have been worth.

HUD

HUD is the Department of Housing and Urban Development. Along with Fannie Mae (who is actually a government agency that buys mortgage debt to free up capital for the banks) HUD is another agency that provides programs to help build communities.

Here is where the book will pay off. This alone should validate the $9.95 expense for the book. Consider this your $5,000.00 seminar encouraging you, and selling you into the idea of investing in real estate. Long ago in Europe, the upper class were called the Bourgeoisie and lower class were called the Proletariat. They are still referred to names like these today in other countries. Some distinguishing factors of why some were called Bourgeoisie, and some were called Proletariat was that the Upper Class were "land owners" or "real estate" owners, and the lower class were the working class. Some of the definitions of "Bourgeoisie" include land owner/ real estate owner.

Not much has changed over the years. One example you could look at is Donald Trump. His father made much of his wealth through Real Estate, and Trump himself was the richest man on Earth there for a while, mostly because of his real estate business. He was the richest, until about the time he got divorced, and then it is interesting to look at his net worth chart, that crashed into the ground. But he made it back financially, and his popularity even grew.

While most of US are not as Hypomanic as Trump to make so much money, lost so much money, and made it back again. We may not all be willing to take multi-million dollar risks he took, but the point you should take is saving and investing your money in real estate is arguably a much safer bet than the stock market. If the people in the stock market panic, and it crashes—your investments can simply vanish, evaporate, and be completely vaporized to a point where you lose every hard saved dollar you invested. With real estate—you will still have a physical, tangible structure- that will keep people under shelter- locked in, and off the street corner if other people in your community start to panic about the economy. It is also easier to take money out of the stock market, because it is more liquid. Thus, it is easier to take and spend when you need it. In addition, with real estate, if you have 20k you can immediately lock up 100k worth of real estate to gain value over 15-30 years, rather than be tempted to spend the liquid 20k.

So here is your sales pitch on real estate investing. Mind you I am not selling you as real estate agent would sell you on an overly expensive home, but as sort of a financial advisor. The Down Payment for an investment property used to be 30% of the property. However, now you can do it at 20%. So if you wanted to buy a $100,000.00 condo, you would have to save up $20,000.00. Later, I will give ideas on how you could possibly even borrow that first 20k.

When you rent the property out, do not expect to make money of the rental. It is sad, but it is very hard to make actual “cash flow” off the property. In fact, after a few years of reading <u>Rich Dad</u>, I finally saw why he was saying that you should buy an entire Complex consisting of 4 rental units, as opposed to buying 1 condo in a large complex. The reason is the Fees. Mostly, the HOA fee is anywhere around the ball park of $200-$250 a month. The problem is, this money right here *would* have been profit, but is now going to the “association”. Meaning, the people who own the large complex are taking most of the profit that could be yours. And note that garbage service is not $10,000.00 a month.

Obviously, if you could buy your own complex for 250k with $50,000 down, and 4 units, and not have to pay association fees, you now profit an extra $1,000.00 a month, and recoup the down payment in about 4 years. Then that is all extra flow- minus expenses and headaches.

But here is why real estate is such a great deal. When you have 20k, and go into real estate, you can now leverage the money to be investing the money with 5 times the power.

So for example, if you took 20k and went to the stock market, after 15 years, in order to walk away with $100,000.00, you would have to earn about 11.5% Annually for 15 years. The problem is, trying to find an investment that pays nearly 12% like this very hard to find. What if you only earn 6%? The money will only be worth 3% more due to inflation.

But here is how it works with real estate. You take 20k and borrow 80k. Now let’s say that, even though rent for the unit will continue to rise, we will figure rent starts at $1,000 month, and ends 15 years later at $1,500 month, for an average of $1,250.00. But account for 2 months of no rent per year- so $1,250 x 10 months x 15 years. This equals about $187,000 in rent over 15 years, and due to the bank interest, the total cost for the place over 15 years would be say- 150k-190k.

Let's say you start the rent at $1,000.00 and in this case, the Mortgage amount was actually only 591 a month, the property taxes were $83 and the hazard insurance was 25, for a total of $700.00. And that would leave you with about a $300.00 profit- which would be great! But then remember you have $250 in "association fees" so your "cash flow" goes from $300.00 to $50.00, minus repairs and headaches.

You can check these numbers using the "Mortgage Calculator" on Yahoo Finance

http://finance.yahoo.com/calculator/loans/hom03/

Unfortunately, it appears Yahoo no longer says how much you will pay interest. Try to find a calculator that will show you how much in interest you pay- so that you can see not only how the rate of interest effects the total price, but how a 15-year mortgage would compare to a 30-year mortgage. A mortgage with 3% over 30 years is usually double- but check that. So if you buy a single condo in a complex for 100k, after about 30 years at 3%, the total you will pay to the back is around 200k. You will pay much less in interest with a 15-year mortgage. If you can afford the higher monthly payments a 15-year mortgage has, you could pay the investment property off wicked quick, and then you would have an extra 15 years of straight rental payments going directly into your bank account every single month!

Imagine renting a property for 30 years, and having to put the $1,250 of rent into the mortgage every month for 30 years. Now imagine paying the mortgage off in 15 years. You have the entire asset paid off. So when you sell, you get the money the place is worth. But now, let's say you pay off the 15-year mortgage, and you hold the property for yet another 15-20 years, so every month, you put that $1,250+ rent in *your* bank account, and don't give it to the bank as interest.

Note: taking into account the monthly rent for 15 years, that is going directly into your bank account will drastically change the interest rate that you are about to see. By taking the rent payments into account for an extra 15 years, giving you a total of a 30-year investment, you will have to recalculate the 14.65% figure that will be given next for a 15-year investment.

Note that in terms of your *primary* home, not the investment, not only will a 15-year mortgage save you money in the long run, when you finally pay that off over the long 15 years, you would now be rent free—and mortgage free! Think about what not having to pay a mortgage for 15 more years would do to your disposable monthly income! If you wanted even more- you would now be open to taking a hard money loan on the equity in your primary residence, and leveraging that money X 5 – that is to say you would have 100k in equity, and now could put 20k as the down payment on 5 investment properties.

http://finance.yahoo.com/calculator/index/

So back to investing, you made it through the long 15 years of managing an investment property. Now it is time to sell. How much do you think you will be able to sell for?

So in terms of appreciation and inflation, here is what some experts have said. Real Estate averages an appreciation of about 3% annually, while inflation averages an annual rate of about 3%. So effectively, the inflation rate will cancel out any *actual* appreciation. This means that you will not actually experience positive gains with appreciation, but it does mean that your investment kept up with inflation. So essentially, the same amount of dollar worth/value you paid for the property today, will, on average, be worth the same dollar worth/value 15 years later. So if your property appreciates 3% over 15 years, you can use the compound interest calculator to see what 3% interest will do to 100k in 15 years. And what it does if you check, is that it makes that 100k property worth 155k. The value of 100k today will be worth the value of 155k in 15 years —ball park figure. You could also use a "future inflation calculator".

And, this means if your appreciation is also 3%, then the hypothetical estimated value of the property in the future, that is, the price that you could hypothetically get for your property, would be around $155,000.00

So, even though you had to manage the property, and deal with headaches, if you take a look at the interest rate you made after 15 years, you would find that in order to turn your original 20k investment into 155k in 15 years in the stock market, you would have to make about 14.65% Interest on your stock investments.

So, again, with real estate investments, not only do you have a high probability of attaining a nominal rate of return of nearly 15% on most, you start out leveraging 5 times your actual capital on an investment, where in the stock market, the money you start with is the only money you are working with, in addition to the fact it is just a great tangible asset that holds value over the long run, and its value is less impacted by the social game of stocks.

So where can you go if you do not have 20k in savings to start with?

Here is a tip, some of you College Students may have trust funds that you may not even be aware of. A good bit of advice would be not to spend that savings as if it were income, but instead work, and lock it up untouchable into a 10-year CD, until you are about 35 and have seen how hard it would be to save that kind of money, and would be responsible enough to manage it. Or, better yet, put it into a real estate investment property that you could liquidate if you needed to.

Another way to come up with 20k is to ask your parents and relatives.

Again, the methods of actual funding include hard money, and private money. But, while it may seem like a good idea to go to a hard money firm, and request 20k, so you can then go to a bank and request 80k, the problem with this is that both funding parties are going to want the 1st lien, or 1st "deed of trust". However, if you were able to establish a relationship with either party, or rather, you did enough shopping to find a lender who would take the second deed of trust/ second lien, then you could borrow 100k from one, go to the next, borrow 400k, and every year in 15 years, be selling a property worth (todays) 500k.

A second long shot would be to establish a ton of credit while in college. Then, make some of that money "lines of credit" or credit that had a huge cash advance limit. Or, you could somehow get 30k in credit, buy something for $5,000.00 and then return it for cash. That may not work, but you get the idea that you might have to start getting creative. Like going to numerous different banks, and requesting micro loans for the initial down payment. The problem of course is that most banks want to see that you have a certain amount of risk in the game, and that the cash you put up is yours, not just credit card debt. So the bottom line is that double leveraging may be a good idea, and could theoretically work, but it would basically require a lot of shopping around for lenders that were willing to work with your stipulations.

Perhaps the best idea would be to just create good credit in college, and instead of going bankrupt on college debt, look into Private Money. The rates will be extraordinarily high, that is, the money will not come cheap, but it is a way to get a foot hold. Then after you have built some equity in the place with rent, or other savings, you would refinance with a big bank and better interest rate.

A great idea that will be discussed in the retirement section is to purchase a cheap primary residence with 3% down, and then turn it into an investment property after you have achieved 20% equity.

Chapter 12

Retirement

What do you picture or even fantasize your Retirement to be like?

Perhaps the toughest part of the future for any of you will be the notion of retirement. If you did well at saving and investing, you may be able to live on a fixed income. Most likely, it will be less than your average paycheck.

Question:

What do you think about retirement and living on a fixed income?

Question:

Do you think you will be able to retire?

Question:

At what age do you think you will be when you don't have to work anymore?

Question:

Can you picture working until 65, and then become homeless, with no way to pay rent or food, or anything else?

Question:

Can you really understand what making good income would be like, but then living a much lower standard of living in your "Golden Years"?

Question:

Do you think about time- and how long it takes to get somewhere financially?

We all grew up living on our parents dime. The money they were making at 40 50 and 60 years of age when were with them was most likely more than we might experience at 20 and 30 respectively. Just be aware, these years can be very thin, sometimes shockingly thin.

Question:

Can you picture working until you die?

Social Security was made as a fall back for individuals who did not invest or save their money as well as others. It was set up to provide, and still as of 2012 provides about $1,000.00 per month for a person to keep shelter and buy a bit of food- basically just the absolute bare minimum to sustain living arrangements.

Currently, congress is under control of the situation with 2 options of what to do concerning the shortage of funding in Social Security. One option will be that only 75% of individuals will get to receive social security, basically the upper 25% of people who don't absolutely need it will not get it. The other option is that social security will be set to only pay 75% of what it otherwise would be. Still, $1,000 a month only works if you don't have to pay over half of it in rent.

Thought Question:

What are ways to prepare for retirement???

1)

2)

3)

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14)

15)

Some of these ideas could include:

1) Social Security
2) Real Estate Investments/ Or Owning a home outright
3) Stock Investments
4) Bonds, mutual funds, Currencies, REIT's, Index Funds,
5) Health Insurance
6) Saving money, by putting it in a CD or Savings- possibly in non-US banks
7) Marry someone rich, or with a higher financial IQ
8) Retire in Another Country
9) Owning a Business/Franchise
10) The Government
11) A solid company with a pension fund
12) IRA and Roth IRA
13) 401K
14) Diversify
15) Avoid Scams

Actually accomplish a couple of these, and you may fare just fine!

1)

Will Social Security Save you?

So the first way to prepare for retirement is: to do nothing!

Social Security will take care of you. Or will it?

According to Social Security Administration, benefits will run out for everyone in 2037, after that only about 75% will receive it. Congress is not totally clear on what they are going to do however.

It could be that 100% of people are eligible to receive it, but the payments may decrease to about 75% of what they are today.

This takes in to consideration a number of "assumptions" regarding things like:

What the tax code will do for it

If this pension fund is invested, and then crashes or is stolen;

What congress is going to do for it in the Fall 2013 Budget Proposal, (where-in they are currently proposing to allocate only 1/16 of funding for what the social security budget currently is).

In addition to this, social security is only currently about 1,000 per month.

If you owned a house, this would all be disposable income. But if you had to pay rent, you would be spending $650 of that, and only be left with $350, or perhaps less in your Golden Years.

However, if you were to have bought a house, and paid it off, you would be living free and clear of any rent or mortgage. Now, you can use your entire $1000 dollars of social security for living expenses, and not have to spend $650-$750 of that on rent.

In addition to that, you should be very wary about what is going on with social security, because as of now the liability of social security is 16 Trillion. This is a reason it is unsustainable. If you look on USdebtclock.org, you will find that there is a mysterious drop in the social security liabilities. In 2017 it will be only 1 Trillion.

2)

Real Estate Investments

The most likely outcome to your future is to rely on Social Security. However, your Social Security check will go further if you do not have to spend most of it on rent. This is arguably one reason why our leaders approved a bill at the beginning of the millennia that would promote people buying a house. If the people had a house, then at least they would not be homeless- they could pay off the house and live in it. However, due to market forces outside of political control at the time, things got messed up, to put it simple.

The main idea of buying a house is to hold it for the long run. However, most people will sell their house every 7-8 years. If people become clever, they may realize that this is financially not prudent.

Instead of selling your house every 7 years and buying another, a smarter thing to do would be to save up money to buy the next house, and rent-out the house that you were going to sell.

Now, the renters pay off your old house, and it becomes a "nest egg" of considerable profit when you finally do sell it off. In addition, you do not lose all the money you spent on interest.

Otherwise, you may as well rent, because in 7 years you have only paid mostly interest to the bank, and not much to your "principal" (the mortgage note or the payments actually going into the house), and thus you lose all that when you sell. See the "amortization schedule" on a mortgage calculator.

Still, most people would rather just sell than have a property management company rent their investment. Then they could use the money from the sale, assuming any, to buy the next house.

Indeed, living in a house for more than 30 years could be tough to do. As a result, most people sell after 7. But if you take this mentality, do not be surprised to be renting an apartment for $600 upon retirement, and living on social security, if it exists.

If there is no social security, you may have to rely on family. If you have no family, do not be surprised to be out in the cold. One commentator on the future of America said America in the future may look like a third world country. You will have gated communities of the extremely rich, and outside there will be crime, excessive homelessness, and all out poverty.

If you want to do extremely well in retirement, consider different avenues of investing in real estate, besides just trying to buy a residence to live in. A key for you to recognize is that it can be a better financial avenue to generate money from real estate, than to work just to pay the mortgage.

One simple way to do this is that when you move after 7 years, (as it can be difficult to live in the same place for 30 years), find another way to come up with the down payment for your next place, and hold on to the former house so you can rent it out. In this case, it might behoove you to take out a second mortgage- or use "cash-out refinance" to put money down on another residence.

If you keep the first property, you may be able to rent it out, and thus create a large "nest egg" that you could then sell later. By renting, you may not attain positive cash flow, you might even have to spend a little, but the renters will be paying off the interest and mortgage, so it is free and clear in 15-30 years.

Catapulting from the real estate investing piece in the previous chapter, if you desire to create with real estate rental investments, but don't have 20-30% for the down payment, you can purchase a "primary residence" for as low as 3% down. One of these loans is called a "conventional 97".

Remember that if investing using this methodology, you would have to achieve 20% equity in the property before you can turn the property in to an investment property, that would free you up to then go out and buy another "primary residence" with just 3% down. And you can only have 1 Primary Residence. So in order to achieve 20% equity, you would want the property to be cheap.

So, for example, a good bet would be to try and buy a piece of real estate for anywhere from $10,000 to $100,000 with $3,000 down. Maybe you do a 30-year mortgage so the mortgage is cheaper//less monthly, and you put extra money you might have into the house until you have 20% equity. If you are not married, maybe you even rent the rooms of your home out, and put that money directly into the equity.

When you refinance to it to become an investment property, you might want to have a 15-year mortgage.

One idea could be to buy a cheap, affordable place that you could actually "pre pay" on the mortgage, so you would not be spending so much in interest payments to the banks. By pre paying on a mortgage, you could avoid the interest, but the ability to prepay on your mortgage must in your contract.

So of the numerous ways to make money in the real estate market, the idea here that you would just continue adding real estate properties to your portfolio with the method of trying to build up 20% equity in the condo over say 3-4 years. Then, either take the equity or rather the cash out of the home to put on a new investment property, or turn the one you were living in for 3-4 years into the investment property. With the later of turning the house you lived in into the investment property, you go out, and you put 3% down on a brand new "primary residence" using a conventional 97 loan program. You may want to stay in your home, or maybe, the woman in your life could find that exciting to move to a new place every so often. Although, if you were to eventually have kids, the best thing to do for them would be to keep yourselves in the same school district.

3)

The Stock Market

We covered the basics, but it is up to you to do further investigative work. This book was meant to only be a sampler- covering the basics. But if you do your research- you may find Index's (like the 30 or so stocks in the Dow Jones Index) are a great way to go.

4)

Bonds, mutual funds, Currencies, REIT's, Index Funds,

The best return in the market has been said to be not in Mutual Funds (that are many stocks in one "fund" that have a manager), but rather the best return in the market is actually betting on the markets average overall return over the years, also known as Index Funds.

However, ever since the real estate market crashed, and investment firms like "Black Rock" borrowed money from people to go out and purchase real estate- these Real Estate Investment Trusts "REIT"s have returned averages of like 25% in 2010-2015. Sometimes, builders of real estate offer stock so they have working capital, and then give these far out returns.

Currency trading is an animal of its own, but look into it. Bonds are offered by even the government, and many give a dividend. A dividend is like say 6% on $1,000.00 and is usually a fairly safe bet.

5)

Health Insurance Issues and Expenses

Here is something cool. Go to USdebtClock.org and see how the money in our government is being spent and received. Then skip to 2017. What you may notice is that Medicare is 85 TRILLION, and prescription drug coverage for baby booming seniors is at 21 TRILLION. But in the future, Medicare is set to be 1/85 of the allocated funds of today, at only 1 TRILLION.

You basically are going to have NO health insurance coverage from "Medicare". So if the reason our lifespan is going up and up to an average of 80 years, and many people are even living to 100 years old in the 2010's, the USA might actually see a decline in lifespan!

It would behoove you to get the highest grade insurance on the Affordable Health Care Act.

6)

Savings

It is tough to live in such a place where there are so many nice things. We in the states need to realize that we should not extend ourselves beyond our means. This means with everything from the car we drive to the place we live. To know our true financial capability is the first question you should ask when you get in to the real world. Be careful of making mistakes- and capitalize on opportunities when you can. Set your priorities to what you really need. And be extremely weary of going too far in debt…how much is more than you can handle?

Most likely, with American capitalism, you should understand that you may never be able to buy EVERYTHING you want. That is why you need to pick and choose.

And because having money is addictive, it seems as if you never have enough. Sometimes if you're thankful for what you have, you will actually get more, because that is where your focus is. Or maybe it will just feel like you have more. If your focus is on being poor, then in some spiritual far out way- it's like that is actually where you head. If your focus is on making money, and pretending your well-to-do, it might actually be possible in some spiritual way that that is where your heading is- becoming well-to-do. The reality of money is that virtually everyone will struggle with money; it just matters how you deal with it.

News stories have covered that Millennials are actually really good about saving. They may be the first generation in the US to have such a focus on saving well, and the first generation to do such a great job with saving. So, uh, good job. No advice needed. Liberals being fiscally Conservative. I can't even think straight anymore.

7)

Marry Rich

If you are smart enough to make a ton of money in life, you should be smart enough to at least pull a power play on the love of your life- the one who you are excited to marry. What that means is to sign a prenuptial agreement defining where the assets will go IF things go South. What a pre-nup will do is actually strengthen a marriage, because now the other party has less incentive to break up due to the reality that they will leave empty handed.

Furthermore, while many marry into their social bracket, in the USA you can marry into any income bracket. As a result, from a financial standpoint- it helps if your partner handles money the same way you do.

8)

Retire in another Country

Have you ever heard of the Purchasing Power – Parity? It describes the situation where a candy bar in Canada should cost the same as it does in the states- if you use the exchange rate to account for the difference in currency power.

However, while you can use the exchange rate to guess how far your dollar might go in another country, this method can be way off. A better method would be to examine the Consumer Price Index for other countries. There are some exotic places that you can go in the world- like Thailand where the dollar can go very far, and you can live like a king, where in America you would live like a popper.

One consumer price index showed that 1/3 world actually *could* mean that *many* countries currencies would only go 1/3 as far in the United States, and the US currency would go 3 x times as far in many other countries- the same ones with the strange currency conversion calculations.

For the most part though, gauging the true purchasing power of the US dollar in other countries will require some really good research.

And it actually appears that a Visa to travel only allows foreigners for about three months. But there are ways around this, like the reality that might have to get your passport stamped by entering a new country every 3 months. While you theoretically could lose your US residency by staying in another country too long, it is hard to do. But look into that.

9)

Owning a Business

If you get rich through any means, the prudent thing to do is effectively manage and budget your money. This requires guessing how many years you will live, and the life style you want. If you own a business, and it has done well, chances are that you don't need to worry that much about retirement. It may take 30 years to build the business, but after this, hopefully it will take of you.

10)

The Government

The government is a great way to go to get a pension. In most cases, after you have worked 20 years for the government, they give you a paycheck for the rest of your life, but it is usually a fraction of what you were making while at work. Think of this example: A guy or gal joins the military at age 18. They didn't think they would re-enlist, but they realized it actually was not that bad of a gig. After 20 years, at age 38- they can actually retire with all the benefits and a bit of retirement pay. For other government work, the government usually requires that you have a college degree.

11)

A solid company with a pension fund

These companies are few and far between anymore. While the old traditions held that company would look after their employees in retirement by setting them up with some sort of retirement plan, today companies are less likely to do this. In addition, it is unlikely that you will work with one company for your entire life. As a result, it is just another factor that should awaken you to planning your own retirement if you deem you want one.

12)

401K

The way that a 401K works is that essentially they are a way for a company to promote retirement by promoting investment in the stock market. They do this in part so they do not feel obligated to provide a pension after 20 years like the Government. They promote this by matching a certain amount of your investment sometimes 50% to 100% up to a maximum amount. You can always invest more that will not be matched however.

Be aware however, that if you want something done right, you should do it yourself. As legend has it, according to 60 Minutes on CNBC and CBS, the recent recession that caused the stock market to take a huge dive- of course affected 401Ks in a massive way. People who had saved all their lives, had lost over 50% of their retirement fund, and many at a conference said they could now never retire, or could only retire much later. Furthermore, it was discussed in 60 minutes that the selection of funds to choose from in these 401Ks were considered by experts as "mediocre" at best. So instead of having a broker manage money to earn 10% on money invested, these 401Ks would only earn say 6%. In addition to this, it was noted that the fees associated with managing their 401K were disclosed in places hard to be found, because they were at such a steep cost.

The point is, if a company offers a 401K, you should probably take it, but don't rely on it as your only method of saving for the future. It can easily be wiped out, the management fees to manage the 401Ks are extraordinarily expensive, and the stocks they contain to begin with are not very aggressive. Essentially, if you take away the stock market as an avenue of making money or retiring, your left with only tangible assets like real estate. Preparing for ridiculousness, like something catastrophic that destroys the stock market would be a safe move. In this case, foreign currencies and/or tangible assets like real estate would be a good bet to diversify/hedge with.

13)

IRA or Roth IRA

An IRA stands for Individual Retirement Account. With this account you can invest in anything you think is a good bet- Bonds, Money Market exchanges, Gold, industry sectors or specific companies. Betting on horses in Vegas may be more fun, and much quicker, but the payout for investments like these is much more stable. With an IRA, you get a tax "deduction" when you put money into this account. As of 2013, the max you can invest per year is $5,500. You pay taxes on this when you take it out after you reach 59 ½ years of age.

A Roth IRA has the same maximum that you can invest per year: $5,500. You pay taxes upon contributions to your account, but when you withdraw from this account at 59 ½, you do not pay any taxes.

Some sources say you will need 85% of your working wage to sustain a decent retirement.

14)

Diversify your portfolio to include more than stock

For the doomsday preppers out there, indeed there may come a day when stocks crash. History seems to repeat itself. In fact, it's like certain events happen at the same time every century. For example, a revolution in the late 1700's (US wins the revolutionary war and becomes a separate entity from England- 1776), the industrial revolution in 1890's, and the information revolution of the 1990's. Bad things seem to happen at the same time each century too. There happened to be a real estate crash and recession at nearly the same time in the 1900's that mirrors what happened in the early 2000's. What caused the drama was even the same: betting against a company's success with derivatives. So, assuming there might be another real estate crash like 1929, where can you put your money where everything does not get wiped out?

Maybe take the money out to buy real estate. Doing this allows you to make interest on a larger sum of money anyway. Or you could buy gold. Not gold stock, but real gold- or other tradable minerals and keep them in a safe deposit box. Maybe Antiques, maybe paintings?

A good investment may actually be to get that college degree. Perhaps you see no correlation between your college investment and actually making money. But statistically, there is a very strong correlation between income and education, and it is like- those with a 4-year degree and a good major make like an average of 55k annually, vs 35k for those with only a high school diploma. So invest in knowledge?

15)

Avoid Scams

Much of capitalism is about being savvy and smart. Anymore, the way capitalism has become, it is just as important to be defensive against others, as it is to be on the offense making wise investments. The next chapter will go in to this a bit more.

To re-iterate, those ideas again were:

1) Social Security

2) Real Estate Investments/ Or Owning

3) Stock Investments

4) Bonds, mutual funds, Currencies, REIT's, Index Funds,

5) Health Insurance

6) Saving money, by putting it in a CD or Savings- possibly in non-US banks

7) Marry someone rich, or with a higher financial IQ

8) Retire in Another Country

9) Owning a Business/Franchise

10) The Government

11) A solid company with a pension fund

12) IRA and Roth IRA

13) 401K

14) Diversify with financial education

15) Avoid Scams

LIFE

PART V

CHAPTER 13

PREDATORS, CAPITALISM AND VALUE

Thought Question:

Who should you trust, and when should you trust them?

In an economic market that allows for people to lie to you about things that will impact your finances, what should you do to protect yourself?

So the idea of capitalism was set up so that individuals could create goods and services of VALUE. Depending on their actual value, is what people would pay for these goods and services. Even today, a person gets paid on what kind of value they can provide. If they have a skill that others don't, they can command a higher wage.

The idea of value is actually a highly complex issue that is not equal across all countries. Value in economics can get very complicated. Value can change fairly quickly based on a number of variables that one could spend years studying. And using the real estate debacle example again, we see that prices become manipulated based on supply and demand, or more specifically, what other people value them at. For example, in certain parts of the country, the real estate price for a single house went from $600,000.00 at the peak of the market in about 2006, to $200,000.00 1 or 2 years later. So what is the true value?

Supply and Demand usually determines Value. But not always. As stated before, Capitalism has now more than ever opened the door- wider- to people selling things that simply have no value. Now just because you cannot see Life Insurance- does that mean it is not valuable?

If you do not have your policy IN WRITING, which is very important, and know EXACTLY WHAT YOUR GETTING, then maybe. This is just one example.

Another example is certain charities that you cannot verify the validity or see where the money is going.

Another example is buying stereo equipment out of a van.

Another example is buying major things like motorcycles from overseas. You need to have a verifiable business as the middleman.

Even another example is buying medication, or even street drugs from an untrusted source.

The point is you have to actually dig to make sure what you're getting is the best deal, and that it is not a completely bogus purchase.

BE AWARE OF "FRIENDS"

As the saying goes- sometimes your friends are actually your enemies, and sometimes your enemies are actually your friends-- who can actually make you better.

Predators are especially a problem with the elderly population. The reality is they are the easiest people to scam on for a number of reasons. Older people need relationships, and people who are nice to them. They want to do good works before they pass away, and they are not as sharp as they otherwise might be.

Not to say that all charities are scams, but many of them are not really charities, but money makers for the people involved. The rule in some states is that only 10% of the actual donations even need to go to the actual cause. With investigative journalism, we see that many "charities" do not even give 10% to the cause they claim to support, but appear to bring in millions.

The point is to be aware of this when you get older, and to know that your grandparents and even parents may be targeted for money.

As a consumer, you need to be discerning about the things you spend your money on. You should be fairly certain that the business is legitimate. To be legitimate means to be familiar with all companies involved. If you are not familiar with the businesses, or cannot confirm their validity, you should probably walk away.

There are millions of scammers, and a million ways to scam money from people. As a rule of thumb, if you don't understand how the business is going to work, or just understand what is going on, don't move forward.

The scammers can be on the other side of the world, or the people you think you trust the most…

Identity theft is a major problem. You can use services like "life lock" to prevent people from stealing your identity- and abusing it.

Thought Question:

How can you guard yourself and your bank account from people that might desire the money you have?

Thought Question:

If you had millions of dollars, would it be a good idea to diversify your money into different banks? (due to the fact that banks only insure $250,000.00)?

Thought Question

When we finally cannibalize ourselves, what are some good doomsday strategies??

The final point is, when it comes to money, more often than not the people who you think are your friends might possibly be your real enemies, so just be aware of people being excessively gregarious when they are trying to get you to do something, or sell you something. It's not just you they might like, it's also your money.

Always be weary of scams, especially in the spring.

When you get older, people will try and take more and more advantage of you, so stay alert and on guard at all times. The minute you drop your guard is the minute you get taken.

There is a new scam every day, and there are legitimate products that you may not need who have excellent sales people behind them. Nothing moves until a sale a is made, but it is your free hand that ultimately decides what you spend your money on. Don't let someone else decide how you are going to spend your money.

You should even respect your spouse more, because if you double cross them, your spouse can turn into the biggest predator of all.

Child support is like 600 per kid per month, and you don't get to see them much. Alimony can be steep, like another 600-1250+. In addition, if a war should happen and you separate, you lose half the assets in your bank, the house, and settle with Bankruptcy, meaning no more credit for at least a very long time.

The final example this lesson gives is what we should all take from the real estate crash at the beginning of the 21st century.

As social creatures, we often jump on "band wagons" of social crazes. This is to say that if many people are doing something, it only attracts more people to do the same thing.

For example, fancy cupcakes were a craze at one point. People would spend a good deal of money because it was a classy thing to do. This can be seen at Starbucks as well. It is a good classy experience that is actually fun, but the point is, you don't have to follow people into buying a 5 dollar cup cake, or 5 dollar coffee because its classy.

On a small scale it's no big deal. But you need to be cognizant about following people mindlessly, trusting people to the end, and also purchasing things that you literally have no capacity to reasonably afford. 5 dollars in coffee a day x 30 is 150.00 a month in coffee, vs. say 15 at home.

This relates to the real estate disaster in that it almost seems as if nobody was paying attention to detail, they were just following what they heard. Remember, don't just listen, you need to see things in writing- ALWAYS.

An easy example showing how a friend can be an enemy, might be a real estate agent who served people buying houses before the "global financial crisis". They might not have been lying to you, but instead they may have steered you wrong and put you in a house they knew you could not afford. No doubt they were happy to talk to clients- they were about to put 20k in their accounts on a lay down of a deal.

Just be on guard, if something looks too good to be true—it probably is. And know that lying to someone is as easy for some as breathing air.

Chapter 14

History Lessons

Personal Thought Question:

Why and How did America create a global financial crisis at the beginning of the 21st century?

Personal thought Question

What is capitalism?

Is Capitalism a game?

The economic recession the world found its self in at the beginning of the 21st century illuminated the downsides of a totally free- unregulated capitalist market.

The primary cause of the recession at the beginning of the millennia was the rise and fall of the real estate market. The US government created a book that detailed 500 pages of information regarding the financial crisis. The intention of the following is to merely high-light the key factors that played a role in helping to create the Great Recession.

Here is very brief synopsis of events that shaped the “global financial crisis of 2008”.

1)

What you should be aware about concerning this is that there are many fascinating factors that are involved in the global financial crisis, some of which even include conspiracy theories. For example, during this time of the new millennia, the US market was being set up for failure. Realize first that a handful of people at the top were creating a market to fail, so they could become very wealthy. That is a big part of the “Why”.

2)

The beginning of financial deregulation was as far back as 1996. In the 1900's, banks had very high standards for who they would lend to. Now, not only were people able to purchase a house with 0 money down in some circumstances, but in some cases, they did not have to verify their income with documentation, and their credit rating could be rock bottom.

3)

A second critical high light that you should then recognize, is for some reason, highly respected rating firms like Standard and Poors would now start lowering their standards for what mortgages they deemed were AAA, and what mortgages were CCC or worse.

For example, Standard and Poors had a reputation for many many years of being a top quality mortgage and securities rater. The reason people needed these ratings is so they could make investments on the mortgages- securities and CDOs. They would examine the mortgage that was made to a person by looking at the person's credit, their ability to repay, and the terms of the loan. Then, Standard and Poors, or Moodys, or Fitch- the three big rating agencies would give a rating of something like Aaa Or CCC. AAA obviously meant the person had great terms, and had great ability to repay, and would be a very stable investment. CCC would mean that this was a very risky investment.

So essentially what happened is that the rating agencies started rating Adjustable rate mortgages made when fixed rates were at 1% as AAA. That is to say, while they used to rate this truthfully, and rate a CCC loan as CCC, they now rated the same CCC loan as AAA, meaning people looking to Moodys, Fitch, and Standard and Poors for the quality would now be totally duped, unless they had the inside information on what the Security//CDO was actually made up of, and consisted of.

4)

You might ask yourself: how would the rating agency know if the person had the ability to repay the loan, or be able to rate a mortgage if no documentation on the loan was required. How would they be able to rate all these loans as AAA? The thing is, most people were not aware of the lending standards, or bills that had become laws during this time. In fact, the official government report talks about how actual convicted convicts with no education were the ones doing the underwriting, making big money doing it, and not about to blow the whistle.

So, as the movie "The Big Short" shows, a CDO is a certain type of security consisting of mortgage notes, and is filled with different levels of quality (AKA "Tranches") - some AAA and some CCC. The only problem is, the AAA mortgages that were intended to "offset the losses" of the CCC were also CCC. Meaning, as they explained, the CDO would almost certainly fail.

When the rating agencies were to federal court- they reminded the court and the people that their ratings were simply “opinions” concerning an investment, and not absolute facts. So essentially, those who were close with Standard and Poors knew what loans to buy, and what not to buy.

5)

The people who knew that the CDO would completely fail, and not be able to pay dividends to the people who had invested in the CDO would buy “insurance” on the CDO, so that if and when the CDO failed, the people who insured their position would receive the insurance money. Insuring a CDO or other investment is what is also known as “Shorting”, or placing a “Derivative” bet on the investment, and also called a Credit Default Swap.

So who do you think would actually know about the quality of a loan before it was rated? On one hand, you could actually look at the physical details of the loan. On the other, you trust the rating agencies to do that. But, as you think about it, it should become very apparent that the ones who knew the actual quality of the loans—were the ones making the loans—and underwriting the loans, meaning the Main Street Banks—not so much Wall Street- they were not making the loans.

6)

So, now think about the fact that anyone with a pulse could get a loan of $250,000.00, even if their credit history was terrible, they had very poor ability to repay, and did not even have to document how much they made in income. Maybe those same people try to stretch their budget to get into a nicer house? Maybe, they think that they could afford to put ½ of their income or even more than ½ of their income into new a house? Maybe the banks don’t tell them that they are beyond the front and back ratios that banks traditionally use to calculate if a person can even realistically afford the place?

Because of deregulation, people not only did not have to document income, but the banks did have to absolutely make sure the people could even realistically afford the piece of real estate they wanted.

The deregulation was not great, but the reason that the banks were able to make such nonsense loans is because the way the industry works is that they are not responsible for the loans they make. The way the industry works is that most banks get rid of the debt they create to the tax payers by selling the loans to Fannie Mae.

In days of old, banks would have a sincere interest in making sure the loans they made would be repaid, because it would be on them if the loans failed. In today’s market, banks get rid of the debt to the tax payer sponsored entities of Fannie Mae Freddie Mac, and Ginne Mae, meaning after they make the loan, it does not make any difference to them if the loan fails. They make money from the origination fees, and insuring some of the riskier loans.

So the regulations before were not only a protection for the people buying the house, but for the tax payers who would have support the debt via Fannie Mae and Freddie Mac.

The new regulations made by congress were what allowed banks to be ever so much more cavalier with the loans and documentation on mortgages. You would have to search for the exact details about this in the bills that you will hear about. A question might be- why was it deregulated? The first answer may be- the banks may have lobbied for this so they could make money by shorting.

7)

So the banks made loans they knew people could not afford, and then bet that those same bets would fail. The "bet" I am referring to is basically the "insurance". They did not just insure the CDOs 1-1. The main street banks like JP Morgan Chase went to AIG, they showed AIG the AAA Securities that they wanted to insure, and actually were able to insure the AAA rated securities at about 38 times the actual capital that JP Morgan Chase had in their banks. It is the stupidest thing, but I cannot locate details concerning the actual capital//leverage ratios that the banks had before the crisis. But upon the search, it becomes more evident to me that part of the reason there was a financial crisis in the first place was the risk involved with too much leverage.

Leverage can be a bit confusing, and for some students, leverage could be a senior capstone piece of education. Leverage goes something like – if I have 20k for a piece of real estate, I can leverage that for 5 times its weight. With regards to the banks, some banks had subprime mortgage exposure more than a third of their actual capital, or put another way, their actual liquidity. (Financial Crisis Inquiry Report 260).

When the leverage ratio increases to 5 percent, what that really means is that the ratio of debt to capital is decreased to 20:1- Internet source.

On page 300 of the Government sanctioned report on the financial crisis, "The Financial Crisis Inquiry Report" it says that on June 30 2008, JP Morgan Chase held 94.5 Trillion Dollars in Derivative Shorts, and Bank of America held 37.7 Trillion in Derivative short bets. Meaning Chase Made 94 Trillion dollars of loans they thought would actually fail, and wanted to insure, so that they would receive the insurance money when the CDO Security packages they made actually failed. It is possible that of the 94 Trillion in insurance, some of it was in other investments. Note: In the Movie Wall Street 2, Money never Sleeps, Churchill Swartz is Chase, and the "Brennan" I think is meant to be Jamie Dimon of Chase. Keller Zable may symbolize Lehman Brothers. That may be wrong however.

Indeed, the market at the time was literally set up to fail. And the primary reason was so those in the know could make ridiculous amounts of money- like in the Billions; with apparently very little concern for what this disaster they were creating would do to the US economy, and how it would affect the 330 million United States Americans- or the other billions of people around the world.

8)

Note:

There are 2 sides of the CDO—actually selling it straight forward as an investment, and then shorting it// insuring it.

The Main Street banks sold the mortgages and CDO Security Bundles to the Wall Street Banks. The Wall Street Banks, sometimes unassuming, sold the AAA rated CDOs to other investment firms, small private investors, and institutions around the world.

It is actually unclear in the Governments official report, what exactly the Main Street banks sold to the Wall Street banks.

The two separate worlds of finance, Wall Street and Main Street, have actually been competing so hard for so long, that you might even make the analogy that they were actually at war. You might be able to make the argument that a cause of the crisis was that there was a financial world war 1 going on. The reason is that, (without a great paper trail of who did what to whom), the main street banks used Credit Default Swaps (Insurance) on the AAA CDOs and insured this securities non-sense with the Wall Street Firms.

9)

What happens if you insure your house for more than it's worth—and then you burn it to the ground?

If you pay a lot for premium insurance, (and you own your home outright)—and your house has a fire that burns it to the ground—you will be able to collect the insurance money that is due.

Except here, they were burning the market to the ground on purpose.

Wall Street then took the AAA rated CDOs and sold so many of these toxic bundles to Iceland, it actually bankrupted the country.

Mostly, it appears that ones who "insured" the CDOs via Credit Default Swaps were Bear Sterns, Lehman Brothers and AIG.

By the time they figured it out, Bear Sterns would have no chance at recovering from the amount of bad debt they insured, Lehman Brothers would not be able to acquire the funding to stay alive, and the only reason that the Government gave AIG a capital infusion to survive was that it was argued that AIG simply had too many connections, and if they failed, so many other firms would fail, it would simply be too many dominos being knocked over that went too far out into different directions. AIG was too big to fail. But note, the "bail out" they received was actually a loan that all the banks would eventually have to repay.

10)

Basically, if you work hard enough to set up a market that is meant to destroy its self- that is most likely exactly what it is going to do.

The result of this market manipulation wreaked havoc across the entire financial world. Despite the architects of this disaster, it could be argued that now one was immune from financial mistakes during this time.

11)

A simple answer to WHY this all happened is easy- if you manipulate the market, you could make a massive amount of money. Not only that, but a majority of people on the sales side had an absolute field day making money hand over fist. This included: developers, real estate agents, loan officers, underwriters, Wall-street Brokers. Even people who knew what was happening at this time, and were aware that it was going to crash the market were not able to shout loud enough, either because there were too few of them, or they were making massive amounts of money too.

Real Estate agents had a “fiduciary” duty to look out for their clients best interests. They could have helped their clients realize they could not afford the place they desired, or that an ARM was a bad deal. But the higher the sales price of a property, the more money they made.

On the Home Front::

12)

Too many people stretched their budgets way too far, and others purchased A.R.M.S, or Adjustable Rate Mortgages which had a lower initial interest rate so they could buy more house. The thinking was that they would later be able to refinance, but the reality was this turned out to be impossible because the market busted in less than 5 years. This was despite the fact that fixed rates were already extremely low. When rates went up- so did the ARM mortgage payments, which became far too much for many people to handle, and when they did not have the ability to refinance, they had to foreclose on the house.

While many individuals may have lied on applications to get a home loan, loan officers were lying about the benefits of an Adjustable Rate Mortgage- when rates were at 3%. FYI- you almost always need a fixed rate.

But some people also got completely lied to about the details of the loan. They thought they were getting a 30 year fixed rate at 3.5% , but the bank put together the paperwork as an ARM. Other people testified in court that they could not even make their initial payments because they got lied to so bad by the bank. Indeed, the banks wanted these mortgages to fail, because when they did, the bank would collect the insurance money due- or so they thought.

13)

Because of the incredible amount of demand for housing and low supply, developers were not able to build enough of it, the prices kept heading north. In some areas, prices went up 10x what they were after the market collapsed. An example of this is an Apartment Complex in Orlando that was selling 150k at the peak of the market, yet after the crash in 2010 the apartments were selling at just 15k.

Some people would buy a house, and turn around and sell it 6 months to a year later and pull $100,000.00 from the deal because prices just kept going up. Real Estate Agents were having a field day, making sales and money hand over fist.

It was a major bubble. Society got excited, and everyone who wanted to buy basically could. After a while, the supply of people who wanted to buy in at such high prices dwindled off, and the market had a serious correction. Faster than prices went up, prices went down.

14)

When the supply of people to sell real estate had gone down, the banking institutions who were catching on to the CDOs started taking portions of actual Securities, dicing them up so they were new CDOs made up of now new and different mortgages. They were re-packaged, and then sold as a new product. It would be a new product- of old mortgages that had already been sold. But with this product, because it was made of different types of mortgages, it could be sold as an entire new product//CDO.

Then, what would happen is that a bet would take place on this product. One side would make a bet that this product would fail. What they would have to do however, is pay “premiums”. The premiums were like the “margin calls” that investors who placed shorts would have to pay on regular CDOs.

But now, the Synthetic CDO does not pay dividends from the actual assets, (the mortgage backed security) like a CDO would. So Short investors pay premiums that go directly to other investors. They continue to pay these premiums to the investor on the other side who has put up lots of cash to receive the cash payment of the premiums. The short investor pays these premiums as long as the mortgages in the tranche level are still viable, and if that tranche level of mortgage backed securities (rated AAA) fails, the investor who was receiving the premiums will lose everything they put into the fund.

This was the Synthetic CDO.

15)

As the market cooled off, the value of housing had gone down significantly- in part due to builders having over built housing, and the dynamic of supply and demand. Now, people owed 500k on a house- who purchased thinking it was a great investment where the value would either stay the same, or even go up. But when people started to see the value of their house drop so dramatically, many decided that they had made a poor investment, so they followed others in defaulting. Part of defaulting was that many had bitten off more of a mortgage then they could handle, and were paying for more than their house was worth. They considered it being upside down- owing more than the house was worth "at that moment in time".

The problem with this strategy is that these individuals were handed a $0 down loan. In an effort to plug people back into housing, the down payments were lowered from the traditional 20% hard cash money down to only 3% - or 5%. Other wise- many will never be able to own again due to the 20% down stipulation of old.

So some people may have over extended what they thought they could realistically afford, and had to sell. Other people strategically defaulted on a mortgage they could have probably afforded, but did not want to, because the value of their real estate was now much more than they originally paid for it. This was short sighted however, because prices would then re-correct themselves. The prices crashed, but now savvy buyers and investors of all kinds liked the low prices, and the market corrected itself so that the supply actually became small, and in a few years, in some markets there was very little new housing to choose from.

In a matter of 5 years, by 2013, prices were soaring up to the initial value of the houses for those who defaulted.

16)

Because many people were defaulting on their mortgages, small businesses and big businesses were not allowed to access capital, because the banks would not loan to them. Because businesses could not receive capital, they had to slow their growth. But it did not just slow growth, growth actually receded. This caused people to lose their jobs. In 2009, lubricant in the form of money was used by the Government to un-seize the market. As a result, inflation took a dramatic vector upwards.

17)

When person A loses their job, they do not spend at Person Bs job. Now because of less customers, person B loses their job, and then cannot spend money at person's Cs job. This domino effect continued on and on.

18)

When these people lost their job, they could not pay their mortgage

19)

The Result was a downward spiral.

Congress:

20)

The dangerous thing is, that congress actually Still has not outlawed Insurance//Credit Default Swaps//Shorts//Derivatives. And currently, there is 1.2 Quadrillion in Insurance Shorts. Meaning, there is 1.2 Quadrillion dollars in downward pressure on the market. 1.2 Quadrillion dollars of incentive for the market to actually go down, 1.2 Quadrillion dollars of joy when the market crashes- so where do you think the people who own this amount of money in Shorts want the market to go?

21)

Currently, this is something congress needs to work on. In the past however, there may have been so much wording in the Grahm-Leach-Bliley act, that details were missed. I can only hope that there were not a few politicians up there who created the entire United States Market to physically fail for 300 Million people- just so that they could come into a pay day.

But, it is likely that even if the Senators who "wrote" the bill did not know what exactly they were putting into the bills deregulating the market, there is a possible chance that they might have been getting paid to write the bills the way that they written.

I don't want to go too far down that hole though, because I could be wrong.

Theoretically however, there arguably should have been some connections made about why it would not behoove the country to allow the banks to create the ability undocumented loans, that would immediately, in at least 50% of the circumstances, be given to the Tax Payer sponsored entity of Fannie Mae.

So, even if congress did not know that the Banks would rate the CCC loans AAA, then Leverage their assets 40-1 to "insure" a car they knew was going to fall off a cliff, and even if they did not know how important the concept of the derivatives market was a the time, because very few people did, they arguably should have realized that Fannie Mae and Freddie Mac are Government Run institutions should not be responsible for terrible toxic loans made by unconcerned, now unregulated banks. The deregulation was made in good faith that the banks would still write "high quality" loans to give to the tax payer, but if they were to write toxic loans to give to the tax payer as debt that attains 3% interest, that would be okay too.

And arguably, it is just bad to set the tax payers//the government and the governments tax surplus/deficit up to be financially responsible for each other's mistakes, arguably. The actual details that allowed no documentation could have been missed.

On the other hand, this would have been a great time for an investor to take out loans for 5 houses that could have been investment properties. The days of being able to lie and acquire 5 primary residences that could actually become investment properties may not come again for a while. But the prices for investment properties arguably needs to be low and financially manageable.

22)

So we know are at a point where the main street banks are making loans to anybody who wants one, regardless of their ability to repay. This would have been a great time for investors to go the bank, and request 100 million in order to build a Giant Condo Complex, or at least a Bed And Breakfast. In hind sight, one possibly could have gotten loans to buy rental numerous commercial properties, even though the loans were mostly no doc for residential. If the thing did not collapse so fast because people made mistakes, and more people actually were able to purchase rental properties with no money down, the amount of real estate millionaires in America would have sky rocketed. But before most people even knew what was happening, the system that could have actually been great for real estate investors completely collapsed.

23)

At the beginning of 2011, the majority of “investors” whom consisted of both individual and large scale organizations like hedge fund REIT’s, had taken an interest in purchasing the excess of houses on the market.

Many investors were able to purchase houses as low as $35.00 a square foot (or 1/3 the cost to build, ¼ of what the sale price ought have been. To show you the importance of this, most houses can be built for about an average of $125.00. So to build a 1000 square foot place, it might be about 125,000.00 without the land.

In the investors’ situation, they were able to buy the same place for $35,000.00 with cold cash, then hold it, possibly fix it, and turn for a nice little profit of say 100k. This window of opportunity did not last long at all however, and by the first sign of investors’ interest, nearly in just 1 year, there was a shortage of real estate to even be purchased outside of the investment market.

24)

A major theme of both the Great Depression, and The Great Recession were “Runs”. Bank Runs. People with money were worried that the main street banks did not have the money. The main street banks had tied capital up in firms like AIG- apparently thinking that AIG actually had the money to pay out on their insurance guarantees. It is like betting your friend 100 million dollars on a game of ping pong. On some level, you have to realize that that is not even a rational bet.

26)

So, with the lesson learned from the Banks Runs of the Great Recession, and the Panic that it caused the market, Ben Bernanke- who has had an academic career as an astute disciple of studying the Great Depression, realized that something absolutely needed to be done about the bank runs on the banks. And while the "bailout" for some was actually a "bailout" in some ways it was more of an incentive policy for the people who had lot of money to keep their money in the Main Street banks. However, TARP, the troubled asset relief program, colloquially known as the bailout, was actually just a loan to the banks, not a gift. In fact, the banks paid the entire amount that they were loaned back to the government, all but 29 Billion according to The Financial Crisis Inquiry Report.

27)

Despite incentivizing big players to keep the money in the banks with increasing the FDIC to $250,000, there were numerous "runs" in the stock market. Even more importantly than infusing banks with liquidity to prevent banks runs, was providing banks with liquidity due to the fact that the shadow markets of Commercial Paper and Repo Paper had stopped funding virtually everyone.

The place where the Main Streets banks go to borrow short term money- is called the "shadow market" and those institutions move billions of short term capital around *daily* where that money is called "Commercial Paper", or "Repo Paper". But when the shadow market stopped moving capital for Main Street banks, the financial system in America basically stopped moving. As soon as those players in the financial system stopped lending money- something had to be done to keep the banks liquid, and that meant the government had to step in and act as Commercial//Repo Paper.

CHAPTER 15

IN A NUTSHELL

In a nutshell, LIFE for most will be a constant financial battle. Money is like an addictive drug, where it seems you can never have too much of. And then once you have used it all, you desperately crave it. Because of the fact that there are recessions and job layoffs, you need to realize that the money may not always be in plentiful supply, and that you should prepare for just such an occasion.

A good tip would be to exercise your brain with education, even though the education may be useless, and you may never actually use most of it- you will always have to use your brain, and it would be good to have a strong muscle there.

College would be a great place to go if you can get there. You may have a better chance there to meet people, and meet people with parents or other connections that can key you into the door to a nice job. A college education will strengthen your brain by leaps and bounds. However, to simply study an art, and not a specific science for a specific job that you have in line, a college education may be a luxury. Furthermore, it may behoove you to attack more specific and concentrated colleges that focus on learning a direct and specific skill, such as a dental school, or mechanic school.

Perhaps one of the major themes that motivated the writing of this book was to inform individuals graduating from high school or even college, that even though you may have a bachelors or even masters degree, unless you have experience, connections, and a job in line already, you may not get a good job for many many years. So just be prepared for the shock and welcome to the real world.

Upper level college is where the research takes place that helps create the innovations and technology that can either be sold to other research institutions, or used to create businesses that will employ Americans, make money, make the world a better place, and a host of other positive elements like making America a global leader once again.

Along the journey of life, you should always follow your passion, but sometimes it may behoove you financially to keep your passion a serious hobby, and not quit your day job until you are very talented. You should try to have fun, but try to keep the right friends that will keep you out of trouble, free from drugs and legal issues, or your future will be headed downhill. For example, of course, sex is phenomenal. But it also has serious side effects and consequences. STD's are one side effect, destroyed emotions another, taking your focus away from your future another, and unexpected pregnancies that can devastate your future mobility another. Having kids will be a blessing, but it quite literally may be a luxury you simply cannot afford. The best method is to be open with your counselor/parents about sexual issues, use protection, and have health insurance and a way to access your doctor if necessary.

When you are ready to have a family, just know that it is a lot of work, and if you work two jobs, having a family is like having another full time job.

Becoming wealthy doesn't happen overnight. Financially speaking, if your parents made smart financial decisions, you will be better off, and if you make smart decisions, your kids will be better off. Conversely, if the wrong decisions are being made, your family may be headed in a more downward path financially. However, this is not always the case. Specifically, it would behoove you to NOT just rely on the school system to teach your kids everything, but instead for you to help PREP them in a field of their interest.

In terms of finding a well-paying job, network with people and make connections and good friendships: Join groups even while you have a job, and be on a speaking basis with people in those groups for "inside information" on jobs that they might know of. Knowing people is a great way to create inside references. Do an official "internship" to get to know Human Resources. In addition, think of company, and apply directly to that company or that company's website rather than just looking at the immediate want ads. And most important- do your research on profession by looking at "THE OCCUPATIONAL OUTLOOK HANDBOOK". It will tell you what jobs pay- the demand- the security, and it will open your mind far beyond the job types that no-one wants posted on the internet. Plus- you will have a better chance of getting the job or even career- if you are passionate, and not just looking for work.

It takes a lot of research, a lot of experimenting, and a lot of introspection to find what you may want to do for a career. Usually, once you decide, it would benefit you to move full steam ahead and not lose momentum in pursuing a difficult ambition, because the more difficult it is initially, the more reward you will get when you attain it. There are many ways to attain a job, like having personal connections, but you also may need 2 years' experience. The harder it is to get the career or job you are examining, usually is how good the job is.

Being a serious innovator may take the capabilities of a large cooperation, or research institute to facilitate your ideas. This means that if you desire to be an entrepreneur, it may be best to go as high as you can within academia, or find a cooperation where you can experiment with first. If this is not something you would like, the state system currently has billions of dollars in grants to give innovators to create jobs. There are many grants the government has for entrepreneurs, but you have to do your research. If possible, try to create a business on the side of your work.

When it comes to working a job, the most important asset and attribute you need to have is that of a good attitude. No one wants to work with someone with a poor, unmotivated attitude, and if your attitude is bitter, or on the other end nonchalant, cavalier or unconcerned, you either won't get the job to begin with, or you may be let go. On the other hand, having a positive motivated attitude will be the best way to climb the ladder to more respect. And it is tough when you get talked down to, or feel disrespected, but you have to roll with the punches, and vent somewhere besides work, but just remember-DO NOT vent life frustrations to the family at home, but instead, maybe do sports, yoga, or other exercises.

Without the wealth possible through entrepreneurship, families usually have tight budgets. Unfortunately, in the states greed is over-valued. That is to say, arguments and stress concerning money is the #1 factor for divorce- like nearly 90% of the time. This is a sad reality of capitalism. So, learn to stay savvy.

Basically- don't ever use credit cards- period.

Instead, build a surplus that can help you and your family in trying times of un-employment. Despite the fact that you will take a financial penalty for getting your money- a CD would be a good bet. Your bank will hold your money- and not allow you to access it - until you are ready to take a penalty- which is at a much lower rate than 200% interest at check cashing place, and much better than diving into debt. Remember- if you have a mortgage- you don't want to be without money to pay it. Saving money for un-employed times is next to impossible when you make $1,000.00 a month, so you will have to think very creative on this one. Possibly start a business on the side in this case.

While the talk about stocks are not totally relevant to students of high school, or even college, this book is just trying to cover basics that may be interesting later. Hopefully, it gets you thinking. Most of the stock market is controlled by a very few, and mostly only the wealthy have big stakes in that market.

Concerning real estate- it can make you or break you- but a large portion of millionaires also make their money in dealings with real estate.

Will social Security save your retirement?

Capitalism has become Cannibalism. The more aware you are of this, the safer you will be. People and companies will take advantage of you everywhere they can, and the more they are allowed to, the more these people and companies will grow in number. You need to be aware of real "value". Don't trust somebody because they say "trust me" or because you "think" or "feel" you can trust them. Do your own homework, and research things for yourself. As a rule, always be on the defensive financially, and don’t be afraid to hurt some ones feelings by not buying in to what they are selling. Don’t be sold, know what you want to buy after planning for it. In addition, protect other assets like your identity with protection agencies, protect your computer from being hacked with protection software, use a paper shredder to shred mail with important data, and don’t just give money away to people saying they are helping others.

You might make some financial mistakes in life, but the important thing is that you learn from your mistakes, so you don’t repeat them.

Hopefully, this book will get you thinking, and asking your own questions about money matters.