

I'm going to be very candid in the pages that follow, and when I have an opinion about what works or what I think you should do to attract wealth, I am going to say it. I have lots of advice. And, some of it might even be good advice! But, I am *not* a financial planner. I am *not* a professional investor, stock broker, insurance agent or lawyer. I am a coach and a businessman. My opinions are my own, my point of view.

Take my advice with a grain of salt, question it, and for goodness sake, don't trust a thing I say! Always check with your own professional advisors. Read and educate yourself about any investment you are considering, and once you invest, monitor your investments closely. It takes work to get rich slowly! And no one will take as much interest in your financial future as you will.

Actually, that's your first lesson in getting rich – never trust anyone who promises to make you rich! It doesn't work that way! Only you can make you rich.

With a good education, solid information, a bit of wisdom, patience, insight and a willingness to take *action*, I believe almost anyone can accumulate substantial wealth. But you don't get there by following a guru, or by being lazy. You get rich by earning it.

So, let's get started!

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Chapter 4: Understanding the Cost of Entry

When land was the primary measure of value, it was almost impossible for the average person to acquire wealth. The king owned all the land, and the population struggled to survive on what they could grow or earn in small cottage industries.

When manufacturing was the source of wealth, more people had access to great fortunes, but the number of millionaires was still small because it cost so much to build a factory or run railroad tracks across miles of wilderness. Few people could raise the capital, and so few people ever got into the game. For centuries, most people lived on wages and saved what they could, with very few ever achieving more than a modest level of savings and financial security. The barriers prevented most people from ever being able to own a business or take control of their financial future.

But today, the barriers to entry are essentially zero!

The pages you are now reading represent one of the greatest revolutions in human history. Think about this for a moment ...

Even 10 years ago, I might have written these pages, but the odds that you would be reading them were very slim. After writing the pages, I would have contacted a magazine or book editor in hopes they would publish my writing, or I would have gone to a local printer, paid to have a few hundred copies of this booklet made up, and then announced that it was for sale. But, who would have bought it?

By the time I put an ad in a couple of magazines, or in the newspaper or on the radio, the cost of this booklet would have been several dollars, and you probably would (1) never have heard about it, or (2) decided it wasn't worth the price.

In fact, I would probably not have written it, because the odds of making a profit were so slim. The costs of production, marketing and distribution were simply too high.

But today, I can put this together, publish it on my website, announce it to the world, and you down-load it for free! The total cost of production? Some of my time, and the use of Acrobat to format it.

Could I have charged you a few dollars and made 99% profit? Probably! You might have paid a few dollars and, hopefully, the value (the *usefulness*!) is high enough that you would have agreed it was worth it. I would have made money, and you would be a happy customer.

But, with the cost of production so low, I don't have to charge anything for it! I can give this value to you for free! Why? Because it's part of my marketing and brand-creation. I'm a

The second path to financial independence is **Self-Employment**.

This is the choice of many professionals and home-based businesses. From an income perspective, there are two main advantages. As the self-employed owner of a small business (often called a “micro-business”), you can set your hourly rate, and you have some freedom to work when and if you choose. You can adjust your schedule and workload according to family responsibilities, your personal preferences and take a day off when you want to.

And, the government offers substantial tax advantages in exchange for the risks you take in creating your own job. As your own boss, you are responsible for your own office, your tools, marketing, management, billing and production. The government recognizes that this represents substantial risk (most new businesses ultimately fail), and it represents lots of hard work. As your “partner” the government expects to be paid (in taxes), but will cooperate with you in permitting some accounting and tax benefits.

The down-side is that, while we refer to it as a business, in fact, it is usually still a job. For most self-employed people, their income stops the moment they get sick, take time off or retire. And, many people find that being both the boss, and the most important employee, is very stressful.

As a self-employed professional, with perhaps a small number of employees working for you, the bulk of the responsibility is on your shoulders. If you take a leave of absence or are not able to do your work as an attorney, accountant, sales person or graphic designer, your income usually stops. “No work, no pay” is the rule, and very few self-employed professionals ever move past this level.

Many independent contractors, artists, multi-level marketing professionals and other small-office, home-office business are in this category. The freedom and independence are wonderful, but it is a hard path to financial wealth.

The third path to financial independence is **business ownership**. This is a much rarer and riskier, but potentially more rewarding path to wealth.

Businesses are systems that deliver value by organizing and combining the efforts of many people. Creating a business requires leadership, organizational and management skills, and capital. It means taking risks, and reaping the rewards if things work out.

Restaurants are great examples of systems that multiply effort, create jobs, and create wealth. Going back to McDonalds, the *system* delivers burgers, and makes money whether the owner is present or not. Most self-made millionaires are business owners.

There are many disadvantages and difficulties in starting a business, particularly compared to the simplicity of having your own company as a self-employed professional. (Remember this distinction: all businesses are organized as a “company”, but not every “company” is run as a business!) Starting or running a business requires great skill at understanding and managing people, inventory, cash flow, and sales. As a business, you’ll have employees to hire, train,

supervise and sometimes, fire. There are legal and accounting complexities and you'll need talented (and expensive) professionals to advise you.

But, the huge advantage of owning a business is that the system, if it is designed and managed appropriately, can largely "run itself". The owner of a well-run restaurant does not have to be physically present every moment the restaurant is open for business. The owner of a manufacturing plant does not personally box and ship every widget that goes out the door.

Once a business is running smoothly, it creates value (and cash) indefinitely. The critical value-added component of a business is rarely the product or service it produces directly, but rather the value of the jobs it creates and the business's ability to organize and focus effort to get a specific result.

To take an extreme example, Microsoft is generally acknowledged to be among the most successful businesses in modern history. But the little CD's they sell have almost no intrinsic value. In fact, the cost of producing CD's is so low that many companies give them away as advertising freebies. Bill Gates' genius is in organizing a diverse army of programmers, engineers, visionary thinkers, shipping clerks, lawyers, janitors and advertising executives to produce and deliver thousands of CD's that contain code to make our computers work.

The company is immensely profitable because it has been able to organize the talents of many different people. By bringing the contributions of different people together, Microsoft produces value-added software that has made Mr. Gates, and thousands of his employees and stockholders, rich.

Starting, organizing and running a business is one of the most reliable paths to wealth. There are tax incentives, and if things turn out well, it can create a stream of cash that lasts for generations.

It is interesting to note that for over 200 years in America, immigrants have been among the greatest beneficiaries of this pattern. Whether it was the Irish or the Italians or the Eastern Europeans of the 19th century, or more recent immigrants from Asia and Latin America, immigrants have traditionally arrived poor, and they have suffered from discrimination. Many don't speak English, and they are often prohibited from entering the professions or other high-skill, high-salary jobs. So what do they do?

They open family owned businesses. They become florists or landscapers or dry cleaners. They own the local gas station or the janitorial service that cleans our homes and office buildings. Families will often pool their capital to buy a taxi or, especially in New York, to buy a push-cart and sell hot-dogs or pizza or deli sandwiches. And, with the profits they buy another cart, and then another, until within a generation, the family becomes an "over-night success"!

Business ownership is clearly not for everyone, but it is one of the most reliable paths to wealth.

Throughout history, investing in land and buildings, stocks and bonds, or commodities, has been a reliable and efficient way to accumulate wealth. And, much like owning your own business, the government has traditionally created tax advantages of various kinds to reward investors for the risks they take. “Capital gains” taxes, which are much lower than income taxes, and various credits and incentives for specific types of investments are a few examples.

It’s often been said that the poor and middle class work for money; the wealthy have their money work for them. That’s a cliché, but like most clichés, there is great truth in it.

And, this reminder that investing is complex and there are risks. Even highly skilled investors occasionally get an unpleasant surprise. Consult with experts and develop your skills through practice and education. But to accumulate great wealth, *do* invest! Learn the skills and practice until you gain confidence. Start small if that’s appropriate in your situation, but do let your money work for you. More about that in the next chapter!

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