

## Investing, Stocks, Bonds, Calls, Putts, The long and the short of it all. (Part 2)

- 1) The book "Rich Dad Poor Dad" (A Must Read) if you want to get an inside on investing has a lot of great information on the idea game.
  - a) It's not a sin to be thinking about money all the time.
    - i) The book talks about a couple of kids who learn how to make a lot out of nothing.
    - ii) How to think outside the general teachings of the schools.
    - iii) How schools do not teach anything about financial matters.
    - iv) Schools teach how to study hard so you can find a good company to work for. Why not study hard so you can find a good company to buy!  
(1) (Page 15 In Rich Dad Poor Dad book)
  - b) Don't curse the rich man, like many people do. Try to find out what and how he or she does it.
    - i) Study their books.
    - ii) Talk to their brokers and financial advisors.
    - iii) Make money something you are interested in, not just to spend, but to make and invest.
    - iv) Remember, when you spend a dollar it is no longer yours. When you invest a dollar it is your slave for life if you want it to be.
    - v) I have been very happy to hear of many people in this class taking the bull by the horns and making some great decisions. Some have decided to get out of the "paying their landlords mortgage business". Some have decided to get into their own "well thought out businesses" that they already have at least some experience in. Many have started their "My Savings Accounts", and some have already talked to a financial advisor of some kind.
- 2) Last week we talked about stocks and how there is more than one way you can make money on stocks. There are even more ways to make money on the stock market.
  - a) Options are a very usable way to make money in the stock market.
    - i) You only risk a set amount of money.
    - ii) You can gain an unlimited amount of profit and only risk your original investment.
    - iii) With an option you can control a large amount of stock with small money.
  - b) You can, of course, lose money on options as well.
    - i) As the option gets closer and closer to the expiration date it loses value.
    - ii) If you buy a call (want stock to go up) if it goes down you lose value.
    - iii) If you buy a put (want stock to go down) and it goes up you lose value.
  - c) Look at the list of options available on the Company called IBM on the next page of these sheets. I will go through it with you and explain how to read and understand it.
  - d) I must say to make sure you really understand options before you try them. If you know beyond a doubt that a stock is going to go up or down and wish to get involved in that company in a big way because of your knowledge, you can control twenty times as much stock with the same amount of money with options.
- 3) Investing with another person.
  - a) This can be a very good way to get started, and to split up the risks involved in starting your own business, or investing in the market.

- i) The most important thing about getting into business with someone else is to figure out how you are going to get out of that business.
  - ii) Have a written down signed plan. Have as many details as you can possibly can write down and agree upon.
  - iii) Talk to and read other people's plans for the same type of a partnership.
    - (a) (Tell Fred DeLuca's partnership story - BOOK) You don't want to get cheated out of millions of dollars if you're now small idea becomes worth millions. As well, you don't want to lose more money than your partner if things don't go like you had hoped.
  - iv) If one person is doing all the work, and has the ideas, and the other partner is only a investor/silent partner, make sure the worker half of this business has a way to some day buy the investor out and own the business on his or her own. Otherwise, the motivation factor will dry up and both partners will suffer.
- b) A partner in a stock investment would be only in the fact that two heads are better than one, and the moral support idea of a partnership.
- i) Another idea that is good about a partner in a stock purchase is that two people could get a better commission rate (buy twice the stock for the same commission)
  - ii) Some people even form groups or investment clubs. They have regular meetings, and discuss there positions and what if anything they want to change. These can be socially entertaining as well as financially beneficial. It also gives you a place to bounce other financial ideas around. Those who are trying to do the same thing you are, getting a head.
- 4) Be Positive
- a) Earlier in this series we talked about hanging around positive people. If you have negative friends, stay away from them. Find new friends.
    - i) Don't listen to frightened people. I have such friends, but when it comes to investments the sky is always falling. They can always tell you why something will not work.
    - ii) I would say one of the hardest things about wealth building is to be true to yourself and be willing to not go along with the crowd. In the market it is usually the crowd who shows up late and is slaughtered. If you read about a "great deal" on the front page of the newspaper, it is usually to late.
  - b) When it comes to money, the masses generally have one basic formula they learned in school. And that is, work for money, pay bills, work for money.
    - i) Pay yourself first. (The power of self discipline.) If you have trouble with this, you may want to join the Marine Corps or something to get control of yourself.
    - ii) It makes no sense to invest, make money and blow it.
    - iii) Once you learn, really learn, the power of money, you will not be able to even think of spending your "My Account Money" on something that will not have the potential to go up in value.
    - iv) If you decide you want a new Porsch in your garage, you will have to decide how to invent a way to pay for that car with out getting it from the bank, or taking it out of your "My Account Money" that is how your mind will start to work.