Everything You Know About Money Is Wrong!

Published by Jonah Jones at Smashwords

First edition

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What You've Been Told About Money That's Flat-out Wrong

Ask your parents, teachers, bankers, financial advisors or just about anyone, "How do you get rich?" Here's what they'll tell you:

"Oh, you have to go to school, get good grades, then go to college and get more good grades. Also, do lots of unpaid internships in college so you can get a good job, and make sure that job is safe, secure and loaded with good benefits. Then once you start working it, you need to live below your means, cut back on the Starbucks, keep a budget, and contribute 20% of your income to a 401k that's well diversified in stocks, bonds, and mutual funds. Then when you're 65, you'll be rich!"

When they say that, what I hear is "be a slave to some employer for 40 years that has no reason to care about you and is just using you to make himself rich and never have any freedom or fun until you're too old to appreciate freedom and have fun."

First off, who's going to stay at the same job for 40 years? What company will even stay in business that long? And that 401k is not diversified because stocks, bonds and mutual funds are all in the same market: the paper assets market. If there's a market meltdown the day before your retirement (we have market turmoil almost every year in October), you're screwed. What are you supposed to do then? Live off of social security? I guarantee you that it won't still be around in 40 years and it's not even enough to be social or secure.

There is an alternative route.

The people getting rich today did not get rich this way. Instead, they do it by selling stock files, eBooks and info-products, by having monetized blogs and by affiliate marketing.

The fact is, the new rules for riches are very unfair. But there's not one thing in life that's fair. Why would money be any different? Fairness is really just a concept we made up to keep children in line. There isn't a solid standard for it. And when it came to money, even Jesus Christ himself was unfair. He said "Whoever has will be given more, and he will have an abundance. Whoever does not have, even what he has will be taken from him." (Matthew 13:12). This series is all about giving you that unfair edge.

How to Use This Book

One thing I skip past that I probably should read is instruction manuals. Gentlemen, you back me up on this one; isn't it easier and more fun to just put stuff where it looks like it belongs and then relax?

But the box said only "Some Assembly Required."

But bear with me for a moment. When it comes to your money, you want to know everything there is, because what you don't know will cost you. There are five things that make up everything when it comes to money; the five forms of financial aptitude:

Throughout much of the time I spent learning these five forms of financial aptitude, I had an ongoing argument with myself. The cynical side of me kept saying things like this:

"YOU'LL NEVER BE RICH, EVER! ALL OF THE EXPERT ADVICE IS SO GENERIC, NONE OF IT IS PRACTICAL, THEY'RE JUST A BUNCH OF CONMEN CAPITALIZING ON YOUR IGNORANCE AND ENVY!"

Perhaps you hear a voice just like that inside of your head. Say hello to your number one obstacle in your financial life: yourself. Your own cynicism can be your undoing, as it almost was mine. But there are many ways to combat this inner voice and eventually shut it up. Throughout the book, you'll see this voice appear (maybe even at the same time you hear your own cynicism), and I'll show you how to put it to rest.

Are you a skeptic? I hope you are. Cynicism is bad, but skepticism is quite good. Firstly, because if you take anything I've written in here as gospel, you're a knucklehead. Secondly, skepticism is a principle of wealth.

New Rule for Riches #1:

It is highly appropriate and beneficial to be very skeptical of everything when dealing with the financial services industry because of possible conflicts of interest.

The reason it is a principle of wealth is because it's nobody's job to make you rich but your own. So the logical conclusion to that is that everyone else is only out to make themselves rich and possibly off of you.

For example: a guy on CNBC going crazy about a particular stock, encouraging you to buy it, and yelling that you're a fool if you don't. You may think, "It's not every day somebody goes nuts on TV about a stock. It must be a good buy," but what really may be happening is the guy is pulling a little scheme called "pump & dump."

The scheme works like this: he buys a lot of shares of a stock that's cheap, then goes on TV encouraging others to do so. Others watching him on TV buy the stock, which causes the price of it to go up (pumping up demand). Then the guy on TV sells all of his shares of the stock (dumping supply) and the price dramatically goes down, so the poor folks who bought the stupid thing can't get any gain out of it. This is what a conflict of interest looks like.

People you should be highly skeptical of are the following:

- A student loan office advising students
- An agent selling a life insurance policy
- A money manager recommending a stock on TV
- A broker suggesting a good mutual fund
- States offering college savings plans

"WHAT ABOUT YOU, MR. JONES! WHY SHOULD WE TRUST YOU? I BET YOU WROTE THIS BOOK JUST TO MAKE MONEY!"

How much did you pay for this book? Nothing, which is a lot less than the price of stocks getting pumped and dumped, I bet. However, if you have serious skepticism, now is the time to hit it on the head. What are some of your doubts?

Can anyone be rich? I don't think so. If making money were easy, everyone would be doing it. It requires you to make sacrifices and change your life, but I argue for the better. It forces you to become more productive, more intuitive, and much friendlier.

Do I have to take great risks? In the old days, yes. In today's world, no. The risks have been greatly reduced with advances in information technology. All that is necessary is for you to be able to read, write and think of things others hadn't thought of yet.

Do I have to be a single twenty year old? While that is who this book is targeted to, no. This is for anyone is sick and tired of deferring what they really want to do because they have bills to pay. Do you want to start living or keep postponing?

Do I have to be smart? Of course not. Many of the people I researched for this book didn't go to Ivy-league schools or college in general. All you need is basic math skills and logic. I, for one, truly despised my college experience as the biggest waste of time in my life. I didn't fail school, but I feel that in the long run, school failed me.

Institutions of higher learning, for the most part, give you a piece of paper that supposedly "guarantees" employment (tell that to the unemployed grads moving back in with mom and dad) for the rest of your life. I sought out the skills that guaranteed I'd never have to work again. Furthermore, most of the jobs that college prepares you for are 80 hours a week, 30 years of torturous labor, causing you to grow to hate the field you were once so passionate about studying. Who wants that?

The rich among us don't do a good job for themselves as far as public relations goes. You may remember the Occupy Wall Street protests that occurred world-wide, starting in September of 2011. The genesis of these protests was simple to understand. The rich may not being lighting their cigars with $100 bills, but they're not making themselves very likable or someone that people would aspire to be like. When there's a giant gap between the rich and the poor, history shows that trouble arises, such as in Germany in the 1930s or Greece in the 2010s.

What they say: "You're just jealous because I made it and you didn't!"
What You hear: "All complaints about unfairness in the system are just like a high school drama queen complaining about rumors spread about her."
What I say: "The system is absolutely unfair. The world is unfair. Life is very, very unfair. But there's a way you can even up the odds of success for you. I'll show you how to have it."

What they say: "I'm not some lazy bum, rich-for-nothing like Paris Hilton or Kim Kardashian. I work hard for 80 hours a week to get what I have."

What You hear: "I make 100x more than you because I work 100x harder than you."
What I say: "We all work hard. The flow of money doesn't go to those who work the hardest, but to those who understand the new rules for riches and can spot an undervalued asset or opportunity the moment they see it."

What they say: "If I can get rich, so can you."
What You hear: "Every one of my golf buddies at the country club got rich. What's stopping you?"
What I say: "It's not as simple as doing, but rather knowing what, when and how to do. Specific attention to detail and hard sacrifices are mandatory. That's why most don't make it. And first, you've got to have something to sacrifice. Let me show you."

What they say: "Don't punish me for my hard earned success! Stop calling for higher taxes on me!"
What You hear: "Because I didn't inherit or cheat my way to riches, no one deserves a damn thing from me. Not even starving kids in poverty."
What I say: "I want you to be just as rich as me, if not more. Because an increase in your wealth will help everyone around you. I'll show you how."

I don't believe that the secrets of the rich should be kept and hoarded only for the benefit of the elite. I believe that when someone gets rich, it benefits everyone around them. Here's how I come to this conclusion, if there are more rich people in this country:

1. The government will collect more in tax revenue, be able to provide more helpful programs to the less fortunate and not need to raise taxes on the fortunate.
2. Home values will go up for everyone.
3. More people will have the ability to create more jobs, thus more people will be able to find jobs.
4. More charities can be started and funded.
5. More expensive medical research can be done, which can lead to saving and improving lives.
6. Expensive technological development can be funded and possibly make our lives easier.
7. Less people will have to rely on government assistance and entitlements to live on when they can no longer work, thereby ensuring that government help will go to those who truly need it.

Furthermore, if everyone in this country knows how to make big money ethically and legally, why would anyone ever feel the need to commit crimes and steal?

My message to you is this: if you buy groceries, wear clothes, watch TV, listen to radio, drive a car, or even just surf the internet, a lot of people are making a lot money off of you. Want to get in on the action? I'll show you how.

Information Yields Power. Ignorance Yields Profit.

And that's profit for someone else, not you.

Is ignorance really bliss? Not for your wallet.

You've heard the phrase that when you assume, you make an "ass" out of "u" and "me". When it comes to money matters, assuming does worse than that. It can clear out bank accounts and tear up wallets. The smallest detail or overlooking can make a drastic difference in dollar bills.

New Rule for Riches #2:
What you don't know will cost you.

Here are just a few examples of how that works:

At First: Credit card companies will try to sell you an insurance policy for a monthly fee in case your card is stolen so that you're not legally liable for fraudulent transactions.
But Really Now: Under law, the most you can be liable for is $50 per card, and most credit card companies will cover that because they want to keep you.5a

At First: You receive a letter from a branch manager that appears to be nothing more than a customer-relations effort, such as, "Hello. I am the branch manager. If you have any questions, call me."
But Really Now: It means your broker may be mishandling your account. The branch manager is required to contact you to legally protect himself. It may seem that he's just being nice, but really he's only covering his butt.5b

At First: Part-time students aren't eligible for financial aid.
But Really Now: Part-time students do qualify for federal financial aid, but the calculations for this group look a little different.5c

At First: A dollar saved is a dollar earned.
But Really Now: A dollar saved is taxed on interest earned and eaten up by inflation. Your money is losing value when it just sits in a savings account.

At First: It's safe to assume that the car dealership knows your credit score, thus they can properly determine your interest rate.
But Really Now: If you know your own credit score, you can bargain better and not be at the mercy of a dealer.

At First: Supposing that when you buy gas with your debit card, the amount it says at the pump is the exact amount taken from your account.
But Really Now: Some gas stations put holds on your account.5d They'll at first charge you as high as $50, even if you only bought $10 worth of gas. Then the charge goes down to $10 when it clears. But this could cause an overdraft on your account, forcing you to pay a $35 fee! That's $45 for a mere $10 of gas!

At First: It's safe to assume that insurance rates are set in stone.
But Really Now: Rates are constantly changing. In fact, in certain states and for certain policies, rates have actually dropped significantly since 2011. And, if your record has improved, you may even be eligible for additional reductions. You can be sure, however, that your insurance company isn't going to call you up and let you know their rates have dropped.5e

"STAYING ON TOP OF ALL THIS SOUNDS SO EXHAUSTING!"

Sounds like it is, but it doesn't have to be. Perhaps you think you'll feel like a pest, making sure you get the most bang for your buck. But that's far from the truth. The way the American economy is set up, the businesses are the ones pestering you about how they'll give you the most value for your dollar.

It only takes a little bit of time and research to make sure you're not spending more than you should, especially with how easy the internet has made research for consumers. So reverse the roles and make it so that the businesses are the ones under the pressure to get your almighty dollar bill.

BEAR IN MIND:

Every business has a competitor. If it seems like they're out to screw you, remember that they'd much rather screw their competitors. They will bow down to you for your money before they bow down in defeat to their competitors. Take full advantage of this.

Being thrifty was once a virtue in our society, then somehow it became stigmatized as being cheap. I for one don't understand why economizing is looked down upon so much. We call people who do that penny pinchers, cheapskates, and stingy. But why? Do you not work hard for you money? Do you not want the effort and fruits of your labor to be respected? Aren't your earnings worthy of respect considering what you had to do to get them?

New Rule for Riches #3:

Thrift is demanding respect for your money and how hard you had to work in order to get it.

One of the greatest things about the business world is that businesses are willing to negotiate. Some stores will match competitors coupons and prices just to make the sale. Consumers on the other hand rarely negotiate. You just have to remind yourself that you have the money, thus you make the rules.

A WISE MAN ONCE SAID:

"He who has the gold makes the rules."

A fitting analogy is to liken your life to the life of a business. Individuals have cashflows, expenses and revenues just like businesses do. Be more like a business with your life and it will operate smoother. When businesses spend money, the expense is proposed, reviewed, analyzed, weighed and then approved or rejected. If all of us did this, we might not have the debt problems we have today.

"THERE'S STILL GOING TO BE PEOPLE THAT ARE OUT TO GET YOU! WHAT DO YOU DO ABOUT THOSE?"

Oh, yes. There are crooks out there, make no mistake about that. They set up some ugly traps to rip your wallet to shreds. So it's time now to show you how to avoid these miserable bastards' traps

Avoiding the Five Financial Traps

Many of these traps are ones that people fall into every day without ever even knowing it. It has been said that "Broke is temporary. Poor is eternal[6]." So this chapter is all about how to avoid being poor.

"Zordon didn't set me up with a Retirement Plan."

As the picture above suggests, poverty can come upon anyone. Not even all-star NBA players are safeguarded from poverty. The Chicago Bulls' Jason Caffey, who made an estimated $29 million during his eight-year NBA career, was in bankruptcy court seeking protection from his creditors, among them the seven women with whom he fathered eight children[7]. Sure he brought that financial trouble on himself, but he also fell for the traps.

You'd think that $29 million well-managed should cover everything. But the problem was that it wasn't well-managed. Thus, being aware of the five financial traps and knowing how to avoid them are two of your best ways to start your financial education.

Financial Trap #1: Student Loans

The student-loan game has changed dramatically. The cost of college always goes up and loans are replacing grants, which is a bad idea. Always look for a grant first. Academic institutions are only worth attending if you can get someone else to pay for it. Some colleges and universities are complete wastes of time dishing out useless degrees that get you nowhere while sucking out your money like parasites. So it's best to try to get your higher learning for free in the form of scholarships and grants before looking at loans.

MOMENTARY TANGENT:

Option A: $100,000 Ivy League education.

Option B: $5 library card.

Catch: You'll get access to the same information either way!

Tragically, it has become common practice now for youngsters to get student loans. Like the credit card sharks, there are student-loan sharks that are aggressive at dropping debt on your shoulders. This debt is extremely tough to get rid of once it's amassed and it's very profitable for the sharks doing the lending.

Scholarships are always better than loans. Check these websites to see if you qualify for one: BrokeScholar.com, Educationgrant.com, Fastweb.com, and Fastscholarshipsearch.com.

Just the facts:

- Federal and State regulators are investigating the possibility and frankly the likelihood that private lenders are buying college financial aid officers much like the way a lobbyist buys a politician. They buy them gifts and the aid officers then add the lenders to the "preferred lender" list. Well hello there, Mr. Conflict-of-interest. So nice to see you again… not.
- Consumer advocates have found that some sharks are misleading students into taking out more expensive private loans when the borrowers are eligible for lower-rate federal loans.
- Studies even show that more than half of these student debtors take out private loans without even exhausting federal resources and 24% receive no federal aid at all.
- There's no way out. In 2005, lenders persuaded legislators to make private loans impossible to shake. You can't even declare bankruptcy.

Before taking one out, learn the 3 types of loans:

1. Loans directly from the federal government
2. Loans made through private lenders but subsidized and guaranteed by the federal government
3. Private loans made by private lenders with no federal guarantees.

One reason students are turning to private lenders is because the amount of students allowed to receive the first two kinds of loans has been frozen since 1992. Private loans can be good, but there's a danger to them if you're naïve. You have to make sure that the career you're majoring for will pay off. There have actually been graduates with debt in the hundreds of thousands but their degrees (mostly in liberal arts) only qualify them for jobs that earn less than $50k a year.

The rates of a private loan are around 19% if you have no credit history. Compare that with the fixed rate of 6.8% for federal loans. And the rates aren't even disclosed before the student submits an application13. Thus comparison shopping becomes difficult and time-consuming.

http://studentaid.ed.gov/repay-loans - If you graduate, can't find work, but still have to pay back a loan, go here to get a deferment (you don't have to make payments and the government may cover the interest during a set period of time). If you don't qualify, ask about forbearance, which lets you stop paying temporarily (but interest still accrues). There's also a list of steps you must take if your loan is in default.

The bottom line is that if you default on a mortgage, you can give back the house. If you default on a student loan, you can't give back your degree.

Financial Trap #2: Credit Cards

When I first got into college, I felt like a little baby seal stuck on a melting ice berg surrounded by great white sharks. There were so many sharks mailing me letters, calling my cell phone (no idea how they got my number) and clogging up my email box, wanting me to sign up for credit cards. And they were more aggressive than any sales person I've ever seen. "Come get your credit card. You don't even need a job!" Nowadays, there is legislation that keeps these sharks off campuses, but they've made a fortune preying on vulnerable youngsters and are finding new ways to get to their little baby seal victims everyday.

The overwhelming temptation to get a credit card is understandable. They're convenient. They're a good thing to have in case of emergencies. And they're seemingly indispensable. You'll hear all this from the same sharks that make the $5,000 credit limit sound like they're giving you $5,000 for free. Whenever something seems too good to be true, it often is. While they push the positives, there are negatives they don't tell you about.

Universal Default Penalties: Half of people with these cards don't even know what those are. Lenders and credit card companies make their money on people's failures. When you sign up for one of these, you're putting a target on your back because the company will keep a keen eye on your timeliness. If you have more than one credit card (which is suicide), and you're late on a payment with one of them, the interest rates on both of them will go up because the company of the one that you paid for on time will have reason not to trust you.

MOMENTARY TANGENT:

Speaking of suicide, if I were ever to commit it, I'd sign up for a whole bunch of credit cards, max them out visiting every awesome theme park in the world, then leave a suicide note citing financial trouble as the cause. Then my family could sew the credit card companies for emotional damage. I'd be laughing my ecto-plasmic ass off!

Interest rates are often hidden: One of the tricky things these predators do is heavily boast about their low introductory rates. It seems like a bargain, but the problem is that over a period of usage, the rates go up astronomically without cause. And the reason why was hidden in the microscopic fine print that you may not have read. Most rates are even tied to the prime rate, which is one that can rise suddenly.

Grace periods are more like grace minutes: A grace period is the window of time between the initial charge and the moment interest is incurred on the charge. Supposedly, it's 25 days. But for some cards, the time period is shorter. And some transactions don't have grace periods, like cash advances and balance transfers.

Balance transfer fees and inactivity charges: These two are exactly what they sound like, very bad jokes they play on you.

"Bait-and-switch" offers: Once you have one card, other companies will send you crap in the mail, advertising low interest, and even if you're not approved, you'll be issued another. And that's the trick. It's written in microscopic print. So you sign up and switch, but the card you thought you signed up for, you weren't approved for, and you don't get it. Instead you get another one with higher interest. By the time the damn thing arrives, they hope you've forgotten what rate you were getting into. And most times people do. Until that first bill arrives.

Two-cycle billings: Most companies will compute your interest and charges monthly, but some do it bi-monthly. The latter figures your charges by averaging your daily balance over the last two billing cycles. Never apply for these cards.

"MY PARENTS TOLD ME THIS ALREADY! THEY WOULDN'T LET ME GET A CREDIT CARD! WHY WOULD ANYONE WANT THESE LITTLE WALLET TERMITES?"

Two reasons: one is instant gratification and the other is that it is a good way to build up credit. But only if you do it right. One last thing, credit cards from stores like Sears, JC Penny, Home Depot, Lowes, or other department stores are the absolute worst. Don't ever get those.

NerdWallet.com – When you are ready to get one and want to be sure you're not getting conned, this website compares credit card rates and rewards to find the perfect card to fit your personal or business needs. And using this site is free.

Financial Trap #3: Early Marriage

It's important to know the fiscal situation of the person you're marrying. I don't mean just bad credit spouses or gold diggers. But marrying early in general could be a financial disaster for you as well.

By marrying early, I'm talking about under the age of 25, because 25's when everyone is likely to be all done with college and set on their chosen career.

They're happy, aren't they?

Let's look at the emotional aspect of this first. Psychotherapist Tina B. Tessina believes that romance has been blown out of proportion. "Many college students' brains haven't finished maturing yet," she explains. "Unfortunately, many couples part because they feel as though they've grown apart." The spouses might even start to say to each other "You're not the person I married anymore." This happens because the reasons you fell for them in the beginning (intelligence, sense of humor, sexiness) don't measure up to trash not being taken out or a stack of dirty dishes. And anything to do with physical attraction doesn't last for long.

Problems you didn't expect arise from nowhere. Household responsibilities, missing out on the fun of being young, sacrificing educational endeavors, and then not being able to get good jobs because of that limited education will certainly spark fights. And don't even think about kids.

Now for the financial effects of early marriage, it follows a cycle similar to this:

Step 1: The couple marries and moves in together.
Step 2: The combination of all their stuff creates a scarcity of space.
Step 3: Couple decides a bigger place is needed.
Step 4: Couple takes out a mortgage on a house.
Step 5: More space means they need more stuff to fill the emptiness. So they buy more furniture on credit cards.
Step 6: Couple starts reproducing.
Step 7: They finance a minivan.
Step 8: They end up struggling for the rest of their lives with all the bills and stashing savings away for their children's college fund and end up with nothing in retirement.

This is how their bank accounts go from green to red. They move in together in a one bedroom apartment, think that two can live as cheaply as one because there are two incomes paying for a one bedroom unit. But the couple either has the dilemma of cramming all of their possessions into a tiny unit and realizes the need a bigger place, or they have too much space (which rarely happens) and they go out and buy more stuff on their credit cards.

Once they realize they have too little space, they decide to look for a house. Perhaps they've moved up in their careers and are making more. Maybe they've even paid off most of their debt. So they take out a mortgage and buy a house. Now they have the problem of too much space again and buy more stuff on their credit cards, because you have to furnish a home. They may even decide to have kids. They start reproducing, but they realize that their sedan or sports car isn't big enough to carry them all. They finance a minivan.

Now they are in the rat race. They've bought two liabilities (a house and a car) thinking they're assets. Combining the mortgage, car payments, credit cards, electricity bills, water bills, maintenance (perhaps