

FINANCIAL FITNESS

Financial Literacy for A New Generation

A MindSet of Wealth Series[®] - Volume 3

Ages 12 and Up

*A book by
Lattice Hardwick
G.W. Lawrence*

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A MindSet of Wealth[®]

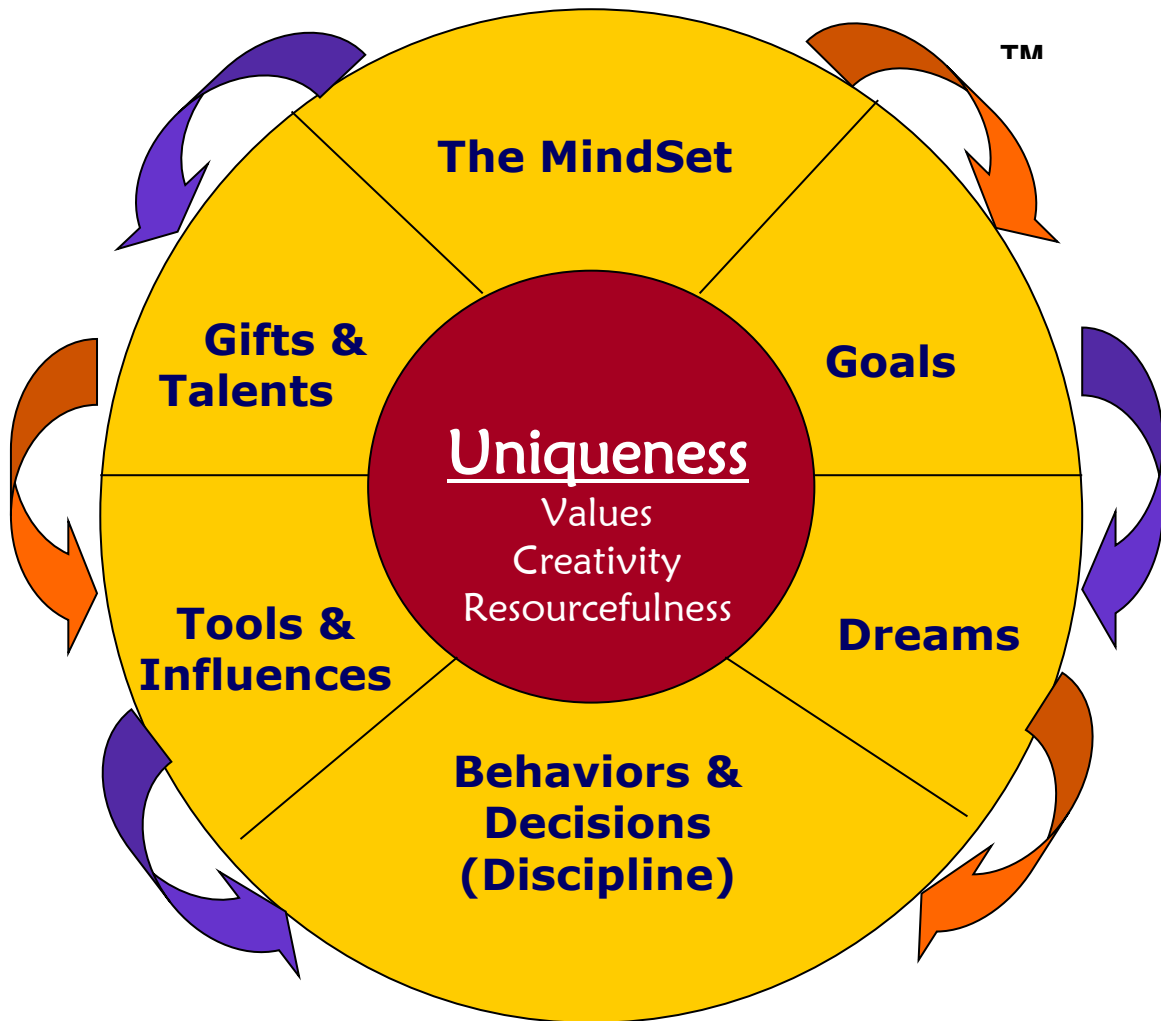


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CHAPTER 1

EARNED INCOMES



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BUSINESS OWNER



If you choose to earn an income as a Business Owner, you will not have to be involved with the day-to-day operations of the business, but hire Employees to operate your business. As a Business Owner, you may own portions of other businesses. You may also contract or hire a Self-Employed person to perform specific services for your business. If you do hire a Self-Employed person, you both contractually agree to an amount of work completed by the Self-Employed person(s) and the salary for the work performed.

As a Business Owner, your involvement can be as little as signing for ownership or as great as you running the entire business. Normally, you will take on the overall budget of the business and set the business's direction. The size of the business can be as small as a home-based business to a large corporation. As a Business Owner, you will likely invest your money and time into seeing your business succeed.

A **Business Owner** can be an owner of a:

Professional Team
Beauty Shop/Salon
Cleaning Company
Television Station

Trucking company
Restaurant
Chemical Company
Supermarket

Listed below are some characteristics and responsibilities of a **Business Owner**

Business Owners:

- May create a business that makes money with little or no supervision
- Provide income and benefits to Employees.
- Provide a vision for growth and direction for their business.
- May hire someone to manage the day-to-day operations
- Hires someone to ensure the business adheres to legal regulations.
- Hires someone to handle insurance coverage for the Employees of the company

As a Business Owner, you may want to hire someone to perform many of these tasks, but the sole responsibility still rests on you as the owner. If you operate in this manner, you create what is **passive income**.

Special Note: **Passive income** is income that is created by an initial investment and work for a self-generating income, operates by itself, or by another. This gives the Business Owner the full freedom to start other businesses, which may help him or her to generate new passive income.

Can you list more ways a person could be **Business Owner**?

1. _____
2. _____
3. _____
4. _____
5. _____

INVESTOR

If you choose to earn your income as an Investor, you will use your money or property to make more money. You may invest your money in diamonds, real estate, stock, or someone's business with the hope that there will be an increase in the value (this which will make it more profitable to sell at a later date). For instance, as an Investor, you may use \$1000 for the purchase of a diamond, hoping that value of the diamond will double in value or you may make a \$100,000 investment in a company, which may be worth \$200,000 in the future. The goal of an Investor is to invest one dollar to obtain profit or a return.



If this appears to be a tricky or risky way to generate an income, it is. However, the real trick is to learn as much as possible about where you are investing your money. **As an Investor, you must be aggressive about learning. Your knowledge will be your most valuable tool and resource.**

Special Note: Portfolio income is income generated from a collection of investments that have increased in value. Funds are often switched from one investment vehicle to another in order to receive the maximum return possible. For this, an investment firm is often used for its expertise, but not necessary.

To illustrate the benefits, here is how passive and portfolio income works, here's a scenario:

If you work *two* full time jobs (16 hours a day or 80 hours a week), you would be left with only 8 hrs. a day to eat, sleep, and travel to and from each job. No matter how much money you are paid an hour, you can only make as much as you can physically work. With passive or portfolio income, you have the advantage of having dozens of incomes all working at the same time, which will allow you to have most of your time to yourself. *You can even make money while you sleep.*

As an **Investor**, you will find profitable investments in a variety of ways... in the newspaper, magazines, on TV, traveling, or just talking to people.

Special Note: A **commodity** is a product that has a distinct monetary value. It is anything that is not a service, such as apples, oil, gold, or collectable coins. Profit is the amount of money made from selling an item for more than what was paid to acquire the item. For instance, if the cost of an item is \$200 today, but could be sold tomorrow for \$300, there is a profit to be made of \$100. If the item only sells for \$150, it is considered a \$50 loss.

Dividends are payments made by a corporation to its shareholder members. As a stock investor, you are a shareholder; when the corporation, which an investor has invested increases its value, it produces dividends as a profit. This profit can be paid to the investor or re-invested into the corporation, giving the investor more stock.

Investors measure their investment (their money) against the profit made in order to determine whether it is a good investment. The profit made on an investment can have several names, such as dividend, return, gain, increase, or growth. The objective of an Investor is to use their money to make more money by investing in businesses, commodities, or anything that has a chance of increasing in value or providing a **Return on Investment (ROI)**.

ROI is a way to measure the rate of profit or the loss of an investment. Here is how it is calculated.

$$\text{ROI} = \frac{(\text{the total gain or return}) - (\text{the cost or amount of investment})}{(\text{the cost or amount of investment})}$$

If you were to buy a lemonade stand as an investment for \$100 (cost), and made \$500 in total sales, you have a total gain of \$500. Subtract \$100 (cost) from the \$500 (total gain) and you have a profit of \$400. Now divide your \$400 (profit) by \$100 (cost) and you have 4.00 or 400%.

$$\text{ROI} = (500 - 100) \div 100 = 4 (4.00) \text{ or } 400\%$$

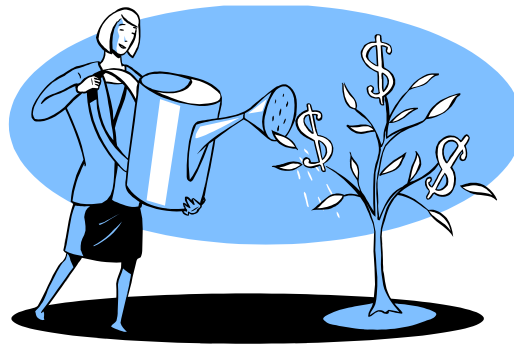
Areas where an **Investor** might invest can be the following:

Stocks	Real Estate
Companies	Patents
Comic Books	Art
Corporations	Bonds

An Investor should have the following characteristics and responsibilities:

- Trend observer to understand the consumer—human nature
- Thorough understanding of business management
- Educates themselves before entering any business venture

- Confidence in self
- Makes sound decisions
- Risk taker
- Thinks outside of the box (regardless of what's popular)



An Investor views the world in a much broader sense than most. They are able to create opportunities and not wait for opportunities to come to them. In order to be a successful Investor, you need to have the expertise and foresight to invest in the right vehicles that will yield the highest return with little risk. As an Investor, you must understand the risks associated with all of your business ventures, looking for high returns on your money with as little risk as possible.

What kind of investments do you think will make money and why?

TYPE OF INVESTMENT	RETURN HI OR LO	RISK HI OR LO

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