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AZIZI ALI

MBA ChFC

MONEY CHANGES EVERYTHING

GET RICH • LIVE RICH • DIE RICH

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TRUEWEALTH
Making You Better

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Introduction

Money isn't everything.

Or so people tell me.

Like most people, I used to accept this statement as the gospel truth. Admittedly, it was easy to do so because millions of people were also saying the same thing. And since so many people said the same thing, it had to be right. In any case, the line ruffles no feathers. It is as politically correct as it can get. To say otherwise – that money is everything – would make you sound like a material girl – that you would do anything, even sell your own mother, for the sake of the dollar. Furthermore, it is easy to look down on those who search for money. These people appear to be rough, crude, and unrefined. After all, money is as basic as it comes (no life of its own, countable, and anyone can have it), so much so that if you told anyone that you are all out for it, it will instantly relegate you in their eyes to the level of the ancient humanoids, and the only difference between you and them is that they were hunting and gathering for food, while you are doing the same for money. There's no art, no taste and nothing refined about it at all. (This is perhaps why no books on personal finance or building wealth have been nominated for the Booker prize, or any literary award for that matter. Most people, especially those in the literary scene, view such books as third-rate publications – no art, no depth and no magic – even though such books have touched, changed and improved more lives than most novels combined!)

But as I journeyed through life, the picture began to change. Firstly, I began to notice that all the people who said the line were not rich. It's almost as if they were trying to cover up for their lack of wealth by saying it is not important – just as the fox in Aesop's tale, that consoled himself that the grapes that he could not reach were sour anyway.

Secondly, I also noticed that practically everyone was out searching for money. Even those who said money was not important were slogging to make more money! They said one thing, but were doing another.

I thought this to be a weird way to live life – saying one thing and doing another. It is almost like living a lie or living a dual existence. Unfortunately, the two existences are at opposite ends, and can only tear the individual apart. End result – they are neither fulfilled nor rich.

I thought why not be true to yourself – if you believes that money is not important, then live like it is not important. Become a poet, a mystic, a monk, a saint. Move to the woods. Escape from the rat race. You will be happy, fulfilled, and at peace with the universe.

On the other hand, if you believe that money is important, then live like it is important. Work hard, work smart, save, invest, and manage your money. By doing this, I believe that you will be happy, fulfilled, at peace with the universe, and as a nice bonus, wealthy!

Becoming rich is difficult

There…I've said it. The curtains have been lifted, and you now know the truth.

So now you have two choices: (1) give up, because all your darkest suspicions about becoming rich have just been confirmed, or (2) work harder and smarter so that you will have a chance of making it.

By the way, if you noticed, I did not write 'becoming rich is impossible'; I wrote 'becoming rich is difficult', which means that you can do it if you are willing to make the sacrifices and pay the price. And boy, what sacrifices you have to make! Some of the sacrifices include reading books (a lot of books!), attending classes, missing time spent partying with the boys, missing time with your family, skipping holidays, skipping television, skipping newspapers, laughed at, scorned, belittled, criticized, working fifteen hours a day, seven days a week, sacrificing perhaps even your health and living 'normal' lives.

Interestingly, the daughter of Dave Thomas, the founder of Wendy's fast food chain, said that her dad probably did not even know which school she attended!

By the way, I need to add that it is not only you who will be making these sacrifices! Others, namely your spouse, children and perhaps even other family members, will also have to make many sacrifices in your quest. Hey, who said getting rich was easy?

So are you ready to sacrifice all of the above and more? If the answer is yes, then you probably have a chance. If not, then be prepared to live a sedentary life, which by the way is not shameful. The price to pay for wealth is very high indeed, and I understand exactly if you decide not to do it. After all, millions of people have decided not to.

But if you are game for it, then get ready for the ride of a lifetime!

Actually, a lot of people are doing the correct things where making money is concerned. It is not rocket science, you know. They have most of the answers already. However, they cannot quite get the crosshair aligned. Sometimes they are missing one or two things that will put it all together. Sometimes the arrangement is not quite right, much like a big unsolved jigsaw puzzle. So these folks go around in circles, doing alright, but not quite hitting the big time. They hover just outside of the border of real wealth. There's a name for these folks – the middle class.

In the last few years, I've also met a number of successful entrepreneurs, corporate leaders, top management and artists whose income runs into millions. Sadly though, many of them are still in the dark when it comes to investing that money. They are just as blind about the subject matter as their employees. So, although they have millions, the returns from those millions are peanuts. Worse, they actually lost a lot of money as well. In fact, far too often if you ask me. Fortunately though, they can still laugh about it, which is a good sign of sorts. (Hey, anytime anyone can laugh after losing millions, that's a good sign!) Here they are, on top of the mountain when it comes to making money, and yet they are in the dark when it comes to investments. There are reasons for this of course, and I will reveal what they are later in the book.

Naturally you too will make mistakes – plenty of them! You will make poor decisions, hire the wrong people, pay too much, pay too little, say the wrong words and yes, lose money. You will be taken advantage of, misled, mistreated, misunderstood, cheated and lied to. Why? Because you are not taught about money matters, because you don't know it all, and most of all, because you are just human.

So I've written this book to help point the way to true north. Unlike many books on money matters, it combines both the soft skills and the strategies. Some books talk about the soft skills – having the right attitude, working hard, working smart and never giving up – while others talks about the money strategies – where to invest, how to invest, when to invest and the likes. Very few mention both. Actually, both are equally important. If you work hard but know very little about the strategies, you can actually end up running in circles. You might be spending all that sweat for very little money. On the other hand, concentrating on the strategies alone will leave you very disheartened. Yes, you will probably make some money, but then you find yourself running in ten different directions with hardly any time for yourself, let alone for others. You'll probably ask yourself somewhere along the line, "Is it worth it?"

Is it worth the sacrifices?

My parents did not have much money when I was growing up. While I do have some fond thoughts about those childhood days, I do not wish to go back to living that life. It was hard, tedious, long, dreary, and on the whole not much fun!

The life that I'm living today is a lot more fun. In fact, a million (pun intended) times more fun!

So yes, it will be worth all the trouble to get rich.

It will not be easy, but it will be worth it.

This is why I've combined the two skills in this one book, so it will all come together. Making more money is important, but so is living life. You want to make the two go together.

The ideas inside this book are not theoretical. They have been ground tested and they have brought great results to me and a whole lot of other people, including my clients. This book is also based on much research, reading, interviews, conversations, and more importantly, my own experience.

The last three words are extremely important because they can be the missing piece in your puzzle. It can be the very thing that lights up your world. For I am also like many of you, a man trying to do the best he can. I went around in circles for years trying to make it big. It took much pain, time and yes, money before I saw the light. I've travelled that road and I know how hard it is trying to make it in a world filled with conflicting signs, neon distractions and false prophets. So I am writing this book not only as a Chartered Financial Consultant, but also as a traveler who has faced the dragons standing in the way, and knows how to slay them.

“What some folks call impossible is the stuff they haven’t seen before.”

Robin Williams as Chris Nielson in the movie *What Dreams May Come*

Who am I?

For the readers who are not familiar with my name, I can state that I am truly an unusual creature, for:

- I am a financial expert who is NOT in the financial industry
- I am a practitioner and not an academic (despite the 30 plus books that I’ve written)
- I am old enough to have experienced a lot of things personally
- I am a multi-millionaire

The first point means I have no career to conserve, promotion to protect, top management to please, lines to toe, association rules to comply with, or sales to be made. I can tell things as it is. This means that my ideas are totally neutral – there is no conflict of interest at all. More importantly, I can share ideas – even those that are radical and unconventional – that have brought me and my client’s fabulous results.

The second and third points show that I am not a paper tiger. I have seen and experienced much myself. And though you may not see the battle scars, I can assure you that they are there.

And as for the last point, it means that I have actually done it, despite the late start. (I spent my youth dating hot girls, buying cars I could not afford, traveling the world, and even spent some of the money foolishly!) So I know how to make money, grow that money, and yes, know how to make it last forever and a day.

So this book is pretty much on how I did it. As such, there will be a lot of references to yours truly. I must explain this as (1) I do not want to sound like I am too much in love with myself, and (2) there are not too many local examples that I can refer to. Oh, there are plenty of men who are business successes, but while they made tons of money from business, not too many of them did as well when it comes to investments (you'll find out why inside the book).

I need to add that my way is not the only way, for there are many ways to win and many roads that lead to success. (Unless of course the police declare a lockdown and block the roads!) Jokes aside, there are other answers and other routes, but this is the one that has worked for me. And I'm sure it will work for you as well. Therefore I have no doubt that the content will help you immensely.

We all have our own journeys in life, but we cannot do them all as our time here is extremely limited. Furthermore, we do not have the talent, the skill, the mindset, the resources, the looks and sometimes the body needed for some activities. So we do the best we can with what we have.

In my case, I chose to focus on wealth because it seemed to be a worthwhile idea at that time. I was broke, I hated it, and I wanted to always have money so I would never be broke again. So I started to educate myself on money matters. The money increased and my life became better. As the formula was bringing the desired result, I did more of the same and in fact, increased the intensity. And like a fairy tale, the results got better and my life became even better.

But life is not just about money, or so people tell me. (Interestingly, not a single person who says those words appears to know the answer themselves!)

This is the real kicker of our tale though: As I focused on wealth, I discovered more than just money – I found myself. I also learned many things about people, the world and life in general. (This, I suppose was the bit about 'life being more than just money'.) So I've actually discovered more because I focused on wealth! I focused on wealth and life expands! It may sound like a contradiction of terms, but I can assure you that it is true.

I believe that this would not have happened had I not chosen this path.

Perhaps the most fulfilling experience of all is finding myself. I knew what turned me on, what turned me off, my strengths and my weaknesses. I found my true calling, my purpose for living. And so I chose my path – the proverbial road less travelled – and forsook all others. And though I started on this path alone, I must be doing something right for when I look over my shoulder, I see many people walking on the same path.

Some people dream of climbing Mount Everest, others dream of diving into the Mariana Trench. Some people dream of playing football for Barcelona, others dream of becoming a Prime Minister. I chose to dream of becoming a wealthy man.

After all, what is so wrong about dreaming of becoming a wealthy man? What is bad, illegal or immoral about it? Nothing. And when you take the steps that you hope will bring you closer to that dream, you can only make your life better. It is certainly a worthwhile thing to do instead of mindlessly pressing buttons on the TV remote. It is certainly more productive than spending time in a shopping mall. It is certainly more fulfilling than complaining about the state of the world.

So actually the bottom line is this: Becoming rich is difficult, but it is not as hard as you think. Do the right things and the money will come.

This book will help you with the last line, to put things in the right order and provide you with the missing links. This book is about making the coming days in your life better than they were in the past.

Now we can get to the business of how to get rich.

Money isn’t everything, but make a lot of it before saying it!

Some info is repeated

In case some of the points inside this book look familiar to you, well, they should be because you may have read them before! Yes, I have shared some of the information inside this book in some of my earlier books. I have to include them to make this book more rounded and useful, especially to the new readers.

So if you’ve read them before, think of them as reminders.

And for the virgins, as this is your first time in my world, I promise to be gentle, but I need you to hang on tight because it will be one hell of a ride!

The Inner Circle Program

There are a number of references about the Inner Circle inside the book. The Inner Circle is a personalized coaching program that I set up three years ago. This is where I coach members on a personal basis about money matters – covering both their personal finance and business. I am happy to report that many members have not only regained control of their finances, but actually multiplied their net worth significantly while reducing their workload and problems at the same time! So I am sharing some of their stories and experiences with you, as I know you will learn much from them. Oh, by the way, the members are the only people in the world who have access to me! (So this answers your question on how you can get to me!)

Divided into five parts

This book is divided into five parts so it will be easier to read. The first part is about building good money habits. This is critical as we need to have a strong financial foundation. The second is about investing. Advance warning: there are many new, radical, and perhaps even revolutionary ideas in this part, so I need you to open up your mind and hang on to your hats! The third is about living and staying rich while the fourth part is about how to die rich. No, I'm not going to reveal how you can bring the wealth with you into the next world, but I'm going to do something even better. Read that part and you'll find out how! The fifth and final part is the closing.

Warning!

I will give an early warning here: those people with tight asses and closed minds probably shouldn't be reading this book. The ideas inside this book will be too much for them. Those people without a sense of humor should also pass. As the top marketing coach and author Dan Kennedy always says, if you don't offend somebody by noon each day, you aren't saying or doing much! While I do not go out of my way to offend anyone, it is hard to eat KFC without hurting the chicken!

So if you (1) are easily offended; (2) insist on thinking that you are right even when you are one salary slip away from disaster; and (3) have no sense of humor, I would suggest you stop browsing this book for free at the bookstore, because there is nothing worthwhile inside for you.

I have no doubt that some of the words inside this book are going to make you feel a little bit uncomfortable. Some of the words may even make you hot under the collar. See, all of us have certain beliefs and ideas about money inside our head. Many of these beliefs have been there for years. We accept them, we believe them, and we live our lives in accordance with those ideas. Unfortunately, many of these beliefs about money and wealth are incorrect (you'll find out why later in the book) – except that we don't realize they are incorrect.

So when we come across an idea that contradicts the one residing in our head, the first reaction is to reject the idea. If you do that here, it will defeat the purpose of you buying this book. My request to you then is to take a deep breath and not reject them straight away. You will come across many new, different, radical or even revolutionary ideas in this book. After all, you bought this book in the hope of finding some ideas that will help you get better, get richer and reach for that higher life. Well, the ideas are right here. No questions there. They are here, they have worked for me, and I know they will work for you as well. They will help you get rich, live rich, stay rich and die rich. (Of course, minus the dying part yet as we all plan on living for many more years!)

So before you reject the ideas, think about this for a minute: if your current formula is not bringing you the desired result – you know this because you are not living the life of your dreams yet – then it is time to adopt some new ideas, many of which are inside this very book! Open your mind to the ideas because they can help you live a better, healthier, richer and happier life.

Of course, if you are already rich, then you will be happy to read this book because many of the ideas are in alignment with the ones that are in your head! So it will be a validation of your formula and a confirmation that yes, you are indeed on the right track. Well, the Porsche Panamera in the driveway can also be a confirmation of sorts!

In case some people wants to play the smart alec by raising an issue with some of the ideas inside this book, for example, claiming that they have made tons of money even though they did the opposite from what I am saying, I hope their nose bleed! But seriously, I can also play the same game.

My weight has been the same for the past thirty years. More importantly, I'm also in good health. This being the case, I can try to be the smart alec and claim, "Hey, who said eating ice cream is bad for you? I've been eating ice cream for over thirty years and I'm still healthy. And who says eating cakes is fattening? I've been eating cakes for over thirty years and I'm still the same weight."

But I will never say such things because (1) it is impolite, (2) people know that I am playing the smart alec (which will just turn them off), and (3) I know that cakes do make one fat while ice cream does damage our health. I know the reason I can eat both, and in fact eat anything, and still remain slim and healthy is because I eat everything s-p-a-r-i-n-g-l-y.

So the point here is that there is always an exception to the rule and a 'but' to every sentence. We cannot and should not use the exception to make the rule.

A final cautionary note. I have primarily used 'he' and 'him' in this book for convenience and not as a slight to women. I figured this would be easier to read instead of using 'he or she' or 'him and her'. If anyone cannot understand that when I write 'him' it covers 'her' as well, I hope their nose bleeds as well! Anyway, I'm not getting paid by the word, so why bother making it any longer and more complicated than it actually is?

And with that in mind, let us begin our journey….

PART ONE: THE BASICS

"Living like a millionaire requires doing interesting things and not just owning enviable things."

Timothy Ferriss,
author of *The 4-Hour Work Week*

Introduction

Most men dream of hitting the mother lode – that one single thing that will turn their lives around and make them rich beyond their wildest dreams. That one single thing can be an investment, a business, an opportunity or even a person. While a few do actually discover their mother lode, most men go to their graves with the dream remaining unfulfilled.

If I learned anything from my time on Earth, this is the lesson – nothing worthwhile is easy. Everything that is worth something is hard to come by. Everything worthwhile will require a price. The price may be effort, it may be time, it may be attention and it may be a literal price to be paid. So if you want that something bad enough, then you must be willing to pay the price.

Building wealth would certainly qualify as a worthwhile thing.

And as such, it will take a lot from you. Wealth is a fickle mistress. She will require much effort, much time, much attention, much money, many sacrifices and a whole lot of other offerings before she will show herself to you. And even when she does show up, the sacrifices do not stop as you have to continue the offerings, because she can disappear in a flash.

And boy, what sacrifices you have to make. Some of the sacrifices include reading books (a lot of books!), attending classes, missing time out partying with the boys, missing time with your family, skipping holidays, skipping television, skipping newspapers, being laughed at, scorned at, belittled, criticized, working fifteen hours a day seven days a week, sacrificing perhaps even your health and living a normal life. Furthermore, as I wrote in the introduction, it will not be just you who will be doing the sacrifices! A few others, namely your spouse, children and perhaps even other family members, will also have to make many sacrifices in your quest.

Anyone who tells you otherwise either knows a lot more than me or he is pulling the wool over your eyes or, most likely, is not rich.

In other words, there is no mother lode and no one magic pill that will turn your world around. Instead, there are *a lot of pills* that you have to swallow and *a lot of things* that you have to do to make the dream come alive.

Your habits will make you rich

If you studied the early history of heart attack victims, you would not be surprised when the attack actually happens. For the most part, heart attacks can be predicted years in advance. Most of the victims swallow pretty much everything that is on the table, guzzle all the carbonated drinks ever bottled, smoke like an old locomotive and see gyms as torture chambers. Of course, health problems do not show up the day after he smokes. Not the week after, not the month after and not even the year after. It often takes many years before the problems start to appear. But rest assured, if the guy keeps on living the way he does, it is only a matter of time before the health problems come.

In short, the health problems did not come because of one bad thing he did. Instead it is his poor eating habits and lack of exercise that led him to the hospital. He had set himself to self-destruct.

Interestingly, the same applies to wealth. A guy with poor money habits, for example, not having a budget and not saving money, will have financial problems. While the financial problems may not come straightaway, come they will, you can be assured of that.

On the other hand, a guy who has developed good money habits – saves money on a regular basis, monitors his investments and continues educating himself on money matters – cannot help but be well off financially. Even though he may not become a millionaire, he will still live more than comfortably. Of course, his chances of becoming a millionaire are also higher than most people.

In other words, what will make you rich are your habits. Develop good money habits and you cannot help but become rich.

This part is about good money habits.

Chapter 1: Quick tips to live rich

The earthquake first struck at 2.46 pm on Friday, March 11, 2011. Registering 9.0 on the Richter scale, it was in fact the most powerful earthquake to ever hit Japan. Within minutes, giant tsunami waves began hitting the east coast of Japan. And perhaps for the first time ever, live pictures of the waves were flashed on television screens all across the globe. So, practically all the world saw the devastation as the water raged through the countryside, villages and towns. We saw how the water literally tore everything in its path – vehicles, boats, walls, houses and even whole buildings. Few, if anything at all, escaped from the tsunami's fury.

I was more than just an interested observer, for I was actually in Japan the day after the tsunami struck. Though I was in Narita – some three hundred kilometers away from the worse hit areas – I could feel the numerous aftershocks. And though I had experienced earthquakes and aftershocks before, this was something else, for the aftershocks kept on coming throughout the day and night. For the first time in my life, I was actually very concerned about my safety. I don't think I slept at all that night. In fact, I was ready to bolt out of the hotel room at the first sign of a tremor or an earthquake. Fortunately, it was just a series of aftershocks.

Still, the devastation was immense. The resulting tsunami waves reached 40 meters and traveled 10 kilometers inland. There were over 15,000 confirmed deaths, 6,000 injured and over 4,000 people missing. Over 125,000 buildings were damaged or destroyed, numerous roads and railway lines were badly damaged, and whole towns were destroyed. Over 4 million houses were left without electricity and 1.5 million were without water. It also led to a number of nuclear accidents, the worse being the meltdown at the Fukushima Nuclear Power Station.

All the money in the world was of no value when the waves came.

The point here is that there will come a time in your life – if it has not happened yet – when money is of little or no use. The reality is that there are some things in life that you cannot figure your way out of, work your way out of or buy your way out of. When tragedy strikes, for example when a loved one dies – especially if it comes unexpectedly – nothing can take away the pain. When friends or family members mess up their lives, there is little you can do. Your money is not even currency at these times. Some things you have to accept and leave them to the grace of God.

The good thing is that such times are rare, very rare indeed.

Most of the time, though, money is indeed everything.

Coming back to our story, it will take a lot of money to rebuild the towns, villages and even the lives of the people affected by the Great East Japan Earthquake. In fact, the overall cost of the catastrophe is estimated to be over $300 billion, making it the most expensive disaster in the world.

But there is a silver lining to this story. Within a matter of days, the whole world came together and did what they could to help. Some people donated food, clothing, medicine and fuel, others donated their time and effort, some singers performed charity concerts, some establishments held jumble sales with the proceeds to be donated to Japan, and most of all, hundreds of thousands donated their money. The Japanese Red Cross reported receiving donations of over $1 billion. (By the way, the donations are ongoing even as you read these words as a lot more money will be required.) We all care and we all sympathize but at the end of the day, it is our money that will help them the most.

Going deeper, I have discovered that wealth is actually more than what I and most people thought it would be. It is certainly more than about having the latest toys, going on overseas vacations and looking rich. It is about having the freedom of time and choice. It is about living life to the fullest. It is about happiness, health and things that really matter. It is about being able to make a difference.

So here are some quick tips on how you can live rich.

Do without some things

One of the main attractions of money – using it to buy stuff – is also its main weakness.

Having money gives you the opportunity to buy stuff that tickles your fancy. See a Rolex that you like – buy it! See a Porsche that you like – get it! And of course, having lots of money gives you more opportunities to buy even more stuff. See an island that you like – buy it!

But this is where you must be careful not to fall into the trap of buying anything and everything that you desire, as doing so can empty your bank account in a hurry, which is not the biggest danger here. The biggest danger in buying everything you see is that oftentimes, these things do very little for you – they do not raise the quality of your life, they are not beautiful, they are not useful and worse, they do not even make you happy. Or to be more exact, they do not bring long lasting happiness. The truth is that most of the stuff that you buy is just that – stuff. It clutters your room, house, office and even your life. You could easily throw away half of your material possessions and it would not reduce or degrade your life one iota. In fact, you probably would not even miss them.

So in other words, do not go out and buy everything that you see even though you have the money to do so. Ladies and gentlemen, girls and boys; having money is not a passport to go on a spending spree.

Now, I realize that I sound like your father here! So go ahead and ignore this advice. When you first start raking in the money, I think even Moses will find it hard to stop you from spending a little bit of that money. After all, you worked hard for it; you deserve to splurge a little. So go ahead and buy that Jaguar. Go ahead and get that Franck Muller watch.

But after the novelty has worn off, and I suspect it won't take too long for this to happen, you will realize that what I wrote is the truth. Much of the material possessions are just stuff – toys for big boys. One day you will look around the house and find that it is full of stuff. It takes up space, is everywhere and worse, you don't even like half of the things you have. In fact, you probably cannot even remember buying them! Worst of all, despite all the stuff and clutter, you are empty inside.

Also, you'd do well to differentiate between clutter and actual investments. Call it like it is. If you are buying something as a treat, then call it like so. Do not pretend that it is an investment.

For example, if you decide to buy a vacation house, that is a treat. It is not an investment. After all, how can you call something that drains your bank account every month an investment? That's not the end of it yet – you have to pay for it, decorate it, fill it up and then spend more money just to maintain it every month. And you may use it perhaps ten days in a year! So actually, you'd be better off by renting a villa in the place for the ten days. It will be a lot cheaper, a lot easier and a lot less hassle.

And oh yes, don't forget to keep your feet on the ground even when you are swimming in money. Remain sane, polite, kind and humble. Do not treat people badly. Do not belittle them and most of all, do not humiliate them. Having money does not make a person a better or smarter or wiser human being. Having money only means that he has more money than most people – that's all.

Buy the second best house you can afford (but live with fellow millionaires)

This is where you should spend some money. Get a really good house in a great neighborhood. In fact, I would suggest you to buy the second best house you can afford. Firstly, a good house will be the base of your life – the headquarters of your happiness. It should provide security, safety and order in your life.

Secondly, it will be a reward for your effort.

Thirdly, it will make you lots of money when you sell it later on!

And why the second best and not the best house? Because it will leave you with a lot of money for other things, that's why. If you buy the most expensive house, the mortgage will take away a huge chunk of your monthly income, and this will restrict your options severely. The trick with money is to have a good positive cash flow at all times so that (1) you can take advantage of opportunities, and (2) to act as a shock absorber in times of need. This means having a lot of money left over after paying the mortgage, hence the tip of buying the second best house.

Oh by the way, never make your house the grandest house on the street. While it may be good for your ego, it is bad for your safety.

I learnt this lesson when a good friend of mine had his house broken into. He had bought a low cost house in Shah Alam some twenty years ago. It was the only property he could afford at that time because he just started his career.

Being a pilot, he earned a little bit more money than his neighbors. And he did the natural thing that all Malaysians do with their money – he renovated his house. In no time at all, his house was clearly the grandest house in the street and in fact, the whole area. While all the other houses remained looking like low-cost properties, his house looked like a mansion and you could almost see it glowing like a beacon.

As I wrote earlier, it was good for his ego but bad for his health.

The first couple of times the robbers came, they were away so they just lost a few possessions. However, the third time the robbers broke in, they were inside the house. Caught by surprise, he was quickly overpowered by the three robbers and was beaten senseless. Fortunately they did not harm the family. They took the television, VCR, and a couple of items before splitting.

I took him to the hospital and later to the police station.

I learn two lessons that day: the first one is that grills are practically useless – the robbers broke them down in less than a minute.

The more important lesson was not to make your house the grandest house on the street. Why? Because the grandest house on the street is always the first house to be targeted by thieves and robbers. It is a calling card for thieves and robbers.

So while you may want to renovate your house to make it bigger, nicer and more comfortable, do it in moderation. Don’t spend an extra $50,000 or $500,000 to make it the grandest house on the street. If you really want to spend money, then spend it on the inside, not the outside. For example, equip the best air-conditioner in each room so that they remain comfortable. Or fix a top of the range kitchen. On top of making the house look better, it will also make your wife very happy!

So what do you do once you've made your money or even better, been blessed with a fortune? In short, what do you do when you grow wealthier? The answer is to move to a better neighborhood. As your wealth increases, move to a nicer and better neighborhood. In other words, live with people who make as much money as you. By then, your house might be a practical palace but it will be just one of the many palaces in the area. The chances of thieves and robbers targeting your house, er, palace, are considerably lower.

A side benefit of doing this is that you get better quality neighbors!

Rent cars, boats, vacation houses, planes

The next big money purchase is of course the car. I think it would be an impossibility to stop a man, especially a man with money, from buying a premium car. So go ahead and buy that dream car of yours. If a Beemer X6 turns you on, get one. If it is a Maserati GranCabrio instead, then order one. While the cars are indeed priced at a premium (especially in Malaysia), well, you only live once!

Of course, you may want to get other vehicles as well to cater for your own situation. For example, I have a Naza Ria that we use as a family car and also a Kia Rio as a run-around vehicle.

But after the bases are covered, I believe you should just rent any car that tickles your fancy. After all, why spend an obscene amount of money on something that is going to lose its value faster than a leaking boat? So unless you have the kind of money rock stars, movie stars and Richard Branson has, it would be better (and cheaper!) to rent cars, boats, vacation houses and planes. In fact, Felix Dennis, the founder of Maxim magazine and author of *How to Get Rich* advises: If it flies, floats or fornicates, always rent it – it's cheaper in the long run!

"Anyone who has to ask the cost of maintaining a yacht shouldn't buy one."

J.P. Morgan

Buy the best mattress you can afford

Yes sir, buy the best mattress you can afford.

If for no other reason, you should do this because you are going to spend a lot of time on your mattress! Assuming that you sleep six hours a day and spend another hour just lying down, that's seven hours a day every day for the rest of your life! That's a lot of time right there! In fact, you will be spending more time on your mattress, perhaps one third of your life, than on anything else. This being the case, it is only sensible that you get the best mattress you can afford.

Of course, there are other points to consider as well. You want the mattress to be comfortable, firm and ideally, long-lasting. You may have other requirements as well; perhaps you may need a really firm mattress if you have a bad back. In other words, this is where you should spend money.

And finally, you will be spending lots of time on it with the person that you love most in this world. I think that person also deserves the best mattress money can buy!

Travel with your eyes open

I don't need to tell you that one of the attractions of having money is being able to see the world. In fact, it is the one common dream of every living human being. Having money enables you to fulfill that dream, and fulfill it in style!

When I was younger, one piece of advice that was given to me was to travel. "Go and see the world, Azizi. Do this when you are young and single. It'll be easier, faster and cheaper!"

I followed that advice. And I must say that I'm glad I did for it was certainly a hell of a ride. When you're a guy and traveling alone, you can practically go anywhere and do anything! While I wouldn't say that I did it all, it is pretty safe to say that I've done most of the thing that I wanted to do, thought of doing or wondered about before. Obviously, some of the experiences were more exhilarating than others, but they were all memorable. One even has me hooked

– skiing. (I picked up another thing in Rio de Janeiro. Of course, I'm talking about cycling. It was a real joy to cycle in and across the city. What else do you think can happen in Rio?)

Interestingly, while I had no problem of roughing it in a tent or checking into hostel-like accommodation when I was younger, I'm afraid that I have no such tolerance anymore! Today, the mode of travel is first or business class, spacious rooms in big name hotels, waiters at my beck and call, and even more people ready to serve and please me!

In fact, when my family takes a short holiday in Malaysia, it is one long convoy of vehicles with maids, drivers and personal assistants! Yes, I have to admit that the money have spoiled me! My retort to anyone complaining about this is by offering the usual (and unoriginal) retort people give when they are overspending, "Hey, what's the use of having money then?"

So yes, I've been bitten by the travel itch. I've traveled to many parts and places around the world in the past thirty years. The great thing is that now I'm going to do it all over again – except now I'm bringing my family with me! Double the pleasure, double the fun!

If you have not done it yet, I would urge you to pack your bags, get on the plane, open your eyes and really see the world. Yes, go to London, Paris, Honolulu, Rio de Janeiro and New York. But check out Kathmandu, Phnom Penh and even our own Sibu and Sandakan. Visit the Louvre in Paris, the Topkapi museum in Istanbul, marvel at the Great Pyramids in Cairo and wander around the temples in Bali. Yes, take the photos, not to show off to others where you've been, but to help keep the memories alive.

By the way, while you may want to rough it a little to crank up the adrenaline level, I believe the trips will be more enjoyable if you choose the premium option. In other words, stay at the best hotels. Rent cars instead of using the free transport. Join the best tours. Hire the best guides. This is not the place to save money. Take it from someone who gets paid to travel around the world.

I can assure you that the memories will live long after the trip is over.

More importantly, open your eyes and really really see the world. After all, this is our only life and you basically have one chance. So make use of the money and experience what the world has to offer.

Circle of friends and family

I must admit that my inner circle is small. My life revolves around my family, my sister-in-law's family and our business. Not too many people are permitted into this inner circle. The bigger circle includes our employees, coaching clients, regular clients, suppliers and close friends. Again, only selected people are inside. And this is just the way I like it. I know each person fairly well, I know where they are coming from and I know that I can count on them. In short, I'm protective of this circle and I want to keep it that way.

Incidentally, after reading biographies of numerous rich and successful men, I discovered that practically all of them have the same modus operandi when it comes to their personal lives. I believe the reason for this is their need to protect themselves and their family, their time and obviously their wealth.

Likewise, I believe that you should adopt the idea if you are not practicing it already.

Live in the now

This tip will not make you more money, but it will add untold wealth to your life – live in the now. That means to focus on the present and concentrate on the matter at hand. By doing so, you'll be able to give the subject your full attention, which not surprisingly tends to give you better results. Secondly, you'll also be able to optimize the experience and therefore get to really live life.

But of course, you will see plenty of people doing the exact opposite! Guys will be reading the newspapers as they are eating breakfast. Or texting on the phone as they are driving. And there are people doing all four things at the same time!

Some people will be quick to point out that they will save time doing so. I doubt it. Though I am trained and more than capable of doing multiple tasks at the same time, I find myself getting better results faster when I focus on one thing at a time. I'm sure you will say the same thing here.

More importantly, while combining the tasks is not wrong, the people doing so will miss out on the pleasure each task has to offer. They will miss out on enjoying the food, no matter how good it may taste, because their attention is now on the newspaper. They will also miss out the thrill of driving since their attention is sidetracked by the texting. In other words, they miss out on the pleasures of living. The pleasures may be small here but it all adds up to a richer life and existence.

“In your everyday life,” wrote Eckhart Tolle in his book *The Power of Now*, “you can practice this by taking any routine activity that normally is a means to an end and giving it your fullest attention, so that it becomes an end in itself. For example, every time you walk up and down the stairs in your house or place of work, pay close attention to every step, every movement, even your breathing. Be totally present….Become aware of a silent but powerful sense of presence. There is one certain criterion by which you can measure success in this practice: the degree of peace that you feel within.”

Focus, concentrate and live in the now. The now is all you have.

Take risks

The conventional advice given to all of us is to lay back and take things easy once everything is in its place. While I understand the reason, I would not do it – it will kill me! Lying back for long periods will bore me to death.

So my advice is to start something new as soon everything is in place! Start a new business, back a new venture (especially if you’ve found yourself a hungry young tiger to do the job), go back to school, pick up a new language – in short, take risks. It will reinvigorate your life (more than any spa ever could), drive your adrenaline and even bring the sparkle back into your eyes. And who knows, you may even make more money in the process!

Find a lot of useful and interesting thing to do

A lot of people dream of having money so they can finally do what they have always wanted to do but were unable to because they had to work. After all, there are mouths to be fed and bills to be paid. So they go to work, get busy, hustle, bustle and some even manage to get heart attacks in the process! So they fantasize about the day when they can skip work and still have everything in its place. And then they will do that something that they always dream about, which is to do nothing! That's right. A lot of people dream of the day when they don't have to do anything.

Sadly, when these folks actually make the money and can therefore afford to laze around, they find that doing nothing is not quite what they thought it would be. It turns out that doing nothing for long periods of time is a boring existence. Yes ladies and gentlemen, inactivity is a killer in the real sense of the word.

Don't believe me? Look at people who have retired, especially those who used to run around like worker ants before. If they did not find something useful to do after retiring, a lot of retirees tend to something quite serious – they die! One of my former colleagues died in less than a year after retirement. All he wanted to do was to fly, so much so that he would even volunteer to fly in his off days! So after he retired, he could not do the one thing that he lived for – flying. So he did the next best thing – die.

So dear reader, when you make the money, other than just lazing around the house, find something useful and interesting thing to do. Even better, find *a lot* of useful and interesting thing to do. Doing so will fill your life with sunshine, cool breeze, bright lights and more importantly, it will keep you alive!

"The future will belong not only to the educated man, but to the man who is educated to use his leisure wisely."

C.K. Brightbill

Develop a love for learning

Quite a number of people – and these include those who are educators themselves – find it odd that people read to improve themselves. See, to a lot of people, books are something they have to read so they can pass exams, so they can get better jobs, or so they can make more money – but nothing more than that. This is particularly so for students. After being forced to read for fifteen or so years, the thought of reading even more books is just too much for them! And the idea that they can actually become better by reading is almost preposterous to them! So they will come up with a string of excuses and do almost anything to avoid reading.

Tragically, this outlook will often come back to bite them.

Firstly, we must read to remain relevant in today's world. While our grandparents can get away with having only one skill, that situation no longer applies today. Technology has shortened the lifespan and even eliminated many products. Examples are records (replaced by the CD and now MP3) and carburetors (replaced by fuel injectors). So those who only know how to produce records are already out of a job. Ditto applies to the car mechanic who only could repair carburetors. They need to constantly learn new skills to remain relevant. Hence, the need to read.

"The reason many were left out of the economic revolution of the 1980s is that in order to participate you had to have a ticket – and the price of that ticket was having the ability to learn new things and the ability to change."

Paul Zane Pilzer

Secondly, the reality is that the education system is insufficient for us to lead productive, healthy, happy and wealthy lives. It is just a start for it only covers the basics. We need to learn more than the basics if we want to get rich, live rich and die rich. But you can only learn if you love doing it. So this means that you have to develop a love for learning.

I must admit that I have an inbuilt advantage here as I love reading. I read three books a week. Other than actually enjoying the reading itself, I also get a bonus – I get to learn new things and pick up new skills. Much of these new things have improved me as a person, husband, father, writer, speaker and entrepreneur.

Many others have opened my mind.

As a result, I can honestly say that I cannot remember having a boring day for the past twenty five years.

"I will study and prepare, and perhaps my chance will come."

Abraham Lincoln

And oh ya, I also read to prepare for the day when $100 million is on the balance. When the day comes, I want to ensure that I will be making the right decisions. And that can only happen if I read, study and prepare myself for it.

Learn a new language

Just like many folks, I used to think that learning a new language was hard. And though I realize the benefits of picking up a new language, I thought that it would incur too much work with too little benefits. But after reading *The 4-Hour Work Week* by Timothy Ferriss, I changed my mind. Ferriss wrote that "Language learning is, bar none, the best thing you can do to hone clear thinking. The benefits of becoming fluent in a foreign tongue are as underestimated as the difficulty is overestimated." He should know; he learned six languages even though he failed Spanish in school!

By practicing four hours per day (remember that you now have plenty of time on your hands!), you can become conversationally fluent in a language in just three months. All you need is the right tools, discipline, and a determination to master the language.

More importantly, learning a new language will add new meaning to your life as you would have also gained a second lens to view the world with.

This is why I am learning Mandarin as you read these words. So the next time you see me, we'll converse in Mandarin (just promise not to laugh when I mispronounce the words!).

Donate your time, effort and yes, money

But of course! In fact, I've never met anyone who did not have this goal in mind. Each and every one of us wants to donate money to charity organizations. Each of us wants to help. "As soon as I make a million dollars, I'll help."

Well, I have news for these folks. If they did not donate when they had little money, they will not be doing any big time donation even when they have tons of money! They will not do it because it is not in their make-up.

So if you really want to help, help now. That's right, donate your time, effort and yes, money today. Of course, when the money is small, donate a little. As you make more money, increase the size of the donation. And one day, you will be able to make that sizeable donation that will rock the world.

Oh by the way, donate your time, effort and yes, money to organizations or charities that are *important to you*. Let's face the fact that you and I cannot save everything and everyone. Choose the organization or charities that are important to you, concentrate on those and leave the rest to others. And don't feel guilty about this. You only have two hands and two feet. It is not your job to save the world. You do what you can to the people, things and stuff that matters to you, and leave the rest to others. For example, if you feel strongly about cancer (perhaps you lost your mother to the disease), then donate your money to the people looking for a cure for cancer and to the people handling cancer patients. Leave the saving of the tigers, dolphins, whales and rainforest to others.

You will be more effective and also happier doing this.

Serve others

I remember questioning the Malay proverb: Do good deeds in moderation, avoid bad deeds altogether. I have no issue with avoiding bad deeds; that I understand. But why do good deeds in moderation? Why not go all the way? After all, you are doing good things, so why put a limit to it?

But of course, proverbs are not coined by accident.

Now I know the reasons why. If you go out on a limb to help others, more often than not, you will end up harming yourself in more ways than one. Firstly, overdoing the good deeds will be at the expense of your time, energy and money, which may also include your family's time, energy and money as well! Secondly, people will mistake your kindness as stupidity. Thirdly, they tend to expect even more help. Fourth, they may take for you for granted. Fifth, a few will actually turn around and stab you in the back!

Having stated this, I must add that your life will be filled with much joy, happiness and bright lights by serving others. So yes, help others. Lend a helping hand, provide guidance, and give support. Just remember to do it in moderation and expect nothing in return. Other than actually making you feel good, it will fill up much of the emptiness inside your heart.

So this is one reason why I am always willing and happy to help others. Now I'm not just saying it but I've helped quite a number of Malaysian personalities rise by giving them the opportunity when they were first starting out. I have also helped others rise higher.

The second reason for doing this is to return the favour, because I myself have received help from others. Not in terms of money but in terms of kindness, time, effort and advice. So I suppose this is my way of paying it later (instead of forward)!

So you may want to do the same. Serve others, and your life will be richer as a result. (I realize that I sound like a preacher here – hallelujah! – but the words are the truth!)

Visit old friends and acquaintances

As you have time on your hands now, you may want to spend some time visiting old friends and acquaintances. This will include people that you may have met briefly but who left a profound impact in your life. For example, many years ago I stayed for a week in Langkawi with a family I just met. They were very kind, took me in and even fed me for that one week. Of course, I forgot all about it as life went on.

A few years ago when I went back to Langkawi, I searched for the family. I had forgotten their names but fortunately had a lead. They ran a small grocery store in Kuala Temiang in the early 1970s, and there were not too many Malay families who did that at that time. So I found them and said hello. They had actually forgotten all about me! However, they were very pleased that I came back to see them anyway. We spent some time talking about the old days, the people that we knew and what has happened since. I made sure to thank them for their hospitality and kindness from thirty years ago. I hope that they are happy to see what happened to that short skinny hard-headed kid that they took in before!

So today, every now and then I will visit old friends and acquaintances, to talk about the old days, old friends and exchange war stories. I always feel good after doing so.

Delegate the non-critical work

In case you don't know yet, a business that is reliant on you being around is not a business, it's a job. In fact, it is worse than a job! You can forget about a job after 5 pm. But you cannot forget about your business at any time. There is no after 5, no TGIF, no weekends and no public holidays for the entrepreneur! Especially for the entrepreneur who has not learnt to delegate the non-critical work.

Don't let this happen to you, otherwise you will not have a life. You must learn to let go. Hire someone to do the non-critical work as you soon as you can afford it. Then delegate more and more tasks to others as soon as they show the talent, capability and discipline for it. In fact, the ultimate entrepreneur is one who is not even required to be around at all, and still has the business run like clockwork and make money for him.

Until that day happens though, delegate as much work as you can. You know you have got it right when the only thing you have to do is to set the general direction of the company, marketing and sales, and sign the checks.

Hire an efficient PA

A big part of delegating will be hiring an efficient Personal Assistant. The PA will be doing much of the grunt work for you. This will include paying the bills, maintaining your schedule, arranging your schedule, filtering the many requests, filtering the many visitors, arranging the car maintenance schedule, arranging maintenance for the house, arranging repairs for the house, negotiating prices with service providers, monitoring the service providers doing their jobs, monitoring your employees, acting as a back-up driver and even taking care of your children! (The actual list will be much longer than this, which explains why the truly rich have multiple PAs!) Much of these tasks will create chaos in your life if they are not in order. Remember that the tasks have to be carried out. Now while you can do them without too much difficulty, it would not be too time or money productive to do them yourself. You would be better off doing the tasks that bring in money.

Don’t lend, just give

This is one of the first pieces of advice I give to new clients: “Stop lending money,” I’d tell them. “It’s not your job to lend money.”

Most of them would squirm in their seats upon hearing the words.

I understand why. See, the people who come to borrow money from you are never your enemy. If they were, it would be easy for you to say no. The reality is that the people who come to borrow money are the people close to you – brother, sister-in-law, cousin, auntie, colleague at work or best friend in school. So it’s hard to turn them down, especially when you actually have the money.

But this is where you have to bite the bullet and say no. Not doing so will lead to lost sleep, lost money and perhaps even losing your best friend. If you lend them money, and they are unable to pay you back on time, it will certainly affect the relationship. You’ll feel disappointed, sad, let down, confused and angry – all at the same time. Worse of all, you’ll be angry at yourself.

And you need that like you need a hole in the head.

This is why my advice is not to lend money.

If you really want to help though, then just give them the money. Tell them that it is a gift, and not a loan. As it is a gift, it means that they do not have to pay it back. This takes away the burden from both of your shoulders – they are not burdened finding the money to repay you while you are not burdened trying to ask for the money back.

“Your advice is fine if I have the money,” some of them would raise their eyebrows. “But what if they are asking for $100,000? I cannot afford to give that kind of money away. What do I do then, oh *sensei*?”

“I said give them the money, I did not say give what they ask for.”

“Which means…?”

“That’s right; you give what you can afford and not what they are asking for.”

Incidentally, for a long long time, what I could afford was $100.

Live a little, laugh a lot

You have a choice in life: you can live life as if it is a burden or you can live life as if it is a gift. If you choose the former, then put this book down – you have chosen the wrong book. If it is the latter, then you can start by smiling. And then move up to laughing.

I have made my choice – I want to be happy. I want to live life as if it is a gift. Ergo, I want to laugh a lot. Hence, I look for things that will make me laugh. I put myself in situations that will help me laugh. So I read books that I know will make me laugh (anything by Bill Bryson is good). I’ve been reading MAD magazine every month for the past thirty years. I also have a large collection of Calvin and Hobbes comics by Bill Watterson (hey, what’s with all these space ships?). I watch comedies, especially movies that have Steve Martin in them. I watch DVDS of stand-up comedy. I go and see the Instant Café Theatre team in action (especially if Afdlin Shauki is performing). More importantly, I look for things that make me laugh in daily life.

If you missed it, I do not watch tragedies. I do not read books, magazines or anything that will end up with me reaching for the Kleenex. I avoid reading newspaper headlines, rumors on the Internet, doing business with difficult people and people who complain all day. I also avoid being in a situation where things can get ugly or rough. Of course, things do not always work out on that last part as life is not all roses, but I do my best anyway. I believe that if certain foods make you sick, you should avoid eating them. On the same note, if certain people, places or events make you sick, you should also avoid them!

Now I realize that this may sound funny (pun intended) and perhaps even childish to a lot of people, especially to those who have been grumpy and insist on being miserable all their lives, but why should I care about them – I'm happy! They want to be miserable, they want to stay mad, they want to carry the world's problems on their shoulders, that's their problem. I choose to be happy. End of discussion.

So now you have a choice – follow Grumpy or follow Happy!

Chapter 2: The First Man Strategy

Hands up if you want to become a master of money.

Hmm, I see your hands reaching for the sky. Good; I'm going to tell you exactly how you can do that in a minute.

But first let me tell you what being a master of money means. It means that you are the one in control of your money. You tell the money where to go, what to do and when to go. You decide the when and the how. In short, you are the one calling all the shots.

Now that that's done, it's time for me to reveal the big secret of becoming a master of money: You have to save a part of your income.

"What? That's it? I have to save my money?"

Yep, that's the secret.

Now I realize that this is not a big revelation. It's not exciting, not original and probably not even a new thing to you. But brother, some things in life cannot be made better or improved. Proof? Sunsets, a smile or falling in love. And saving a part of your income is one of these eternal truths. If there's one mandatory step that you must take to achieve financial freedom, this is it – you must save a part of your income – the bigger the percentage, the better.

But then you've been hearing this for as long as you can remember, probably since you were in primary school. Everyone – parents, elders, teachers and even the government – told you to save. Save! Save! Save!

Sadly, they missed out on the obvious follow up advice: How? How? How?

I'll tell you the how shortly, but first let me tell you about the strategy that millions of people use to manage their finances. (The quotation marks ought to give a clue as to what I think about it!) The moment they get their salary, they'll set aside some money for the mandatory payments, which include the mortgage, car loan, personal loan, credit card, utility bills and maintenance fees. Next, they allocate some money for living expenses – food, drinks, café latte and pocket money for the children. Then come transport charges – fuel, parking, toll and perhaps maintenance charges. Of course, they will set aside some pocket money or some play money for themselves and their family members. After all that is done, if there's money left over (often there's none), that is what they save.

Now, the arrangement and sequence of payment may vary from the list; there will be plus and minus expenses to the list. For example, some people may set aside money for their parents while other may donate some money to their favorite charity. So yes, the list may change a little but what remains the same is the last line, i.e., they save the money that is left over. This is why I call this the Left-Over Strategy.

Millions of people implement the Left-Over Strategy.

This explains why millions of people are broke or are one paycheck away from disaster.

Folks, the Left-Over Strategy does not work.

Oh wait! Let me correct my statement: The Left-Over Strategy does not work *for you*. Instead, it works perfectly *for others*. It ensures that others get their money – regardless of what happens to you. It ensures that others get their share even if you cannot eat, drink, sleep or have sex. In short, it's the perfect strategy to ensure that others get rich at your expense.

Well, so much for that.

The solution

Now let me share with you the solution to your problems.

What you do is turn the whole thing around. That's right; turn the Left-Over Strategy upside down. So instead of saving what is left over, you do the savings first.

In case that is too complicated still, I'll spell it out for you.

The moment you get your salary, the first thing you do is to set aside some money as your savings. Let me repeat it so there is no confusion – the first thing you do is to set aside some money as your savings. This means that you will be doing the saving first and everything else later. Everything else here will include allocating money to pay your credit card bills, paying the mortgage and even donations. So yes, my friend, you save first. I call this the First Man Strategy. Why? Because you are putting yourself first here, which is how it's supposed to be in the first place.

Once you have saved your share, only then should you start allocating money for others. These others will include all or some of the people in your list.

By implementing the First Man Strategy, you ensure that:

1. You have some money for yourself (and your family)
2. You get to reap the rewards of your labor
3. You are taking control of your money
4. You are managing your finances correctly – finally!
5. You have a chance of achieving financial freedom

How much to save

In case you are wondering about the amount of money to save, I would recommend that you start off with 10 percent of your income. Gross or net does not really matter; the main thing is to save. If you can save 10 percent of your gross salary, then by all means do so. If not, then 10 percent from the net salary is acceptable.

Why 10 percent? Because 10 percent is a nice round figure and, more importantly, is a decent amount to start off with. If the figure is below 10 percent, then it's too little to be of any significant use. While better than nothing, the figure may not be enough to grow your savings.

But of course, if you can save more than 10 percent, then all the better. Go forth and prosper!

Obviously, as you get better at managing your finances, you should increase this figure. Grow it to 15 percent, then 20, 25, 30 and even higher. Why? Because the more you save, the faster you'll get to financial freedom. Your pedal will be to the metal!

Criticizing the critics

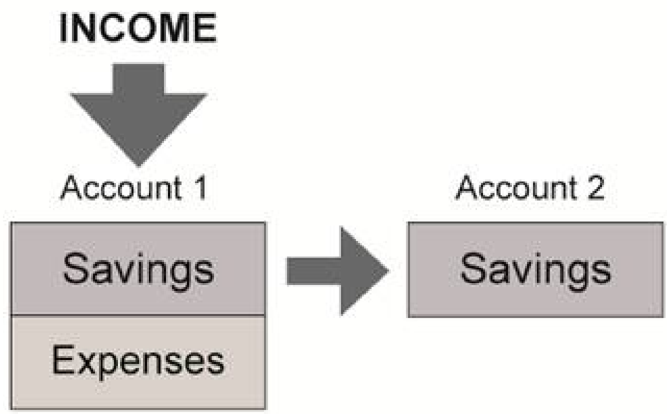
I've been told that some people have criticized this First Man Strategy, saying that 10 percent is too low a figure and will hardly make anyone a millionaire. As usual, the critics have their eyes crossed. I said to save a minimum of 10 percent; I did not say to save 10 percent only. In case some people do not understand English, minimum means the lowest figure! Therefore a higher figure is obviously better. (I certainly save a lot higher than 10 percent!)

Next, while I could say to save 80 percent of one's income as that will really make a big difference, I also know that it will be literally impossible for most people to do that. More importantly, we also want to use part of the money to live life.

The moral of the story? Do what I do: ignore the critics. In case you're wondering why it is easy for me to do that – no critic has ever put food on my table. They don't buy my books, they don't attend my talks and they certainly don't hire me. In short, they have not done a single thing to help me so why should I listen to anything they have to say? At the end of the day, critics are only good at one thing – criticizing others. Is this the kind of people you want to listen to? Oh by the way, just as they did not help me, they will also not help you get rich.

How to save

It is important that you make this saving process easy for yourself. Ideally, it should be automatic and require no further effort from you. And the best way to do that is to open a second savings account in the same bank where you get your salary. The moment your salary is deposited and available for use in your main savings account, you transfer 10 percent into the second savings account.



There are two choices here, and both are equally good. The first choice is to give a standing instruction to the bank to transfer the money from the main account to the second account. The advantage here is that the process is done automatically and without further effort from you, which is simply fabulous. All you need to do is to fill up the standing instruction once, and then things are done automatically for you. Easy peasy.

Now some banks may be sticky about you opening a second savings account. Not an issue. If this is the case, then you open the second savings account in a different bank and do the transfer by using online banking. Problem solved.

The second choice is to transfer the money yourself. No, I do not mean you going to the bank, filling up forms, lining up and all that boring stuff. You do the transfer by using online banking. It will take you all of one minute to complete the transfer. Of course, this means that you must have access to the online banking facility to start off with. If you have not done so yet, well, this is as good a time as any to do it.

The good thing here is that you can transfer the exact amount that you have available for that month, which may be more then the mandatory 10 percent.

Needless to say, this second method will work only if you have the discipline to actually do the savings! If you have doubts about this, then I suggest you fill up that standing instruction form that I wrote about earlier.

It is also important that you transfer the money on the same day that you receive it. Don’t wait a few days before doing it because it’s very likely that you will forget or miss out totally. So as soon as the money is in your main savings account, transfer it immediately. Get it done and over with as quickly as you can.

Rule of 72

Every now and then you might come across the term ‘the rule of 72.’ It is a rough but quick method of estimating the time it would take for an investment to double in value at various compound interest rates. For example, if the interest rate was 8 percent, an investment of $100 would double in value and reach $200 in 9 years (72 divided by 8). If the interest rate was 10 percent instead, the same investment of $100 would double in value and reach $200 in 7.2 years (72 divided by 10). If the interest rate remained at 10 percent, then that $200 will become $400 (double the value) in another 7.2 years.

Of course, you must remember that the rule of 72 is just a rough estimation – a fast way of getting a handle on the time it will take to double your money. The answers become distorted as the interest rate rises. So if you want a more accurate answer, then you will need to use a financial calculator or a spreadsheet such as Microsoft Excel.

You must be consistent

It is critical that you apply the First Man Strategy on a consistent basis. In short, you have to do it every month, without fail. That’s e-v-e-r-y month! January, February, March, April and every month in the Gregorian calendar. No buts, no ifs, no excuses. While the percentage may vary (as long as it is 10 percent or higher), the critical thing is to save.

If you save as and when you feel like it or save only when you have the money, then I’m afraid that you’ve lost the battle. Saving now and then is no strategy at all. And saving only when you have the money for everything is a sure way of saving too little. I can assure you that there will be months when you will not have enough money for everything. There will be days when there are more bills than money. This happens to the best of us. But when it happens, you must still save. You cannot wait for the money to be enough; you must save regardless.

So again, the key here is to be consistent, and that means that you have to save regardless of what happens in the outside world. *Whether the money is enough or not, you must save*. Good times, bad times, recession, depression or even world wars should not stop you from implementing the First Man Strategy.

Taking it further, I would suggest you apply the First Man Strategy on each single ringgit, dollar, pounds, yen, dirham or renminbi that comes into your world. That’s right. Save at least 10 percent from any money coming your way. One common source of additional or extra money is from the yearly bonus. Another source may be from striking the lottery! Yet another source could be from dividends received from your investments.

In fact, as this money is extra, you can often save a lot more than 10 percent. Perhaps 50 percent or even higher. While you may want to reward yourself and your family by buying something useful, make sure that you save part of this money as well.

As for me, I can often save some 80 or 90 percent from the yearly bonus. That’s right, 80 or 90 percent! I’ll give some money to my wife to buy something for herself and the girls, and hey, I may even reward myself by buying a book or two, but often there’s still plenty left over. So I saved that plenty left over bit, which partly explains why my net worth grows by leaps and bounds every year.

“The truth is, each one of your habits either makes you money or takes money out of your pocket.”

Lee Milteer
Author and prosperity coach

What happens if the balance is insufficient?

"Dear Millionaires Coach. Thank you for your suggestion. I thought the First Man Strategy was really cool. It's a novel idea and I can see the benefits. There's one problem, though. If I put aside 10 percent of my salary as my savings, I don't have enough money to pay all my bills. The balance is insufficient for me to meet my obligations. What do I do now?"

This is a common question that I and other financial advisors get.

Most financial advisors will tell you to (a) look at your expenses and see where you can cut down, and (b) increase your income. I would agree with them here.

The follow up question would come. "But what if I've done both, and the money is still not enough. What do I do then?"

Most financial advisors will pretend not to hear your question at about this time! The reason is because they don't know the answer – their textbooks do not have the answer to this question.

But I'm not your everyday financial advisor. So I'll tell you the answer, and the answer is to … let those bills and people wait. Yes, dear reader, you read that right – *let those people wait.*

This means that you would still save the 10 percent and use the balance to meet your financial obligations, as stated in the First Man Strategy. If the balance of that money is insufficient to meet all your obligations, then let it be. In other words, there will be some bills that you will not be paying for that month.

Now let me elaborate a little here because some readers are having heart attacks reading that last statement.

I wrote that there will be some bills that you will not be paying for that month. I did not write not to pay those bills at all.

Let’s get something straight – you have to pay your bills and you have to meet your obligations. Having stated that, I must add that it does not mean that you have to do all that today. You pay the bills when you have the money, which may be one or two months later (not 10 years later).

Now I know this may shock some readers. You’ve been taught to honor your obligations, and not paying the bills would go against this teaching. In fact, a lot of people will feel uncomfortable and guilty if they did not pay their bills. I understand totally.

Let me offer some new thoughts into this.

Paying all your bills when you do not have enough money to eat is a flawed concept.

Folks, whatever happens in the outside world, you must first ensure that you have enough money to survive before meeting your other obligations. This will include having enough money for food, shelter and clothing. I would add some savings into the equation as well.

In case you’re still unconvinced, you should know that even a bankrupt person is not required to use all his money to pay his debts. He will be allocated some money for food, shelter and clothing before the balance is used to pay off his debts. See? Even the law recognizes and agrees with the concept of the First Man Strategy.

Now you do not have to be declared bankrupt before you implement this. You can do this immediately.

So to recap, yes, you must meet your obligations. But you meet them when you can afford to do so.

A short history of the guinea

England began minting coins from gold imported from Jenne (a trading post in West Africa) in 1663. They termed the coins as the guinea. Incidentally, there was no place named Guinea in Africa at that time! The value of the guinea was originally equal to 1 sterling pound or 20 shillings of silver. It remained in use until 1821, when it was officially replaced by the sovereign. However, for a variety of reasons, snob appeal being one, as some doctors quoted their fees in guineas while fine jewelry, art, furniture and other luxury items were similarly priced, many a gentleman continued to refer to their coins as guineas until 1969 when Britain finally joined the decimal system.

The after affects

Now let me tell you what may happen when you implement the First Man Strategy, and the balance is insufficient to meet all your obligations. You may receive reminder or even warning letters from the establishments that gave you the credit facility. Yes, it is not a nice or a pleasant experience to get those letters.

My advice is to ignore those reminder letters. First, you are not running away or hiding from your creditors. You will still be paying them, only a little bit late, which may be one or two months later. Don’t tell me you are going to jail or will be banished to hell just because you paid the bills two months late. What you are doing is just a temporary thing; something to buy you a little bit of time and breathing space.

Next, it is very likely that your credit rating or credit score will be affected by the non-payment in the short term. You have to accept this fact. It is not desirable, but it is better than not having enough money to feed your children. Anyway, don’t worry about it too much. First, as you will not be taking a loan anytime soon, the credit rating is of no importance. (You should not be taking new loans anytime you are in this tight situation.) Second, the credit rating by CCRIS (in Malaysia) is a revolving twelve months. Once a new month comes around, the data for the thirteenth month is dropped off. In short, the credit rating should be back to normal after a few months.

Anyway, all these are just temporary measures. It should last for only a few months. Like I wrote earlier, it is just to give you a little bit of time and breathing space. Once you have the system up and running, your financial situation should improve and you should be able to save money and meet all your obligations at the same time a few months down the road.

However, you must be careful when choosing the bills to skip. Ideally, there should not be any interest charged for non-payment of bills. Usually, these are the utility bills. Next, you should not miss the same obligation for a few months running. For example, if you miss paying the mortgage for a few straight months, the bank will repossess your house and auction it off, which is certainly not a desired state of events. The same applies to the car payments. So what you do is to alternate the non-payments. Perhaps miss the mortgage this month and the car payment the next. This way, you do not run the danger of the asset being repossessed by the creditor.

In short, there will be some not-so-nice things happening when you implement the First Man Strategy. But think of it this way: they are collateral damage. Just like fighting real wars where some innocent people die, there will also be negatives here which include the temporary black mark on your credit rating. These are the price we have to pay to win the war.

Finally, I must bring back the question that I asked in the beginning of this chapter, which was, "Do you want to become a master of money?" If your answer is yes, then you must implement the First Man Strategy. This strategy will ensure that you become the master, you are the one calling the shots, you are the one telling the money where to go and when.

If you implement the Left-Over Strategy instead, you have become the slave. The money is in charge of your life and, my friends, that is not a desired state of events at all. Money will decide what you can do, where you can live, what you can eat and perhaps even how long you can live. And that is a scary, scary thought.

My friend, money is like fire. If you are in control, then the fire can be of great use. But the moment the fire is out of your control, it becomes a serious threat.

Why save?

Very simple. You have to save because it is the savings that will help you not to become poor. It is this savings that will enable you to make investments. It is this savings that will give you a chance of becoming rich.

So save as much as you can and for as long as you can.

There is no other answer.

Chapter 3: Create a Reserve Fund

It is certainly tempting to tell you to use all your savings for investments and you will become rich. It is tempting but I will not fall into that trap.

Folks, before you can run, you must first learn how to walk. And before you can walk, you must first learn how to crawl.

Likewise, before making investments, you must ensure that you have a Reserve Fund first. As the name suggests, this fund is your Reserve – money to be used in case of emergencies. This fund must be worth at least three months of income. For example, if your income is $3,000 a month, you must have at least $9,000 in your Reserve Fund. If your income is $5,000 a month, then you must have at least $15,000 in your Reserve Fund.

By the way, three months of income is the minimum figure. It would be better if you can have six months of income in your Reserve Fund. This is particularly so if your income is highly cyclical or unpredictable. The people relying on sales commissions will know what I'm talking about. One month they raking in money by the yard, next month it can come in by the inch. So if your monthly income goes up and down by large margins regularly, then create a six months Reserve Fund.

For your information, many of my Inner Circle clients have built up their Reserve Fund so that the money will last for at least one year. That's one of the reasons why many of them are millionaires or are getting close to being one!

Why create a Reserve Fund

In an ideal world, there is no need or use for a Reserve Fund, insurance, emergency exits or back up plans. In an ideal world, everything would go according to plan and everything would run smoothly.

But planet Earth is not that ideal world.

On this planet, things do not always go according to plans. No matter how hard we try to avoid them, things do not always turn out exactly how we want them to be. This is called real life. (If things always go according to plans in your life, you need to check whether you are still living on this planet! Clue: if you are dressed in white, holding a harp in your hands and floating among the clouds, then it is a good bet that you are not living on planet Earth anymore. And if you are surrounded by hot lava and burning fires, *you know* that you are not on Earth anymore!)

And it is precisely because of this uncertainty that we need to set up a Reserve Fund. The fund will help to address many of the issues and problems that *will* crop up from time to time. As you may have noticed, I wrote *will* crop up, not *may* crop up! In other words, problems will arise. It’s just a matter of when and how serious. In fact, sometimes they come in a series, one after the other. And no one is spared here. As long as you are a human being – there will be issues, problems, pains, losses and calamities in your life. In short, a little rain will fall in your world even if you’re tall, good looking and a Capricorn.

This being the case, you do not have to be a genius to figure out that having a Reserve Fund can only help you live a more peaceful, stable and happier life.

In case you have not realized it, most of our problems can be solved by money. In fact, many of the things we call problems are actually just costs, *i.e.* they will disappear if we had and are willing to spend some money. That’s right – you can actually get rid of the problem by throwing money at it! While it may sound expensive, I think you’ll agree with me that it is better to get rid of the problem instead of being burdened by it.

Let me share an example here: your house was burnt down in a fire. That’s bad. It becomes an even bigger problem if you do not have the money to buy a new house. But if you have the money, you can buy a replacement house immediately. Problem solved.

There are also situations where the negative impact could be reduced significantly by money. For example, you can hire the best doctor to treat your sick mother. Without the money, it is very likely that situation may get worse for your mom. Without the money, you may not be able to afford the surgery that could save her life.

Of course, I need to add that not all problems can be solved by money. For example, it is very likely that your teenage children will think that you are such an uncool parent no matter how much money you have. You should ask my teenage daughters!

Another reason for creating the Reserve Fund is that it will help you to sleep better at night!

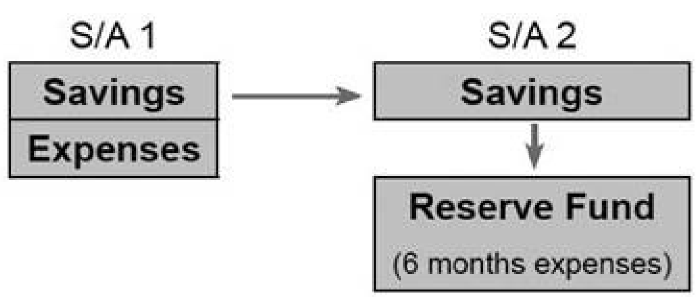
How to create your Reserve Fund

I wrote earlier that your Reserve Fund should be worth at least three months of income. Again, a higher figure would of course be better. This will come up to a hefty sum for some people.

"But where do I get the money to create this fund, oh dear Jedi Master?"

Very simple, my dear Padawan. This fund is created from your monthly savings. As you remember, the first step to become a master of money is to save at least 10 percent of your income. You do this by transferring the money into a second Savings account. It is this money that you accumulate to create the Reserve Fund.

Let's assume that your monthly income is $3,000… oh, all right, $10,000. This means that your Reserve Fund should be worth at least $30,000. As you are saving 10 percent ($1,000) every month, it will take you thirty months (two and a half years) to build up your Reserve Fund. This assumes that you do not have any savings at all. Of course, if you have some money set aside already, it would help tremendously. For example, if you had saved $16,000 before reading this fabulous (ehm, ehm) book, you will need to save just another $14,000 to come up with the magic figure. This will take you just fourteen months.



The critical thing to remember during this period of building up your Reserve

Fund is that you will NOT be making any investment as we know it. Your main and in fact, only task during this period is just to build up your Reserve Fund. So forget the stock market, forget unit trusts, forget buying a house and in fact, forget anything with the word ‘investment’ in it. You, my friend, are not ready for investments yet.

By the way, this is nothing to be ashamed about. We all have to start somewhere.

On the other hand, if you are already ahead of the class, for example having $45,000 saved somewhere, the situation changes a bit. Set aside $30,000 as your Reserve Fund, and use the balance of $15,000 to make investments (after doing the homework, of course).

Where to keep the money

There are three requirements for the instrument (Sorry for big word there; I can’t help it. I am after all, a Chartered Financial Consultant!) that you choose to park the Reserve Fund. And they are:

1. The capital should remain intact
2. The money should be liquid
3. There should be some returns

These three requirements will count out equities (fluctuation of capital), properties (illiquid) and saving the money in a tin can in your garden (no returns). A good instrument here is the Fixed Deposits (FD) offered by the banks.

Bumiputras in Malaysia can use the Amanah Saham Bumiputra (ASB) as it fulfills all three requirements. In fact, as the return is about 8.75 percent a year, it is better than FD.

If you live in a different country, then you should look for an instrument that fulfills all the three requirements. While FD is obviously one of them, there may be better alternative in your country such as money market deposits or bonds, which usually pays a slightly higher return than FD.

By the way, the Reserve Fund should only be used for emergency and near emergency situations: fire, sickness, accidents and the likes. (Using the money to buy stuff at a sale is not an emergency situation even if you did not plan for it!) If none arises, then the money should remain where it is – untouched. So don't use it to buy that new sofa, take a vacation or as down payment for a new car.

And oh ya, I have to let you know that this money will not make you rich. It's not meant for that the purpose. It's there to ensure that your life goes on as per normal even if the world around you turns upside down. It's there so that every day is just business as usual to you.

The word 'money' is derived from Moneta, the Roman goddess of warning.

Ignore the temptations

It would be great if we could move on the next point as soon as you've created the Reserve Fund. Unfortunately, life isn't that simple.

What will happen as soon as you have accumulated $20,000 or so in the Fund, your fingers will become itchy. While you never paid much attention to investments before, suddenly your eyes will light up anytime you hear about them. Furthermore, your ears keep picking up all these talks about shares, unit trusts and investment opportunities. To ignore the sirens at this point in time will take much discipline. After all, you do have the money to invest. And to walk away from all that opportunities may mean lost profits – huge profits. And worse, the opportunities may disappear forever if you do not grab them now!

Firstly, I can assure you that opportunities will always be there. Even if you missed one, two, five, ten or even a hundred, there will be more opportunities in the future. So there is no need to get all worked up about missing the opportunities.

Secondly, you must develop the discipline to walk away from some opportunities, no matter how good they may appear for the simple fact that you are not ready for them yet. They may be too complicated for you, they may cost too much, they may cause you to take on too much risk or they may lead you to take on too much debt – none of which are good news.

In short, you must ignore the temptations and stick with your plan.

The pound sterling is represented by the symbol £ – an abbreviation of librae in Roman. Libra was the basic Roman unit of weight and is derived from the Latin word for scales.

And then?

When you have the Reserve Fund ready and place, then you can start looking at investments. This is the money that will take you to MillionairesPlanet.

Now we're talking.

Chapter 4: Making the most from insurance

Before I share with you the steps needed to make the most from insurance, let me first reveal a little known fact about insurance. You see, most of the information that you have about insurance came from the insurance companies themselves – whether directly or indirectly. These include many articles in the media covering the products, history, choices, and even the answers to the FAQ!

But don't just take my word for it. Check it out for yourself. Go back and review all the information that you have read about insurance before. You will, perhaps for the first time, notice that the information came directly or indirectly from the insurance companies themselves. Yes, almost all the articles in the magazines, Internet, brochures and even books on insurance were written by 'experts' on insurance, which in English means the insurance companies themselves.

This should not come as a surprise to anyone. After all, in order to write an article and certainly a book about insurance, one must obviously be well-versed with it. Likewise, in order to talk intelligently about insurance, one must be knowledgeable about it. As the average person would know very little about insurance, how is he going to write a book about it? By the way, we should not blame him – how would he know a lot about insurance? More importantly, why would the average person know a lot about insurance? There is no reason for him to be an expert in insurance; if the answer is 'yes' here, then he must also be an expert in unit trusts, mutual funds, shares, properties, gold, and a host of other financial things.

This is why I said that most of the information about insurance came from the insurance companies themselves – it has to.

By the way, this situation applies to most things finance: the information came from the respective industries themselves, be it equities, real estate, derivatives and even banking. Going further, this actually applies not only to the finance industry, but practically every industry! Most of the information is released by the companies in the industry itself. These include the wellness, medical and aviation industries.

This being the case, what do you think the insurance companies did? What kind of information would you release if *you* were in charge of the insurance companies? That's right, only the kind that will paint the industry in a good light and help increase the profits of the companies!

And that my friend, is the source of all the confusion, misconception, and worse of all, misuse of insurance.

Let me share with you what John R. Burley wrote in his book *Money Secrets of the Rich*: "*It is important that you understand that the main purpose of an insurance company is not to help people. The main purpose is to make the largest profit possible.*"

In case any insurance agents are upset with me, remember that I did not write those words. Burley did! So don't blame me, blame him!

Anyway, Burley added: "*I am not saying that your insurance agent is a bad person. Far from it…I found that most career insurance agents are people of high integrity and ethics. What I am saying is that the agents have been trained by their companies to market (sell) as much insurance as possible for as much premium as possible.*"

And I would echo his sentiments.

While I too have found that most agents are indeed kind and helpful, their views on insurance are a little bit distorted. Actually, I'm not really surprised as most, if not all, of the information that they have on insurance came from their employers. This being the case, they will just parrot the views of the insurance companies. But because they have been trained well, they are pretty good at selling the policies, which explains why many people are either paying too much, covering too little, or taking up cover they don't really need – none of which is good news to the insured.

The basics of insurance

As I wrote in *Millionaires are from a Different Planet*, insurance is a fabulous tool – if you use it correctly. One correct use is taking fire insurance to cover your property against the perils of fire. While the insurance will not prevent a fire, the payout will help you to rebuild or buy another property should your house go down in flames.

But while insurance can be useful, it can also do your finances harm if you buy an incorrect policy. Just as wearing a suit of armor would be inappropriate for a mountaineer, having an incorrect insurance policy would also dent your finances in the sense that you have less money available for other things.

One example of misusing insurance is having multiple hospitalization policies. (One way how this situation arises is when the insured is covered by a group policy taken by his employer and then he takes another policy on his own – oftentimes without realizing it himself.) Anyone who did this – whether it was done on purpose or not – will be sorely disappointed when it comes to making claims against the hospital bills. Despite paying good money for the multiple policies, they can only make one claim. The other policies will not pay out as the insurance companies do not want them to make money from the catastrophe. This being the case, it means that all the money that they paid for the premiums is money down the drain, money that could have been used productively elsewhere.

But I'm jumping stories here.

While I do not want to spell out everything about insurance (all that is covered in detail in *Millionaires are from a Different Planet*), I will need to revisit some of the more pertinent points.

Let's start at the beginning.

What is the purpose of insurance?

The main purpose of insurance is very simple – to protect you from huge financial losses. Examples would be a house, a car or having a medical operation. Losing the first two items will cost you tons of money while the operation will drill a gaping hole in your bank account. While you may just about be able to meet the obligations, it would obviously be better if someone else were to share the burden with you. That someone else is the insurance company.

On the same token, this means that you should not take insurance to cover small losses. This will include extended warranty of your laptop, your maid running away, car windscreen breaking and getting a daily hospitalization allowance. While these situations will involve some out of pocket expense, they will not do your bank account much damage. Should they happen, just take the money from your Reserve Fund and address the problems. The problems go away and your life gets back on track with minimal disruptions.

So to recap, we take insurance to cover against huge financial losses. We do so by trading a small loss (paying the insurance premiums) to avoid the mega losses. This also means that if there is no huge financial loss, there is no need to cover the risk at all.

And as a side note, the reason the insurance company is willing to take care of your loss is because (a) the loss is shared by the tens of thousands of other policy holders, (b) they make money from your premiums, and (c) they have number crunching actuaries whose main objective in life is to calculate the probabilities that both (a) and (b) happens the way it should. By the way, the actuaries are so good with the numbers that it is rare for an insurance company to lose money from paying out claims. Unfortunately, the same cannot be said about the quality of the management! Yes, some insurance companies have gone belly-up because of mismanagement or making poor investments. (The parent company of AIA, AIG, was bailed out by the US government in 2008 to the very loud tune of $85 billion! So despite having all those As in their name, they scored an F in investments! *Ai-yaa*!)

Life Insurance

The purpose of life insurance is to provide the beneficiaries of the insured with some money should he go before his time.

There are two basic life policies – those with cash values (comes with a savings plan) and those without cash value. Those with cash values are further divided into three different types – Endowment, Whole Life and Investment Link – while the one without cash value is known as a Term (or occasionally as Temporary) policy.

While having cash value obviously sounds more interesting than without, the catch here is that the cash value policies cost significantly more than Term, perhaps three or four times more.

Who should be covered?

The insurance agents will jump up and say everyone!

Well, not everyone. I can think of a few individuals who do not need life insurance: Bill Gates, Warren Buffett, Lakshmi Mittal, Roman Abramovich, the Queen of England, Tony Fernandes, Li Ka-Shing and Angelina Jolie. The first seven names in the list do not need life insurance as they have more money than most insurance companies! This being the case, why do they need life insurance? As for Ms Jolie, I can assure you that she will never starve or lack anything even if she had no money. (Let’s not forget that she is an extremely wealthy person herself, earning $30 million in 2010 alone!) Does anyone think a girl who looks like her will ever starve?

Let’s move on before the topic gets any hotter!

So the answer to the question is this – the only person who should have a life insurance policy is one whose untimely death would create financial hardships for the people who depended on him for bringing in the money when he was alive. This means that if there is no one who will be suffering financially by the untimely passing of the person, then there is no need for life insurance. Singles usually do not need life insurance (unless their parents are dependent on them for income). Even married people may not need life insurance if they are not dependent on each other for money.

There are still others that have no need for life insurance as well. One example is your children. More on that shortly.

How much cover to take

Actually, to get the right answer would mean sitting down to calculate your assets, liabilities, current insurance coverage and then work out the correct amount of coverage required. That will mean a little bit of work for most people, so I will give you the short answer here.

The short and very rough answer would be by multiplying your annual income by five. For example, if your annual income is $100,000, then your coverage should be $500,000. This amount of money should be sufficient to provide your beneficiaries with a decent income for some time. But of course, you, like most people, would probably have a few assets in your name already. If the value of the assets come up to $100,000, you can deduct this figure from the cover, which means that you now need to take up a policy for just $400,000.

But even with that reduction, the premium for a $400,000 coverage still comes to a hefty figure. For example, the premium for a Whole Life policy for a 35 year old male is $5,368 per annum. That’s $447.33 per month, or 5.37 percent of his income. This is a huge percentage to pay for life insurance. You must remember that he has many other obligations to meet as well – mortgage, car loan, food, clothes, and not to mention other insurance coverage (such as car, fire and medical). So, if he insists on paying that high premium, something else will have to give. Perhaps he must settle for a smaller house, perhaps downgrade to a motorbike, or perhaps eat cup noodles every week!

A better deal is for him to choose Term insurance, pay lower premiums, get the same cover and still be able to afford many of life’s bounties.

This brings us to the main argument I have with many agents: I say choose Term while they say one of the other three.

Since this is my book, I will present my case first and then to be fair to the agents, I will allow them to state their case.

Firstly, Term offers the cheapest premium. The premium for the same $400,000 cover is only $2,808 per annum, which is a significant reduction from $5,368. To be exact, it is $2,560 less! As the coverage the same, why pay extra for the other policies? (This is one of those rare times when the cheapest is also the best!)

Secondly, when you take Term, you are paying for what you need – in this case, a certain amount of money to be paid to your beneficiaries when you check out. There are no add-ons, no savings or investments, no gimmicks, no nothing – just pure insurance. After all, that was the main reason you bought the policy in the first place.

The third and perhaps the most important argument is that the payout is the same regardless of the policy you took. Yes, the payout to your beneficiaries when you die is the same regardless of the policy you took. There is no difference between Term and any of the other policies.

But the agents have managed to side-step this solid argument by shifting your attention to the amount of money you will get at the end of the term if you survive. They point out that you will get zero if you choose Term, but if you choose any of the other three, a pretty attractive sum of money will await you. By the way, the money is attractive because it is compounding and the period is long. Any investment will be attractive if you allow it to compound for long periods!

Let me shift your attention back to the issue at hand.

Instead of focusing on the money that you are going to get at the end of the policy, go back to the original purpose of you taking life insurance out in the first place. Ask yourself the reason why you took up the life policy. I'll answer the question for you: to provide your beneficiaries with some money should you go before your time. I believe that it would be safe to assume that as long as you are alive and able, your family would not have to worry about money. You will be more than able to provide for them. The problem comes when you are not in the equation anymore, hence the need for life insurance.

This being the case, your focus should be on the payout to your beneficiaries should you die, and not the money you are going to collect if you survive. By the way, if you survive, you will make more money from your investments than from the insurance policies, so why bother about it?

Getting back to my third point: the insurance payout received by your beneficiaries will be the figure written on the policy when you took it – regardless of the policy. For example, if the coverage is for $400,000, that's the figure that they are going to get. It makes no difference whether you took Term, Whole Life, Endowment or Investment Link. But as you already know, there is a huge difference in the premiums among the different policies. You can wind up paying three or four times higher premiums if you took anything but a Term policy. This being the case, why take anything else but Term, save all that money and use it for more productive purposes instead of increasing the profits of the insurance companies?

As this is my book, I've changed my mind and decided not to allow anyone else to put forth any points that will nullify my arguments, especially those that may make me look not so smart! Let them write their own books.

If anyone shouts and screams that it's not fair, this is my answer: "Who told you life is fair?"

Answer to common sales pitches about insurance

To further strengthen my arguments, here are my retorts to five common sales pitches used by agents when they try to convince you to choose cash value insurance instead of Term.

1. You should buy when you are young because you may not be insurable in the future

This is a powerful line that will make everyone sit up and take heed. The very idea that they may not be insurable in the future scares practically everyone.

However, the statistics tell a very different story. It turns out that 95 percent of the people who apply to purchase life insurance are accepted. The figure jumps up to 99 percent at age 18! Fewer than 10 percent of policy holders are charged extra premiums because of existing medical conditions. In short, most everyone will be qualified to purchase life insurance.

(Point of clarification: As I'm unable to get the statistics in Malaysia and Singapore, these figures come from Australia. However, I believe the same or at least a similar situation would apply here as well. After all, we are not too different from Australians, are we mate?)

2. You will get a large amount of money at the end of the term

This is such an attractive proposition that it causes even agents themselves to buy cash value insurance!

The agents will be quick to point out some very attractive numbers that await you after twenty, thirty and especially forty years. In fact, the numbers are so attractive that it cannot help but make your heart flutter. And what's more, the numbers are right because it is all mathematics. As you already know, the numbers are fabulous because of the compounding factor being applied for long periods.

Check out the following table that shows the compounding effect of money growing at just 5 percent per annum (the approximate rate of interest earned by insurance):

Annual Premium ($)	20 years ($)	30 years ($)	40 years ($)
2,000	66,131	132,877	241,599
3,000	99,197	199,316	362,399
4,000	132,263	265,755	483,199
5,000	165,329	332,194	603,998

As you can see, the numbers are very attractive indeed. So attractive that it can actually make you forget the reason why you decided to take up the life policy i n the first place, which was to provide your beneficiaries with some money when you die. See, you forgot that already!

If it is return on investment that you are looking for, insurance is the incorrect product for it. You'll get more, much more, by investing your money in equities or properties. For example, the same $5,000 invested in equities for forty years will give you $2.2 million (assuming a return of 10 percent per annum). That is a whole lot more than $603,998!

So ignore the returns of cash value policies and stick with Term.

Oh, by the way, the attractive figures in the table are, for all sense and purpose, as good as fiction. You see, very few people keep their insurance policies all the way to the end. Most would have forfeited or surrendered the policy years before. For example, the forfeiture rate of life policies in Malaysia is about 25 percent after three years. Add another 9 percent for the people who surrendered their policies, and we have a total of 34 percent or over one third of the people who terminated their policies after just three years! I don't have the termination rates after ten or twenty years, but they must be some humongous figure. I'm speculating here, but I would not be too surprised if they are over 90 percent! In fact, I don't know of anyone who is still holding a twenty year old policy! And because they terminated the policy before the end of the term, the money received from the insurance companies is obviously lower than the numbers stated in the table. That's why I say the numbers are as good as fiction.

3. You can borrow the cash value

Big deal! Firstly, the cash value is your own money. So what is the commotion all about? I fail to see any benefit of borrowing my own money. Let's not forget I'm still being charged interest to do so!

Secondly, should you die in the meantime, the amount of money paid out to your beneficiaries will be reduced by this borrowing. This beats the purpose of you taking up the policy in the first place.

Thirdly, what's so difficult about borrowing money? Every other establishments is bending over backwards to lend you money today, so much so that I believe that as long as you are alive, you can borrow!

4. You only pay for ten years but get the cover for thirty

This pitch does sound interesting so let us analyze it deeper.

How can a company sell a product where the customer pays for ten years but gets the cover for thirty years? One thing for certain is that the company is not losing money doing this. In fact, since they are seriously promoting it, it is obvious that they are making tons of money from it.

How can this happen?

To save time, I'll answer the question for you: the premiums for such policies are significantly higher than for a normal policy (normal here means the cover is for the same number of years that you paid the premiums). For example, the annual premium for a normal $500,000 cover for thirty years is $4,905.

However, the premiums for the same cover in a short-payment extended policy – pay for ten but get cover for thirty – and I'm so sorry about this, is $91,800 per annum! Good Lord!

I don't think I have to explain anything anymore here!

5. If you stop paying now, you will lose everything that you have already paid

It is likely that you will feel the burden of paying the high premiums after a couple of years. All the money that you are going to get after thirty years suddenly doesn’t look so enticing anymore. Yes, the money’s good, but you are feeling the pain today!

So you thought of discontinuing the policy to ease the pain.

However, you are caught in two minds when you meet the agent to inform him of your thoughts. It is almost assured that the agent will say these words to you right after you finish speaking, “If you stop paying now, you will lose everything that you have already paid.”

Unfortunately in this case he is right – yes, you will lose the money.

However it is the incorrect view.

Instead of looking back at the money you have paid, you should look at the money that you are going to pay today and tomorrow. By keeping the policy, you will continue to feel the pain. And when you do eventually surrender the policy, as you surely will, the regret and the pain will be even more at that time!

So this is what I suggest you do. First: look at the money you’ve already paid as sunk cost; they have been spent and are never coming back.

Second: change your view on the issue. Actually, the premiums that you have already paid are not wasted. They are not wasted as the insurance company was covering you for all that time. Fortunately, nothing happened, which is exactly what you want as it means that you are alive! If there was a payout, it means that you are not even around to argue with the agent! So you should be glad that the situation exists.

Third: when you decide to discontinue the policy, deal directly with the company. There is no need to go through the agent anymore. Call the company, tell them of your decision and they will in turn tell you what you need to do to discontinue the policy. Usually it will involve writing them a letter. The company will then write back to you with a cheque attached, if there is a cash value (perhaps enough only for a cup of white coffee and two half-boiled eggs!) If there is no news from the company, just get on with your life and breathe easily as you are now free from the burden of paying the high premiums.

Or the simplest way is just to let the policy lapse by not paying the premium. Ignore all the reminder letters from the company and go on with your life and breathe easily as you are now free from the burden of paying the high premiums. Eh, wait a minute… I think I wrote that same sentence earlier!

Conclusion

As you can see folks, my counter arguments have nullified all the points raised by the agents. In fact, they are so spot-on that even the most hardcore of agents cannot help but agree with me. Isn't that right, oh the most hardcore of agents? I see you are keeping quiet; the silence therefore must mean that you are agreeing with me!

Why, thank you.

All right, let's move on.

Over promise, under deliver

I have to admit one thing though – some of the write-up about insurance is simply fabulous. They make it sound as if all your worldly problems will go away and in fact, you will achieve fabulous wealth just by buying an investment link policy!

The following is an actual write-up from a brochure dropped into my letter box:

> **Phase 1 – Protection Structuring To Empower Wealth Creation and Development**
>
> Objective of this phase is to create a strong protection structure to enhance

possible solutions to empower your personal wealth estate creation requirements for education expenses and financial freedom in retirement.

Our program packages also enable development and accelerate growth in your esteem organization welfare/benefits funds by (name of company) contribution of various percentage points.

Phase 2 – Empowering Your Wealth Estate

Phase 3 – Exploring Alternative Innovative Solutions In Investments

Wow! And double wow! The company managed to use all the big empowering words – to impress people who want to be impressed – and still not tell much! What is 'personal wealth estate'? And what does 'contribution of various percentage points' mean?

I suppose what they want to say is that they will help solve your financial problems, so that part is all right. But guess what the payout is? The sum assured is, wait for this and you must promise not to laugh, $20,000 (monthly premium of $60)! So this $20,000 is supposed to help you pay for your children's education expenses, empower your wealth estate and also help you obtain financial freedom! (Ha-ha-ha! Hey, you promised not to laugh; I didn't!)

I don't know which planet these guys are from but where you and I live, $20,000 will probably last all of one semester at the university! So there goes the promise for the children's education. But then what about the promise of financial freedom in retirement? Remember that you don't even have the $20,000 anymore (as if $20,000 is ever going to help anyone achieve financial freedom)! And oh ya, you have to die first to be able to collect the $20,000!

This is why I say the promise is big, yet the reality is different – very different. Anyone buying any of the policies will be sorely disappointed.

Don't say you weren't warned!

Child Education Insurance

I'll start this part by giving you a scenario.

Let's say your cousin came from the village to stay with you. Obviously, you will not be charging him rent. That's not all. He makes use of the facilities in the house – phone, Internet, iPad, hi-fi, home theatre system, and even drives your Lexus! (Hey, he has a rich cousin!) And oh ya, he eats what you eat. In other words, he is squatting in your house for free and getting all the benefits, also for free. But you don't really mind because he is your cousin, and you love him.

But would you take an insurance policy to cover his life?

Some people will retort, "Are you out of your mind, Azizi? While I love my cousin, I'm not going to take an insurance policy to cover his life. I'm not depending on him for money. In fact, he's costing me money every day!"

Good. I'm glad you have that view because you are spot-on. You are not depending on him for money and in fact, he's costing you money.

Right, hold that thought. What I want you to do now is to substitute 'children' for 'cousin'.

Yes my friend, while you love your children very much, you are not depending on them for money. In fact, they cost you money – lots of money. So why should you be insuring them? You should be insuring yourself instead, because if you are dead, no one is going to enjoy all those good things!

But unfortunately, the words from the agent can nullify all these points. He will point out the money (but of course!) that you are going to get after fifteen years, how that money is going to help Junior get to the best college on the planet and how Junior is going to thank you for giving him the opportunity to do so. (See how he is using guilt against you?) And let's not forget that Junior is covered by insurance all that time. So if anything happened to him, you will get some money (here he is using greed to entice you further).

While the points can be true, the reality is a bit different.

The purpose of you setting aside the money every month is to provide for your children's tertiary education. It is expensive now and it will be even more expensive in the future. So your decision to start saving for it now is certainly spot-on.

However, using insurance for it is the incorrect tool as the return is low. This is to be expected of course as the insurance company has to cover you while providing a return on your money. Actually, you'd be better off investing that money in equities or properties or even gold as the return will be a lot higher. The higher return will mean that Junior will actually get to pick where he wants to study, what he wants to study and for how long. And who knows, he may actually remember your sacrifices when you are old and grey, and need some money from him!

Mortgage Reducing Term Insurance (MRTA)

MRTA must be the most expensive life insurance ever invented! This is perhaps why some banks that own insurance companies insist on you taking them when you take their mortgages – so that they can increase their profits faster!

Oh by the way, although the name of the policy is Mortgage Reducing Term Insurance, the insurance is not on the mortgage, it is on your life. So it is actually a life policy – an expensive life policy!

MRTA works by settling the balance of the mortgage should the insured die before the mortgage is paid off, so the property can now be handed over to the beneficiaries clear of all obligations. In that sense, of course, MRTA is a fine thing.

The problem with MRTA, and I've mentioned this earlier, is that it is nose-bleedingly expensive!

As you have to pay the MRTA up front and in one full payment, the figure does come up to a nasty one. For example, a client recently paid $74,475 (!) to cover a $1.5 million mortgage. Not surprisingly, he wrapped the insurance together with the mortgage so he could spread out the payments. Of course, the higher loan amount equaled higher monthly payments. Not good.

The situation is further exacerbated by the fact that a significant number of owners do not hold their properties all the way to the end of the term of their mortgage. Some of them would have sold off the property while some others refinanced the mortgage to a different bank. And as the original mortgage is null and void in both cases, the MRTA would also be null and void. While the owners will get some money back after canceling the MRTA, the figure is some measly sum! Perhaps enough for the white coffee and half-boiled eggs I mentioned earlier.

This is why I said that the MRTA must be the most expensive life policy of them all.

“So what’s the alternative then, my good man?”

I’m glad you asked the question as it gives me a direct line to put forth my great answer!

What you do is take a Term policy to cover the mortgage. For example, in the earlier case, my client could have taken a Term policy for $1.5 million, to be renewed annually. There are three advantages of doing this. One: the premiums are lower ($14,715 per annum in this example). Two: in case he dies before settling the mortgage, the payout will be enough to settle the outstanding amount plus some extra cash. (As the cover remains at $1.5 million while the outstanding mortgage drops every month, it means that there will be money left over after settling everything. For example, if he dies in year 10 when the outstanding amount is $1.3 million, his beneficiaries will have the property plus $200,000.) Three: should he sell the property somewhere along the line, and have no further financial obligations, he can just let the Term policy lapse and save on all the subsequent premiums.

This is a much better alternative, isn’t it?

Mortgage Level Term Insurance (MLTA)

Insurers are smart learning organizations. They cannot leave well enough alone! So they came up with MLTA to match the second advantage of buying Term policy *i.e.* your beneficiaries having extra cash and also the property. The difference between MLTA and MRTA is that the coverage remains the same throughout the term in the former, just like buying a Term policy.

The thing with MLTA is that it is even higher than MRTA! Sticking with our example, the premium is $20,130 per annum for each of the thirty years. So I stand corrected: MRTA is not the most expensive life insurance ever invented, MLTA is!

However, if your main purpose in life is to increase the profits of the insurance company, then I would suggest taking the MLTA. If not, and I suspect this is the case, take the Term policy as I suggested earlier.

You must buy a life policy from an agent – a weird policy

We have to use the service of an agent to buy life insurance in Malaysia. That's right; you cannot buy life insurance direct from the insurance company. Even if you know more about life insurance than the agent, you must buy the insurance from him. This obviously means that you and I are paying higher premiums than if we could buy direct from the company (as the company has to pay him the commission).

This weird policy ensures one thing – Malaysians are paying higher premiums for insurance than we need to. How can it not be weird? *What is so hard, difficult or technical about buying a life insurance policy?* I think most if not all the policies can be explained to the average consumer in less than 30 minutes.

Furthermore, if we can invest in unit trusts directly to the companies, buy stocks worth hundreds of thousands through the Internet and even buy properties worth $5 million without the services of agent, why can't we buy a life insurance policy that costs us $100 a month?

Okay, okay, I may be ranting about it. But as it stands, I may be right, you know I'm right, the government knows I'm right (and I secretly think that even the insurance companies know that I'm right) but since the system is like that, you will have to go through an agent to buy your life insurance policies.

Wait until I become the Finance Minister!

The latest trends in insurance

Incidentally, the annual premiums have been shifting from ordinary life policies toward Investment Link policies in the last few years. The percentage has grown from less than 2 percent in 1997 when it was first introduced to 20 percent in 2009. This situation did not happen by accident; in fact, it could only happen with the ‘cooperation’ of the insurance companies themselves. In other words, the customers are being led, or more appropriately, pushed into purchasing investment link. For a very good reason of course, as investment link is a fabulous product for insurance companies as they can charge the customer twice – once for the insurance and the second for managing the investment!

Moving forward, there will be new products introduced by the insurance companies in the future. This will include some variations to the current products or perhaps even brand new coverage and policies. While a few of these products will be useful, this is the most important thing you need to know about them – they are primarily for the benefit of the insurance companies, not yours and mine!

I’m not anti-insurance

I need to explain this in case some readers get the notion that I’m anti-insurance – I’m not! I believe in insurance and I know it is a useful and powerful tool. My life policies alone total more than $1 million. Let’s not forget the many other coverage that I have – Critical Illness, Hospitalization, Houseowner, Fire and Motor Vehicles. If I were anti-insurance, would I be spending all that money to buy insurance?

What I am against is the blatant mis-selling (now that’s a new word) by the agents and some companies.

At the same time, I realize that you and I will never change their views. They will still be promoting the expensive and often unneeded coverage long after we are gone. This being the case, it is up to us to educate ourselves sufficiently so that we do not fall for their tricks or become a part of their misguided schemes. It is up to us to learn enough about insurance so we can pick the right cover for the least cost.

Isn’t that what insurance is all about?

Chapter 5: How to make money from unit trusts

I have good news and I have bad news.

Let's start with the good news.

Firstly, there are five good news against only one bad news.

The second good news is that the idea of unit trusts certainly holds water.

The third good news is that the unit trusts industry has grown tremendously. The net asset value (NAV) shot up from $15.7 billion in 1992 to $248 billion in May 2011 while the percentage of NAV to market capitalization rose from just 6.4 percent to 18.8 percent in the same period.

The fourth good news is that the industry has the support of the authorities, the media and more importantly, the investing public.

The fifth and final good news is that a lot people have made money from unit trusts.

The bad news is that you are not one of those people who made money from unit trusts!

And that single bad news overrides all the good news!

My thoughts on unit trusts have changed

I used to believe in unit trusts myself. (Uh-oh! That's not a good start for unit trusts!)

I can see why it would be a better choice for most investors. The advantages they offer – professional management, affordability, liquidity and diversification being four of the main advantages – means that most investors would be better off investing in unit trusts instead of investing in shares on their own.

However, as time went by, I became disillusioned with the industry. Despite the fantastic growth of the industry, the same cannot be said about the returns to the individual investor. It is average at best, mediocre for the most part.

Let me share with you a table of the return given by the industry for the period ending July 31, 2011:

Fund Classification	5 Years Average Annual Returns (%)
Malaysia Equity	13.79
Malaysia Mixed Assets	5.08
Malaysia Bond	4.32
Malaysia Islamic Equity	8.54
Foreign Fund	5.28

Source: The Edge Malaysia

Let me clarify a couple of things about the table so we are on the same frequency. Firstly, these are the average returns for the funds in a particular classification. For example, there are a total of 60 funds in the Malaysia Equity classification and the average annual return for the group in the preceding five years is 13.79 percent (total return for the five years is 90.75 percent). As it is the average, it is obvious that some funds' annual returns are higher while others are lower.

Secondly, I chose five different classifications so that it would show a clearer and more importantly unbiased picture. (There are more classifications than what are listed here.)

Thirdly, I chose the five year return instead of one or two years because they reflect a more accurate figure. As you know, short term returns are often distorted and therefore should not be used to evaluate funds or any financial product for that matter.

Right, now that I've clarified the situation and placed the cards on the table, we can proceed to discuss the returns.

Let me first address the fabulous 13.79 percent return for the Malaysia Equity. This is a good return, and I must commend the managers and the fund management companies. In fact, five funds gave annual returns of over 20 percent, which is awesome. Well done!

“So why are you saying the return from unit trust is mediocre then?”

Firstly, thank you for asking.

This is my answer: A big reason for the fabulous return is because the FBM Composite Index is hovering near the all time high of 1,582 points at the point in writing. This explains why the average one year return for the group is 21.5 percent. In fact, all equity funds should be doing extremely well because of this. Anything below 10 percent should be discarded, like yesterday! Incredibly, there is actually one fund that gave a return of only 7.7 percent when all the other funds are showing double digits returns.

Next, and as you can see, the average annual returns for the other four classifications are nothing to shout about. In fact, the return for the Malaysia Bond is 4.32 percent, which is simply atrocious! Why anyone is willing to pay money to get such a mediocre return is beyond me!

Thirdly, these returns compare the NAV from the different periods. For example, the one year return was calculated by measuring the difference between the current NAV against the NAV at the end of the previous year. While this is not wrong, the NAV is not what the investor put into the fund. The NAV is what is left after paying the initial sales charge. In other words, the actual return to the investor will be lower than the figures in the table as they did not take into account the initial sales charge!

Oh by the way, the returns stated from unit trusts and mutual funds are often rosier than the actual. You see, some of the poorer performing funds are often closed down or absorbed into other funds. So now, it is only the better performing funds that are around as the poorer ones have been removed from the equation. Naturally, this culling of funds will skew the performance of the funds upwards. (Incidentally, messing around with the variables – so that it paints a rosier picture – also happens elsewhere. One data that is often tinkered with is the inflation rate.)

Finally, to throw red ink into the already muddy waters, let me share with you the return for the period ending February 5, 2009, and I hope you are sitting down reading this and have an oxygen bottle handy!

Fund Classification	5 Years Average Annual Returns (%)
Malaysia Equity	1.42
Malaysia Mixed Assets	2.67
Malaysia Bond	3.36
Malaysia Islamic Equity	0.75
Foreign Fund	Not Applicable

Source: The Edge Malaysia

Isn't that interesting? This table is only two years older than the earlier table, and yet it shows a very different picture. More importantly, it shows the mediocre returns that I was telling you about earlier. In fact, some funds actually gave negative returns (not shown in this table). Imagine that – paying the fund managers money to get negative returns!

Now you understand what I mean!

Why the returns are disappointing

I must admit to being perplexed about the matter in the early days. Unit trusts promise so much but deliver so little. As a whole, the returns are pretty disappointing. There must be reasons why they are not doing as well as they should. These are probably some of the reasons why the returns are less than stellar.

- **Rookie managers**

I discovered that while the mutual fund industry in the US (their version of our unit trusts) has made thousands of their investors wealthy, the same does not necessarily apply here. There are marked differences between mutual funds in the US and unit trusts in our country – and not just on the terminology.

Firstly, the industry there has existed for a much longer period than us here. This means that the managers over there have a huge amount of experience in managing funds. They have been tried and tested.

Before anyone jumps, let me say that I realize that the unit trust industry has a long history in Malaysia as well (the aptly named First Malayan Fund was launched in 1959). However, it was pretty much in the backwaters until PNB came along in 1981. And even then it took another fifteen years before the private unit trust funds started to really capture the imagination of investors.

This point is important as it means that many of the fund managers here are still relatively new to the game. While there are obviously some people who have been in it for a long time, perhaps even over twenty years, my guess is that many managers have less than ten years' experience of managing unit trust funds. So they weren't even around when the stock market crashed in 1987 and perhaps even in 1997! In other words, they have known nothing but good times; they haven't seen or experienced market crashes. This means that they have not been tried and tested. Who knows what their reaction will be like when markets turn around. Who knows what they will do when markets crash. In short, they are still rookies.

• Nose-bleedingly high sales load

A big reason why the returns are not as high as they could be is because of the high fees charged by the fund management companies. High fees are a drag as they eat into the fund and therefore reduce the return to the investor.

Many funds are charging a sales load of 6.5 percent. (The sales load is also known as entry fee or initial sales charge. It is basically what the company charges when you first buy into the fund.) That means that the manager is left with only $935 to invest on your behalf from your original investment of $1,000. That's not all. As the companies also charge an annual management fee of 1.5 percent and a trustee fee of.5 percent, that means that you are down by 8.5 percent on the first year! The manager will have to give a return of 9.29 percent in the first year just to get back your original investment of $1,000! And as you already know, it is not so easy to get such a return.

Let me share with you a table that I've prepared to illustrate the damages that high fees do to returns. This table assumes an initial investment of $100,000, a constant 8.7 percent return in the second column, the 8.7 percent return minus an initial sales charge of 6.5 percent in the third column, and the third column figure minus an annual management fee of 1.5 percent in the fourth column. In other words, the fourth column is the return from your average private unit trust fund – an annual return of 8.7 percent after deducting the initial sales charge of 6.5 percent plus a further deduction of 1.5 percent for the annual management fee.

Year	Return 8.70% ($)	R - ISC of 6.50% ($)	R - ISC - AMF of 1.50% ($)
1	108,700	101,635	100,134
5	151,757	141,892	127,374
10	230,301	215,331	172,070
15	349,497	326,779	232,449
20	530,385	495,910	314,014

As you can see, the initial investment of $100,000 will grow to $530,385 by year twenty. Incidentally, and in case you're wondering why I chose the 8.7 percent figure, it is the average annual return from ASB. Oh by the way, the annual management fee of.35 percent (the lowest in the country) is already deducted here.

Now, look at the bottom right cell. This is the net of fees return given by the average unit trust fund after twenty years – $375,584. That's $154,801 less or 29 percent lower than the ASB return! The money, by the way, did not disappear. It went into the bank account of the fund management company instead of yours!

As you can see, high fees are not a small thing for they do a lot of damage to returns. As such, you should be concerned about fees and more importantly, avoid funds that charge high fees – and unfortunately, many funds do exactly that.

Incredibly, this is nothing new. Fund management companies have been charging high fees ever since unit trusts and mutual funds were invented! I have in my library a collection of past years magazines and newspaper articles. I cannot help but smile and shake my head at the same time every time I read the articles. Take this article as an example. The title of the article is *The Truth About Fund Fees* and the subtitle reads *The numerous hidden charges that fund managers routinely pass on to investors significantly detract from a fund's performance*. This article is taken from the now defunct magazine *Far Eastern Economic Review* dated March 1, 2001 – over twelve years ago!

And if that is not old enough for you, I have another article from *Asia*

Magazine, which incidentally is also defunct! The title of the article is *Mutual Benefits* and a paragraph from the article reads: *High commissions or fees are not a good idea. They mean that less money is actually producing investment income.* This article is dated September 22, 1996! (As you can see, I've been into money for a long long time!)

So actually, high fees are nothing new. Fund management companies have been doing it for years and will continue to do so. Hey, fund managers want to get rich, live rich and die rich as well!

• Less than stellar operations

One of the main attractions of unit trusts is the professional management. The fund manager has the paper qualification, experience and just as important, the backing of a team behind him. The team conducts research, monitors the performance of the individual companies, visits the companies, analyzes their future prospects; keeps an eye on the economy and all the latest happenings, opportunities and threats. All these make unit trusts a better bet compared to direct investment by the individual investor.

Unfortunately, all those good things happen in theory for the most part!

I read an interview of a Chief Investment Officer of a prominent fund management company in a local magazine a couple of years ago. By the way, the company holds one of the largest assets under management in the country and has been around for over twenty five years. So it is a behemoth, and the number of investors in the company runs into tens of thousands.

She said that when she took over the post in 2007, there was no investment division and there was no credit review made on the bonds they purchased. As this is obviously not a state-of-the-art operation, she wisely created teams to be in charge of each asset class, including a team doing credit reviews on the bonds. Good move and I salute her for the effort.

But then, based on her answers, it meant that the quality of the company's offerings prior to 2007 would be suspect. What happened to the thousands of people who bought into the company's funds before 2007? *Teng! Teng! Teng!* Should anyone be surprised if the investors lost money?

Bear in mind that the only reason we know this is because the CIO was interviewed by the magazine. If she was not, we wouldn't have known the actual situation. Remember that none of the other CIOs – if there is one at the company, mind you – were interviewed! God knows what is happening at the other smaller operators if this is the situation in a prominent fund management company!

• A second shocker

A nice charming young fund manager was interviewed in a local business magazine recently. I find him to be polite, refreshing and intelligent. But I wouldn't invest my money with him. He's too young, lacked experience and was perhaps even too trusting.

What I find even harder to swallow is the fact that he is not only managing a fund, he's actually managing four other funds! Whoa Nelly! One guy overseeing five different funds? Isn't that a little bit too much for the nice young man?

And oh, he also revealed that when he first took over the fund, it was just him! That's right, just one man managing the fund; one man to research some five hundred different companies, monitor the prospects for each company, keep an eye on the economy, keep track of the latest changes in the industry and make trades. As it was obviously not right, he assembled a three man team in early 2011 to help him manage the fund. Good for him. But this means that the quality of the trades prior to that date has to be suspect.

Again, the only reason we know this is because the nice young man was interviewed by the magazine. Otherwise, we wouldn't have known the actual situation – just like what happened at the other company. So that makes it two companies with less than stellar operating practices. And although I will not mention the name of the companies, as it would not be fair to them, it is sufficient to state that they are among the big boys in town.

This being the case, I suspect that a similar situation exists at practically all the other fund management companies! I wouldn't be surprised at all if one manager is overseeing five funds, and he's the only person there doing all the work! Even Superman would find it hard to do a good job here, let alone provide substantial returns to the investor!

• Yet another shocker

I must first admit that this tale is a few years old already and so it may not be the case anymore, although I suspect it still applies.

A prominent analyst once told me an interesting and peculiar story about unit trust funds. See, not too long ago, there were three different funds managed by a particular fund management company. The three funds had different objectives – one was for growth, one was for income and one was a balanced fund. As such, the different funds should be having different shares, so they can each meet their own objectives. But noooo…. some 60 percent of the shares in each fund were the same shares! That's right, the same Maybank, Telekom, Maxis, Sime Darby and Genting in the different funds. Isn't that peculiar? After all, how can the same shares give three different results?

Perhaps the manager was too lazy, perhaps he did not have the support staff to do all the research, perhaps he knew that most people wouldn't even realize what was happening, perhaps he knew that the few who realized what was happening did not care enough to complain, and perhaps he knew that no fund manager would be faulted for buying any of the aforementioned shares.

• Most investors are still in the dark

Perhaps the main reason why the companies are getting away with charging high fees and mediocre performance is because most investors are still in the dark when it comes to all things finance. Not a single client of mine read the prospectus when I sold unit trusts before. Oh sure, I gave them the prospectus and foolishly, even tried to educate a few of them about it. But none wanted any part of it! Why should they read it – they don't even know what to look for! It was like looking at Egyptian hieroglyphs – they wouldn't be able to decipher much although it was right there in front of them!

This explains why many investors do not make money from unit trusts, and worse, are still holding on to the loser funds. In fact, I've had clients who told me they bought some unit trusts funds but do not know where they kept the records, how many units they owned and glory be, even the names of the funds!

Why the industry will continue to grow

Having stated all that, I have no doubt that the industry will continue to grow in the future. Yes, despite what I and others may say about them, the industry will continue to grow in the coming days.

One of the reasons for this is because they have the support from the authorities. See, unlike many of the more established stock markets such as Japan, UK and certainly the US where more than 40 percent of the market capitalization is held by mutual funds, only 18 percent of the market capitalization in Bursa Malaysia is owned by unit trust funds. In other words, the institutional ownership percentage is still low. This factor is important as larger institutional ownership meant more rational investment behavior. For starters, institutions are less prone to panic selling and less affected by rumors. Because of this, it is obviously better for the country to have a larger institutional ownership of shares. A big way of doing this is by promoting investments in unit trusts.

Next, and perhaps the more important point is that the idea of unit trusts is still valid and promising. If they carry out some reforms, I have no doubt that things will be even better in the future for all concerned – investors, managers, fund management companies, the capital market and even the country as a whole.

Furthermore, the unit trusts industry is worth $248 billion; when that much money is at stake, you want things to continue growing! The only thing is that it is not going to be us who will be paying all these high fees or relying on rookie fund managers and companies!

The lesson

I could tell you more stories, more facts and more figures, but I think you get the idea by now.

Anyway, let me get right to the point and offer the proof of the pudding. And here comes the proof: how many people do you know that have become immensely rich because they invested in unit trusts? How many people do you know have achieved financial freedom because they invested in unit trusts? I for one cannot even think of a single name!

This is why I sold all of my private unit trust funds some years ago. I am not willing to pay the high fees, put up with companies with less than stellar operating practices or accept mediocre returns. Unless the industry shows some massive improvements in the near future (which I seriously doubt), I do not think I'll be investing in any private unit trust funds anytime soon.

The only funds I hold and recommend today are those run by PNB as they have been giving decent and reasonable returns on a consistent basis. For example, the ASB has been consistently giving a return of 8.7 percent for the past few years. While that is not exactly world-class returns, it is a lot better than most of the private funds.

How to make money from unit trusts

But of course, where there is danger, lies opportunity.

You might not be able to make much money by investing in unit trusts. However, you can make lots of money by selling unit trusts! I have a number of acquaintances who are driving big fancy cars because they are unit trust consultants.

So, now you know how to make money from unit trusts!

Chapter 6: Educate yourself on money matters

I realize that a lot of people do not enjoy learning about money or worse, actually managing it. I suppose crunching numbers and learning about compound interest is just not their cup of tea. They would rather spend time doing something else: watching television, playing golf, taking the dog for a walk, listening to the radio and hey, even doing some work. Anything but managing money. It can be unexciting, dragging and yes, boring.

Unfortunately for these folks, the story will not end well.

The reality of life is that you have to do some things you may not thoroughly enjoy so that you can continue living. And I mean living well. For example, you have to take care of your health if you want to live a long and healthy life. This among other things means watching your diet and exercising regularly. You may not enjoy doing both, but if you want to remain healthy into your old age, then you have to do both.

Likewise, you have to take care of your finances if you want to live a happy and prosperous life. This begins with educating yourself on money matters.

While avoiding exercise will not be good for your health, not educating yourself on money matters leads to more serious consequences – it will not be good for everything! Among others, it will lead you to lose lots and lots of money, lose much sleep, lose your health, lose your spouse and perhaps lose even your sanity! You will be taken advantage of, misled, cheated and yes, lied to. Worse, you may not even realize that you are being lied to!

Now I know the above are mighty strong statements, but they are true, true, true.

So, let me share a couple of stories to illustrate why you have to educate yourself on money matters even though you may not enjoy it.

It’s only rock n’ roll but I like it

Once upon a time, there were two young men named Michael and Keith who decided to form a band. After some years playing in small clubs and dingy halls, they managed to hit the big time with a couple of hits. Somehow, despite always getting into trouble with the authorities, the fans loved their music. They wrote more songs, had more hits and soon became the premier rock and roll band in the world.

Then one day, the band discovered a tragic thing – despite selling ten million albums and five million singles by the mid-1960s, they had very little money in their bank accounts and were practically living hand-to-mouth. It turned out that the contracts they signed with the recording companies were completely one-sided for the companies. This oversight probably cost them millions of dollars. It was only when they hired a new manager and renegotiated their contracts that they started to get their dues. Later on, they parted ways with this manager as well; Michael then decided that he was going to oversee the money himself so he took over as the band’s manager. The band churned out more hits throughout the years, earned billions (that’s right, *billions*) and more importantly, kept much of that money for themselves. (As a guide to the amount of money we’re talking about here, the band earned $1.6 billion in the three years between 1999 to 2002. Of course, the figure runs into tens of billions if you consider that the band have been at the forefront of the music business for over forty years!)

Michael is more famously known as Mick Jagger while Keith is Keith Richards. And the band is The Rolling Stones.

Actually, the story about the Rolling Stones is not unusual. Similar stories happened to The Beatles, Elton John and countless other singers and entertainers. Many of them were taken advantage of by their recording companies and/or managers in the beginning days. Despite selling millions of albums, they often had very little money in their accounts, because the bulk of the money was being siphoned out – legally or through the back door. I suppose their thoughts at that time were to concentrate on their music, and let their manager handle all the other boring menial stuff, including the money part. Alas, that arrangement ended with tragic consequences. The losses, if they were ever totaled, must run into billions of dollars.

The smarter ones changed managers and/or recording companies, and no doubt kept a closer eye on the accounts thereafter. Some of them made more money down the road as they had more hits, so the story ended well for them.

Many others were not so lucky. They lost much of the money they earned because they left the money part for others to handle so they could concentrate being creative and on the things they enjoyed doing. Now, while I myself believe on concentrating on the things we enjoy doing, I will add that we must also keep an eye on the money as well. Yes, let the experts handle it, but we must (a) know what they are doing with our money; (b) be in the picture at all times. And we can only do both if we understand money ourselves.

As Mick himself stated, “I’ll never forget the deals I did in the 60s, which were just terrible. You say ‘I’m a creative person, I won’t worry about this.’ But that just doesn’t work. Because everyone would just steal every penny you’ve got.”

Let me repeat that last line folks: “…e*veryone would just steal every penny you’ve got*.”

That’s why you have to educate yourself on money matters and also keep your eye on the money, at least some, if not all the time. The moment you take your eyes off the money, it can just fly away. All your talent and all your efforts will count for nothing should that happen.

Child star taken advantage of by his mother and stepfather

Tragically, some of these entertainers were undone by their own family members.

Jackie Coogan was a child actor during the era of the silent films, best remembered as the child sidekick of Charlie Chaplin in the movie entitled *The Kid*. The next year, he played the title role in the movie *Oliver Twist*. He was only eight years old.

Coogan went on to earn some $4 million as a child star, the equivalent of more than $50 million today. Yet he saw very little of that money as his mother and stepfather blew the bulk of the money on fancy cars, fur coats and diamonds. He successfully sued both of them in 1938 but sadly received only $126,000 (after deducting legal expenses) of the $250,000 that remained of his earnings.

The tragic tale of P. Ramlee

Closer to home, let me share a little known story about Malaysia's greatest entertainer – P. Ramlee. There's not a soul alive in Malaysia who do not love P. Ramlee. He sang, composed songs, played musical instruments, acted, directed movies – in fact, he did it all. His movies have been shown hundreds of times on television and no doubt will be screened hundreds more times in the future. Many of us have seen the same movie more times than we can remember, yet we would still watch them. He made us laugh, cry, happy, sad and yes, even made us think. And he has been dead for almost forty years.

The tragic story is that he was taken for granted when he was alive. Yes, there were accolades, but on the whole the country took him for granted. To my knowledge, he only received one award from the King – AMN (Ahli Mangku Negara). Today, we have guys who couldn't even tie his shoelaces that have more titles than him! He was criticized in the media and even booed at some shows. That wasn't all, and this is perhaps the tragic news of them all, he was practically broke at the end of his life.

To be fair to him, thousands of others were not that much better. Not too many people were well versed about money matters in the 1970s. But considering his talents, my God, he should have been a millionaire. In fact, if I was there to coach him on money matters, he would have not only been a millionaire, he would have been a multi-millionaire. His children and grandchildren would still be enjoying the fruits of his labor today. (Alas, I could not as I was in primary school when he died.)

The point of the story? If Malaysia's greatest entertainer, with all his talents, died broke because he did not know much about money matters, what chance do mere mortals have if they choose to remain blind about money matters?

More reasons why you must educate yourself about money

I get asked about investments every week. I understand why. People are confused: there are plenty of financial products and instruments out there – a whole sea of them. For starters, there are over 500 different unit trust funds in Malaysia today. (If you think that's a lot, there are over 7,200 mutual funds in the US as at December 2012. In fact, there are more mutual funds than there are stocks!) How do they choose one that is right for them, bearing in mind that practically all of the funds are claiming they are the best? Next, there's a multitude of insurance products, and more are being introduced even as we speak. So how do they choose one that's most appropriate for them? And to make things worse, they get conflicting advice from different advisors. One is telling them to do one thing while another is asking them to do the opposite. Both advisors are smart, qualified and experienced. So who do they listen to?

While the introduction of new financial products and instruments is obviously a good thing as it gives us more choices, it can also drown the average investor. In fact, just the names and terms of the instruments are enough to intimidate: futures, options, portfolio, beta, p/e ratio, covered calls, money markets, basis points, longs, shorts – man, no wonder a lot of people wind up burying their heads in the sand.

Let me now shine some light on the subject.

Firstly, it is true that there are plenty of financial products and instruments today compared to five years ago. And this situation will continue in the future. Secondly, there are plenty of advisors – qualified, unqualified, paid and even free – when it comes to money and personal finance. Everyone is oh so quick to tell you what to do with your money, even though they themselves are struggling to pay their bills. Worse, their advice is telling you to go in ten different directions!

This being the case, it is little wonder that a lot of people, which may include you, are confused about the subject matter. A lot of people are in a daze, drowning under a mountain of financial information. How do they make sense of all that information? How do they tell the good from the bad?

One answer would be to refer to the ‘experts’. Now this sounds good in theory but unfortunately does not apply when it comes to personal finance. And why not? The harsh truth is that there are very few experts on personal finance in Malaysia. *Very few.* And I can add that the same situation applies in practically all the countries in the world today.

I know this from my own personal experience.

One of the first things I did when I wanted to take control of my finances back in the mid-1980s was to get advice from ‘experts’. So I asked for advice from insurance agents, remisiers and bankers. While I’m sure they meant well, their advice confused me as they advocated conflicting strategies. Worse, their advice took me south of where I wanted to go. It took me some time to realize the truth – they were not the experts that I thought they were.

So while the situation has improved slightly since those days, I will add that you will be sorely disappointed if you rely completely on other people’s advice, including those coming from the ‘experts’. It’s very likely that you’ll witness an amazing thing happening – your money will soon be their money! (Since it is a critical subject, I share even more points about this in a subsequent chapter entitled *The Truth About Financial Advisors*.)

Since you should not rely solely on ‘experts’, what can you do to make the most out of your money? What can you do to take control of your finances and ensure that you’ll not be taken for a ride? Well, the answer is that you have to educate yourself on financial matters.

Folks, there’s only one person in the whole world that will care about your money as much as you – you. Nobody else will care about it as much as you.

Next, the only person that can make you rich is you. While others, including me, can help by pointing the way, ultimately it is your baby.

So if you want to be financially independent, you have to educate yourself on financial matters. *There is no other answer here*.

"Nobody has enough talent to live on talent alone. Even when you have talent, a life without work goes nowhere."

Arsene Wenger

Let me now share the reasons why you must educate yourself on financial matters.

- **So you can tell the good from the bad**

  If nothing else, you'll be able to tell the good products from the bad. There are dozens and dozens of truly awful financial products and instruments. They are expensive, the returns are mediocre, risky, and worse, they are not even suitable for most investors.

  Of course, there are outright scams that will no doubt surface from time to time (ala Pak Man Telo in the 1980s, Swisscash in 2007 and Bernard Madoff in 2007). Without some basic knowledge on personal finance, you could be throwing your hard earned money into these products and scams. End result – your money goes up in smoke.

- **So you can tell the good from the ordinary**

  Next, there are plenty of financial products and instruments that are, well, ordinary. They are plentiful that they can form a sea! The returns are there but they will not light up anyone's eyes, let alone lead you to MillionairesPlanet. Unfortunately, they form the majority of the instruments that are being peddled out there. (It is likely that you have already invested in them!) So by educating yourself, you can avoid the ordinary and choose the extra-ordinary!

- **So you do not have to completely rely on others**

As I wrote earlier, there are plenty of advisors when it comes to money. Everybody has their own thoughts and ideas about it. Unfortunately, most of these ideas are incorrect. If you make your decisions based wholly on their advice, you'll soon be paying the price in more ways than one.

Now while you may still want to refer to others, you do not have to accept everything they say as the gospel truth. You'll have a more complete picture when you add the information given by others to the ones already in your head.

• So you can make financial decisions confidently

Some people are stressed out every time they have to make a financial decision. Worse, they are still stressed out even after making the decision! "Did I make the right decision?" The question keeps ringing in their heads.

The main reason for this is because they lack confidence. A sure after-effect of poor knowledge in money matters. With knowledge comes confidence, with confidence come better decisions, which lead to healthier and richer lives.

• So you can minimize your errors and optimize the wins

Another truth about finances is that you will make mistakes. Yes, even if you know it all and have a triple PhD on the subject matter, you'll still stumble and fall from time to time. Hey, even millionaires lose money, you know. However, you'll minimize the errors as your knowledge on finance increases. The error rate drops, the wins become bigger and more frequent. End result: you become richer!

• So you will have a chance of staying rich

There will no doubt be newer, slicker, fancier and unfortunately, more sophisticated financial instruments in the future. The problem with them is that they can look fancy but have fatal flaws underneath. Of course, as outsiders, we may not realize this until it is too late. Even George Soros admitted that he found the new financial instruments bewildering when he returned to the markets in the early 1990s after a few years' absence. Imagine that: if Soros could get lost (and he is one of the best money managers ever), what about you and me?

Furthermore, the people involved in the financial industry are getting better – in marketing those products! If you do not educate yourself and keep track of the innovations, it is likely that you will be at their mercy. They throw a few high tech words or mention some high finance terms, and people will be lining up to give them money! Needless to say, the story will not end well. It is likely that your millions will wind up in someone else's pockets!

• It is cheaper than losing millions!

You should educate yourself on financial matters because it is cheap compared to the alternative of losing your money. What is $29.90 (the cost of the book titled *ScamBuster*) when you can avoid losing tens of thousands in financial scams such as Swisscash? What is $180 (the combined cost of my four books on property investment) compared to losing $500,000 when you buy properties in the wrong location?

"In raw markets, the scent of money deadens all other sensory and ethical organs.
In both cases the quick, the deadly, and the unprincipled made a lot of money fast while ordinary workers and the taxpayer took it in the ear."

Charles R. Morris, commenting on the LBO and the S&L debacles in the 1980s, and the dangers of loose financial markets regulation

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How to educate yourself

So how do you educate yourself on money matters?

Very simple – you can do so by reading books and attending talks and seminars on the subject. By the way, reading one book does not count! You have to read *a lot of books* on the subject matter. For starters, read at least ten books on a particular subject, and then move up from there. Why so many? Because the more you know, the better you will be. And the better you become, the richer you will be.

For your information, I read and re-read three books a week. As it stands today, I have read over 900 books on money and related matters. By the time you read this, that figure will be close to 1,000! (In fact, I have made it a life goal to read all the monumental books ever published.)

While reading that many books may sound like a lot of work, considering that a lot of other important things in your life (which includes your health and well being) are highly dependent on money, I'd say it is certainly a worthwhile thing to do.

"Formal education will make you a living; self-education will make you a fortune."

Jim Rohn

Now I realize that you are a busy person. You probably have your hands full with work already, and now I'm asking you to read more books! Yes, folks, you have to read. Despite all the work and all the balls you are already juggling now, you must read. Otherwise, you run the risks of losing most, if not all, of your money. Now THAT will really spoil your day. In fact, if that ever happens, I can assure you that you will be even busier – working extra hard to make back what you have lost!

By the way, if you are drowning in work now, one of the books that you should be reading would be on time management! While you're at it, maybe spend some time reading books on living a simpler life.

Let me share one final point as to why you have to educate yourself on money matters.

You’ll be getting incorrect advice most of the time

That’s right, brothers and sisters – you’ll be getting incorrect advice most of the time. It is a harsh truth, but it is the truth. Like I wrote in the introduction, you’ll never run short of people giving you financial advice. Every other person will be more than happy to dish out money advice, even though they themselves are living hand-to-mouth. Worse, you’ll be getting incorrect advice even from the ‘experts’.

As an example of this, I came across an advice dished out by an independent financial advisor with over twenty years of experience in a cute little popular magazine (no names mentioned but it rhymes with *Reader’s Digest!).*

A new parent wrote asking him about starting an investment and/or insurance policy for their son. His reply was to start with basic term or comprehensive insurance. That almost had me pulling out my hair in shock and despair! Firstly, the two are completely different policies. One is basic cover and the other, as the name suggest, is comprehensive cover. That’s like asking someone to sit down or stand up at the same time! Next, he wrote that the insurance will give the son instant financial protection. The statement is correct but it is incorrect advice. Remember my story about the cousin who is squatting for free in your house? As the cousin is in fact a financial liability to you, you would not insure him. Now, replace ‘cousin’ with ‘son’. Why should an infant be covered when he does not bring in money to the family? In fact, he is a liability (financially speaking). The one who should be covered would be the person who brings in the dough, usually the father.

Worse, the advisor then added that they should invest in treasury bills or government bonds or fixed deposits to provide for the future educational needs for the son – another incorrect advice. Firstly, the returns from the three instruments are low. This makes them the incorrect choice for building a large nest. (As you know, the words ‘cheap’ and ‘education’ don’t go together!) Secondly, as the son is just born, the parents should be investing the money in more aggressive instruments, perhaps in equities or mutual funds. They can afford to take higher risks with the money in the hope of higher returns as they, and their son, have time on their side – at least eighteen years.

This brings me to my point: if this is the advice given out by an *independent* financial advisor *with long experience* in the financial industry, what can you expect from a commission-based financial advisor? What can you expect from a financial advisor who is just starting his career? If this is the kind of financial advice being dished out in a popular and widely distributed magazine, what are the chances of you getting correct and unbiased financial advice out there? That's right amigo – slim and none. And just like Shane, slim has just left town and he *ain't* coming back.

The lesson

So, by now I hope that you realize the folly of being totally dependent on others for money matters. These others include the 'experts'. It turns out that the 'experts' are not such experts after all. Compound this by their biasness and the varying levels of expertise; I hope that you are convinced to educate yourself as much as you can on money matters.

The truth is that no one will care about your money as much as you.

There is no other answer if you want to become rich, live rich and die rich!

Finally, I must add that this is not about showing off your knowledge. That you know more than others; that you can prove them wrong, wrong, wrong. This is not a competition about who knows more or who's smarter. It is about using the knowledge to make better financial decisions so you and your family can live happier, healthier and richer lives.

So get educated on the subject of money. I know I've said it before but since it is the truth, I'll keep on repeating the line – the more you know, the richer you will be.

PART TWO: GET RICH

"As long as we are dependent on other countries for the oil,
the very lifeblood of our nation, our security is at risk."

The Texas billionaire **T. Boone Pickens** lamenting about his country dependence on foreign oil.

"As long as you are dependent on other people on how to make and grow your money,
the very lifeblood of your well-being, everything you own is at risk."

Azizi Ali

Introduction

Some things never cease to amaze me.

Tens of thousands are asking for wealth tips from people who are not wealthy! They ask from their friends, family members, colleagues and neighbors who, for the most part, are not doing much better than them. That is as sensible as asking for health tips from a guy who is lying on a hospital bed!

Just as many people believe everything written in the newspapers, magazines and websites as the gospel truth. Now, this next line is going to sound harsh but it is also the truth: most of the articles are written by people who are not wealthy. While they may be good writers, kind-hearted and are decent human beings, the fact remains that they are not wealthy. So anyone listening to their wealth-building tips is likely to be heading in the wrong direction.

Now, I'm not saying that the majority is wrong about everything. The majority is right on a lot of things – religion, politics, fashion, music, films, to state just five things. But then the majority of people are not wealthy. This means that their formula for building wealth is incorrect. This being the case, you should stop listening to them when it comes to money matters.

If your intention is to build wealth (why else would you be reading this book?), there are only two groups of people you should listen to about money matters: (a) the rich; (b) the true experts.

Adopt the better answers

I wrote in the introduction that some of the ideas inside this book are new, radical and revolutionary. And as such, some of the words will probably make you feel uncomfortable. But then, you did not buy this book to be comfortable. You bought this book to help you get rich, live rich and die rich.

One reason why I keep getting better and better is that I have no problem in accepting better ideas. If you come to me with an idea that can help make me more money, cut down the time, cut down the risks or, even better, do all three, I would adopt the idea straightaway. (Of course, straightaway here is after doing the homework about the idea first!) Even if the idea is the exact opposite of what I have been practicing for the past ten years, I can adopt the new idea just like that and drop the old practices in a flash.

As an example of this, I advised readers of the original version of *Millionaires are From a Different Planet* to avoid gold and silver. Actually, it was the right advice at that time. The book first came out in 1999, and gold had been in a bear market for the previous twenty years.

However, the advice changed in the third edition of the book that came out in 2009. Now the advice was to buy gold! Gold was the best performing investment in the previous nine years, growing by more than 18 percent per annum. More importantly, I believed that that performance was going to continue for the next few years, hence the call to buy into gold.

So I have no problem in changing my mind when it comes to money matters.

"When the facts change, I change my mind. What do you do, sir?"

John Maynard Keynes

However, I discovered that this is not the case with a lot of people. Even when the facts and figures tell them one thing, they refuse to change their mind and, in fact, will stick with a losing investment. Worse, some continue to throw good money into it, and therefore lose even more! If you are one of these people, then I'm afraid I cannot help you. In fact, no one can help you!

In other words, if you want to build serious wealth in your lifetime, then you must be willing to change your mind and accept the new and often better answers. After all, the idea here is to be rich, not to be stubbornly hanging on to old and outdated answers.

So what would you do if the answers in your head were incorrect?

What would you do if the answers in your head have passed their usefulness?

Change your mind, and adopt the better answers!

Next, it is likely that if you stick with what is comfortable, you will not be living that dream life. If you want to do the things that are easy and convenient, your yacht will not be docking at the Maldives Islands anytime soon. In other words, to get to where you want to go, you will have to step out of the comfort zone, try new ideas, adopt new habits and, yes, do things a little bit differently from what you are used to.

If a formula is not working for you, then stop doing it. If an investment model is not bringing you the desired result, then stop practicing it. Just because many others are following the model does not mean it is right. If a model is not bringing you the desired result, then stop practicing it. When it comes to money, most people are not getting it right anyway. So you don't have to do what they are doing.

By the same token, if an expert or 'authority' on money matters has been proven wrong time and again, stop listening to them. If what they say is costing you money, then stop listening to them, even if they happen to be some big-time economist, fund manager, author, World Bank official or even if their name happens to be Ben Bernanke, PhD.

Next, even if a formula is making money for some people, if it does not mean you should be getting on the bandwagon. If it doesn't turn you on, then why do it? For example, some people make a lot of money from MLM. In fact, I do have clients who are big time MLMers. However, it is not for me. This explains why I don't do it.

It is also likely that you will have to kill some sacred cows on your way to the top. The good thing is that most of these cows are only in your head. You love the cow – you've seen it grow from a calf into a mature cow – but you have to sacrifice it if you want to get to where you want to be. Yes, my friend, you have to kill the cow if you want to eat the beef.

It ain’t easy, but you’ve got to do it!

Before getting into the nitty-gritty of building wealth, we must get the basics right and in order first.

This part is about the basics of investing.

Chapter 7: The basics of investing

Before running, you must first learn to walk.

Before walking, you must first learn to crawl.

And before going into the exciting world of investments, let me first share the basics of investing with you.

The definition

Firstly, what are investments? And how is it different from savings?

Investing is when you place your money in selected instruments, usually for a longer term, in the hopes of a higher gain. That definition suggests that the risk element in investments is higher. But done right, the returns will be higher than the rate of inflation. Savings on the other hand, is setting aside money on a regular basis to meet a short term objective. The risk level is minimal and as a result, the return from savings is usually below the inflation rate (which means that you will ultimately lose if you leave too much money in your savings account).

They are related in that the money used to make investments is usually sourced from the savings account. Obviously, the more you save, the more money you will have available for investments.

Next, while there are many forms of investments, which can include education (as in investing in your education) and health (as in investing in your health), the investments I'm going to refer in this book are financial instruments. (Boy, aren't you glad that I came to that decision? I figured that you bought this book to turn yourself into a money-machine and not hear yet another sermon about how health is wealth.)

Right. Now that we've got that part clarified, let me share another critical point with you.

Rates of return

One of the hardest jobs of a financial advisor is to educate his clients about the rates of return. Most people have very little idea about how rates of return differ from investments. Worse, that little idea is always some far out figure, something like 100 percent a year. Some people think that is normal. Some others might even belittle that already stunning figure. “Hah, my uncle’s second cousin made 500 percent in nine and a half weeks!”

Perhaps this situation came about due to the massive publicity given to the stellar performances made by world class fund managers like: Warren Buffett, John Templeton, George Soros and Peter Lynch. These four gentlemen gave double digits returns per annum for long periods of time. And of course, all of us would hear (but never see any black and white) claims of even higher figures given to us by men in dark shadows.

Check out the neat table below:

Fund Manager	Fund	ROI per annum (%)	Period (years)
John Templeton	Templeton Growth Fund	14	32
Warren Buffett	Berkshire Hathaway	22	40
Peter Lynch	Fidelity Magellan	29	13
George Soros	Quantum Fund	34	25

Let me now share the truth about rates of return.

Firstly, I must clarify that the type of rates of return that I’m talking about here are those from traditional investments as we know them such as shares, unit trusts and mutual funds, and not from running a business. Investment is where you hand over your money to others and they manage the fund. This clarification is important as the return from business can reach even the Earth’s stratosphere and that is a story for another book.

Next, when looking at rates of return, you must look at it on an annual basis and not the total return for the period. Fund managers are fond of showing the cumulative or total returns instead of annual returns. Why? Because the cumulative total returns figure always look impressive. For example, Fund A gave a cumulative return of 47 percent after five years, while Fund B gave a cumulative return of 116 percent after ten years. We have to admit the figures are certainly impressive. It'll certainly make you sit up and take notice. But which fund performed better? It's not easy for most investors to compare the two funds as the periods are different. Actually, the annual compounded return for both funds is exactly the same – 8 percent.

This is why you should always look at the annual compounded return. It tells a better story and also will enable you to compare different investments for the different periods.

Thirdly, and this is very important, the period must be for three years or longer. Why? This is because the rates of return can be distorted in a short period. Any investment can give 30, 40 or even 100 percent return in one year. It can do that for two or even three years. Why? Because the manager could be lucky. He could have bought at the right time, and the market shot up immediately after that. As an example, any unit trust fund launched in 2005 and 2006 in Malaysia would have seen fabulous returns by mid-2007, probably above 20 percent per annum. Now it could be because the manager of the fund was good, smart and a Capricorn to boot. But a more likely reason would be because the FBM Composite Index rose to a new high of 1,511 (at that time).

So, if you based your decisions to invest in the fund because of the stellar performance during the two years, you would have lost a significant amount of money in the next two years. We all know what happened in late 2007 – stock markets all over the world, including Bursa Malaysia did a Humpty Dumpty and then came tumbling down. So if you looked at the performance of the fund from 2007 to 2008, it would be a negative figure, perhaps minus 20 or minus 30 percent.

This is why you must look at the performance over a period of three years or longer. You'll get a more accurate picture of the actual performance of the fund then. The truth is that very few funds can give a stellar performance year in and year out. While they can do well for one or two years, the return will eventually regress to the mean and come down.

To quote another example, there were two occasions when George Soros gave a return of over 100 percent a year to investors in his Quantum Fund. But when averaged over twenty years, his return was 34 percent, which to my knowledge, is still the highest long term return of any fund manager in the world.

Another important point is to know the range of the probable return of the investment that you are looking at. Without this information, you could be expecting too much out of the investment. Worse, you could be taken for a ride from all the conmen out there. For example, the real return (nominal return minus inflation rate) for cash deposits from 1871 to 1992 (a period of 120 years) was 1.9 percent, bonds 2.3 percent and stocks 6.5 percent.

Of course, there are exceptional years in between. For example, stocks gave a return of 16.6 percent in the 1980s and 13 percent in the 1990s, which coincidentally is the first time ever stocks gave a return of over 10 percent two decades in a row. (Although all these figures are from the US, a similar situation is applicable in most countries and that includes Malaysia and Singapore as well.)

It is important to remember that the 29 percent annual return for thirteen years given by Peter Lynch when he ran the Fidelity Magellan Fund is being quoted years after it happened. The reason it is still being quoted is because it is among the highest and the best performance of any fund manager in the world. Now if legends like Peter Lynch gave ‘only’ 29 percent, you cannot and should not expect a higher figure than that from ordinary managers. By the way, this figure applies to any investment and not just for stocks.

Actually, if you can get a consistent 10 to 15 percent a year rate, thank your lucky stars. If you can get a 10 percent return a year, you would double your money every seven years, which we have to admit is not a bad state of affairs.

Do your homework

If you want to make money from your investments on a consistent basis (and who doesn’t?), then there’s only one answer – you have to educate yourself on money matters. (As you can see, I’m repeating the principle from a previous chapter. Why? Because this is the most important ground rule of them all!) Educating yourself means you have to:

- Read up on at least ten different books on the subject matter
- Read *financial* (not entertainment) magazines, journals and newspapers
- Attend seminars on the subject matter
- Interview current and past investors
- Surf the Internet for more information
- And most important of all, you have to do all these before parting with your money

Why? Why must you do all these work? So that you:

- Will not be dependent on others
- Have a better picture of the actual situation
- Can differentiate the good from the bad
- Can differentiate the good from the ordinary
- Can make decisions more confidently

In other words, the first investment you make is in your education. Buy the book, and then make the investment. *Learn well so you can earn well*. The more homework that you do and the longer the period you spend educating yourself in the subject matter, the better are your chances of making it big.

"Homework is required and there WILL be a test."

Donald Trump

You cannot rely on what the salesman tells you, you cannot rely on the prospectus wholesale and you cannot believe everything you hear. The salesman may not know everything about the product that he is selling (this happens most of the time), the write up may be biased and even financial establishments may be up to something that is not beneficial to you (e.g. churning stocks to earn more commission for the company).

Now many of these practices are not illegal, but they happen with regular occurrence, and far too often for comfort. Just one quick example to show you what I'm talking about here: In 2008, it was discovered that the financial giant Bear Sterns was recommending a particular stock to their clients while they were selling the stock in the background! In case you think that is an American example and therefore doesn't apply in your country, well I've got news for you because such practices happen everywhere!

I know this for certain because a couple of fund managers in Malaysia admitted it to me personally! So all this misinformation – and most of them are exactly that – can do serious damage to your bank account. So do your homework; do your homework; do your homework. The time, effort and money that you spent doing the homework will be repaid in droves.

And oh ya, listening to rumors and the stock broker does NOT count as homework!

Another actual example here and I'm the goat in this story. I invested in gold coins when it was first introduced in Malaysia twenty or so years ago. I must admit that I did not know much about gold at that time. In fact, the little that I knew came from a couple of articles in the newspapers when the product was introduced. The report said that gold was an asset diversifier, held its value during periods of high inflation; it was real money, the price was sure to rise, yadda, yadda.

It sounded like a good idea and so I bought a couple of gold coins, hoping to make a little bit of money. Three years later, I was still hoping! As hope is not a good investment strategy, I sold off the coins. And although I got back my initial investment, I had lost because the money was ravaged by inflation and I had earned no interest income in those three years.

The loss was caused by me and me alone. The truth was that I didn't know what I was doing when I made the investment. Worse, my knowledge about gold at that time was practically non-existent.

You may be interested to know that I reinvested in gold a couple of years ago. However, I've learned my lessons. This time, I read twenty books on the subject matter before buying a single thing. This is on top of reading all the books and magazines in my library that had the word 'gold' in them, researching on the web and of course, asking some people that were involved in the industry.

This time, I knew the advantages and disadvantages of gold, its history, the choices, the traps, how to buy them, the future prospects and perhaps more importantly, why the price of gold is climbing. So this time, I went in with both eyes wide open. (As a side note and looking at the price of gold today, I'm happy to report that I am an extremely happy man!)

Coming back to our story: I must add two additional pointers here: (1) you will never know everything no matter how much homework you do, and (2) it does not mean you will definitely make money when you do your homework.

Folks, you will never find out everything about a particular investment. *No one will*. There's just too much information, too much data, too many variables and too many factors at play. The good thing is that you don't need to know everything – you just need to know of the critical success factors. That is sufficient. If these factors show that it would be a good investment, then go ahead and make your move. In short, you don't have to wait until all the stars are aligned before investing your money.

Next, there are no guarantees when it comes to investments. Things can still go south. There's still an element of luck in every investment. But the fact remains that you would have increased your batting average and therefore stands a bigger chance of making money every time you do your homework.

Amen.

You must take on risk

Risk is the four letter word in investment. Some people are wary of it; some will actually do all they can to avoid it, while others are not even aware of its existence.

So as always, let's meet it head on. Firstly, what is risk when it comes to investments? Although there are a few different definitions of it, my favorite definition of it is: "What the investor has to accept to have a chance of achieving his financial goal." Let me repeat that line as the point is so critical – *risk is what the investor has to accept to have a chance of achieving his financial goal.*

This means that if you want to become rich, then you must take a risk with your money – a calculated one, of course.

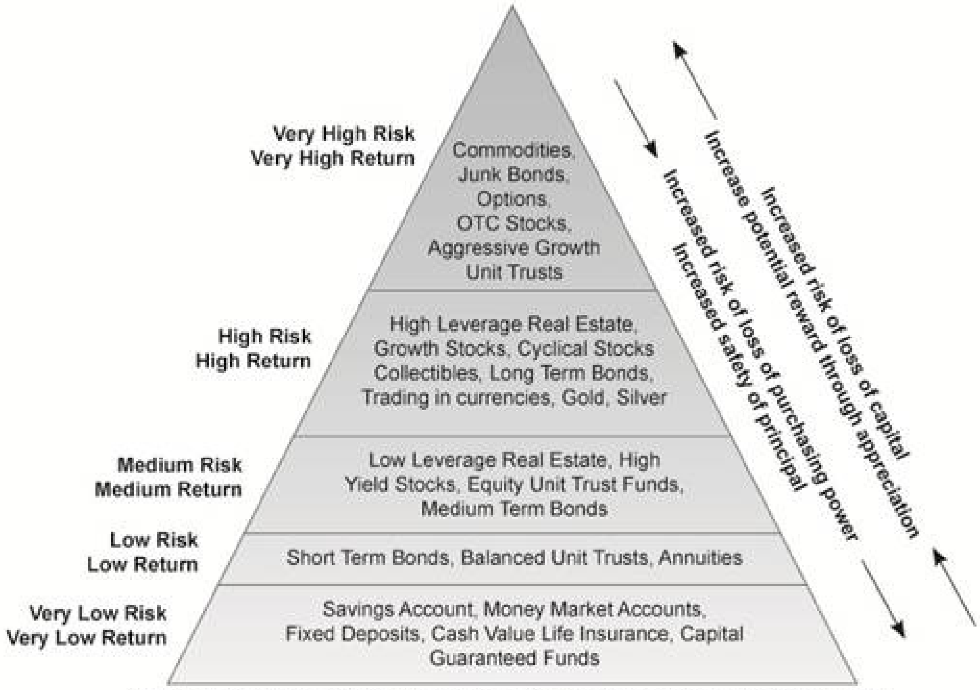
Next, risk is ever present in all financial products and instruments. That's right – it is ever present in all financial products and instruments.

"That cannot be right," some people may retort. "When I put my money in the savings accounts, there is no fluctuation of capital and I'm earning the interest from the savings. Furthermore, the money is being saved in a bank and not just any outfit – a bank! So there is no risk at all."

Ah-hah! I'm sorry but this is where they have been misguided. While it is true that there is no fluctuation of capital in the savings account, there are risks involved here as well. One: the bank might fail which means that the saver will probably lose most if not all of his money. Two: the currency can drop in value, which means that the value of the savings will also drop correspondingly. Third and perhaps the biggest risk of all is that the money will be ravaged by that old silent killer in the background – inflation.

So again, risk is ever present in all investments. In fact, it is the other side of the coin, opposite return.

Now we've come to the theory part. When it comes to investments, the formula is simple – if you want a higher return, you have to take a higher risk investment. If you try to avoid it by sticking with low risk investments such as the Savings or Current account, you will have to accept the low return. The following is the risk-return pyramid.



Source: *Planning for Retirement Needs* by Kenn Beam Tacchino and David A. Littell

As you can see, the very low risks, very low return investments are at the bottom of the pyramid. These include Savings Accounts, Money Market Funds and Cash Value Insurance. As the temperature and the return rises, so does the risk factor. Right at the top near the boiling point are the very high risks, and the very high return investments. These include Commodities, Options and Junk Bonds.

So, that is the risk-return theory.

After all is said and done, actually it is not the investment that is risky. Instead, it is the INVESTOR that is the riskiest thing in the equation. *An uninformed investor is the riskiest investment of them all.* I have seen countless people losing money from the safest of investments and I have also seen people making money on a consistent basis from the riskiest of investments. What makes the difference? The answer is knowledge.

Let me share an analogy here: a stunt man does very dangerous work on a regular basis – jumping off cliffs, driving at high speed and even crashing cars. Is the job risky and dangerous for him? The short answer is no because he has been trained for it. He has also take a lot of precautions to remove much of the risks involved in the stunt. So the stunt is not risky for him (relatively speaking, of course).

However, if you and I were to do the same stunt, we'll probably wind up in the hospital sharing saline drips! In fact, the stunt becomes extra dangerous for us because we were not trained for it, we have not taken any precautions beforehand and very likely because our hearts are beating so hard from fear that we cannot even think properly!

Likewise, if you don't know anything about the investment, even a low risk investment can become risky for you. Tens of thousands have lost money investing in properties, even though the risk-return pyramid says the risk level is medium. Tens of thousands have lost money investing in unit trust funds even though the risk-return pyramid says the risk level is also medium.

On the other hand, I have a couple of acquaintance who makes money from Commodity Futures because they have educated themselves, seriously by the way, in the subject. So they make money while thousands of others lost tens of thousands.

In other words, you can reduce the risks significantly by getting yourself educated in the investment first. The more you know about it, the higher is your chances of making money from the investment. In short, the risk factor drops as you become more educated in the subject.

Of course, I also need to add that you can do all the research and reading and training that you want, some risks will still be there. It cannot be totally eliminated. The best that you can do is to manage the risk by educating yourself in the subject.

So that's the theory part.

Here come the real life answer, and I've shared this earlier, if you want to have a chance of reaching financial freedom, *i.e.* get rich, then you must put your money at risk. You must invest your money, and not just save them, so you can get higher returns. The higher returns will give you a chance of becoming rich.

"For here is the cold truth. Unless you have a wealthy relative, the only way you are ever going to lift yourself above the great unrich – absolutely the only hope you have – is to take a risk."

William David Montapert

Of course, by doing so, you could also lose a lot of money. But as I also wrote earlier, you can reduce the odds by educating yourself on the subject matter first.

The truth is that getting low single digits return is like not getting a return at all. Inflation alone will ensure that you get nowhere.

So you need to and you must take risks with your money. In other words, you must participate in the game to have a chance of winning it. If you're not in the game, then it is a sure bet you will never become rich.

And finally, investing is just like life – you are happiest when you are stretching. Yes, the money is at stake but you are alive!

More opportunities than resources

Let me share another point. You will be faced with plenty of opportunities in your lifetime. Plenty! Unlike what you may have heard, read or believed before, *deals of a lifetime come once a month*! I assure you that there are always good deals around the corner – business, investments, jobs and even people.

At the same time, you have limited resources. Now this is nothing to be ashamed about. *All of us*, including multi-millionaires, have limited resources. The only difference is the limits for most people are lower than for multi-millionaires.

This being the case and in order for you to lead a sane life, you have to pick and choose among the many opportunities. In other words, you will have to forego some of the opportunities. If you try to chase them all, you will run yourself into the ground, you will get stressed, you will get tired, you will get old and worse yet, and you may not even make any money.

For example, you may remember that I read some twenty books on gold before I invested a single cent in it. The homework did not stop there. I still read anything that has the word ‘gold’ in them even today. I also monitor the situation on a regular basis. Now while I enjoyed doing all these, I will also tell you that it is a lot of work.

Now can you imagine if I wanted to invest in silver, platinum, soybean and palm oil as well? Can you imagine the amount of work that I would have to do? Mind you, I have to monitor my shares, properties and funds as well. And oh ya, I have to write, give talks, run my business and spend time with my family at the same time. It will just drive me bonkers trying to juggle all these balls in the air at the same time. I would not have the time to even breathe!

Furthermore, practically all of my clients (and very likely you as well) have one similar grouse – insufficient time. There’s never enough hours in a day to all the things they want to do. They feel that they have to run on overdrive all the time to get to where they want to go. So they invest in six different unit trust funds, own three properties, run an online business and are thinking about starting a restaurant. All these while being an employee, a husband and a father! No wonder they looked so stressed when they first came to me.

I told them to drop a few things so they can make money.

They did so. All of them started making money, became happier and more importantly, had more time on their hands. Furthermore, it also reduced their stress levels significantly. As they had fewer balls to juggle, the stress factor dropped. So by limiting their investments, they gained more than just money – they regained their life!

In short, you have to let go some of the opportunities that come your way. Let it go and let it be. There’s no law that says you must invest or grab everything that comes your way. Let some of these investments go, let others make money from them.

Of course, letting go some opportunities will mean that you may miss out on some good deals. You may regret the decision when the investment suddenly shoots up to the sky. At that time, you may be repeating the infamous statement of, “I should have invested in it when the price was so low.”

If it happens, then just shrug your shoulders. Be happy for those who have invested in it, and concentrate on the investments that you do have. I myself have accepted that I will miss out on some investments that will turn out to be winners. But that's all right by me. *I know I will also make money from the investments that I have chosen.*

If this sounds familiar, it should – it's like getting married. Once you take that vow, you have to forego all others and stick with your spouse. Will there be other beautiful girls along the way? Of course, but that does not mean you should date them all. You can try, but that will put paid to your marriage and long term happiness. So let them go, wish them well and stick with your spouse. It can turn out to be the best investment you can ever make!

Furthermore, and by my own experience, for each investment that you turned away from that turned out to be winners later on, nine others will turn out to be dogs, which is a validation of your decision. Let's face it: chances are high that you decided against investing in them because the facts and figures told a poor story. Now while things can and do change, more often than not, they tend to remain the same even with the passing of time. So if the investment was a poor opportunity five years ago, it is likely that it will remain poor today. This means that the odds will be in your favour when you turn some of these investment opportunities down.

Finally, I don't mind telling you that some of my best investments are the ones I did not make. They were the best because I did not lose money on when the investments turned south!

You will bleed

You will face much trial and tribulation on your way to the top. These will include cashflow problems, staff problems, personal problems, family problems, heartaches, pain and even some blood-shedding! In fact, you will face problems where none existed before! Still, I found these problems, as hard as they were, to be manageable. In my case, I found the silliest (and unexpected) mountain was to be the victim of lies.

Oh, some people will tell lies, create stories and spread rumors about you. For a variety of reasons – maybe because they are so insecure, maybe because they are just jealous, maybe because they are intimidated by you, maybe they cannot stand seeing others doing better than them or maybe they are just evil men – there will be people whose main objective in life is to spread lies about you. And they can be so convincing that people will actually believe the lies!

Check out the following posting on a blog:

> Someone-who-knows-him Says:
>
> January 7th, 2008 at 2:58 pm
>
> You do not know Azizi that well, so don't speak sh*t about him. Ask him these questions:
>
> Azizi Ali was sacked from MAS for cheating his way through – 'lack of height' – so he tells you all that he quit MAS to go into real estate…what a crap…go ask any of the senior pilots of MAS or in MAPA, and then you will know the true story.
>
> Azizi is damn good in business, but not so good in lying…
>
> Just be yourself Azizi, don't lie!
>
> Bullshit.com Says:
>
> August 1st, 2008 at 12:24 am
>
> Make us rich? Bull!
>
> IS THET TRUE HIS REAL NAME IS AZIZ, NOT AZIZI? WHY Be SHY WITH YOUR OWN NAME?

The postings are so outlandish that it defies belief. And yet, there are people who actually believe that they are true. The last time I checked my Identity Card, my name is still Azizi. (It is amazing that my name could actually be an issue!) The last time I flew the Airbus A380 was just a few days ago, so I couldn't have been sacked from my flying job because I am too short! (Now it is my height!)

One of my friends has a story, so interesting, that it will leave you bewildered. He had an unusual problem – a very successful lady entrepreneur claimed that he was her secret lover! She was single, smart, beautiful and rich. So when she said that he was her lover, the world assumed that it was true. After all, why would she lie? The truth was that he met her only once at a company dinner. But she was so convincing that everyone believed her, including her own secretary and driver!

My friend knew this because both the secretary and the driver came to apply for jobs at his company later on. He thought that they, of all people, would know the actual situation. And yet, they both thought that yes, he was indeed her lover. They thought so because she was always calling 'him' on the phone and because the driver was sending her to a hotel to meet 'him.' So even though they never actually saw them together, they both believed the lie. The simple thought that she could be lying, never even crossed their minds.

To top it all up, he could not even understand why she even bothered to make the claim, for there was absolutely no reason for her to do it. She could have practically any man she wanted, even those who are better looking, taller and even richer than my friend. And yet, she told the world that he, who by the way is happily married, is her lover!

So these are some of the outlandish things you have to put up with on your way to the top! I suppose that some things in life you have to experience yourself! You will find them so incredible or even unbelievable otherwise. Yet, they can, and they do happen.

I suppose that is nature's way of separating the men from the boys. The boys will raise the white flag in surrender somewhere along the line, saying that it is not worth the trouble to continue the journey. They did not expect the journey to be so tough or troublesome. And so they gave up at the first signs of trouble.

The men will soldier on – despite the pain, despite the lies, despite the slander, despite the sabotage and despite the landscape being scattered with the bodies of fallen comrades. They take in the pain, wipe the blood away, strengthen their resolve, keep their eye on the prize and take another step forward.

In short, get ready to bleed!

Hey, I never said that it was going to be easy, did I? Interesting? Yes. Easy? Never in a million years!

The choices available today

Having explained the situation, let me now share with you the choices available for you to invest your money. It is actually very simple because you basically have only two choices, and they are (1) debts, and (2) equities. Debts are when you ‘lend’ money and they include bonds, discount securities, savings accounts and fixed deposits. Equities are when you become part-owner of the security. Equities include stocks of public listed companies, shares of private companies, unit trust funds and properties.

Simple, isn’t it?

So I will now help to complicate matters! We’ll talk more in the next chapter.

Chapter 8: Result-based investing

What, you're here already? I just finished explaining the basics, and you're here already! Well, let's get down to it then; let me now share a very exciting subject – investments. This is the big one, where I talk about the instruments that will help you to make the most out of your money. Where money works for you instead of the other way around.

But before I reveal the magic, let me clarify a couple of things.

I must first admit that I followed much of the conventional and traditional strategies in the beginning days myself. You know, stuff like diversification, unit trusts, guaranteed returns and endowment insurance. I did so because (1) I did not know much about investments at that time, (2) the people eschewing the strategies appeared to be experts, and (3) many others were implementing them.

But as I went along, I discovered that the results were not to my satisfaction. In fact, they often led me to lose money! This was when I started to question the strategies. As they were obviously not working, I searched for better answers and even tinkered with the traditional formulas.

Finally, it came down to this – the strategies had to bring quick and visible results. If they worked, I did more of the same. If they did not work, I threw them in the dustbin. In other words, this is result-based investing.

So the strategies that I am sharing with you here are the ones that I have used (and are still using). They have brought me and my clients great results. They are not theories; they are battle tested. The thing is that some of them are not in alignment with many of the more conventional strategies you are familiar with. You will hardly hear anyone talking about them; you will not hear them from stocks punters, fund managers, ministers or even economists. In short, they are not your typical everyday investing formulas. Just bear that in mind as you read the words.

So, here are my principles of investing.

Ride the trend

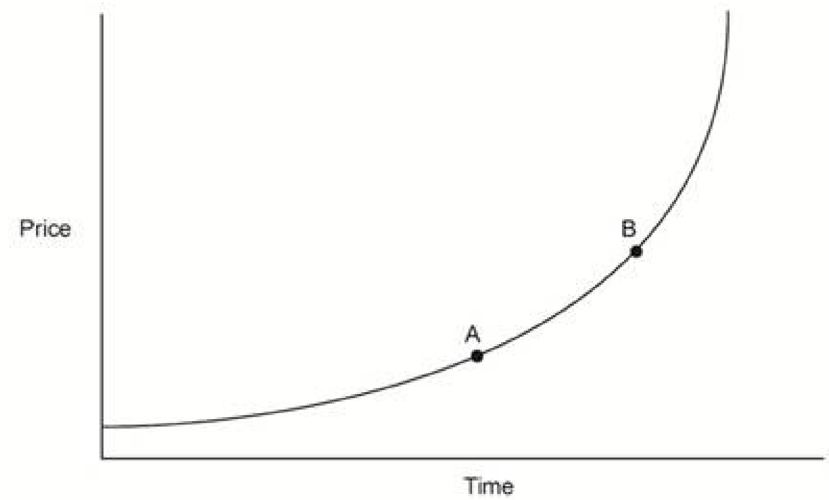
It is not good enough to find a good investment. You must get the timing right as well. (Don’t worry about the ‘how’ because I’ll tell you exactly how to do this in a short while.)

This is critical because you may not make money, or worse, even lose money if you did not get the timing right. You can be too early or too late. And both are equally bad.

For example, if you had invested in gold in the 1940’s, 1950’s and 1960’s, you would be waiting a long time for the price to go up. In fact, the price of gold did nothing from 1934 to 1971 – it remained at $35 per ounce in those 37 years! And in all that time, no one can deny that gold was a solid investment. That it was ‘real’ money, that it held its value well and that it could be used to diversify your assets, etc…etc. Gold was a good investment, yes, but the poor timing would have cost you a lot of money.

What you want to do is to invest as soon as there is a definite uptrend in prices. This happened in 1971 when President Richard Nixon severed the link between gold and the US dollar. Gold was then free to find its own mark, and it promptly did so, rising to $800 within a decade.

Check out the following chart, which reflects most price rise patterns. You will notice that the price move up (very) gradually for long periods of time. And then, one day, things start to happen. The price shoots up in a relatively short period. Next thing you know, the price is shooting all the way to the heavens.



If you invested at any time before point A in the chart, you would be waiting for a long time (perhaps years) to make your money. So do not invest here. Wait or put your money into other investments first.

Once there is a definite uptrend in price (shown here between points A and B), that's when you buy.

Of course, by doing so, you would be paying a higher price. But it would be a better choice because (1) there is a definite uptrend (which means you are riding on the uptrend and reducing your risk at the same time), and (2) you will make the money in a shorter period.

So to recap this point: don't buy something just because it is cheap. For all you know, it may be cheap for a long, long time. The best time to buy is when the price of that cheap thing is turning upwards. Buy when something is turning in its favour. When the trend is definitely up.

Invest a meaningful amount

The average investor believes he has a huge mountain barring his way to real wealth – identifying the 'right' investment. If only he could find the right investment or if someone could point it out to him, then he could easily scale the mountain. And untold riches would await him on the other side of the mountain.

I'm afraid that he got it incomplete – as usual. Actually, there is not one mountain that is barring his way; there are two mountains! The first mountain is of course to identify the right investment. Once he has identified the investment, he has to overcome the second and bigger mountain – investing a meaningful amount of money into the investment. And this where a lot of investors fail miserably – they invest too little money into the investment. As the money is too little, the return will also be little. And as a result of all these little things, they are still stuck in the pits!

Let me elaborate further to illustrate my point.

If you invested $1,000 and the investment gave you a 100 percent return (which is an out-of-this-world return), all you have is another $1,000. While the return is excellent, the reality is that you are still down in the cold dark pits! How is a grand total of $2,000 going to make you the next millionaire? How is that money going to change your life?

However, had you invested $100,000 or even better $1 million, then the situation changes drastically. Having $200,000 and certainly $2 million will make a big difference to your financial situation.

So this means that once your research shows that you've found a winner and got the timing right, you must invest a significant and meaningful amount of money into the investment. In other words, invest as much money as you can reasonably afford.

"*When you are hunting elephants, don't get distracted chasing rabbits*."

T. Boone Pickens

In case 'a significant and meaningful amount' sounds too abstract, perhaps this may help – a meaningful amount is something that would set your heart beating double time when you are about to make the investment. It is something that should bring a chill in your stomach. And yes, it should be something that would hurt a little should you lose the money.

I must also clarify that the meaningful amount is based on your own financial capabilities and situation. For example, if all you have is $50,000 (after setting aside money for your Reserve Fund), then invest a meaningful amount of that money into the instrument. Perhaps $20,000 or even higher. While $20,000 is not $200,000, that figure is a significant and meaningful amount for you.

I know the question that is ringing in your head right now: “What if I got it wrong and lose all my money? That will really hurt.”

I understand your reservations and uneasiness.

Firstly, I must remind you that there are no guarantees when it comes to investments. You can do all the research in the world and still lose money. However, and this is a big however, if you have done sufficient research, it is likely that your decision will be the right one.

Secondly, as I explained earlier, investing small sums of money has never made anyone rich, and never will. It is also what the non-rich do, which is a big clue that it is the incorrect thing to do!

So if you want to make the big money, you must invest meaningful amounts. Don’t put in $1,000 to test the market – like what Joe Public will do. That is NOT a significant or meaningful amount and more importantly, it will not do anything positive for you.

Only meaningful investments will enable you to reach financial freedom.

Much ado about the Bank Rakyat Cooperative

The best return on investment (ROI) in Malaysia comes from Bank Rakyat Cooperative. As most of us are aware, the cooperative has been paying a dividend of 15 percent per annum to their shareholders for over ten years! That makes it one of the highest long term returns in the world!

Sadly though, most Malaysians are not members of the cooperative – and that includes me! When I found out about the cooperative some years ago, the membership was already closed, so I missed it as well.

However, there was a piece of good news in early 2011 – the cooperative reopened the membership! Naturally, it created much excitement among eligible Malaysians and people turned up at the branches of Bank Rakyat in droves, each wanting to buy the shares of the cooperative and become a member. The response was so overwhelming that the bank had to limit the number of investors at each branches to about 50 a day; otherwise, all the staff would be doing all day was taking in new members and missing out on all the other transactions!

However, and I'm so sorry about this, each new member could only invest a grand total of $500! Yes, that was the limit. This amount will obviously not light up anyone's world.

This brings me to my point – the figure is too little to be of any significance. Even if the dividend remained at 15 percent next year, each new investor would get $75. Other than buying them a good lunch, how is that money going to do anything for them?

So all that hoo-haa, excitement and lining up was for very little reward. Many, if not all of these new members, will remain in the non-rich group in the years to come. They may have found the right investment, but unfortunately as their investment is too little, nothing much will happen for them.

Add to a winner

This ties up nicely with the earlier point of investing a meaningful amount. Once you've found a winner, keep adding money to it. This means that: (1) you should reinvest most if not all of your profits, and (2) add to the investment as soon as you have money to spare.

By doing so, you will multiply your returns many times over. You are riding winners.

And oh ya, doing this will also save you a lot of work. As you are basically concentrating on a few investments only, it will reduce your time, effort and energy immensely as you do not have to waste time researching other investments. You also do not have to track multiple investments.

Adding to a winner also means that you should not be taking out the dividends and the profits from it. You should let both remain where they are and allow the money to compound. This way, the growth will be faster.

But of course, this being real life, it is likely that not all of your investments will be rip roaring successes. Some will turn out to be duds. If you have one of these duds in your portfolio, then sell it – even at a loss. Don’t average down, don’t practice dollar-cost averaging and don’t send good money after bad. I’ll share more about this later.

Stick with a winning system

Next, it is also critical to stick with the system once you have found one that works for you.

As you know, the value of all investments would fluctuate: it goes up, it comes down. If you have chosen well, the ups will be more than downs and hopefully, the trend is upwards. This being the case, you should not let short term price fluctuations affect your judgment. You should not panic and sell when the price drops. If all the reasons that made you buy the investment in the first place are still applicable, why sell? Stick with the plan.

I have to mention this because people have sold out and lost money even when they were actually holding winners. After he retired at the age of 47, Peter Lynch reported that, wonder of wonders, most of the investors in the Fidelity Magellan Fund lost money during his stellar run! Yes, despite the incredible return of 29 percent per annum during the thirteen years, most of the investors lost money. What happened was that they bought into the fund when the market was doing well. Obviously they paid a high price at that time as the market was peaking. Unfortunately, they panicked and sold out during the times the fund went south, thereby incurring a loss in the process. Imagine that: the investors were actually holding a winner (a big one at that!) and yet, they lost money!

So, again, stick with a winning formula. Ignore short term price fluctuations. If you can maintain this discipline, you'll be home free. You'll be a happier, contented person and more importantly, you'll be growing your money in the process.

Have faith in your decisions

A lot of people spend much time, effort and money to discover the next hidden gem. Incredibly, when they actually find the gem, they do not make the investment or just as bad, invest too little money. I suppose they do this because they are scared. They are scared of making a wrong decision and yes, scared of losing money. Fear is an ever-present enemy that has prevented millions from getting their dues in life. See, unlike the races or football matches, there is no one to tell you or confirm that you are making the right decisions when it comes to investments. You only know the results of your decisions in one or two years or perhaps even much later down the road. In the meantime, you can be in a limbo, wondering about your decisions.

This is compounded by the sights and sounds of the herd going the other way! It appears that everyone else is doing the opposite. If you're buying, they are selling. If they are selling, you're the one buying. So in short, you are going against the flow.

To do this takes guts. To *continue* doing this takes guts with a capital G!

We are, after all, human beings, and as human beings we take safety in numbers. And the number of people going the other way is so overwhelming that one cannot help but wonder if their decision is the right one. You are certain that you made the right move but there's still the lingering thought at the back of your mind – could the others be right?

If it's any consolation, even the best of us get this fright attack from time to time. For example, Bill Gross, the founder of PIMCO, the world's largest holder of mutual funds, with holdings entirely in bonds, was worried about the mortgage situation in the US as early as in 2005. He could see that it was going out of control and so he positioned his funds accordingly. But as the market continued upwards in 2006, he began to have doubts. In his own words: "In 2006 and 2007, we were sort of questioning our own judgment, because we were half a percentage point behind our peers … You question whether you're just really being a stubborn donkey, or your premises are right."

As it turned out, he was right all along. As we are all too aware now, the mortgage debacle exploded sometime in 2007, the effects of which are being felt even today.

So have faith in your decisions and ignore the masses of people heading in the other direction. Perhaps it is good to remember that when it comes to money, the public (the majority) is wrong. So by not following them, you will be, for the most part, doing the right thing. Your chances of making money are significantly higher by not following the crowd.

Next, you must also have faith.

Do your homework before investing your money. Read up, call up, research the investment. If applicable, visit the site. Take notes.

After doing all that and you found out that there are more positives than negatives, then you make your move and invest your money. (I must add here that there is no such thing as a perfect investment and there will always be positive and negative points in each investment.) On the other hand, if there are more negatives, then let it go.

Of course, there will be no one to confirm that you've made the right move. There is no referee ringing the bell and there is no one telling you, "Good decision, my man."

All I can say is to have faith in your decision. After all, you've done all an intelligent investor could do – you did your homework. Nothing more could be asked. Leave the rest to God.

Do not diversify

Practically every book on investments echoes the benefit of diversification. "You should diversify your investments. Put some money here, some money there, some money this side and some money over the other side. This way, you will be protected in case one of your investments turns sour."

The explanation certainly sounds good, and that’s the whole problem with it. *It sounds good but it does not work!*

Diversification is a strategy of not getting anywhere! It is a technique of reducing losses. By the way, the key word here is ‘reduce’, not prevent! For example, you may think you have diversified by investing in five different shares in five different businesses, three different unit trust funds, having some money in Fixed Deposits and owning a couple of properties. In fact, this would be textbook diversification. Unfortunately, if the currency crashes, all your investments will also crash with it, therefore throwing all those alleged benefits of diversification out the window. You lost money all the same.

So, diversification is not a winning strategy and certainly not one that winners use.

To share an analogy, diversification is a defensive strategy a football team applies when playing a game away from home. The idea is not to win, but to get a 0-0 draw by preventing the home team from scoring. So they play the game with ten defenders! While it sometimes brings the desired result, the team will be in trouble the moment the home team scores. It is unlikely that they will level the score as every player is playing as a defender, so all those grand plans of getting away with a draw are shattered to bits.

The same problem applies to the diversification strategy. Because the focus is on spreading the available (and often limited) capital into many different investments, it will be difficult to build serious wealth as the money is now spread too thinly.

I have a client who had, I hope you’re ready for this, twenty four different unit trust funds (!) when he first came to me. And that is just unit trusts. I’ve not added the other investments yet. I don’t see how he is ever going to get anywhere doing what he is doing. (He’s doing a great job making the fund manager rich though!)

Firstly, a unit trust fund is already a diversification. Next and with all due respect, the only way most people can afford to invest in fourteen different funds is by putting a miniscule amount of money in each fund. Perhaps $1,000 or so in each fund. And as you already know, that is not going make them rich. In fact, it will not make a difference in their lives.

Further, this diversification strategy goes against our earlier formula of investing a significant amount.

“Wide diversification is only required when investors do not understand what they are doing.”

Warren Buffett

Of course, at the same time, I’m not saying to choose only one investment. That would be foolish, irresponsible and risky. So yes, you should diversify, but *just a little*. I would suggest having no more than five different instruments. So, what you would do is to choose three, four or tops, five different instruments and just concentrate on those. Put the bulk of your money into these five instruments, and keep adding to them whenever you have spare cash (of course, this assumes that the five are winners). Other than actually making headway on your journey to financial freedom, this strategy will also save you much time and effort. (Can you imagine trying to track fourteen different unit trust funds on a regular basis?)

And finally, I’d like to paraphrase the words of Andrew Carnegie, a Scottish-American industrialist, entrepreneur and philanthropist who is often regarded as the second richest man in history (net worth of $298 billion in 2007 dollars): “Put your eggs in a few baskets and watch those baskets carefully.”

If Warren Buffett and Andrew Carnegie who happens to be two of the richest men in the world do not believe in or practice diversification, why should we?

Do not practice dollar cost averaging blindly

Dollar cost averaging (DCA) is a strategy of investing a fixed amount of money in a financial instrument on a regular basis. As such, you will get more units when the price drops and less units when the price rises. By doing so, your cost per unit drops and this will therefore boost the ROI. While the theory is fine, it is a flawed strategy. Let me share a short story here:

A client called me a couple of months ago to ask my opinion. His unit trust consultant came running to him with a big smile on his lips when the stock market came crashing down. “Boy,” are you in luck!” said the consultant, “The stock market came down!”!

Obviously my client raised an eyebrow. “Why is that good? In fact, I should be upset because the value of my unit trust investment has dropped.”

“Yes, that’s true. But that’s the beauty of it. Because the value of your unit trust investment has dropped, it means that it’s a good time to add to your investment.”

My client’s eyebrows went up higher.

“See, the NAV has dropped. This means that you will get more units for the same amount of money that you were investing before. If you practice dollar-cost averaging, then you will bring down your costs significantly. I think that you should grab this once in a lifetime opportunity and consider putting in more money!”

My client then recalled that a year before that when the stock market was rising to the heavens, the same consultant had asked him to add to his investment. The consultant said, “The value of your investment has risen. This means that you’re on to a winner. So you should invest more!”

It is little wonder that my client was confused. When the market went up, the consultant told him that it was a good time to invest. But even when the market came down, it was also a good time to invest. In short, any time is a good time to invest!

I had to smile. Then I explained to my client that the explanations made by the consultant were correct on both counts – except that they were incomplete and were therefore misleading.

Let’s look at the first situation – when the value of your investments goes up. This is a good situation because it is the reason you made the investment in the first place – to make money. (And you make money when the value of your investment goes up, not down.) When this happens, you may want to consider adding to your investment so you can make even more money.

Now let's look at the situation where the NAV of your fund has dropped. It is true that you would get more units for the same amount of money if you buy at this time. This dollar-cost averaging strategy will bring down your average purchase price.

But this argument would mean that you continue to add to the investment even when the NAV drops further. The bigger the drop, the more you should invest. Even when the NAV drops down to 10 cents, you should still be investing in it. In fact, you should add even more money at this time because it is cheap, and you will really get a whole lot of units for the same amount of money.

Now you see the fallacy of this argument. Dollar-cost averaging is a distorted investment strategy because it assumes that everything is fine with the fund, and the only thing 'wrong' is the price. At the extreme case, dollar-cost averaging tells you to continue investing even when your fund is down in the dumps when all other funds are making money for their investors. (I suspect this DCA concept was introduced by fund managers so they could sell more units!)

If this is the case, perhaps you should investigate further before adding more money into your fund. Perhaps there is a good reason why your particular fund is down in the dumps when other funds are shooting to the heavens. Clue: there usually is a good reason.

Right, now that you know this, let me now share a better investment strategy.

The first thing to do when the NAV drops is to sit back and take a deep breath. Don't be in a hurry to buy more units to average down your cost and don't buy just because someone told you that it is a good time to buy because it is cheap.

The next thing to do is to look at the performance of the fund carefully. If the NAV dropped because the FBM Composite Index has dropped, then it is no reason to panic. When the market drops, or worse crashes, the value of all the funds would drop. Because practically all the unit trust funds are linked to the stock market in one way or another, it is obvious that a market crash will affect all the funds. Even the best of funds would not be spared. The market will punish good and bad alike.

After that you must investigate and compare the performance of the fund against funds with similar objectives. Ideally, the performance of your fund should be near the top of the group. If this is the case, then it is very likely that the fund is still holding steady. Yes, the value of your investment has dropped but the drop is due to the fall in the market, and not because the fund itself is underperforming.

If the reasons that made you buy into the funds are still valid, then you may want to buy more units regardless of the market direction. So in this particular instance, you may want to consider adding to your investment and practice dollar-cost averaging.

But if you discovered that your fund is indeed performing poorly – and we all have made such investments – then you may want to forget about dollar-cost averaging. In fact, you may even want to sell off the fund completely. Why hang on to a loser?

To summarize, don't practice dollar-cost averaging blindly and don't throw good money after bad.

Why traditional investment formulas do not work

I could not help but notice that as I moved away from the traditional investment rules and formulas, I started getting results. I was both surprised and perplexed about this at first. How can I, a mere novice to the world of investments, get results from going against formulas that have been in existence for years? How can I get results by deviating from the tried and tested formulas?

I believe I now have the answer for it. You see, the tried and tested formulas are not that tried and tested after all. Most, if not of all them, were mere rules of thumb. Examples here are diversification, investing in unit trusts or ten-year cycles. Just like traditions, they were designed to (a) maintain order, (b) make life easier, and (c) make sense of a complex subject. They may work for some people and they may work for a time. But they will not work for some people and they certainly do not work all the time. So to follow these traditional or conventional formulas blindly is indeed a formula for disaster.

The answer? Go your own way. Blast your own trail.

You do not have to be investing all the time

Yes, folks, you read that sub-heading right: You do not have to be investing all the time.

Despite all that I've written earlier, it does not mean that you have to jump in and out of markets all the time. The truth is that investing is like planting rice: there's a time to wait, there's a time to sow and there's a time to reap. In other words, sometimes you have to wait. Yes, sometimes the best thing to do is to do nothing.

For example, you've made a bundle of money after selling some assets, so now you have a lot of cash in your hands. Other than using a little bit of that money to give yourself and your family a treat, you probably want to invest that money to earn higher returns instead of leaving it inside the savings account. You know leaving the money there is not doing you much good, so you look for a place where you can invest it. In fact, you cannot wait to invest it because all that money is burning your behind!

Unfortunately, in the eagerness to reinvest the proceeds, a lot of people rush to grab the first opportunity that comes along. They jump onto the first available train, or in this case, investment. Oftentimes, the rush led them into making poor investment choices.

Do not repeat their mistake.

While you should invest your money so you can get higher returns, it does not mean you have to rush into it. There's no law that says you must rush to invest. So do your research and homework first. If you cannot find a suitable investment, keep your money. In other words, wait.

If the second, third or even fourth opportunity still looks dim, then continue waiting. I assure you there will be a great opportunity somewhere down the road. When it comes, then you grab it with both hands. This is the time you invest aggressively.

Of course, I need to add that it is rare that inaction beats action. Most of the time, doing nothing will lead you to the poorhouse. You will get hammered by inflation and missed opportunities. So, use this principle sparingly and wisely.

Three questions to ask your financial planner

If you are hiring professionals to help you with your investments, ask them these three questions whenever they recommend a particular product to you (as they surely will):

1. Do you own this product yourself? (The answer must be yes.)

2. How much have you bought? (The figure must be a decent sum, not just a token amount.)

3. What is the annual return of the product in the last three years? (Obviously, the higher the returns, the better.)

You would probably be shocked to discover that they own very little and oftentimes, none of the product that they are recommending so highly to you. Something is obviously not right here. If the product is as good as they said it was, surely they would invest in it themselves? How come they own very little of it? *Hmm…*

Now if these folks are living well, they've managed to do so because they are very good at *selling* the products. *All that glitter – fancy cars, gold chains and designer clothes – are from the sales commissions and not from their investments*. In fact, I can tell you that many of these so-called professionals would go broke if they had to rely on their investments!

So what you want to do is to find a professional who is doing well with his own investments. One who is taking doses of his own medicine and doing well with it.

By the way, it is very likely that the bulk of the professionals that you are hiring are making less money than you. This is not to say that they are not as good as you. Well, maybe they are not as good as you when it comes to business and making money, however they probably know more about investments than you. So look beyond the money and hire the good ones anyway. Even Bill Gates has to listen to professionals who make a fraction of what he earns in a day (!) when it comes to investing his money. For your information, even the top financial advisors in the US gross about $100,000 per annum, which explain why you and Bill are ahead of them!

Look beyond the numbers

It is easy to be deceived by the numbers and get taken in by figures when it comes to investments. Firstly, investments are full of numbers. Secondly, that's what really counts at the end of the day – a higher number aka return. Thirdly, it is also easier to count numbers instead of looking at history, market behaviors, future prospects, loyalty, advisors that actually care and even common sense. All six are subjective; they are difficult to measure and quantify, which explains why most people would rather just stick with numbers, charts and tables.

Unfortunately, this is one reason why a lot of people lose money when making investments. *They are applying logic and common sense to a place where logic and common sense does not necessarily apply*.

You see, finance is more than just mathematics, more than just basic supply and demand and more than just figures, charts and tables. It is affected by a whole load of factors, many of which are not easily quantifiable. This will include emotions such as greed, fear and even ecstasy. All three can result in the investment and even whole markets behaving differently from what the numbers say.

Worse, the emotions cannot be predicted beforehand. They may happen or they may not happen, but they can affect the investment more than what the charts may say. (This explains why math professors and chartists are not multi-millionaires!)

Actually, if finance was pure math, then life would certainly be boring as everything would be predictable.

So while you want to look at the numbers when doing your research, you must also look beyond them. This will include analyzing the people behind the investment: are they capable, do they have the necessary experience, do they have the qualifications, are they trustworthy? This will also include reading the history books. For example, by knowing history, you may discover that the new hot investment that has everybody talking has claimed many victims in the past. Many a sailor has been led to their doom by their siren before. But you wouldn't have known this if you just looked at the numbers alone.

Too much math, not enough history

A new coaching client of mine showed me a three page worksheet that was given to her at a property seminar she attended. Basically, the numbers in the worksheet illustrated how one can take out the equity from an existing property and then use that money to buy more properties. In summary, she would be able to sail on to financial freedom by taking on multiple loans to buy more and more properties. What's even more bewitching is that there appears to be no risk at all from the exercise. As she currently lacked capital, she is naturally very excited about the idea as that would give her not only the capital to buy more properties, but also some extra pocket money!

Fortunately, despite her excitement, my client realized that it was a big move and wanted to hear my thoughts about the worksheet and the idea behind it.

I took a quick look at the worksheet and saw a couple of errors instantly. In order to develop the worksheet, the author had to make some data assumptions, which by the way is normal when making projections. Unfortunately, in this case, the author assumed a 6 percent mortgage interest for the next thirty years! That's not all. He also assumed that all the properties would be rented out twelve months each year for the next thirty years! Whoa Nelly! Those are mighty generous assumptions.

We’ve all heard the term ‘garbage in, garbage out.’ Well, this is an example of the term in action. First, anyone can develop such worksheets. Even a kid in school can take out his laptop, run Microsoft Excel, punch in some figures and then dish out some impressive numbers. However, it does not mean the data is correct and more importantly, useful.

It is easy to come out with impressive data that shows the client will make money. To the uneducated and the novices, the data may look impressive and even intimidating. But once you look a little bit deeper, cracks begin to appear.

For starters, is it sensible that the interest rate would remain at a generous 6 percent for twenty years, let alone thirty years? While that figure may sound reasonable today, let me point out that the interest rate for a mortgage twenty years ago was 9.5 percent. It also rose to double digits for a couple of years. Furthermore, the 6 percent figure will look even more absurd once we take into account the current shaky situation of the world’s financial system and markets.

Incidentally, I have seen such worksheets before. Some guy wakes up with a grand idea in his head and then starts punching data into a table. He enters some formulas, presses a button and hey presto, the result is better than what he thought it would be. So, there is a simple way to make money; after all, the table confirms it in black and white.

To be fair, it is not just the average Joe who falls into this trap. Let me bring you back to 1998 when a high-flying firm called Long Term Capital Management (LTCM) dominated the airwaves. LTCM was founded four years earlier by mathematical geniuses and economics Nobel Prize winners, and ran by John Meriwether, a former head of the bond arbitrage group at Salomon Brothers. The firm came up with complex mathematical models that made money by exploiting price discrepancies in multiple-markets: bonds, residential mortgages, interest rate swaps and options. Best of all, their models said that their risk was minimal as the chances of multiple markets failing at the same time was close to zero.

The firm did extremely well in the first two years, posting returns of 43 and 41 percent. In fact, by April 1998, their balance sheet had reached $134 billion!

And then out of the blue, the Russian capital system collapsed in mid-August, causing the government to default on its debts. This caused chaos in the world's financial markets: stock markets collapsed, credit spreads spiked and equity volatility shot up. This wasn't supposed to happen according to the models at LTCM, but it happened anyway and in the process, took out LTCM. By the end of August, the firm lost $1.8 billion or 44 percent of its capital. In fact, things went from bad to worse, to the extent that the Federal Reserve Bank quickly organized a bail-out of the firm to prevent further meltdowns.

The point of the story is to be careful of fancy mathematical models, charts, tables and worksheets that show you will be making tons of money with minimal risks. The calculations may be correct. However, real life markets do not necessarily behave like in the mathematical models, as the brilliant economists at LTCM found out the hard way. It turned out that the models at LTCM were working with just five years of data. If the firm had gone back to 1987 when the world's stock markets crashed, it would have given them a different answer. So this was a case of too much math and not enough history.

The lesson here? Be careful of tables, charts, worksheets and projections – they can be bad for your financial health!

Measure your progress

"What gets measured gets done."

Peter Drucker

Yes, after doing all the things I mentioned earlier, you need to do one more thing – you need to measure your progress as you go along. Otherwise, how would you know whether the steps that you took are bringing you the desired results? How do you know if they are effective? Of course, one rough way of knowing you are on the right track would be having all the extra money. But in our world, we do not do things in a rough way; we do it methodically and scientifically.

The way to measure your progress is actually very simple – by preparing and then comparing successive Net Worth statements. I've introduced the statement in *Millionaires are from a Different Planet*, and so will not be elaborating much on it here. However, for the virgins, a Net Worth statement basically states your net worth (from a financial perspective) after deducting your liabilities from your assets. That in English means how rich (or unrich) you are! So by tracking successive Net Worth statements, you will be able to see your progress (or non-progress).

Assets	Value ($)
Cash in hand	
Savings account	
Current account	
Shares	
Unit trust funds	
Precious metals	
House	
Another house	
EPF	
Land	
Total Assets	

Table 1: Your Assets

Liabilities	Value ($)
Personal debt	
More personal debt	
Mortgage outstanding	
More mortgage outstanding	
Car loan outstanding	
Other loans outstanding	
Credit card balance	
Total Assets	

Table 2: Your Liabilities

Date	
Your total assets (from Table 1)	
Minus your total liabilities (from Table 2)	
Ta-Ra! Your net worth	

Table 3: Your Net Worth

If the net worth kept growing between the statements, you are on the right track. The quick answer is to do more of the same! However, if it is on the downward trend, then you may want to review the situation. It is very likely that some of the actions that you took since the last statement are not bringing you the right result. (Short answer – stop doing them!)

I've been tracking my net worth for over fifteen years, and I'm happy to report that the figure has been on an upward trend since the dark days. Although there were one or two occasions where the net worth slipped, it basically grew and grew and grew. As I've mentioned earlier, other than becoming wealthier, they confirmed that the actions that I took were indeed the right ones.

By the way, I refute any comments stating that preparing the statement takes a lot of time. While it may take a little bit of time to prepare your first statement, it will take you about twenty minutes to prepare the subsequent statements. The first statement will require a little bit of time as you have to locate the relevant data and documents. However, even this will take less than one hour. Imagine that: twenty minutes once in three or six months! I think anyone can spare twenty minutes. Time spent – negligible. Results – lasts a lifetime!

Be prepared for twists and turns

"Physics has three laws that explain ninety nine percent of the phenomena and economics has ninety nine laws that explain three percent of the phenomena."

Professor Andrew W. Lo
Massachusetts Institute of Technology (MIT)

Do take note of the comment by the learned professor. What he's saying is that there are so many variables in economics that almost anything goes! Anything can happen, and anything has happened. So while the fund managers, investment consultants and economists can look so brilliant explaining why past events happened the way they did, they might as well be reading tea leaves when predicting future events. They can be as wrong as the man on the street.

You should also remember that few things in life turn out the way you had planned. And investments are certainly one of those things. Bear in mind that the stock market, properties, commodities, businesses, GNP, inflation – the whole economy – are dependent on the behaviors of people. And people do not always behave rationally. Their behaviors are very often driven by emotions, chiefly by greed and fear, and not common sense. This explains why things do not always happen the way they are supposed to, and why prices do not go up like the signs are saying and in fact sometimes do the reverse! Real life rates of returns do not follow the neat tables and charts drawn by financial planners.

As such, there will be shocks and surprises, twists and turns in your investments. And because of this, there are no guarantees.

However, this does not mean we should leave everything to fate. No, you must still make plans. After all, *hell is to drift, heaven is to steer*. So plan your investments to the best of your ability. Use your brain, knowledge, experience and wisdom to plan for a better life. But at the same time, be prepared for surprises and for the twists and turns. A big part of the preparation is to have a sufficient Reserve Fund that I shared earlier.

If you can do this, then you would have done well not only with your money, but more importantly with your life.

Final Words

Whew! That’s a whole lot of principles to digest! I bet some people are already gasping for breath right about now. What’s more, that’s just the information – just basic information so far. They haven’t even taken a single step yet! To apply all those principles is going to take a lot of effort, energy, focus, dedication, discipline and yes, money. While some readers will just need to do a fine-tuning of their current plans, I have no doubt that some others will have to basically adopt a whole new way of thinking and yes, a new way of living if they were to apply the principles. This is easier said than done.

But you didn’t think that getting rich was going to be easy, did you? If it was easy then everybody would be a multi-millionaire. But because it is not easy is precisely the reason you should do it!

Wealth is a fickle mistress – she will ask a lot, she will demand a lot and she will take a lot from you before she gives herself up to you. You have to prove yourself worthy before she even shows up. You will have to think fast and run even faster. You have to learn and re-learn on a consistent basis. You have to do things you have never done before. You will have to be willing to run into challenges, face adversity, and yes, be willing to fail. You cannot stand still; instead you have to take action, lots and lots of action. And yes, you must do them even when you are unsure of the answers yourself.

When you do fall, you must get back up and try again. And again. And again.

You must be willing to ignore the critics – and there will be many critics – and stick to your guns.

Long is the journey and dark is the night but when the morning light comes, it will all be worthwhile.

Getting rich will be the adventure of a lifetime – don’t miss it for the world!

Chapter 9: Taking on debt is the big secret

I’m going to reveal the secret of how to build serious wealth in your lifetime in this chapter.

Ready?

This is it – you need to take on debts.

That’s right: you must borrow money in order to make it big. In fact, the higher the debt, the faster you can grow your wealth. So get into debt!

Why you must borrow

In case you’re wondering why you have to take on debt, the answer is because your capital is too little to generate serious wealth. (This statement does not apply to anyone with the surname Gates or Buffett!) For example, if all you have is $25,000, it will take a long time before you can see the light at the end of the tunnel. It will take forever and a day for the figure to double. Worse, even when you double it, the $50,000 is still peanuts where serious money is concerned. It will hardly create much headway in your quest to become the next millionaire.

However, if you put that money as a down payment for a property worth $800,000, borrow $775,000, and the property doubles in price in five years, you will realize a gain of $825,000 or 3,300 percent (!) which is a lot more exciting than getting 2.5 percent interest from the FD. (I’m ignoring incidentals such as legal fees, interest charges, loan repayments and stamp duty here.) That is some serious money right there. Now multiply this debt formula by ten (or even better, a hundred), and you can see how you can hit the big time a lot faster by borrowing other people’s money.

By the way, and you’ll probably be relieved and perhaps even happy to know this, all of us have a limited amount of capital. That’s right – all, which means every one of us. Yes, even millionaires and multi-millionaires have limited capital. Of course, their limit is a lot higher than most people! So there is nothing to be ashamed about the ‘small’ capital that you have. We all have to start somewhere.

No problem in getting the money

The good thing is that you will have no problem in getting the money.

Unlike days of yore when borrowing money was tough, today, everyone wants to lend you money. Banks wants to lend you money, credit cards want to lend you money, cooperatives wants to lend you money and of course, loan sharks want to lend you money. Further, the offers come in from everywhere – through the mail box (pamphlets, flyers and letters), e-mails, phone calls, and even personal visits. In fact, some establishments will even send you pre-approved loans with checks attached. All you need to do is sign the form, bank-in the check and the money will be yours in the blink of an eye.

In fact, things are so hot that I think the only qualification that one needs to borrow money today is to have a heartbeat! Even people with bad credit reports or who are on the blacklist can still borrow money. Just log on to the websites of some cooperatives, and you will see they proudly display that 'people on the blacklist can apply.' So if you are alive, you can borrow!

So there are certainly no shortages when it comes to people offering you money.

However, and this is a big however, you must be very careful before taking on debt, especially huge debts. Why? Because taking on debt is like handling a tiger. If you know what you are doing, then you can earn big bucks by charging people to see you handle the tiger. However, if you get sloppy, get lazy, take things for granted or God-forbid, ever forget that you a handling a 500 pound beast, the situation can turn really nasty. Instead of making money, you can get seriously hurt.

Illusionist Attacked By His Pet Tiger

Incidentally, this is not just an analogy. This actually happened to Roy Horn, one half of the illusionists Siegfried and Roy, who was mauled by a pet tiger of his during a show at the Mirage Hotel. Before the accident, they were one of the top attractions in Las Vegas, earning over $57 million a year! The accident put paid to all that, and the show was immediately closed after the accident. Fortunately, though he was seriously injured, Horn survived the attack. In all, he was lucky to escape with his life.

Well my friend, debts, particularly huge debts, are very much like tigers. You can make money from them, but you need to be very, very careful when doing so. A wrong turn of events can have serious consequences.

For each person that made it big by borrowing huge sums of money, a hundred others got into trouble. Instead of hitting the big time, they lost all the money when the investment or business turned sour. Some even had to resort to desperate measures to address the situation which sadly often made things even worse. The financial devastation affects their lives – broken relationships, family and divorces. So they lost more than just money – jobs, family, self-respect and some, tragically, even their lives.

Right, now that the preaching is over, let us return to the guy who borrowed $775,000 to buy a $800,000 property. As you recall, he made a gain of 3,300 percent in just five years. So in this story, the borrower looked like a practical genius and a real life Midas.

However, the sharper readers (that means you) will realize that the fabulous gain is based on a couple of assumptions, which is (1) the price of the property shot up in that time, and (2) the borrower paid his monthly mortgage without a hitch.

Now while the assumptions may hold true in normal times, the reality is that times are not normal forever on this planet. Good times will soon be replaced by not-so-good times. Furthermore, in every life, a little rain will fall. We don’t know when, we don’t know how. All we know is that rain will fall and times will change.

So if the rain should fall – for example, the borrower lost his job and is not able to service the loan anymore – the tide will turn. He could lose the property and all the money he already paid. Of course, the story can get worse. If the property price drops and the interest rate rises, then he will be seriously hammered.

Things can get really heated up if he had taken other loans as well. Perhaps he had bought five other properties in the quest to make it big as soon as possible. Of course, he managed to do so by taking on monster mortgages to finance the purchases. Now that the tide has turned, our hero is in serious serious trouble. On top of losing everything, he still has to find the money somehow to pay back the monster mortgages. It will take him years to settle the debts – if he ever will. Let’s just say that the remainder of his life will not be a pleasant experience. He will have to slog for years on end, living life practically as a slave, just to pay off the debts.

This is why you must be extremely careful when taking on debts. Make sure you know what you are doing before borrowing money because the debt tiger can turn and bite the owner. Sometimes, you will be lucky to escape with your life.

Of character

There is a famous exchange between John Pierpont Morgan and Samuel Untermyer that happened during the Pujo congressional hearing in 1912. Untermyer was a sharp lawyer while the famous banker Morgan was rough and uncouth in public.

> Untermyer: “Is not commercial credit based primarily upon money or property?”
>
> Morgan: “No, sir, the first thing is character.”
>
> Untermyer: “Before money or property?”
>
> Morgan: “Before money or anything else. Money cannot buy it….Because a man I do not trust could not get money from me on all the bonds in Christendom.”

Morgan’s answer was applauded by the spectators. And in America, especially businessmen, found a new respect for the banker and banking itself.

Now these words were uttered a hundred years ago, yet they apply more today, than ever before.

When you should borrow

Should you borrow money every time it is offered? Should you take up the offer because it's right in front of you? Should you grab it because it is there? After all, it is fast, easy and convenient. And most of all, should you take it because it is m-o-n-e-y?

Now while there are a lot of fun things you can do with the money, being someone who dreams of a better financial life (why else would you be reading this book?), the answer would be 'no.' Firstly, you are not going to borrow the money just so that you can blow it on some gadgets, trinkets or toys. (Those who plan to do so should be reading *Stuff* magazine instead!)

You are going to borrow only when you can generate more money with it. In other words, you borrow only when the return from the investment you are going to make is higher than the interest charged for the loan. For example, the return is 10 percent and the interest is 6 percent.

Obviously, you would not do so when the situation is the other way around, *i.e.* when the return from the investment is lower than the interest charged for the loan. In fact, if this was the case, not only you shouldn't borrow; you should be using any available cash to pay off existing loans instead of making the investment.

"I also find that leverage-the-debt advice often comes from people who earn commissions from selling investments."

Dan Kennedy

This tie in with the rule that says the money should go to the higher figure. If the return is higher, then you make the investment. But if the interest figure is higher, then you use the money to pay off the loan instead.

If you say that you cannot find an investment that gives a higher return than the interest charged, then dear reader, the answer is do not borrow! Wait until you can find one that gives a higher return. I can assure you that there are plenty of good investments if you look hard enough.

Now comes the spanner in the works

But of course, life is not that straight forward. While the math says that you should borrow when the return on investment is 7.5 percent and the interest is 6.25 percent, what is missing from the equation is the risk involved. Now if both the return and interest are fixed, then it is not an issue; go ahead and borrow. However, often times (hey, make that *all the time*!), both are not fixed, which means they can go up or down. And life being what it is; it is the return that always drops and the interest that always rises!

This is why you should only borrow when the return exceeds the interest by at least 5 percent. For example, if the interest is 7 percent, the return must be 12 percent or higher. This way, you are building in a safety margin to cater for any rate fluctuations.

You will no doubt realize that it is not so easy for the above situation to happen. It is rare for the return from an investment to exceed the loan interest by 5 percent. In fact, it is rare for most investments to give a consistent double figure return.

This is why you should borrow money only on two occasions: (1) to buy properties, and (2) to expand your business. Of course, this assumes that you have done your homework and know what you are doing. Buying the first property you see is a sure recipe for disaster.

Let me elaborate a little on (2). The key word is ‘expand,’ not ‘start.’ In other words, you borrow money only to expand an existing and needless to say, profitable business. Why? Because by then, you know what you are doing already, making your chances of success higher.

On the other hand, do not borrow money if you are just starting a business; use your own capital or other people's capital (by selling shares in the company) instead. Why? Because the failure rate for new businesses is insanely high – 80 percent of new business will close up shop within three years. This being the case, the chances are high that your business will not succeed. If you borrowed money to use as capital, then you will be hammered by two problems: (1) closing the shop and losing all that money; (2) having to pay back the loan, which may take years.

If you retort that your capital is insufficient to start that new hot business you discovered at the business opportunity meeting, the answer is not to do that business! Start something that will not require you to borrow money. There are plenty of businesses that you can start with little or zero capital, you know. For example, you can start many online businesses with very little money. You also do not need a lot of money to start a coaching or consulting business. Incidentally, I started TrueWealth with just $3,500. Today the company's turnover runs into millions.

To continue the story: Once you have enough capital later on and if you are still keen on it, then you can do that hot business that you had in mind. I'm betting that at that time, you will not even think of that hot business anymore because you are having too much fun doing what it is that you are doing!

If you cannot make money without money, then you will not be able to make money even when you have money!

All right, enough about business for the time being. That is a story for another day and another book. Let us get back to the issue at hand.

This brings us to the most important point of them all: when you borrow money, don't forget that you have to pay it back, plus interest! And you have to do this on a consistent basis, which means every month. Let me also remind you that the people who lent you money do not have a sense of humor – they always want their money back! And some of them will take some extreme steps to get their money back.

Antonio and the loan shark

Antonio went to see a notorious loan shark to borrow money to start a business. To his surprise, despite having no collateral and a poor credit rating, the loan shark agreed to loan him the money. So he asked the loan shark, "What happens if I cannot pay back the money?"

The loan shark looked deep into his eyes and then said the words slowly, "Remember your dead mother before you decide not to repay me."

Antonio smiled thinly, "But my mother is not dead."

The loan shark waited for a couple of seconds before repeating his answer, "Like I said, remember your dead mother before you decide not to repay me."

Remember Antonio's story before you sign on the dotted line.

How much to borrow

In case I have not made it clear, the first thing to do is to ensure that you know what you are doing before borrowing a single cent. For example, if you want to borrow money to buy a property, make sure that you know a lot about property investment first. A lot here means reading at least ten books on the subject matter! While this is no guarantee of success, it is obvious that your chances of making it big are a lot higher than not knowing anything about it.

The second point is pretty exciting – borrow as much as you can. That’s right: borrow as much money as you can. Why? Remember that I wrote earlier that the more you borrow, the faster you’ll get to MillionairesPlanet? So borrow a lot.

But of course, ‘a lot’ must be based on reality. If you cannot eat or sleep because all your money is gone to repay the loans, then you’ve overdone it. If ‘a lot’ means you have to eat instant noodles for the next three years, then you’ve overdone it as well. In this case, you have literally eaten more than you can chew!

What you should do is to limit your total loan repayment to a maximum of 40 percent of your income. For example, if your net income is $10,000 a month, limit the repayments to $4,000. Now the number of loans does not matter. You can have three, four, five or even more loans. As long the total repayment is 40 percent or below, you are on the right track.

“And why 40 percent, dear master? Why not more?”

Because you also want to live life, that’s why!

By limiting the loan repayment to 40 percent, you will have a decent amount left for other things. Let’s face the fact that you want to live life as well. While working hard to build that better life for tomorrow, you want to be able to afford some of the finer things in life today. Nothing fancy, perhaps an Audi R8, a tropical vacation and a Pina Colada while you are rollicking on the beach! Okay, maybe the R8 is overdoing it a little, but you get my point. You need to have some money to do the things you want to do today as well. And that’s the way life should be – saving and investing for tomorrow but also ensuring that you are able to live today.

If your loan repayment exceeds the 40 percent figure, then things will get a little bit tight. There will be some things you will have to forego which may include skipping vacations, foregoing birthday celebrations, doing away with tuition classes for your children and perhaps sticking with your ten year old clunker as you cannot afford to buy a new car. Not very nice.

Of course, once the figure climbs up to 50 or 60 percent of your income, life will get mighty uncomfortable. You will have to watch every cent, forego all luxuries and pray that things will not turn worse because you really cannot afford for anything to go wrong. At this stage, it is obvious that you are in no-man's land. So dear reader, limit your loan repayments to 40 percent.

If you happen to be there already, i.e., your loan repayments are higher than 40 percent of your monthly income, then the answer is to get out as soon as you can. You need, indeed you must correct the situation – quickly. Perhaps you should sell one or two of the investments so you can reduce the repayments and the debt burden. Perhaps you should look into ways of increasing your income. Or perhaps you should do both!

The following table is a guide on the amount of non-mortgage debt one should have.

Non-mortgage debt limit

Percentage of non-mortgage debts to income	Comment
0	Perfect tranquil world
< 10	Good sane level
11 to 15	Still sane
16 to 20	You are at the limit
> 20	Watch out! Trouble is just round the corner

Create Multiple Sources of Income

As a bonus to this chapter, I'm going to give you another secret of building wealth. Clue – it's in the subtitle above – Multiple Sources of Income (MSI). That's right; you must create MSI. While the bulk of your income may flow in from one main source, usually from your employment, you must create additional income flows to supplement it. In fact, the more MSI you have, the better it is.

Why?

Firstly, you'll have more income at your disposal and that is always a good thing. More income means you can save and invest more. This will get you faster to MillionairesPlanet. Next, and this is very important, the MSI is not going to happen by accident. You have to think fast and work hard for it to happen. This means that you would have to become better to create MSI. In short, you will grow as a person and become better because of the MSI. Thirdly, you also avoid being in a position which I believe to be the most dangerous thing you can do from a financial perspective – being dependent on only one income source. What if that one source is cut off? You will be in all sorts of trouble in no time at all. While this doesn't happen every day, you should live your life as if it could actually happen.

And oh ya, another good reason for having MSI are that you will be joining the exclusive group of people known as millionaires! You see, all the millionaires that I know have MSI. All the millionaires and billionaires that I read about also have MSI. For example, Tony Fernandes gets income from Air Asia, Air Asia X, Tune Hotels, Tune Money and his private investments; Donald Trump gets income from Trump Casino, Trump Hotels, TV shows, royalties from his books, licensing fees from businesses using the Trump name; while Richard Branson has cash coming in from at least 300 different business and investments! In short, if you have dreams of becoming a millionaire, you must create MSI.

I have written a couple of books on the subject matter, namely *The Millionaire in Me* and *Get Rich Faster*, and so will not be dwelling too deeply in it here. However, the following are some areas that hold a lot of opportunities so you may want to find out more:

- Information Marketing (refer to *Get Rich Faster*)
- Authoring a book (or even better, a lot of books!)
- Renting out properties (refer to How to Become a Millionaire Landlord)
- Multi-Level Marketing (MLM)
- Licensing (refer to *The Millionaire in Me*)
- Education
- Online business (huge huge opportunities here)
- Swiftlet Farming (refer to Make Millions From Swiftlet Farming)

Final Words

To summarize this chapter; you must take on debt to build serious wealth. Just make sure that you know what you are doing before borrowing the money.

If you cannot make more money with the borrowed money (while taking a reasonable risk), then do not borrow. Let the people who did not read this book take all the risks instead!

PART THREE: LIVE RICH & STAY RICH

"Money doesn't make you happy. I now have $50 million but I was just as happy when I had $48 million."

Arnold Schwarzenegger

Introduction

Anyone who claims that money is not important must be high on drugs or has had too much to drink as far as I am concerned!

As you already know, I was practically broke for the first four years of my career. I was young, I was smart, I was hardworking but I was broke. And more importantly, I was very unhappy. In fact, I was downright miserable. It was the longest four years of my life. The days were hard and dreary and the nights were long and cold.

Of course, much has happened since then. Many moons have passed and much water has flowed under the bridge. I started educating myself on money matters, and things started to look up after that. As my knowledge on money improved, my finances also got better. I did not run out of money anymore, I did not have to borrow money anymore, I could give money to my parents and even my aunties every month, I did not argue with my (then) girlfriend about money anymore and perhaps best of all, I was happier – a lot happier.

As the formula of educating myself was certainly bringing the desired result, I did more of the same. And things got better and better and better. So today, I am perhaps the #1 authority on money matters in the country. (Of course, being the shy and modest guy that I am, I never tell anyone that!)

My story is not unusual; I hear similar stories from countless others. The situation and the protagonists may differ slightly but the message is always the same – their life is miserable because they are broke. They have long arguments with their partners and family members, they had to avoid their friends as they could not repay the loans they had taken, and some even had to resort to hocking items just to tide them over. Life is certainly no fairy tale for these folks.

So, yes, money can make a man happy.

Oh by the way, this book is not just about saving for the future. It is not about watching every cent so that you can have that dream retirement twenty years from now. Instead, it is about having both – living that dream life today, and investing for the future so that you will be able to maintain that lifestyle for as long as you are on this planet.

But of course, the reality is that most people are overdoing the living bit today. They are living large today – big cars, overseas vacations, designer outfits and regular night outs. We all know where they will end up when they turn sixty – dead broke or dead altogether!

On the other hand, they are also some individuals that save so much for the future that they are missing a lot of what life has to offer today. I remember a former colleague of mine who saved, wait for this, some ninety percent of his income every month when we first started our careers. So while the rest of us bought second cars as a mode of transportation, he bought a bicycle! And I was told that there were times when he actually took a public bus to get to the airport – in full uniform! While this is not illegal or immoral, you will agree that this is perhaps a bit on the extreme side. Worse of all, despite all the savings, he did not end up rich. Last I heard he was selling unit trusts to make a living.

In other words, the idea is to save and invest for tomorrow, and also live today.

So this part is about money, happiness and health, and how they all come together. It is divided into two sections: the first is about money, happiness and health, and the second is on how you can stay wealthy by bearing in mind the coming challenges in this decade.

Chapter 10: Money and happiness

Being happy is the ultimate goal in life.

This being the case, you would think it would be taught in schools. You would think there would be happiness professors, happiness coaches, happiness gurus and happiness universities. You would think that millions of people would be out there studying on how to be happy and how to stay happy.

But strangely, none of that exists.

And we wonder why so many of us are miserable!

The thing about happiness is that you have to do a lot of things to be happy. It is not a one sentence answer and certainly not one thing that you have to do. There are many things that you must do to be happy and stay happy.

Let me now share with you some tips on how to be happy. This part is taken from *Smart Parents, Rich Kids,* a book I co-wrote with Zaid Mohamad.

From Smart Parents, Rich Kids

I'm happy (no pun intended) that Zaid started this chapter by quoting '*The secret to happiness is not in getting what you want but in enjoying what you already have'* because it is certainly *one* of the secrets to happiness.

Having stated that, I think it would not be too much to state that a lot of people are not happy. While a few are actually miserable, not too many people can truly say that they are living a happy life.

Part of the reasons for this is because there are many things that we have to do to be happy. Or in other words, there are *many secrets* to a happy life. And by the way, a happy life here is for both the short and long term, and not just for a moment in time. Let me share with you what Dan Baker wrote in his enlightening book *What Happy People Know*:

> *If you don't think happiness is critically important, perhaps it's because you*

have a narrow definition of it, as many people do, thinking that it just means being in a good mood most of the time, or experiencing the emotion of joy. But happiness is neither a mood nor an emotion. Mood is a biochemical condition, and emotions are just transitory feelings. Happiness is a way of life – an overriding outlook composed of qualities such as optimism, courage, love, and fulfillment.

Wow! Dan managed to do a wonderful thing: he explained that there are many answers to the happiness question in such beautiful words!

Now I will add to that: a major reason why a lot of people are miserable is because they don't know what to do to live a happy life. I know this from my personal experience. For the first twenty five years of my life, instead of living, I was just existing. Meandering left, right, forward, backwards and going nowhere real fast. Yes, there was some happiness but there was also much pain, misery and suffering. Worse, the happiness was short-lived, but the daily grind was long, monotonous and hard.

I supposed I had a good excuse – I didn't know much about happiness. No one taught me – or for that matter, no one taught you – how to be happy. Happiness is not taught in schools, colleges and universities. No one spoke about it. Parents, siblings, neighbors, elders and even the wise skipped the lecture on happiness. So this is one reason why many of us, while not exactly in pain, are not happy.

If the reason sounds familiar, it should be because it is the same reason why many of us are having financial problems or are just one salary slip away from disaster – we were not taught how.

I have since learnt that happiness, and by that I mean real and long-lasting happiness, is hard work! There are many things we must know and many things we must do if we want to live a life of long-lasting happiness. One of them is to enjoy your current toys.

However, that's just one of them, which means that there are more secrets to happiness. Since I'm so happy (!) and to add to what Zaid has shared earlier, I'll give you more clues:

- Do the work that you actually have passion for

- Know your purpose in life
- Have goals that will stretch you
- Exercise regularly
- Eat sensibly
- Give thanks regularly
- Praise good work done by others
- Spend time with people who lift you up and those that make you happy
- Learn new skills
- Do things instead of talking or watching others do them
- Laugh
- Enjoy the journey and not just the achievement or result
- Be in the moment

Now, I suppose the list is not a secret to most people. Yet a lot of them are still not happy despite knowing them. One reason for this is because they've fallen into the trap that 'knowledge is power'. The truth is that knowledge is not power; *it is only potential power*. If you knew all the secrets to the universe, but you never applied them, then you are no better off than the person who knew nothing. This is yet another reason why happiness is hard work: most people do not apply what they learn. Or they apply it half-heartedly or incorrectly.

And then there's also the quality and quantity. See, no matter how much we may like to do something, it does not mean that we must be doing it 24/7 to be happy. For example, you may like to cook and enjoy it immensely. However, to spend all day and all night for days on end cooking will just drive you bonkers. You probably will not want to see a kitchen for the next year!

I remember the one year I lived in Manila in the Philippines during my pilot training. I shared the house with my batch-mates, which included Muslims, Christians, Buddhists and even a lone free-thinker! And oh ya, we all got along just fine.

The dining arrangement in our house was interesting in some ways. As the Muslims did not take pork, pork was out. But as a couple of guys did not take beef, it meant that a compromise had to be made – we had chicken most of the time. Yes, we had chicken for lunch and dinner, and that lasted for one whole year! As a result of this, after I came back to Malaysia, it took me many years before I stepped into a KFC! And I used to like chicken!

Next is to know that there are things that make for short term and those that lead to long term happiness. One glaring example of a thing that will give much happiness for the short term but will bring in much unhappiness and untold misery in the long term is doing drugs. Yes, the drug will give much happiness, ecstasy even, to the user. But you do not have to be a doctor to know that it will bring much grief in the long run. Ditto that for uncontrollable drinking, eating and going on spending sprees.

On the other hand, some examples of things that lead to long term happiness include eating sensibly, exercising and learning about finances.

Fortunately, there are also things that we can do that bring in happiness both in the short and long term – current and future benefit. For example, going on a vacation with your family. The time spent during the vacation will be a joyous affair. Further, it will also go a long way to keep the family bonding happily for the long term. I know this for a fact. Every time I announce a new vacation to my family, their whole world changes! My daughters will be talking about what they are going to do, what they are going to wear and yes, what they are going to buy! The excitement lasts for days, even though we haven’t actually gone for the vacation yet!

Reading a good self-help book will also give you both current and future benefit – it makes you happy while you’re reading it and it’s also good for the long term as the knowledge will help you lead a happier, healthier, richer and more peaceful life.

Would you rather be rich or be happy?

Every now and then, someone will ask me, “Would you rather be rich or be happy?”

I do not have to answer the question to know that the guy who is asking the question is neither rich nor happy! I know this because if he was rich, he would not be asking me this question. If he is happy, again, he would not be asking me the question.

Actually, this is an absurd question. It is absurd because it implies that we have to choose between the two. I would ask back, “Why should I choose if I can have both?”

This is not me being greedy, this is the real answer. Firstly, the words rich and happiness aren’t only spelt differently, but they are two different things. And because they are two different things, why should I, or for that matter, why should anyone choose? Further, as T. Harv Eker wrote in his book *Secrets of The Millionaire Mind*, it’s like asking someone to choose between his hands and his legs. Why must he choose? Why can’t he have both?

Now having stated that, I must also add that it is hard to be happy for long when you are broke! I know this for a fact. When I was practically broke in the first four years of my working life, I was not happy at all. In fact, my life then was downright miserable! The days were hard and the nights were long. So to anyone who claims that money doesn’t make them happy, I will say this, “Give me all your money and let’s see how long you can be happy!” Actually I wrote that same line many books ago and so far, no one has stepped up to take the challenge. Perhaps no one ever will.

In other words, we all know that money can help us immensely. Why else would millions of people want to become rich?

But of course, the perception is that rich people are miserable. They are scared that someone might kidnap their children, scared that someone may rob them, scared that they might be taken advantage of and scared that they might lose it all. Now, I will not deny that there are some rich people who are like that.

However, I will also add that for each one who is scared of losing his wealth, there are a hundred others who are living happily, healthily and peacefully.

The truth is that money is an amplifier. And by that, I mean that it will amplify what a person is already inside. If he is a kind and generous person when he has no money, he will be even kinder and more generous when he has lots of money. On the other hand, if he is nasty when his pockets are empty, he will be even nastier when he has lots of money. So money just makes him more of what he is.

I've seen this happen on plenty of occasions, and if you look closely, you will vouch that what I wrote is true.

Money provides a diminishing return

"You're contradicting yourself, Azizi," some people may point out. "On one hand you say rich and happiness are two different things. But on the other, you say that you were miserable when you were broke. So which is true?"

The answer is both statements are true.

See, when you have no money, getting your hands on even a single ringgit will make you happy. The more money you have at that time will solve many of your problems: it will pay off your loans, feed your children, buy them clothes and provide them shelter.

However, as the amount increases, the level of happiness drops. It still makes you happy, but less so. For example, buying your first car will give you a massive uplift. Your heart beats like a freight train, your eyes light up and you may even have goose bumps. In fact, it is such as joyous occasion that all of us remember the day we received the key to our first car.

Your tenth car will still make you happy, but the impact will be a lot less. You will still smile but the goose bumps will probably be absent. In time, it will be just another car, even though it might be a Ferrari.

But of course, a lot of people will jump out and say, "Hah! This is all theory. Give me all of that money and I will show you how to be happy!"

My retort is they are saying it because they have not experienced it themselves.

If you want to find someone who will not be swimming, what more to find joy in it, just find someone who has a pool in his house. I have never seen, and I'm willing to bet that you too, have never seen the owner swimming in his pool. Imagine that; after spending tens of thousands of ringgit to put up the pool, it just lays there doing nothing! I think after about six months of moving into the new dream house, the novelty of the pool wears off, so the owner hardly ever uses the pool anymore. Even on the rare occasion when he does swim, he does not find any joy in it anymore. What was before a dream is now passé, just another thing that he has to fork out money for and take care of.

Ditto applies to people who are lucky enough to have properties overlooking an ocean, a lake or a mountain. Despite the stunning scenes, they cannot appreciate it anymore. They have become numb to the beauty.

"I've been up so long it looks like down to me."

Quote from a Hollywood movie star

In other words, after a while, the material comforts do not even comfort anymore. It is like those things that are good in small doses – good when it is small, not so good when it is too much.

Actually, this is not unusual.

Ross Perot, the billionaire founder of EDS and Perot System, served in the US navy when he was a young man. Once, he had gone to the Italian Riviera and saw yachts for the first time. He was very excited to see the beautiful boats but he also saw something odd – the owners of these million dollars boats all looked bored. They didn't look like they were having fun at all. Imagine that – these folks had the ultimate toy and yet they were not happy. That was when he realized that tangible things do not necessarily bring happiness. Instead, happiness is a state of mind. It comes from within.

“Things that we were after were much better from afar.”

***The Hungry Years,* Neil Sedaka**

So make sure this does not happen to you.

How?

First, enjoy your toys. Be happy with the toys that you already own and get as much satisfaction out of them as possible. Even as you dream of that flashier car, bigger boat or faster plane, be happy with what you already have. So enjoy and appreciate the 3-series BMW even as you look forward to driving the 5-series. Otherwise, you will forever be delaying happiness. You keep chasing happiness but never quite have it. Worse, even when you achieve the dream, it will just fade away as there will always be something better. In short, you will be grasping at air castles.

Next, I know it’s a cliché but it is true – success is in the journey. I will certainly vouch for this. The last twenty years of my life has gone by in a flash. I have enjoyed the journey, every minute of it. Yes, even the failures and the disappointments. It was fun, it was good and it was exhilarating, because I was alive and kicking! My brain clicked on overdrive and I ran like I’ve never ran before.

So make sure you enjoy the journey, and not just the destination. Take time to enjoy the sights and scenes along the way to your heaven. Oftentimes you will discover that the most exciting time of your life was during the struggle en-route to the top.

Third, it will be even better if your happiness can be detached from material goods. That’s right – if you can be happy without having to spend money, then you’ve got it made. The ultimate of course, is to be happy regardless of what happens in the outside world.

“The calmness has to be inside. If you’re happy, that happiness is transportable –

you take it with you wherever you go. Not that the external isn't significant, but it doesn't make us happy." Tal Ben-Shahar wrote in his book, *Happier*.

If I may correct the statement slightly: the external is significant, but it doesn't make us happy in the long run. The best it can do is to bring short term happiness.

Next, it is important for you to know what money can and cannot do. Money can provide comfort – both physical and mental. However, it cannot bring long-lasting happiness. That can only come from within.

Five, and perhaps the advice that may fly against the whole purpose of having money, is to do without some things. That's right – do without some stuff and simplify your life.

The harsh truth is that some things are better off remaining as dreams. That way, they will forever remain perfect in your mind. The dreams remain alive as long as you do not have them in your hands.

For example, buying everything you see and desire is a sure-fire recipe for disaster. If you can only be happy by spending money, then I can assure you that you will not be happy for long because the money will run out, sooner rather than later. And once that happens, there goes happiness as well. While this may be obvious to people who have little money, it still applies to people who have lots of money as well. Just because you have money does not mean you should grab everything that tickles your fancy. All that junk, *and it is mostly junk*, will just clutter your life. It will only complicate your life.

How come? Well, for starters, you need a place to keep all that junk. Two, you need to clean, maintain and repair it. Third and perhaps the worse point of all, is that it may not even make you happy!

Incidentally, simplifying your life also includes saying 'no' to some people, investments and opportunities. There's no law that says you must grab everything that comes your way.

So to recap, it is important to know what money can do, and what it cannot. To paraphrase the Serenity prayer:

Give me the strength to change the things I can,
the serenity to accept the things I can't afford (!)
and the wisdom to know the difference.

When is it 'enough'?

This is not an easy question to answer.

Firstly, enough is subjective. For some people, $1 million is a lot of money. For others, it is just pocket change. Who's to say that the latter is greedy? Many of today's sports stars are multi-millionaires – some are worth hundreds of millions – but no one is accusing them of being greedy. No one is asking, "Hey, you already won so many medals and championships. Why don't you stop being so greedy and give others a chance?" No one is asking that question because we all know that it is an absurd question. We all know the stars are being rewarded for being very good at what they do – be it football, basketball, F1 or golf. And they deserve it all.

Next, a man is built for the climb. We are not built to lay back and take things easy. Of course, we can do that (and a lot of people are doing exactly that). However, laying back and taking things easy *for long periods* will just bore us. While there are times when we should put up our feet and enjoy the view, we should be up and running most of the time.

Let me share an example with you.

When you first pick up a new game, let's say tennis, you'll be happy just to return the ball to the other side of the court. At that time, if you can rally for just three returns, you are over the moon!

But as you get better, rallying for three returns is the norm. It does nothing to your heart beat. You need to rally longer and win points for excitement. Next, you also need a better opponent. At this stage, if you play against a new player, you will win most of the matches easily. However, instead of making you happy (because you are winning), you will get bored because there is no challenge anymore. But when you play against a better player, the situation changes. You have to run faster, think faster and react faster just to be able to cope. It is likely that you will lose most of the matches, but yet you will be happier because you know you are being tested and you are getting better.

The process then repeats itself. You will be up to par with this better player. In time, you will beat him on a regular basis. At that point, the happiness level drops. You need a better opponent again – one that will force you to stretch and stretch further.

However, bear in mind that you are getting better and better.

Well, life is like that as well. If everything comes too easily, then you will get bored. While you will be happy initially, the excitement will soon wear off. In time, instead of making you happy, it will drive you nuts. However, when you have to struggle and stretch, you feel alive. It is difficult but you are growing. That’s the time when you are most happy.

This suggests that enough will never be enough. The enough here includes more than just the usual ‘enough money’. When do you have enough knowledge? When do you have enough health? When do you have enough happiness?

Tough questions. So I’ll leave it up to you; only you can answer when ‘enough’ is.

Finally, and after all has been said and done, I have to admit that it is not easy to put some of the knowledge into practice. Some of them are difficult. Some of them call for much discipline and sacrifices. Yet, we have to do them if we want to be happy. We have to develop the discipline, make the sacrifices, struggle and stretch. But whatever the sacrifices, I can vouch that it will certainly be worth it, because happiness is indeed the ultimate prize in life.

Do the things that you enjoy

This is a no-brainer but yet this is perhaps the most important point of all – do the things that you like and enjoy. Do the things that make you happy – as long as it does not harm others! This rule out anything that’s illegal or immoral. But that aside, go ahead and do the things that will make your day

Life is too short to live otherwise.

For example, I know of an author, speaker, coach and entrepreneur who only does the things that he likes to do in his life. (No names mentioned as we want to protect his identity, but as a clue, his name rhymes with Azizi Ali!) It turns out that the author likes to write, speak, fly, run his business, improve the lives of his clients and be with his family (not in any particular order). And they are the *only* things he does in his life.

Things he doesn't like or enjoy, he doesn't do. This certainly helps to explain why he is such a happy man!

Of course, there are still some things in life that he has to do even though he does not enjoy doing them – housework, repairing the car, filling in forms and lining-up, to state just four. He avoids most of them by paying others to do them! (This is one of the benefits of having money, which is why I'm recommending you do the same!)

I need to add a corollary here. While you want to do the things that you like and enjoy, it does not mean that you want to do it 24/7. In fact, by doing so, it will probably turn you off for life! In my case, while I enjoy writing, I do not want to write twelve hours a day seven days a week. While I enjoy flying, I do not want to do it every day. In other words, do the things that you enjoy in doses. Only then can the experience and enjoyment last.

Work and be happy

It would be incomplete to write a chapter about happiness and not touch on work. After all, we spend a lot of time, perhaps half our adult lives, at work.

I've written a whole chapter about this already in *How to Become an Extreme Millionaire,* so I will not go too deeply into it here. However, I'm going to give you the short course.

To some people, work is something they have to do to get money so that they will be able to do what they really want to do. 'Some people' here number in the millions! Now while the formula is not wrong, illegal or immoral, I would not recommend it.

Instead of spending half your adult lives doing something you do not enjoy, or worse, hate, why not do something that you actually like, or better, are passionate about? When you are doing a job that you actually like or are passionate about, I can tell you that life will be a joy. The days will be short and the nights warm.

In fact, it is so good that I do this myself!

Of course, even the things that you enjoy may involve one or two minor discomforts. However, as long as they are a small part, then go ahead and do it anyway. For example, there is one aspect of my job as a pilot that I do not quite enjoy. In fact, many other pilots also dislike the same thing. It is doing the walk-around inspection before the flight. As this involves walking around an Airbus A380 – the biggest jetliner in the world – it takes a little bit of time. But that's not all, as I am not just going around it but more importantly inspecting the aircraft for oddities, damages or things that should not be there. The thing is that on the tarmac where the aircraft is parked, the noise level is tremendous. And oh ya, it's either blazing hot or freezing cold! This explains why the walk-around inspection is the least popular task of a pilot. But as it is critical to the safety of the flight, we all do it.

But that's just about the only drag for pilots. All the rest is beautiful, thrilling, fun, exciting, challenging and immensely enjoyable. And oh ya, the money is not too bad either. This explains why I'm still doing it even after thirty years!

Surrender into serenity

I was an angry young man. I remember being upset about a lot of things: greedy businessmen, corrupted politicians, whale hunters, tiger poachers, inconsiderate drivers, racist leaders, biased newspapers, incompetent public servants and a whole lot of other stuff. At times, I actually got myself all worked up, "How can people just stand by and let all these bad things happen? Don't they care about the world?"

It took me some time to realize the truth – there will always be things that are not right and there will always be bad people. And I am never going to change those facts. So all that anger was only driving one person up the wall – me! All those people that I was mad at did not know my name or that I even existed!

Realizing that such an outlook was only harming myself, I knew I had to change. I realized that just about the only thing I could change was myself; the others were beyond my control. And so I did exactly that – I changed myself. As a result, I became happier, healthier, wealthier and at peace with myself.

Likewise, I believe that you will also be happier and at peace by letting some things remain as they are. It is not your job to change the world; your job is to do the best that you can with what you have. If you do that, then I believe even God himself will be happy with you.

And finally, the truth is that the only person you can change is yourself, so go ahead and do that. Don't worry about the world: the world has been here for a lot longer than you and I. It will still be here long after you and I are gone. In other words, the world doesn't need saving, we are the ones who need the saving!

A list of cheap useful stuff that will increase the quality of your life

- Auto-gate (assuming you live in a house and not in an apartment)
- Water heater
- A fast computer and faster online connection
- Financial calculator
- Smart tag
- Heart rate monitor

Two tests

I use two tests before buying anything. I ask myself these two questions, and the answer must be yes from at least one of them (two is even better):

1. Is it useful?
2. Is it beautiful (to your eyes)?

The first question tackles the usefulness of the item. Will it make my life easier? Will it make my life more comfortable? If the answer is yes, then I will buy the item. If not, then I ask myself the second question.

The second question addresses the aesthetic value. Some things may not be useful but they may be beautiful in your eyes. Paintings, pictures and certain decorative items usually qualify here. If it's beautiful to you, then go ahead and buy it. Of course, this assumes that you have the money to buy it in the first place!

This also means that you should not be buying something just because it is cheap or on sale. If it does not answer yes on one of the above questions, then do not buy it. I have in my house a long list of items that I bought for no other reason than because it was on sale. I never even used them! Of course I'm not the only guilty party here; ninety percent of the civilized world is just as guilty!

Enjoy solitude

I always find it amusing that a lot of people cannot stand being alone, *i.e.* they can only find enjoyment when they are with others. Even when they are alone, they will quickly turn on the television, switch on the radio, log on to the internet, talk to someone on their iPhone or listen to their iPod. They need to hear someone else's voice so they can avoid being alone. Or to be more precise, so they can avoid being lonely.

I don't know whether they realize this but by doing so, they are saying that they find themselves too boring! They have to bring others into their life just so they can chase the boredom away.

While this is not wrong or illegal, I believe that it would make for an unhappy life if you can only be happy when others are around. Firstly, it means that you are now dependent on others for your happiness. Secondly, it will almost always cost you money to have others around!

So even though you may get turned on by others, your life would be better if you can learn to enjoy your own company.

Please do not get me wrong. I am not saying to turn others away. Enjoy their company. Laugh with them. At the same time, learn to enjoy your own company as well, for there will be plenty of occasions when you will be alone. This being the case, you might as well learn to enjoy the solitude. You might as well learn to enjoy your own company. And once you can be happy just being by yourself, then your life will become complete.

By the way, and to be sure, I get along well with people. At the same time, I also have learnt to enjoy my own company. I don’t need others around to be happy. In fact, I don’t need anything to happen to be happy – I am already happy.

Be happy with what you’ve got

One of the realities of life is that there will always be people richer than you. Yes, my friend, there is someone out there, or to be more exact, many people, who are wealthier than you. In fact, their wealth is beyond some people’s imagination.

Check out the following table:

Wealth measured by total assets (True Net Worth)

\$2 million - \$4 million	The comfortable poor
\$4 million - \$10 million	The comfortably off
\$10 million - \$30 million	The comfortably wealthy
\$30 million - \$80 million	The lesser rich
\$80 million - \$150 million	The comfortably rich
\$150 million - \$200 million	The rich
\$200 million - \$400 million	The seriously rich
\$400 million - \$800 million	The truly rich
\$800 million - \$1,998 million	The filthy rich
Over \$1,998 million	The super rich

Source: *How to Get Rich* by Felix Dennis

As you can see, the numbers are super impressive. More importantly, it will bring you back to reality in a hurry! It turns out that your wealth, as much as it is now, it not quite enough to make the world sit up and take notice! If you try to compete, you will just drive yourself bonkers.

So be happy with what you've got. And at the same time, as always, strive to become better.

No guilt

Somewhere along the line, you may feel guilty about the wealth – you have so much when others have so little – especially after listening to some fiery sermon from a self-righteous brother. So let me give you the antidote right here – there is no need to feel guilty.

Firstly, you having more does not mean less for others, for there is so much wealth out there. Anyone who wants some can take some. In fact, they can take as much as they want. All they need to do is to do the things that will attract the wealth.

Secondly, more wealth is being created even as you read these words. This explains the emergence of thousands of new millionaires and multi-millionaires in the last ten years alone.

Thirdly, in the process of building wealth, you would have also improved yourself significantly, which would not have happened if you chose to remain ‘normal’. And how can that be a bad thing?

Fourthly, the best thing you can do to help the poor is not to become one of them. There will be one less poor guy for the world to help!

Finally, you can do more for others by being wealthy instead of being poor. You can help build mosques, churches, temples, libraries and hospitals. You can help the unfortunate, the downtrodden and even the vanquished. All these take more than good intention – it takes money.

So go ahead and enjoy the wealth. You will do more for the world by being a wealthy man.

Chapter 11: Money and health

Now that I'm passed the big 5-0, I'm happy to report that I am running around just as fast as I used to do twenty years ago. My mind is alert, my body is fit and I'm proud to say that I am healthy. I also plan to be able to say the same words for many more years!

But I also know all that is not going to happen by accident. It has to be planned for. There are many things that I have to do and also many things I cannot do to ensure it will happen. As I want it to happen, I will do the thing that I must do and avoid the things I should not do.

Why are all these health words in a book about wealth? *Because you want to be able to enjoy your wealth, that's why! And you can only do that if you are healthy.* How are you going to ski in Aspen if you are always getting sick? How are you going to drive around Europe in your convertible BMW if your heart is weak? No, that will not do. I'm sure you will not take any pride of being the richest man in the hospital, or worse, the richest man in the cemetery? I don't see the point of building all that wealth, and then having to use all that wealth to cure you from diseases!

But of course, staying healthy is just like being happy; it requires a lot of work and discipline. While you can get away with eating anything for a short while, to continue filling your body with junk food for years on end will ensure that your ending will not be pleasant.

At the same time, I will give you an advance warning here. It will take a lot to implement the steps. You see, much like things finances, much of the information that we know about health and fitness are incomplete, biased or outdated – none of which helps us at all. I know this for a fact: as the more books on health that I read, the more 'new' things that I discovered.

For starters, I discovered that much of the stuff that we eat is not conducive for our health. I also discovered that the way we eat our food is also not helping! So what all these mean in English is that to stay healthy, you will need to implement some major changes in your life. This could include the food that you eat, the way you eat them and even the way you live your life! But if you want to get healthy and more importantly remain healthy, then you have to do them.

If the word ‘changes’ scare the life out of you, how about replacing it with ‘better’? How about replacing it with ‘healthier’?

Steps to a Healthier You

While I am not a doctor or a nutritionist, I do believe that I can share some formulas on how to stay healthy. Why? Because even my doctors ask me on how I stay slim, fit and healthy all these years! (So the Millionaires Coach is not just an expert in money; he’s an authority on happiness and health as well!)

“For most of us, health will depend not on who we are, but on how we live. The body you have at 20 depends on your genes, but the body you have at 40, 60 or 80 is the body you deserve, the body that reflects your behavior.”

Harvey B. Simon, MD

The following are a few tips that will help you stay healthy, happy and wealthy.

Stop eating before you are full

There are many tips on how you can stay healthy but this is the one that stands above it all – *stop eating before you are full*. If you don’t know this already, most of the diseases today are caused by the food that we eat and of course, the amount that we eat. Much of the food on offer today is unhealthy – they are filled with additives, artificial flavorings, and synthetics or kept too long. Worse, most people eat a lot more than what they need to survive. It is little wonder then that they are facing multiple diseases – heart disease, cancer and diabetes, to name just three.

If they actually reduced the amount of food intake, much of these diseases will not even appear.

Unfortunately, a lot of people will find it hard to do this even though it will be the best thing they can do for their health. They will continue to eat a lot more than they should. It is not because they are starving. Instead, it is because they have been conditioned from childhood to always clear their plates and not let food go to waste. Now the idea of not letting food go to waste is fine to a certain extent. It certainly applies when times are hard and money is scarce. But if you are reading this book, I doubt that either situation will apply to you. In other words, you have plenty of food.

However, having plenty of food does not mean you have to eat them all in one go! In fact, trying to do so is a sure recipe of winding up in the hospital!

The basic idea of eating is to supply the body with enough nutrients to give us the energy so we can meet the day's challenges. A second reason is to keep the body and mind in optimal condition. While we may prefer some foods to others, the idea still applies. So eat just enough to satisfy your hunger and then stop. If there is still food on the plate, just leave them there. There is no need to clear the plate. I can assure you that no one in your immediate vicinity or even a hundred mile radius is going to starve just because you did not clear your plate! Ideally, you should have not taken such a big helping to begin with!

To the people still stuck to the idea of finishing their food, I would like to ask them this question: Which one is better – finishing your food and winding up sick, or leaving the extras on the plate and staying healthy?

I do have a way of asking questions with only one right answer, don't I?

I read a line that goes like this: to eat a lot, eat a little. What that means is that by eating a little, you have less health problems, and will therefore live longer. And by living longer, you will be able to eat a lot more than those who eat like a brontosaurus.

Exercise regularly

Eating sensibly is half the battle. The other half is by exercising regularly. And by regularly here, I mean to exercise a minimum of thirty minutes at least twice a week. Obviously, more is better!

And the only way that you will be able to maintain this strict regime – exercise at least twice a week for the rest of your life – is to choose an exercise or something that you actually enjoy doing. If you enjoy walking, then walk. If you like swimming instead, then swim. If you like playing tennis, then get on the court. The thing is to do it on a regular basis.

Now that I've introduced the subject, let me go deeper into it for a while.

Actually, the main objective of exercising, whether we realize it or not, is to work the heart so that it will be in pristine condition at all times. No matter what the exercise is, walking, running, swimming, rowing, cycling or playing a game of badminton, the number one goal is to keep the heart healthy. Of course, there are other side benefits too such as building up muscles, maintaining healthy bones and joints, maintaining a healthy weight and getting a general feel good factor caused by the endorphin released by our bodies when we exercise. But the main goal remains for the heart.

This being the case and to do it right, we must ensure that our hearts are sufficiently exercised, *i.e.* beating the right number of beats for our objectives when we do the exercises. And the only way we are going to know this for certain is by using a heart rate monitor (HRM). Otherwise, it will just be a hit and miss kind of thing most of the time. We may be over-exerting or under exercising – neither will count nor do much for our heart.

So this being the case again, I would urge you to get a heart rate monitor and more importantly, use it so you can optimize your workouts: maximum benefits for the least effort. You can get a pretty good HRM for about $500. In my opinion, this will be among the best $500 you will ever spend in your life!

Heart Rate Monitor (HRM)

As the name suggest, HRM is a device that measures your heart rate, *i.e.* the rate at which the heart is beating per minute. You strap a transmitter around your chest and wear the monitor on your wrist like a watch. (In fact, many monitors also double as wristwatches.) The electrodes in the transmitter detect your heart rate and transmit it to the monitor continuously so you can keep track of it at all times.

The reason for using the HRM is so that you can keep to your target heart rate zone when doing the exercise. The next three sentences are a bit technical but no fret; it’s nothing that you cannot handle. Your target heart rate zone is a range between the lower and upper heart rate limits expresses as percentages of your maximum heart rate. The maximum heart rate in turn is the highest number of heart beats per minute during maximum physical exertion. The formula used to get the maximum heart rate is 220 – age.

The following is a table showing the target heart rate zone:

Age	Max HR 220-age	Light 60-70% of Max HR	Moderate 70-80% of Max HR	Heavy 80-90% of Max HR
25	195	117-137	137-156	156-176
30	190	114-133	133-152	152-171
35	185	111-130	130-148	148-167
40	180	108-126	126-144	144-162
45	175	105-123	123-140	140-158
50	170	102-119	119-136	136-153

If your objective is to improve health and fitness, you should keep your heart rate at the light zone. For example, if you are 35 years old, then maintain your heart rate between 111 and 130 during the exercise. However, if your objective is to improve aerobic fitness and you are already exercising regularly, you should keep your heart rate at the moderate zone. So if you are 35 years old, then maintain your heart rate between 130 to 148.

As you can see, your exercise now becomes a science. You are not shooting in the dark or leaving it to chance. And by doing so, you are optimizing your exercise. End result – a healthier, happier and wealthier you!

In my own case, I started exercising seriously more than twenty-five years ago. I pumped iron for five years, brisk walked for another five, jogged for ten and then went back to walking after that. However, in the last two years, I exercise mostly by cycling on my stationary recumbent bike and pumping a set of dumb bells. (I've recently added kettle bell swings to the routine.) As the equipments are in my house, I can exercise anytime I feel like it: morning, afternoon or night. *And oh ya, it's also free as there are no gym fees to be paid!*

When on the road, I'd go to the gyms at the hotels, which are always equipped with all the latest equipments, gadgets and toys. As it's all too complicated for a small town boy like me, I stick with the recumbent bike and the dumb bells!

I'm also onto my third HRM already as the batteries for the first two has gone flat; I've been using HRM for over fifteen years already!

Drink lots of water

You've probably read or heard that a man needs to drink eight glasses of water a day to stay healthy. After frowning your eyebrows at the information, you probably said something to this effect: "That's a lot of water to drink every day!"

And then like most people you went about your day like the day before and soon forgot all about it.

Let me share with you what Dr F. Batmanghelidj wrote in his book *You're Not Sick, You're Thirsty*:

> *"Every twenty-four hours the body recycles the equivalent of forty thousand glasses of water to maintain its normal physiological functions. It does this every day of its life. With this pattern of water metabolism and its recycling process, and depending on environmental conditions, the body becomes short of about six to ten glasses of water each day. This deficit has to be supplied to the body every day."*

Dr Batmanghelidj went on to list forty-six reasons (!) why you need water every day. As I'm not going to repeat the whole list, I'll just share a few with you.

1. Without water, nothing lives.

2. Water is the main source of energy – it is the 'cash flow' of the body.

3. Water is the main solvent for all foods, vitamins and minerals.

4. Water is used to transport all substances inside the body.

5. Water is the main lubricant in the joint spaces and helps prevent arthritis and back pain.

6. Water makes the skin smoother and helps decrease the effects of aging.

Remember that there are forty more reasons why you must drink lots of water every day! And oh ya, other beverages such as coffee, tea, milk, beer and certainly soft drinks don't count as water!

So in short, you need to drink water every day, and you need to drink plenty of it!

In all likelihood, you will probably ignore the advice. I'll remember to send you a get-well-soon card plus a bottle of water when you are in the hospital!

The tragedy of man

When he's young and able to do anything, he doesn't have the money.

When he's raising a family, he neither has the time nor the money.

When he has the time and the money, he's too sick and too old to do anything!

Take the nasty stuff sparingly

But of course, we are not monks. To live life on the straight and narrow may be asking too much out of us. And to skip everything will mean missing on many things that life has to offer.

So this being the case, you are allowed to eat and drink some of the nasty stuff –

occasionally. For example, I love green tea ice cream by Haagen Dazs. But I also know that ice cream is not very good for my health. So I eat it maybe once in two or three months. I also like Coke. The last time I drank it was two months ago. In other words, I treat myself to the nasty stuff only once in a while.

By doing this, I get to taste some of life's nastier bounties and still remain in excellent health.

Go for a yearly medical check-up

I've no doubt that if your practiced all the steps that I mentioned earlier, you will be a lot healthier, fitter and also happier. I'm sure of this because I'm doing all the steps myself!

At the same time, it would be better if you take one additional step to ensure that all the steps are indeed bringing you to your destination. In other words, you want to ensure that you are actually making all right health moves! And you do that by going for a yearly medical check-up. (This is the health version of preparing your Net Worth statement.) Oh by the way, I do my check-ups every six months so don't tell me it is too much trouble!

You want to do this to ensure that (1) you remain in great health; (2) the steps are actually bringing you the desired results; and (3) any abnormalities or medical condition can be detected early. The check-up should include the basics: weight, eyesight, hearing, general well being, plus Electrocardiogram (ECG), Electroencephalography (EEG), chest x-ray and blood test. To make it convenient, go to a clinic where you can do all the tests there. Otherwise, it will create a little bit of an inconvenience having to go to different clinics to do the different tests.

You should be able to complete the check-up in about one to one and a half hour. The cost is about $100 at the point of writing.

Now I realize that doing the check-up does take a little bit of time and also a little bit of money but I can assure you that they will be worth it. Anyway, what is spending one and a half hour a year to check on your health and ensure that everything is as it should be?

I'll share my own story here.

After years of having perfect health, and having *doctors asking me* how I did it, I had a blip on my last blood test. The scores were all perfect, except for one – my LDL cholesterol was 104, above the conventional range of 101 mg/dl. The doctor assured me that the score was still within the safe levels. However, it was enough to get me going. I started to read books on heart care, and not just the free information on the Internet. And not surprisingly, I discovered many 'new' things (as I did not know them before, the information was new to me).

It turned out that cholesterol does not cause heart disease. Even the LDL cholesterol that gets such bad press is not the main culprit. Instead it is the buildup of plaques in the arteries that is dangerous. This is important as it meant I did not have to take medication to lower the LDL. Instead, what I need to do is to increase the HDL cholesterol level. But as my HDL is 54 (above the conventional range of 35 mg/dl), that means I'm still in perfect health.

Interestingly, the main reason why this powerful information is not coming through is simply because there is no drug to boost HDL (there are plenty of drugs to lower LDL!). I wonder why drug companies are not sharing this information with the rest of us! *This sounds suspiciously what the finance companies are doing, isn't it?*

There are more discoveries of course, but I will leave it at that, as this is not a medical book.

The point here is that I would have not known all these if I did not (1) do the blood test; and (2) educate myself on the subject matter. In fact, I would have continued using much of the old, biased and incorrect data to maintain my health. It would cost me a lot of money, a lot of pain and worse of all, probably lead me literally to an early death!

Some words on supplements

In an ideal world, we would not need supplements. We would get all the necessary nutrients the body needs from the food that we eat. However, that ideal world does not exist – at least not today. The quality of much of the food that we consume today leaves much to be desired. They are grown in poor quality soil, boosted with artificial fertilizers and sprayed with multiple pesticides. They are harvested early and then transported long distances. Worse, they are kept on the shelves (or stored in warehouses) for long periods. In the process, much of the nutritional value would have been lost.

To compound matters, we are also exposed to an environment so toxic, so much so that we are bombarded with a few hundred chemicals each and every day! We would need supplements just to counter the effects from this toxicity alone!

And let's not forget our hectic lifestyle. Hard work, long hours, odd working hours, long daily commutes and related stress – none of which gives a good answer!

So this is why I've been taking supplements for the past fifteen years. As the name suggests, they supplement the meals. I take them to cater for any shortcomings in the food, to help build immunity to diseases and to help with specific conditions.

In my case, I take a multi-vitamin (to cater for any shortfall in the vitamin and mineral intake), vitamin C (multiple benefits which include sustaining the immune system and preventing colds), fish liver oil (the omega-3 fatty acids helps to prevent heart disease) and CoQ10 (provide energy for the heart and other major organs) every morning. Since I am fit and healthy, the supplements must be doing a lot of good! (This statement will certainly excite many wellness companies!)

Final words

As this is primarily a book on wealth, I'll stop here for now. I will not share the complete list of other health ideas with you because that will take more than one chapter and in fact, more than one book! It is suffice to say that there are many additional ideas on health, diet and exercise. Among them are maintaining your blood pH to a slightly alkaline level, food combining, de-toxing, colon cleansing and a lot of other stuff. I have no doubt that most, if not all of them, will help you in your quest.

So what I suggest you to do is to read the books on a particular topic and ponder over the ideas. If it makes sense to you, try them out. If they bring the desired results, then continue doing them. If not, try another one!

I’ve listed a few books about the subject in the appendix; they will help you achieve optimum health so you get to enjoy your wealth to the end as well.

In summary, there are many more things you need to learn and more importantly do if you want to remain healthy for the rest of your life. The easy way out is not to do them. It is also the lazy way out. More importantly, it will lead to health problems, which cannot only spoil your day but actually your life!

Chapter 12: The truth about financial advisors

Of course, I did not want to believe it when the idea first came to my head. But as case after case revealed the same cause, the idea began to take hold. Soon, it became more pronounced. And finally, I accepted it. And this is the idea and also the harsh truth – most of the financial advisors are not qualified to give you advice on investments. Oh, some of them will have the paper qualification to *sell* the products, but their *advice* can lead you to some serious damage. Following their advice on money matters can get you lost, just as the following story illustrates:

A hunting party was hopelessly lost, deep in the woods.
“I thought you were the best guides in all of Canada,”
complained one of the hunters. “I am,” said the guide,
“but I think we’re in Michigan now.”

Let me share some real stories with you to illustrate my points.

Norman was a coaching client of mine. He had thick jet black hair, a round face and was a little bit overweight, perhaps a direct result of his success. Before becoming my client, he was a government servant. Ever the enterprising soul, he started a catering business on the sidelines. Against all odds, the business grew. And grew and grew. He now has multiple businesses, which include five catering operations, two canteens and also held a Class A contractor license. In short, he is a financial success.

He came to me to help him handle that money.

After looking at his net worth, I could not help but shake my head. Despite literally making millions from his businesses, it was clear that the money was not growing. To put it in parlance, the money was not working hard for him. In fact, he had actually lost a substantial sum.

How come?

Well, for starters, he had too much money in the savings and current account. He bought a few capital guaranteed funds that was only giving him a miserable 3 percent return. He had also invested in a few unit trust funds which had dropped in value (this last bit did not surprise me at all).

Why?

He listened to the ‘financial consultant’ at the bank where he did his banking. He did so because:

(a) He realized he knew very little about investments

(b) He thought the financial consultant knew what he was talking about

(c) He thought the financial consultant was highly qualified

(d) He felt ‘safe’ because the bank was one of the biggest banks in the country

Unfortunately, he lost money because of all of the above.

What was even harder to swallow was when he complained to the consultant about the loss, the guy just smiled (warmly, I must add), turned around and recommended him yet another financial product!

Actually, Norman’s story is not unique. I’ve seen and heard it many times before. Practically all of my new coaching clients complained that they had lost money when making investments before joining the program. Now while losing money is a part of investing, it was the way they lost the money that irked me. Oftentimes, the loss was due to poor advice.

That’s just half the story. See, even when they did not actually lose money, they were still not doing too great with their finances. Most had purchased inappropriate financial instruments. One glaring example was a radiologist who was paying some $15,000 a month for an insurance policy! Yes, that is not a typo – *he is paying $15,000 a month for insurance*. Though he could afford it as his income was five times the amount, it was still a huge amount to pay for an insurance policy. Worse, he will be sorely disappointed a few years down the road; the money he would get from the policy would not commensurate with the money he had paid.

I was once in their shoes

Actually, it's not just my clients who are in this situation. I was once in their shoes.

After climbing out of the financial hellhole that I was in many moons ago, I had some money to invest. It was not a lot, but to a guy who was broke for the first four years of his working life, to actually have money to invest was a miracle! Like Norman, I also realized that I knew very little about investments. I knew nothing about shares, stock market, unit trusts, mutual funds, insurance or even the various banking products. Fortunately, this was in the mid-1980s when there were not so many financial products and instruments. I can just imagine trying to make sense of the sea of financial products on offer today.

So I knew I had to get some advice on the subject. But then, from who should I ask for advice? Hmm…first problem. So I did a natural thing – I asked my colleagues and friends. The good thing was that all of them were more than happy to give the advice. "Buy this product because it is sure to make money" or "Avoid this because my mother lost money here" or "Invest in this share because a VIP told me the price is about to go up." Unfortunately, they only managed to make things fuzzier! They were telling me to do ten different things and go in ten different directions!

I quickly realized that I was wasting my time asking colleagues, neighbors and friends about investments as they were obviously not experts in the subject matter.

I should have gone straight to the experts. A-hah! I should have gone straight to the people involved in the finance industry. Of course! After all, who better to ask about investments than an investment advisor? But since I did not know any investment advisors, I thought of asking an insurance agent.

So I met a couple of insurance agents. They explained the various policies, coverage and benefits, and since I was asking about investment, they were always stressing on the money that I'm going to get at the end of the term. I must admit that I was still in the dark about insurance even after all that explanation. Still, as I'm saving money and getting insurance coverage at the same time (which is better than blowing it away), it had to be of some good. So, despite being a bachelor and having no one relying on me for income, I bought a Whole Life policy. I remember feeling good about the thing; I was being a responsible adult, made good use of my money instead of blowing it all away, and might even become rich from the policy later on!

Second example: I remember getting excited after reading reports in the newspapers about gold coins. A local bank had brought in the Canadian Maple Leafs and this was the first time that gold coins were introduced in Malaysia. The reports said that gold was a store of value, protected the investors from inflation, highly in demand, an asset diversifier and accepted worldwide. So, the price was sure to rise in the coming days. I think I read three or four such reports in the local newspapers.

And so I bought a couple of coins, hoping to make a little bit of money. Three years later, I was still hoping! As hope is not a good investment strategy, I sold off the coins. And though I got back my initial investment, I had lost because the money was ravaged by inflation and I had earned no interest income in those three years.

Next story: I was horrified when I became a unit trust consultant in 1997. Practically all the consultants that I met at that time knew less than me about unit trusts. And some of them had been selling unit trusts for a few years already. Man oh man!

And then I was further stunned when I enrolled in the Chartered Financial Consultant program. Most of my classmates were long time financial practitioners, so they were certainly among the top financial advisors in the country – the cream of the crop. The guy with the most experience had been selling insurance for fourteen years. What stunned me was the fact that I knew more about money matters than him! One can just imagine the quality of the advice he had been dishing out in all that time. I pitied his clients. (To be fair to my classmates, they went there so they could become better, which is commendable and the right thing to do. I'm happy to report that a few of them are indeed at the forefront of the finance industry in the country today.)

As I became better at handling money, I started to observe a recurring theme. Because the theme happened every so often, it could not be ignored any longer. And the theme is that much of the advice given by 'financial experts' is incorrect.

Discounting the scammers and the charlatans (which exist in every industry), people are losing money because of poor financial advice that came from people who are in the financial industries themselves – unit trust consultants, insurance agents, real estate agents, bank officers, remisiers, brokers, financial consultants, wealth advisors and even financial commentators. Now, I have no doubt these folks meant no harm and gave the advice thinking it would help the investors. Sadly, the results were anything but good.

So today I know different. I know that a significant number of the people who are dishing out financial advice are hardly equipped to do so. They are just hawking products. And even those who became successful financial advisors became so because they are good at *selling*, and not necessarily because of their *knowledge about* the product. In fact, oftentimes, their knowledge on the subject matter is only on the surface. So anyone following their advice runs the very real risk of losing money. But they themselves are doing fine because they have perfected their selling skills.

Why is this happening?

One reason this happens is because we think the financial advisor is an expert in money matters, just like a doctor is an expert in medicine and a pilot is an expert in aviation. So we refer to him and take his advice as the gospel truth. Hardly anyone questions the advice. Unfortunately for us, the financial advisor is hardly an expert at all.

In fact, if financial advisors were measured like how other professionals are measured (based on results), they would have been sacked a long time ago!

See, unlike many other professions, it does not take much to become a financial advisor. For example, all you need to become an insurance agent is to read a couple of manuals, sit an exam (and of course, pass it) and attend a couple of days training, and hey, you're qualified to sell life insurance! Of course, the agent is not going to tell the prospect that he just became an agent last Thursday. Now while he may be able to explain *a little about life insurance* to the prospect, it is clear that his *advice on money matters* will be seriously distorted. Anyone following his advice may actually be worse off.

A weather report example

Let me share an example from the world of aviation to illustrate my point. The following is a typical weather report issued by the meteorological department:

24009KT 210V280 9999 FEW048 22/10 Q1007 NOSIG

Now although you may not understand what the numbers and letters mean, any pilot, including student pilots, will be able to decipher the report straightaway and tell you what they mean. In the process, the student pilot will look pretty smart as he can decipher what is just Egyptian hieroglyphics to most people. However, does that mean the student pilot is an expert aviator? The obvious answer is no. But because most people know nothing about weather reports, he will appear an expert. This is a proverbial case of the one-eyed man being king in the land of the blind!

Ditto applies to the average financial advisor. He appears to be smart, wise and all-knowing because most people know very little about money matters. But just as the student pilot is not an expert aviator, the average financial advisor is also not an expert in money matters. Following his advice can be as risky and dangerous as taking a flight with a student pilot!

Though I'm using the example of an insurance agent here, ditto applies to a unit trust consultant, a general insurance agent, a property negotiator and practically anyone who is involved in an advisory capacity in finance.

This does not happen with most other professions. For example, architects, engineers, doctors, lawyers and pilots spend years getting their degree or license. Then they spend more years learning and perfecting their crafts. So, they are actual experts in their field.

This brings me to an interesting concept – experts who are experts and experts who are non-experts! Bear with me here; you'll understand what I mean in a short while.

Let me borrow the words of Nassim Nicholas Taleb, author of the monumental book *The Black Swan*, to help explain the situation. Taleb wrote that there is a difference between 'know-how' and 'know-what.' The experts who are experts will be those who 'know-how' and the experts who are non-experts will be those who 'know-what.'

So, the following are examples of experts who are experts: livestock judges, astronomers, test pilots, chess masters, physicists, accountants and mathematicians.

According to Taleb, these are the experts who are non-experts: stockbrokers, psychiatrists, court judges, councilors, economists, financial forecasters, finance professors, risk experts, Bank of International Settlements staff, and get this – personal finance advisors!

By the way, let me also make it clear that the financial advisors are not con artists or out to cheat or mislead you. They are honest, hardworking and decent people. However, nine out of ten do not realize that they are not qualified to give advice on money matters. *They don't know that they don't know a lot about money yet*. See, after the two days of training and learning many useful money skills, some of them get very excited and think they have discovered the secrets to money. And so they want to save the rest of us! So they start dispensing their brand of money cures to their family, friends, neighbors and acquaintances. A few will be successful (because they are good at selling) while most others will surrender before the year is up.

Of course, there are charlatans as well – Bernard Madoff and Allen Stanford are just two of the more notorious ones. By the way, the losses incurred by investors in the Madoff scam alone ran over $50 billion! Incidentally, until he was exposed as a scam artist, not a single soul lost money investing with Madoff!

The second answer is that the financial advisors are very good at selling, which is different from being good at the subject matter. They have mastered the art of selling and have become master persuaders. They dress appropriately, look the part, say the right words and wonder of wonders, will even listen to us complain about our back problem and brag about our smart children. It is little wonder that we will often part with our money even though our head tells us otherwise.

I suppose the next million dollar question is: “How come they became so good at selling?” The answer is because they probably read my books on how to become a master seller!

Why there is no neutral financial advisor

As if hiring unqualified financial advisors wasn’t bad enough, you have another mountain to climb – most of them are not neutral, *i.e.* they are biased towards their company. You see, most of the advisors are attached to one company only. This being the case, you can bet your bottom dollar that their solution will involve you buying one or more of the company’s products. Now, I suppose this is not wrong. However, what if the company does not offer the solution that you need? What if the company does not have the exact product that will solve your problem? In theory, the advisors should admit this and point you to another company that does offer the solution to your problem.

In theory.

In real life, that hardly ever happens! Most of them will develop laryngitis before they will admit that they do not have the solution to your problem. What they will do instead is steer you towards the products that they do have.

“But that’s not right!” Some people are already protesting.

I hear you; Eywa has also heard you. But unfortunately, Jake Sully, that is the system. (Oh, oh, too much of watching *Avatar*!)

See, if you don’t buy, they don’t get any commission. No commission means no bread on the table for their family. And that, needless to say, is not a desired state of events for anyone under the Tuscan sun.

So now you see that it is difficult, if not impossible, for any financial advisor to be neutral under the current system. The system penalizes them if they stay neutral. In fact, there is a term for a neutral financial advisor – an ex-financial advisor!

Actually, this situation extends beyond financial advisors. Practically all the people involved in the industry – support staff, management and particularly directors – will be quick to defend the industry. They will quote statistics, history and perhaps even verses from some holy book to back up their stories. Any negative points will be downplayed or even avoided altogether. They have little choice – they have careers to preserve, promotions to look forward to, bosses to answer to, reputations to uphold and families to feed. They are in the system, and as such, you can't expect them to do anything that might derail the system.

In other words, it is a system problem.

Now you and I cannot change the system; we do not have the power or the means to change it. What we do have is this – a choice. *If you know there is a flaw in the system, you do not have to participate in it.*

How? Well, I'm glad you asked the question because that's exactly what I'm going to do now.

Information are biased

Yes, folks, most of the information that you read in the media is biased. You see, the media always interviews experts in a particular industry so that they get good, informative and quality answers. (It will be difficult for outsiders to give such answers.) But go through the points again – good, informative and quality answers. It doesn't say 'neutral'. The reason I did not write it is because their answers are *not* neutral. In fact, they *cannot* be neutral.

Take for example the housing industry. Even when prices are sky high, experts interviewed by the media will come up with statements such as the following: "Actually, prices are high only in certain areas. There are many places in the country where prices are still low and affordable." "Our prices are still low compared to Tokyo, Singapore and New York." "Properties have proven to be a solid investment throughout the years. There are still opportunities for investors here."

Anyone reading the piece will probably come to the conclusion that yes, they should still buy more properties. After, these are the views of experts in the property scene.

Anyone who cares to look further will realize that all the 'experts' are involved in the property scene themselves – developers, real estate agents, valuers, mortgage bankers, conveyancing lawyers and even the Minister of Housing and local government! These people make money every time you and I trade properties (except the Honorable Minister, of course). Of course, they will say things to encourage us to continue to invest in properties, regardless of season, time of day and sky high prices. Their answers are never neutral.

The same situation applies to the share market. If you ask any broker, trader or fund manager if you should trade in shares, of course the answer will be yes. They have an interest to keep you buying and selling shares – even when the share market is crashing! They will say something like what the notorious Professor Irving Fisher of Yale said just days after the 1929 stock market crash: "I find it consoling that weak investors have been shaken from the market. This means that stocks now rest in stronger hands. It is now a bargain counter for shrewd investors!" All the shrewd investors who bought shares following the words of the learned professor would have to wait for over twenty years to get back their money as the US sank into the Great Depression. Well, so much for neutrality!

Likewise, the same situation applies to practically all industries, *i.e.* most of the experts are biased. I'm not saying you should ignore what these folks are saying (although that would not be a bad thing!). You can listen to them. Just be aware of where they are coming from. If they are involved in the industry, do not believe everything they say. Take their views with a massive pinch of salt because they can cost you lots and lots of money!

So what are we to do then? Who can we listen to?

The first answer is that we must educate ourselves on money matters. That means reading books (like this one) and attending talks and seminars on the subject. In fact, I can tell you that *the more books on money you read, the wealthier you will be.* One reason why this happens is that you can then differentiate the good advice from the bad and the excellent from the ordinary. Otherwise, you will be forever dependent on others, which needless to say, is never to your benefit.

Next, you have to differentiate between those who are qualified to sell and those qualified to give advice. As you already know, the majority of the people calling themselves financial advisors are only qualified to sell, and not necessarily qualified to give advice.

“So how can I differentiate between the two, Azizi?”

Good question. Here are four things to look for:

- **Paper qualifications**

  The first thing is that the financial advisor should have the minimum paper qualifications of Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC) or Registered Financial Planner (RFP). These paper qualifications would indicate that the guy has undergone a lot of classroom training on personal finance. He would have covered the basics of managing personal finance, which will include financial planning, tax planning, estate planning and investments.

  Of course, as time evolves and rules changes, there will probably be some new designations as well. But the key point remains – he must first have the relevant paper qualifications. In fact, *I will not even consider letting anyone who doesn’t have the paper qualification anywhere near my money.*

- **Experience**

  Of course, the paper qualification is just a start. *It is not enough*. So your guy must have a minimum of three years’ experience as a financial advisor. Anything less than that, you walk away. Why? Because you will be his test pilot, his guinea pig. There will be some things he is not sure about or even aware of if he is new to the industry. If you hire him, it means that you will be paying for him to get the experience!

As you may also realize, this advice applies to all advisors, not just the financial ones. This will include car salesmen, lawyers and doctors.

Let others who did not buy this book become the new guy's test pilot!

• He is an investor himself

He should be doing well taking his own medicine. In other words, he should be an investor himself. In fact, he should have a significant amount of money invested in the instrument that he is recommending to you. It would be even better if a portion of his income is coming from his investments, and not just from the sales. That's when you know the guy is dishing out quality advice.

As you already know, many of the financial advisors that are well off did not become well off taking their own advice. It is because they are good at selling the products.

There's an old book that just about sums up this phenomena. The title of the book is *Where are the customer's yachts?* which was borrowed from an even older joke. As the story goes, an out-of-town visitor was being shown the glory that is the New York financial district. When they arrived at the Battery (the name of the waterfront), the guide pointed out the handsome ships being anchored there. "Look, those are the bankers' and the brokers' yachts."

The naïve visitor then asked, "Where are the customer's yachts?"

The answer was there are none!

• You are comfortable with him

Last but certainly not least is that you are comfortable with him. Or to be straight to the point, you must be able to trust him. Actually, you must trust him because you are sharing your financial situation with him, which as you know, is like sharing your deepest secrets!

Let's face it; there are some people that you and I are just not comfortable with. There's something about them that is not quite right. Something about

> them that rings a little bell at the back our head. So if you ever feel this way with the guy across the table from you, my advice is to thank him for his time and then walk away. Let me remind you that there are plenty of other advisors out there.
>
> So, again, if you feel uneasy about the financial advisor, look for another one.

At the same time, there are other points that you may also want to consider. These may include hiring people who are visible because of their writing, speaking or public appearance. After all, as Dr Thomas Stanley wrote in his book *Marketing to the Affluent*, 'talkers are hawkers, writers are experts.' Another point to consider is the volunteer work done by the advisor. If the advisor is really outstanding, it is not unusual for him to be involved in some capacity in some organization or association. For example, he may be the president of the Financial Planning Association or the secretary of the National Speaker's Association. This is often a sign that he does an outstanding job and is highly regarded by his fellow professionals.

How the Inner Circle Program came to be

After it dawned on me that there are not too many of these qualified, experienced, neutral and bona-fide financial advisors around, I decided that I would become that person. I will be the financial advisor who dishes out unbiased advice, who shares actual winning moves, who actually knows what he is talking about and who has actually done it all himself. I will also *not* give loaded advice just so I can earn a commission from the sale of a product. And I will be my first client!

Long story short, I took my own advice and made it good. Actually, I made it very good, so much so that others wanted me to teach them how to get similar results! That was when I thought of extending the service to others. I was pretty sure that there were plenty of people who wanted what I wanted, which was to hire a financial advisor who will:

1. Make my life easier

2. Save my time

3. Not rip me off

I do that by coaching my clients on the steps they needed to take to rise higher: what to invest, where, when, how and of course, the reasons why. I also told them what not to do. These obviously made their lives a lot easier and saved them much time, effort and even money. They avoid much headache, confusion, frustration and of course, getting trapped in crappy investments. They are also at peace as they know they can turn to me when they are weighing up the different options or God forbid, should they get into trouble. They know that I am more than just a coach; I am a friend and a dependable ally. They also know that the information is neutral – I'm not hawking any financial products – and more importantly, bring results and also bring them closer to their goals.

Looks like I'm onto a winner because the membership to the program has all been taken up and the intake has been closed for over a year now! However, do log on to my website as I may open the intake in the future. Who knows; you just might be the next lucky one to get my personalized attention!

Why the experts often get it wrong

Now, let me now throw yet another spanner in the works and further complicate matters in your head! (Hey, I do this for fun and profit!)

If you haven't noticed it yet, then I'd like to point out that financial experts often get it wrong when it comes to *future* money events. Experts here include not only financial advisors as I explained earlier, but also fund managers, investment advisers, journalists, economists, central bankers, finance ministers and most certainly the IMF head! Oh, they are geniuses when explaining *past* events. They can tell us exactly, in fact right to the minute, why the stock market crashed, why the Great Depression happened, what went wrong, what went right, what led to it and of course, the mistakes made by the protagonists. They are right, right and right because they are explaining things that have already happened.

However, when it comes to predicting future money events, they might as well be reading tea leaves. In other words, they can be wrong, just like everybody else. Yes, despite all their knowledge, experience and expertise, the experts often get it wrong. As an example of this, just read the stock market predictions in the newspapers on Friday and see what happens in the following week. Eight times out of ten, something else happens! This leads to the old joke about how economists predicted nine out of the last five recessions!

And why is that? Is it because they are no good?

No, they are good. However, because money events are driven by human emotions – greed and fear being the two chief emotions – anything goes! Anything can and has happened. It doesn't even have to make sense – common or economic. For example, once the fear has struck a chord in someone's heart, he will sell the investment, no matter what. Even if all the signs are showing that the price will rise next week, he will sell. On the other hand, once greed has set foot inside the brain, he will ignore all the warning signs and alarm bells, and hand over his money to people he has never met based on something that is written on a website (ala Swisscash!).

Of course, the expert's predictions can also go wrong if a black swan – a rare and unusual occurrence that leaves a major impact – happened to fly by. (This is the second reference to the bestselling book written by Nassim Nicholas Taleb in this chapter. For those who've yet to read the book, a black swan is a rare and (generally) unpredictable event but leaves an extreme impact. 9/11 is an example of a black swan. Apparently, for thousands of years, people in the Old World thought that swans were all white. Until the discovery of Australia, that is, when black swans were sighted. According to Taleb, black swans occur regularly, except that people, for one reason or another, choose to ignore or fail to detect them.)

See, *experts always make predictions based on what they know, which in turn is often based on recent (and known) events*. This means that the prediction will hold true only as long as the current situation remains. If something unusual happened and certainly if something really out of the blue happened, then all bets are off.

As an example of this, the Malaysian Gross Domestic Product (GDP) grew by 8 percent plus per annum in the early 1990s. So the government then set Vision 2020 – the goal of when Malaysia would become a fully developed and modern country. In order to achieve this, the GDP had to grow by about 7 percent per annum, a reasonable figure considering the growth in the previous years. The government based the figure on what happened in the preceding years, thinking what happened yesterday was going to be repeated tomorrow. However, when the financial crisis tornadoed across Asia in 1997 – a black swan as it never happened before – all that planning pretty much went up in smoke.

And then of course, there are also plenty of situations when a whole bunch of experts get it wrong despite a whole flock of black swans circling overhead! Despite all the warning signs and the red flags, the experts will miss them all. It is as if they all go blind at the same time!

Example? Well, just read all the messages coming from the top economists of any country. Rest assured that it will all be good news. Things are getting better, the economy is recovering, the foreigners are coming back and more of the same jazz. How come? For starters, all the economists are paid by the government. If they say something that is not aligned with what the authorities want, they run the risk of losing their jobs and becoming ex-economists! I don't blame them. I would do exactly the same if I was their shoes!

Next, not many people want to go against a bunch of very smart people, even though they suspect that the group may be in error. The thinking is, "If all these smart and brilliant people are in agreement, then perhaps I should keep my mouth shut and just nod my agreement." As a result, very few individuals would want to stick out their head and run the risk of being proven wrong later. (Incidentally, the economists are just following the law of survival – if there is a chance of you being wrong, make sure it is a group decision, and not yours alone. That way, you cannot be blamed for any errors!)

So what do we do then if even the experts get it wrong?

You already know the answer – educate yourself on money matters. Yes, listen to the experts, but always make up your own mind.

The reason they are called investment advisors is because speculation advisor, although it is closer to the truth, doesn't sound so good.

And then, what do I do?

Use the sellers as agents, but do not rely on them for advice on money matters. What you do is to use them as an intermediary to purchase a product and limit their advice to the product. That, and only that.

Let me share an example here. Let's assume that you just bought a new house worth $800,000. Although the bank loaning you the mortgage did not insist on you taking an MRTA (Mortgage Reducing Term Insurance), MLTA (Mortgage Level Term Insurance) or MIPTITP (More Insurance Product To Increase Their Profits), you wisely decided to take a Term Insurance worth $800,000 to cover the mortgage. After all, should you go away before your time, the property might also be taken away from your beneficiaries if they do not have the money or the means to settle the mortgage. Being a real man who takes his responsibilities seriously, you obviously do not want this to happen, hence the decision to purchase the Term policy.

So you call on three different insurance companies and ask them to give you a quote for a Term policy for $800,000 for twenty years (the length of the mortgage). When the insurance agents come to see you, tell them exactly what you want. Even when they try to interest you in other policies such Whole Life or Investment Link, just shake your head and stick with your original plan. If they try to give you advice on money matters, stop them right in their tracks. At this point, you should look them in the eye and tell them, “What I want is a Term policy for $800,000 for twenty years. If you cannot give me what I want, I will find someone who can. Are you going to give me what I want or not?”

After that ultimatum, I assure you that the agent will quickly see your point of view and give you what you want!

This is an example of limiting the use of the agent as a financial intermediary to purchase a product.

Be extremely selective when hiring lawyers

In my younger days and like most people, I had much respect for lawyers. I also had the idea that they are experts in law, know what they are doing and have the client's interest at heart at all times. Boy, was I wrong, wrong and wrong.

So today, I have a love-hate relationship with lawyers. I love to hate them! To be more exact, I love to hate certain incompetent and unscrupulous lawyers.

Jokes aside, you will be hiring lawyers in your lifetime. Furthermore, in the quest to build wealth, you cannot avoid using their services. Why? Firstly, you will be making deals – lots and lots of deals. And you will need lawyers to vet through the deals to protect your interests. Secondly, you will need them to protect your wealth from the long tentacles of many unscrupulous parties. Thirdly, you need them to make certain hardcore rascals see your point of view when you take them to court!

So you need lawyers.

Unfortunately, this is where the problem comes in – you cannot differentiate the bad lawyer from the good until he messes up your case!

Let's face it. We do not hire lawyers every day, every week or even every year. As a result, we cannot tell the good from the bad, the good from the average. And as lawyers cannot advertise their services, the average person may not even know of a single lawyer! This means that most people are shooting in the dark when it comes to hiring lawyers.

Unfortunately, most people include me! Yes, I've had bad experiences with lawyers myself. I've had the misfortune of hiring three different lawyers who let me down badly in three different cases! All three were incompetent and I suspect at least one of them was actually sabotaging me even though I was paying him good money for his services.

We don't have time to go through them all so I'll just state one case: the lawyer that I hired was so incompetent that it took her over a year to complete a Sales & Purchase agreement. Of course, in the beginning, I had no idea that it was her incompetence that was causing the delay. Every time I called to check the status of the sale, she said the Land Office had rejected the paperwork, and so I left it at that and naturally blamed the Land Office. I found out later that the reason the Land Office rejected the paperwork was because it was incomplete – signatures were missing, copies of relevant documents were not attached and the like. But then, it is difficult to prove that your lawyer is incompetent.

Fortunately, I had the proof. In my case, she had failed to inform the Internal Revenue Board of the sale which resulted in me having to pay a fine to the Board. This was the proof of her incompetence. (You know things are really bad when getting fined is a fortunate thing!) So I reported her to the Bar Council. It took over a year for my case to be heard. We settled it there – she paid me a little bit of money as compensation and also wrote me an apology letter. I suppose I got some justice in the end.

But nothing can compensate for the emotional pain and the disappointment.

I haven’t told you about the other two lawyers yet. Let’s just say that they were not looking out for my best interests even though I was paying them good money for their services! So I am sore at them for letting me down. In fact, I still resent them today.

That is why I always advise my clients to be very careful and extremely selective when choosing lawyers. Do not hire a lawyer you’ve never met personally, do not hire a lawyer over the phone, do not hire a fresh lawyer (no matter how enthusiastic he may be) and do not hire a lawyer you just met. In other words, do not just hire any lawyer because they may be incompetent (I am told that over 60 percent of the law firms in the country have only one lawyer – the proprietor!), they may be lazy, they may be a bigger crook than the one you are currently facing and they may be in worse trouble than you.

The problem is that you will only discover all of this after hiring them, and would have paid them a lot of money already! To reduce the chances of this happening, get someone who comes with a recommendation, *preferably from a very satisfied rich client!* If you find a problem doing this, then get in touch with me and I will hook you up with lawyers who are not only good, competent but more importantly, reliable. They are not cheap but they are worth every ringgit.

An open letter to financial advisors

I have no doubt that some readers of this book are financial advisors themselves.

If you are one of them, then I would urge you to take a deep breath. While some of my words may make you feel uncomfortable, the smarter ones will realize it is also the truth. (If any financial advisor still has doubts about this, all they need to do is answer this question: How many of their colleagues have read at least twenty books on money matters?)

Now while this can be a problem, it is also an opportunity. This is your chance to rise above the herd, get better, get noticed, differentiate yourself and make more money – all in one go! Because most of your contemporaries read one or two books only, it will not be too difficult for you to outshine them. All you need to do is read ten books on money matters and you will be ahead of them. Of course, if you read fifty books instead, you will be so far ahead of your fellow advisors that they will not even be able to see your dust! On top of the personal satisfaction of knowing that you are giving better advice, you will attract better clients even though you are charging higher fees.

Of course, reading books is just one part of the answer. You can also get better by getting higher certifications and attending seminars, talks and training programs. I will certainly vouch for it. A big reason you've heard my name is due to me getting my MBA and the Chartered Financial Consultant designation.

So read more books, attend more seminars, get higher certifications and get even better. You can change the world!

Step up to where the light is shining

I suppose that some of the words inside this book and especially in this chapter will make some people a little bit uncomfortable. I can understand: if my parents brought me up with their earnings from selling financial products, I too would find it uncomfortable if someone informed me that their advice and/or products did not bring much good to their customers. I too would find it hard to accept that my parents could have been on the incorrect path. And why is Azizi writing all this harsh stuff? Why can't he just leave things as they are? After all, what damage can all these products and instruments do?

Oh, I could leave it all alone. I could say, "Buy more investment-link policies. Buy the high priced low performance mutual funds. Take everything the wealth advisor tells you as the gospel truth." No one is going to die and I suppose no one will actually go broke by taking those exact steps.

But then there's the whole idea of living to get better – to improve ourselves and the people around us. *The truth is that many of the traditional formulas and conventional answers do not cut it anymore.* They have passed their sell-by date. The problem is no one is telling you that! Most people are not aware of this and the few who are aware are in the system so deep themselves that they could not reveal the actual situation without shooting themselves in the foot. I, as an outsider and unattached to any financial institution, have no such baggage. I can tell it like it is.

At the same time, I did not write this book to attack, to condemn or to belittle honest hardworking men. *But even honest hardworking men can be doing incorrect things.*

So that is why I wrote these words – to share knowledge and information which by the way has brought me, my clients, readers, seminar attendees and followers much success. So I know they will help you as well. I hope that the information will enlighten some minds (including some honest hardworking men) and help them to make better financial decisions so they can lead better lives.

Anyone looking to read more of the same tired old formulas – diversify, fixed deposits, unit trusts – can always turn to the many books on the subject matter. There are also plenty of financial consultants and wealth advisors who will be more than delighted to share these conventional formulas with you. While their ideas may not bring you much financial success, they will say things that you are so used to hearing, so I suppose you'll be contented listening to them. You may not be rich, but you'll be contented!

Another reason is because I really want you to get rich, live rich and die rich. Even a child will realize that conventional answers are never going to cut it here.

You need new answers, new formulas and new ways of doing things to have a chance to do all three.

Anyway, since when are men not allowed to change their minds?

If you were on the incorrect trail before, you can always step up to the right one.

If you were in the dark before, you can always move up to where the light is shining.

Chapter 13: Avoiding large losses

“Be skeptical of everything you read. The media is desperate for circulation, and it will slap on the cover of its magazine or newspaper any damn fool statement that it thinks will sell.”

Richard Russell,
Dow Theory Letters

There are two things to talk about when it comes to losses – fear and greed. While fear will kill you slowly, greed will cut you down in a hurry. So, both are dangerous. But instead of turning and running away, let us meet them head on. After all, to be aware is to be forewarned.

I’ll talk about fear first.

Fear has prevented millions of people from getting their dues in life. They are scared to step out – what if they look out of place in the new venture? What if they bite off more than they could chew? What if they lose everything that they have saved so far? So these people wind up doing something really foolish – they do nothing! Oftentimes, they wait because they want to see things settle down first before making their move. And oftentimes, they wind up waiting forever as it is rare for all the planets to be aligned. And even when they do invest, they invest too little, which as you already know will get them nowhere. Worse, when the investment turns south, and some do for a variety of reasons, they would hold on to the investment, scared that if they sell now, they will lose when the market recovers. Oftentimes the market does not recover, so their losses are magnified.

So the fear is ever-present! Its presence discourages them from investing, from investing a meaningful amount, from cutting losses and from selling out when prices have reached ridiculous levels.

These people lose out on a life worth living because of fear.

Cut your losses

I’ll cut to the chase and tell you right here, right now – *you will lose money*. I don’t have to know you personally; I don’t even have to do any research. I just know that you will lose money. Why? Because as long as the word investment is in the equation, you will find another word in it as well – losses.

All of us, even the best of us, and these include Daim Zainuddin, Donald Trump, Warren Buffett and George Soros, lost money when making investments. Why? Partly because there’s an element of luck in investments, because investments do not behave rationally and mostly because we don’t know everything.

Fortunately, there is an answer to this problem of losing money – or more appropriately, losing big money. This is the solution – cut your losses.

That means that once your investment turns south instead of the expected north, you sell it – even at a loss. That is what is meant by cutting losses.

Unfortunately, cutting losses is perhaps the hardest thing for most investors. Asking them to cut losses is akin to asking for their first born child! Most (as in over 90 percent) are reluctant to do so for one reason or another. I think one reason for this is because the concept is not sexy. By its very nature, the concept of cutting your losses is admitting that you have been wrong. And that is about as much fun as doing a root canal at the dentist! Being proven wrong is such a blow to their ego that they refuse to admit it. “If I don’t sell, then I have not lost. It’s just a paper loss” is perhaps another answer.

But just as visiting the dentist is important to our well being, so is learning to cut our losses.

Why is that so?

Folks, if you want to have a chance of becoming rich and reaching financial freedom, then you must learn to cut your losses.

Why?

Because by cutting your losses, you will avoid making huge losses. In other words, you take the small loss to avoid huge losses.

This is one of the traits that separate the multi-millionaires from the also-rans. Multi-millionaires have no problem cutting their losses; *they accept the fact that they cannot get it right all the time*. Yes, they do the research. They will analyze, check and confirm. Once the signs show a 'go', then they will invest. And they invest big.

But if the investment turns south – and some do for a variety of reasons – they will sell, even at a loss. They do not throw good money after bad and they do not pray for things to turn around. They learn the lesson, and look for another better place to invest in their money.

Likewise, you must adopt this habit of cutting your losses. Once the investment turns south, then sell. Sell, salvage whatever is left and look for another investment. Don't cry over spilt milk, don't think too much of the money that is lost or even the effort that was spent.

A reality of investing is that you will never get it right all the time. Actually, even common sense will tell us that we cannot win all the time. We cannot get it right 100 percent, especially when it comes to investments. In fact, especially when it comes to investments! Investments, by its very nature, involves risks, which in English means that there is a chance that things will not turn out as we planned. Yes, we can increase our chances of winning by doing our homework about the investment before parting with our money. However, the fact still remains that the risk is still there no matter how much research you and I do.

So, we cannot win all the time. In fact, if we get our investment choices right 80 or 90 percent, that is a very good batting average. You and I will be very wealthy indeed with that kind of average.

Still, that means that some 10 or 20 percent of our investment choices will not turn out the way we planned. In fact, they may turn out to be total losers.

By the way, and this is another important point, when some of our investments turn south, it does not mean that we are less of a man, stupid or children of a lesser god. All it means is that we have just made an error in judgment about that particular investment.

In fact, we may have chosen correctly when we made the investment. However, recent events may have annulled all the good points, and so the investment is now a loser. When it happens, and it happens to the best of us, we must cut the losses. Sell them off, salvage what's left, learn the lesson and look for the next investment.

One way to cut loss is by setting a down limit – akin to a stop-loss order used by stock investors. (A stop-loss order is a standing instruction given to the broker. If the price of the share dropped by 10 percent or some other figure decided upon earlier, the broker will sell straightaway without consulting the investor.) You decide on a figure, say 10 or 20 percent from the level that you made the investment. Should the price drop below that threshold, then you bail out while you still can. So bite the bullet, swallow your ego, sell the turkey, absorb the small loss, salvage what is left and look for a better place to invest your money.

Oh, by the way, when you lose money, don't lose too much sleep over it. In short, don't blame yourself too much. All money problems are solvable, and oftentimes, it does not take much to solve them.

Do not take losses too badly – it happens to all of us

I want to share a real life story because some people take losses very badly. I have a coaching client who invested $400,000 in buying a service apartment in Petaling Jaya. (Needless to say, this happened before she became my client!) She was mesmerized by the grand promises made by the salesman: that the rental of the place would be at least $3,000 a month, expats loved the location and the resale price would be over $500,000. It appeared to be a winner and so, she bought a unit.

It turned out later that the apartment was only 40 percent occupied, the rental was only $2,500 and worse, no one was buying on the secondary market. Now this was already bad, but it was worse for her as she had bought the unit against her husband's wishes. Not surprisingly, he was ballistic when he discovered this turn of events. They had a major argument and even contemplated divorcing!

She was crying when she told me this story: she was angry at the salesman, angry at the world and mostly angry at herself.

I had to calm her down. Yes, she made a mistake, but it was still correctable. Actually, her cost was only $2,200 a month (mortgage plus the service charge). She could afford the negative cash flow as she had some spare cash. So even though it was not a desirable situation, it wasn't the end of her life. I told her it was not worth divorcing because of a little financial mistake. I advised her to (a) list down all the lessons from this experience on a piece of paper so that she would always remember them, (b) drop the rental price so that she could rent out the apartment, and (c) sell it as soon as she received a reasonable offer.

In case you are interested, these are the lessons that she learnt from the episode:

1. Do not believe everything the salesman tells you

2. Do not invest just because the salesman is such a nice guy

3. Do not jump into investments

4. Check everything first before parting with your money

The story ended well. She followed my suggestions and made a serious effort to sell the property. She explained the situation to her husband, asked him to take care of their son, and then parked herself at the apartment for three weeks. During that time, she advertised the unit, listed it with many property agents, handed out leaflets, asked for referrals from her neighbors and even showed it to prospective buyers. At the end of the three weeks, she got an offer from a buyer. While the offer was lower than what she wanted, she decided to accept it as it meant that she could get out of her predicament.

The final lessons?

1. You can correct your mistakes

2. You must take serious actions to do (1)

3. It will turn out all right in the end

Greed

I've mentioned fear and how it has prevented millions from getting their dues in life. Now let me introduce the second enemy that is barring your road to financial freedom. Ladies and gentlemen, meet the monster known as greed.

Greed has done untold damage to mankind. Millions have lost their shirts on their backs because of greed and millions more have got into a whole heap of trouble because of greed. Greed is a monster because it can appear anywhere; it doesn't choose its victim. It attacks them all – young, old, tall, short, black, white, Muslims, Christians, Buddhists, atheists, poor, rich – anyone and everyone is susceptible to greed.

Now, there are two definitions of greed: one is wanting more and more. The second, and actually the more dangerous definition, is wanting a lot for a little. An example of the second definition is a 'Get Rich Quick' scheme, or more correctly, scam! Any time an 'investment' promises a lot in exchange for just a little money, it is likely that the investment is a scam. Any time an 'investment' promises an extremely fabulous return in exchange for just a little money, it is almost certain that the investment is a scam.

Unfortunately, while the saner folks can see the huge gaping holes in the scams, the voluntary victims see nothing but clear blue skies. Their eyes have been clouded by greed.

I have to bring this subject up because it is extremely important. If you fall for the scams, you will lose a lot of money and all your earlier efforts may come to nothing. This will seriously affect your plans for financial freedom.

By the way, scams have existed for thousands of years. The only difference now is that the scammers are getting more sophisticated. But while the products and modus operandi may differ, the end results are always the same. The greedy and the ignorant fools will always be lambs to the scammers and fraudsters.

It is not hard to avoid scams – if you know what to look for and just as important, able to control the greed monster in your mind.

Let me share some pointers on how you can recognize scams. Scams usually have a few or all of the point mentioned below:

- **They promise higher than normal returns**

The first clue would be the promise of higher than normal returns. As you already know, a reasonable return would be between 8 to 15 percent a year. Anything above this figure is highly suspicious. While it may not be a scam, you have to tread very very carefully and investigate the investment thoroughly before parting with your money here.

While the whole idea of investing is to get high returns, an exceptionally high return is very suspicious. As an example, the online scam Swisscash promised a return of 20 percent a month (the equivalent of 240 percent a year). Does that make sense when the best investors in the world can only (!) give you 20 to 30 percent a year?

- **They pay dividends on a very regular basis (usually on a monthly basis)**

Very few investments in the whole world pay dividends on a monthly basis. Just about the only one I can think of is when you buy annuities from insurance companies. In short, if the 'investment' pays dividends on a regular basis, that is a danger sign already.

Think about it. Even a profitable business pays out dividends perhaps twice a year. How can an instrument that invests in shares, bonds or commodities pay out dividends regularly when the managers themselves are not getting the payment? The only way an instrument can afford to pay out dividends on a monthly basis is by (a) being extremely profitable (which is highly unlikely), and/or (b) it is using your own money to pay you (which is the more likely answer).

- **There are no hardcopy documents**

Practically all the scams will not have hardcopy documents such as a prospectus or annual reports. They do not have them because hardcopies can be used against them in a court of law. And obviously, no crooks will publish something to trap themselves.

- **The identity of the management team is unknown**

Oftentimes, there are no details about the management team running the show. This is done on purpose, of course, so they can easily run and hide when the show stops.

• **They do not entertain queries from the public**

They will not reply to your queries – e-mails, fax and even your phone calls may go unanswered. Why not? They may not have the answers to your hard questions.

• **There is no physical address**

Same reason as above. No address so you cannot trace them. If there is an address, it's either a fake one or one in a country so far away that it will take you five days to reach there.

• **The media have not heard about them**

If the media (newspapers, magazines, radio and television) have not covered them, that is another danger sign. Why is this so? Because any investments that can give double digits and certainly triple digits return is a newsworthy item. You can rest assured that CNN, Fortune and Forbes will be covering any such investment in no time at all. So if the media have not heard about the 'fantastic' opportunity, perhaps you should stay away as well.

Of course, if the coverage on the 'investment' starts with 'the latest scam in town…', then be glad that you did not part with your money!

I've discovered that whatever the rest of the sane world may say, the 'investors' of the scams would come back with one retort. Just one retort over and over again. Even though the red flags are everywhere, they will ignore it all and proudly retort, "If this is a scam, how come I'm getting my money every month?"

Well, the answer goes like this. "My friend, you are getting your money every month because they are using your own money to pay you. If they promised a return of 10 percent a month, they can pay you for ten straight months, by using your own money. Of course, they will not tell you that! If you are still getting the return after the initial ten months, it is because there are new 'investors' in the scam, who were probably introduced by you."

But as sure as the sun will rise tomorrow morning, it will all come to an end when the supply of new investors slows down or stops – as it eventually will.

People want to believe

Actually, if they just take a little bit of time to analyze some of the deals, even if they knew little about it, they would discover the gaping holes and would therefore realize that it is a poor investment or worse, a scam. Sadly though, a lot people will not and do not take the time to do that.

At the end of the day, people want to believe that they can be rich without working for it. People want to believe that they can be rich without lifting a finger. Common sense tells otherwise, but they want to believe it is possible.

So when a deal comes along promising such a thing, they cannot help but fall for it.

For example, there were a string of obvious and glaring signs why Swisscash had to be a scam. One of these was the incredible monthly return of 20 percent. The lack of coverage by the world's media on them was another clue.

But because people want to believe in the fairy tale that they can be rich without lifting a finger, they fell for it.

And what was the thing that made them believe in Swisscash? They saw the monthly dividend earned by the initial investors, and that was the proof they needed. That Swisscash was real and that they too can get rich beyond their wildest dreams.

Alas, real investments require more than just blind faith – as the poor sobs who lost hundreds of millions 'investing' in Swisscash learnt the hard way.

Yet another clue

Let me share with you yet another clue so you can recognize the scams. Any investment that gives exceptional return year in, year out without incurring any losses at any period is highly suspicious.

Now this may probably confuse some readers. “I thought the whole idea is to find an investment that makes money on a consistent basis. Now you’re telling me to be wary of such investments! Can’t you make up your mind?”

Dear readers, I have made up my mind. It is true that we should look for an investment that makes money on a consistent basis. However, consistent does not necessarily mean it makes money every year. The better answer is that it makes money most of the time.

This is because all investments involve risk, even the best of them. Prices do not go up to the sky or go up every year. There will be down periods when the value of the investment drops, which means that the investor will lose money.

One example is the fabulous Berkshire Hathaway fund ran by Warren Buffett. Although the value of the fund has risen considerably throughout the years (22 percent per annum), there were also periods when the fund gave negative returns. For example, the value of the fund in 2000 dropped by 50 percent from June 1998! And it took eight years to return to the 1998 levels. Another example is the Fidelity Magellan fund that was headed by Peter Lynch some years ago. It is true that the compounded annual return of the fund in the thirteen years that he ran it was 29 percent, but that figure was for the full thirteen years. There were periods when the fund gave negative returns.

So in short, the value of the investment will fluctuate, which means that the investor may experience losses in some years. But as long as the win is more and the trend is upwards, the investor is on the right track.

This is why an investment – particularly equities – that gives exceptional return for years on end without incurring a down year is highly suspicious. If you need an example of this, let me recall the Madoff scam that ran in the US for over twenty years. Until the scam was exposed in 2007, no one, and I repeat no one, lost a single cent investing in the fund. All the investors in the fund made money throughout the years, so no one questioned as to how he could give double digit return even when the stock market turned south and everyone else lost money.

No one questioned, and perhaps no one even wanted to know. By the way, investors with Madoff included some of the biggest names in the world – HSBC, Royal Bank of Scotland, Man Group, Nomura Holdings, Hyposwiss and UniCredit SpA.

So now you know.

There is an exception here though. If the net assets value of the fund is fixed at a certain figure, then there should not be any fluctuation of the capital. Examples are ASB and ASW (both funds under PNB). There is no fluctuation of capital here as the net assets value remains at RM1. In these types of fund, there will be no loss of capital. But these funds are unusual as the net assets value for most of the other funds do fluctuate.

The biggest danger comes from people

But of course, scams do not exist by themselves. They are created and ran by people. So, one way to protect yourself from the scams is by staying away from the scammers and fraudsters. But unfortunately, the people who create or run scams are not so easily identified. They do not wear striped shirts, have a scar on their face nor have a parrot on their shoulders. (If they were, it would be easy to run away from them!) Actually, they look exactly like you and me! More importantly, the scammers have refined their techniques to such a fine degree that it makes it difficult for most people to recognize that they are being led to a trap.

So, let me share a couple of tell-tale signs of scammers and the tactics they use to hook people into their traps. See if you've fallen for them already…

- **They admit a minor defect**

  One tactic commonly used by fraudsters is by them admitting a minor defect about themselves right at the beginning. This admission tends to do two things: (1) it disarms people (we don't kick a person who is already down); (2) it gives the impression that they are honest men (after all, they have admitted a fault). The thing is that after the admission, people tend to assume that everything they say after that is the truth.

- **They ask you to say some good things about their products**

Another trick is by leading you to say some good things about their products. After all, most products will have some good things about them, no matter how dangerous they may be. So the fraudsters will say something like this: “I understand why you think that time-sharing is a poor idea, but there must be some good things about it as well, right?”

Naturally, you have to nod your head as it is a fair statement.

So they follow up: “Can you share with me some of the some good things about time-sharing?”

And if you followed their request, you would be digging your own grave. Right after you rattled the good things about time-sharing, they will turn around and ask you to join the program. At that time, you will find it difficult to say no as it means going back against your own words. After all, you’ve just convinced yourself – remember you said the words yourself – that time-sharing is indeed many a splendored thing! How can you say no when you just said all the good things about it yourself a few minutes ago?

The way to prevent yourself from falling into this trap is by not giving them the answer they are looking for. Turn it around, and ask them to say it instead. “I don’t know much about time-sharing so I cannot comment on it. Why don’t you tell me what is good about them?” This way, you can always say no later on because they are the ones who said the good things, not you.

• They are very concerned about your well-being even though they just met you

I have observed that some salesmen are very concerned about my well-being even though they just met me. Why? Why are they so concerned about my well-being all of a sudden? Where were they for the past forty years? Where were they when the sun went down and the skies went dark and grey? And how do they know that I’m such a nice person that needs saving to begin with? Why, for all they know, I could be the next Hitler, and you obviously do not want to save him!

This is just a tactic to convince me that they are on my side, or to be more accurate, to make me part with my money.

• They appeal to the nobler motives

> Yet another tell-tale tactic is when they appeal to the nobler motives. Suddenly, they are very concerned about saving the Malay race. (I did not know that the Malay race needs saving to begin with. I thought we were doing quite all right, all things considered.) Or they want to save Malaysia from doom. Why? And who elected them to do all these savings? And more importantly, why should all of this saving involve me parting with my money?

Resource

For a complete and detailed rundown on scams and other shady practices, check out my book titled *ScamBuster*. Who you gonna call?

Chapter 14: A doomsday message

This book would not be complete if I did not share the challenges awaiting us in the coming days. This is critical as the challenges in this new decade and the one after will be unlike the ones that we have seen and experienced before. In fact, the challenges will be so different that it will simply overwhelm most people. And the reason for this is because many of the current financial products, instruments, practices and even strategies may be rendered obsolete by the new challenges.

To give you an idea as to what I'm referring to when I mention the challenges ahead, I offer three words – Asian financial crisis. When the financial crisis tornadoed across Asia in 1997, everyone – including brilliant economists, central bankers, fund managers, wealth advisors, financial consultants, CEOs and naturally, the average investors – were caught by surprise. Let me repeat that line for effect – everyone was caught. Before it happened, not a single Malaysian had an inkling of the coming tornado. No one knew. How could we know? We were a South East Asian tiger! The country had grown by an average of 8 percent of GDP in the previous years. So we were in a party mood: The shopping malls were full, buildings rose like erector sets in Kuala Lumpur, new highways were being built, exports were growing and in fact, we were looking forward to even brighter days in the future. And of course, no one had ever seen, experienced or even heard of an Asian financial crisis. In fact, until it happened, the term did not even exist!

But it happened anyway.

And it left trails of destruction in its wake. A lot of people lost their jobs as many companies had to downsize while some others had to shut their doors, never to reopen. The KLSE Composite Index plunged to 262 points in September 1998 – a level not seen for over ten years! The ringgit tumbled from the usual exchange rate of RM2.50 to the dollar to RM4.88 before being fixed at RM3.80 to the dollar. Thousand of properties and thousands more cars were repossessed by the banks and then auctioned off. The construction industry shrank by more than 20 percent and left a trail of half-completed office buildings to mar the Kuala Lumpur skyline. Many of the buildings are still uncompleted today – fifteen years after the event! No one mentions South East Asian tigers anymore.

So that's an idea of what lays ahead.

The killer is this – that is just a small taste of what is coming. If the Asian financial crisis was rated on the Richter scale, I'd give it a five. The coming tornadoes are going to be a ten!

As to what they could be, here's a list of the challenges ahead: multiple bank failures, multiple insurance firms closing down, explosion of the derivatives markets, collapse of the US dollar and breakdown of the financial system as we know it.

If all that sounds nasty, it should be, particularly the last challenge: a breakdown of the financial system, which will bring on much turbulence. While life will go on, there will be many disruptions, confusion, chaos and eventually changes to the way we conduct our affairs. In other words, our lives at that time will be very different.

Of course, it is easy to dismiss all these as nonsense, wild ideas or even scare tactics. I understand if it sounds so bizarre to a lot of people because they have never seen or experienced it before. In fact, no one they know – including their parents, grandparents, elders and teachers – have ever seen or experienced it either. In fact, until they read it here, such thoughts never even crossed their minds.

But you see, every seventy to a hundred years, the situation and the environment changes. New empires rise, and with it, new rules and new ways of doing things. You could say the system resets itself after some time. For example, we are now using the US dollar as the world's reserve currency. A hundred years ago, it was the pound sterling. Two hundred years ago, it was the Spanish dollar. Before that, it was the dinar, the bezant and the denarii of the Roman Empire.

During the changeover, many of the 'normal' things will be abnormal and vice versa. Furthermore, there will also be unusual times where normal rules do not apply. The world experienced this during World War II.

Some others may think the idea of a financial system collapse as antiquated. "That may have happened before because our forefathers were still tinkering with the concept. So there were instances of bank runs, currency devaluations and hyper inflations. But all that is in the past. Proof? The world trade has grown by leaps and bounds since the 1900s. This is despite two World Wars, multiple conflicts, natural disasters and outbreaks of diseases. In short, it has been good times in the last hundred years and it will continue to be good for the next hundred."

And then they will lay down even more points to further strengthen their case: "The economists have finally figured out how to tame money – a store of value – and currency – a means of exchange. The central bankers now know exactly what to do to care for a country's economy – manage the interest rate. The adoption of the US dollar as the world's reserve currency has enabled global trade to expand to levels never dreamed of before. The introduction of new financial instruments such as derivatives has opened up new markets and even created jobs." In other words, yadda, yadda and more yadda about why the good times are here to stay.

I have to admit that while some parts of the arguments are valid, unfortunately, history is against us.

So if these people cared to read their history books, they will see that good times never last. Everything goes in cycles – good times will be followed by bad times. Empires rise and then empires fall. Various dynasties rose to rule the world, and then they collapsed. When they were on top, the idea that they would one day be mere footnotes in history must have been preposterous.

And to add to the confusion, it wasn't all turbulence. In between the ups and downs and sandwiched between the wars, there were periods of peace, calm and prosperity – golden ages if you will. Now these golden ages can last for many years. So, as a result of the peace and prosperity, it is not uncommon for people living during these periods to develop the notion that the good times will last forever. In fact, I suppose it is only natural for them to believe, or at the very least hope, for the sun to remain shining. Past glories can and do get in the way of current challenges.

Let me share what Mihaly Czikszentmihalyi wrote in his excellent book *Flow*:

"*But there are times when the feeling that one has found safety in the bosom of a friendly cosmos become dangerous. An unrealistic trust in the shields, in the cultural myths, can lead to equally extreme disillusion when they fail. This tends* *to happen whenever a culture has had a run of good luck and for a while seems indeed to have found a way of controlling the forces of nature. At that point it is logical for it to begin believing that it is a chosen people who need no longer fear any major setback. The Romans reached that juncture after years of ruling the Mediterranean, the Chinese were confident of their immutable superiority before the Mongol conquest, and the Aztecs before the arrival of the Spaniards."*

Now, it may not feel like it to some people, but I believe that we are in such a golden age right now. I believe that we have been in the tranquil period for the past fifty years. After the horrors of the two World Wars, everyone had just about enough of the pain and the destruction so they did their utmost to avoid conflicts, which is obviously a good thing. So they concentrated on taking care of their families, rebuilding their countries and creating wealth, which is another good thing!

Unfortunately, for a variety of reasons, all that tranquility will probably be coming to an end soon.

The fall of the current master of the universe

The current master of the universe, the US, may believe that it is written in the stars that it is their destiny to rule the world. And more importantly, they will continue to do so for all eternity. And I suppose, who could blame them? They have been calling the shots for the last hundred years and the whole world dances to their tune. So much so that what happens in the world is what the US government wants to happen.

The situation is compounded by the fact that a lot of people have been predicting the fall of the US ever since the country was founded! But the Americans did not only come through; they became better, stronger and wealthier, crisis after crisis. For example, instead of imploding as a result of the Civil War in 1861, the country emerged whole, bigger, stronger and even wealthier after the war ended four years later.

And then the country was gripped in an economic doldrums so severe in the 1930s that it was termed as The Great Depression.

Despite this massive drawback, the US emerged as the world's leading economic power after World War II ended. And when their gold holdings dropped to dangerously low levels in the late 1960s, they changed the rules by making the dollar entirely fiat, *i.e.* not backed by gold any more. That solved the problem of them having to redeem the claims for gold in exchange for the dollar from other countries. The move also enabled their economy to grow to unprecedented levels. In other words, they came out better crisis after crisis after crisis.

So much so that they may actually believe that they are indeed the chosen people.

Incidentally, as Czikszentmihalyi pointed out, that was what the Romans, the Chinese and the Aztecs thought before their fall. And may I add a couple more: it was what the Egyptian Pharaohs thought when they ruled the ancient world for three thousand years and their pyramids rose majestically from the desert sands, it was what the Spanish conquistadors thought when they brought back untold amounts of gold and silver from South America and made Spain the richest country in the world in the 1700s, it was what the British thought when they ruled a quarter of the land and all the seven seas in the 1800s. All are mere footnotes in history today.

But since I began the story by mentioning the US, I suppose it is only appropriate that I also use an American example to illustrate my point.

Until Mount St Helens erupted in Washington State in 1980, mainland US has not seen a volcanic eruption for over 65 years. Because of this, the only experience the volcanologists who were monitoring St Helens had were only from monitoring the volcanoes in the Hawaiian Islands. As it turned out, Mount St Helens was different from the Hawaiian volcanoes. The Hawaiian volcanoes tend to blow straight-up as they had open vents. Mount St Helens did not have such vents, which meant it could blow sideways. However, none of the geologists thought about this as they had never seen a volcano erupting sideways.

The rumblings started on the 20th March. A week later, St Helens started to blow out small amounts of magma, up to a hundred times a day. In fact, as the rumblings grew, the volcano became a tourist attraction – people were climbing over the sides while television crew flew their helicopters to the summit so that they could get a better shot of the action for the world to see. But as the days went by without much significant activity, the volcano kept shooting only small amounts of magma, and people actually thought that it was not going to blow at all.

But on the morning of the 18th May, the north side of the volcano collapsed and an avalanche of rock and dirt rained down the sides of the mountain at a speed of 250 kilometers an hour. In fact, it was the biggest landslide in human history. But that was just the start. The volcano then erupted with a mega bang – the equivalent of 27,000 atomic bombs – and shot off hot lava into the atmosphere. Everything happened so fast that many people were caught by the falling magma, lava and debris, including those who were thought to be in the safe areas. In all, fifty seven people lost their lives from the eruption. In fact, the death toll would have been higher had the eruption not been on a Sunday as many people worked within the ‘safe areas’.

The moral of the story? Just because you have never seen, heard, experienced or read something about it before does not mean it cannot happen. Just because the *experts* or the *authorities* have never seen, heard, experienced or read it before either also does not mean it cannot happen.

As the fifty seven people who paid the ultimate price would also tell you – bad things can happen even if the experts say, “It’s impossible.”

Despite this very real tragedy, some people will still have doubts because all these incidents happened elsewhere – the US, ancient Egypt or some other countries. That’s them, not us. They are there and we are here. Different place, different time, different people.

So let me share with you some of the words that I wrote in my book *Get Into Gold.*

Now you will recall that I wrote about the possibility of a collapse in the financial system earlier. You read it, nodded your head and went on with your reading. So, although the words sounded nasty, it did not register as a major or significant threat to you. It neither triggered any bells nor did it measure a magnitude in the Richter scale of your brain.

Well, you could be forgiven for discounting this major threat. After all, very few Malaysians have first-hand experience of a financial collapse. So because of this, such thoughts do not cross our minds, and hey, I dare say, is even beyond our imagination! Even the few that have experienced it (I'll tell you who they are shortly) may have forgotten about it because it happened so many years ago.

So yes, I can write about the possibility of a collapse in the financial system. But I might as well be talking a different language if I did not elaborate on the significance as the impact of the words would be missing.

So with that in mind, draw the curtains, turn down the radio and take a seat, for this part is about doomsday.

A collapse in the financial system is an unregistered threat

It is hard for the average Malaysian to picture a world turned upside down. After all, we are still a young country, just over fifty four years old, a mere toddler where countries are concerned (some countries in Europe are over a thousand years old!). Many of us were born after Independence, after much of the troubles had dissipated or been completely eliminated. So, we escaped much of the hard and harsh times. We have not seen multiple bank closures, abandoned towns, riots and certainly not experienced being in a country at war. While there were obviously some heart pounding moments and hair raising events – the KLSE crashes of 1987 and 1997, Pan-Electric crisis, BMF scandal and BNM foreign exchange losses – they did not do too much damage (relatively speaking, of course). They caused some flesh wounds – a few companies turned turtle while some guys lost their shirts – but the economy still went chugging along. Just about the only raging turbulence that caused serious damage was the Asian financial crisis in 1997. But when compared to the troubles raging in the outside world, we came out all right. So while we may not have facilities like a First World country, life here is peaceful. Slow, steady and tranquil.

Because of this, many of us have developed immunity to the troubles of the real world. (I'm referring purely to financial troubles here. I'll leave the riots, revenge killings, revolutions, military takeovers and wars to other writers.) We may read about it and we may hear about it but because we have not experienced it personally, we cannot grasp it. The idea that such things can happen and happen to us, well, is simply preposterous! So much so that terms such as multiple bank failures and collapse of the financial system do not even exist in our vocabulary!

So, when they first hear about the possibility of a collapse in the financial system, many people will raise their eyebrows. The idea will be so bizarre to them that it might as well be something right out of a science fiction movie, for example *The Matrix*. The few that do think it can happen, if it happens, mind you (they are still skeptical), believe that it will be like the stock market crash in 1987 or when they bought properties in the wrong locations or when they lost money 'investing' in dubious schemes such as Swisscash. Yes, it was bad because they lost money but they still had their jobs and therefore still had money coming in. They still owned their house, their car and still had some money in the bank. Their friends, family members and neighbors still went on with their lives as per normal. In short, despite the tragedy, life went on pretty much as it went the day before.

So they think that life will go on as per normal when the system collapses.

It will not!

Life will be different in case of a collapse

It will be different because as its name suggests, in a system failure, it is the whole system that fails; not just a single or individual market failure. It is not just the stocks, but banking, bonds, unit trusts, insurance, currencies and certainly derivatives – the whole enchilada.

So things will not be as they are today – they simply cannot.

Now, before I share with you some probable scenarios of a system collapse, let me also state a disclaimer. Forecasting about the future, particularly the future of money, is a hazardous job because *anything can happen!* There will be a lot of 'ifs' and 'on the condition that'. I will also state upfront that not all the scenarios mentioned here will play out as scripted. Some will happen, some will not. Further, there's no telling what the authorities will do when the cookie crumbles, especially as they have never faced such a monster before. They might take the high road, they might do the right thing, they might panic, they might throw in the towel, they might go berserk or they might do some really strange things. (I know some of you will claim that the authorities do not even need to see the whites of the enemy's eyes to do some really strange things, but just play along with me for this one, okay?) So again, *anything can happen*.

However, the one sure thing is that the scenario will be very different to the one that we are used to. *Many things that we accept as normal and take for granted now may not apply at that time.* For starters, it is a given that many financial institutions will fail. Those include banks, insurance, unit trusts and securities companies. The few that remain open will have limited banking hours. Further, it is likely that the amount of withdrawals will be limited – for example account holders will be allowed a maximum withdrawal of $5,000 per month. It is also likely that there will be a freeze of withdrawals from government institutions such as the EPF.

Hey, I told you that life will be different!

Next, a lot of goods, particularly food, will have quotas: we can only buy a limited amount a month. There will be price and wage controls. The authorities will launch a massive propaganda assault against ‘hoarding’, ‘profiteers’ and ‘speculators’. Black markets may arise to provide goods to those with the means.

It is likely that capital control will be reinforced to prevent the flight of money overseas.

New laws will be enforced, some of them draconian, and it will make some current practices illegal. By the way, it is not too difficult for the authorities to do this: all they need to do is tack on the label ‘for national interests’, and everything will be rubber stamped.

Under the turmoil, many businesses will close down, leaving tens of thousands without jobs. Thousands of others will not be able to repay their loans because of the sky high interest rates, leading to massive defaults. Many others will be in trouble because they have no reserve funds and lack liquidity. *Many of these people will be your acquaintances, friends, family members and neighbors. Many people close to you will be in deep trouble.*

Worse, there may be no one who we can turn to. No one to ask for help because everyone else is also drowning, no one that we can sue, no one who can address our problems, no insurance companies to mitigate our losses, no godfathers to turn to and perhaps no institutions left to bail us out.

And mind you, these are just the financial issues. I haven't mentioned the possibility of social unrest yet. Considering the world is crumbling down left, right and centre, it would be too much to expect everyone to stay a gentleman. However, that is a story for another day, another book and another writer.

And oh yes, the horror story is not just for this country. Similar tragedies will be replayed in practically all the major countries in the world. Very few countries will be able to escape the collapse. In short, we cannot expect much help from our neighbors, the IMF, or even the more prosperous countries.

Now all this might be too far-fetched for you, but it may not be to your parents and certainly grandparents. They have actually experienced it themselves before. Yes, the system has collapsed in this country before.

Japanese Malaya

When the Japanese forces invaded Malaya in 1941, everything that was normal during the British rule was changed. Everything turned upside down, old rules were thrown out the window and accepted norms were not the case anymore. And as if just to prove a point or two, the Japanese conquered the country in just two short months. Then they took over Singapore (that was billed as a fortress – the Gibraltar of the East – by the British) in just a few weeks, even though their army was vastly outnumbered by the British contingent. The colonial masters were literally brushed aside by the Japanese army, something that was unthinkable just a few short years before. (Apparently, when he was told about the first Japanese landings in Kelantan by General Arthur Percival, the Governor of Singapore, Sir Shenton Thomas said with a sleepy voice over the phone, "Well, I suppose you'll shove the little men off!" Three months later, it was the little men who shoved the British out of Malaya and Singapore.)

In the aftermath, life changed in Malaya. Among others, our grandparents had to learn Japanese in school, had to sing Kimigayo every morning while raising the Japanese flag, and had to bow when talking to a Japanese person. In short, they had to learn the Japanese custom, culture and tradition and forget everything British. English films were out and only Japanese and Asian movies were shown in cinemas. Even pictures of the King and Queen of England and books and magazines featuring the Royal Family were proscribed. There were many new rules, regulations and laws that were set up. Worse, the laws were complex and changed often, so much so that no one was sure whether he was not breaking some law at some point in time! Some of these new prohibitions include making anti-Japanese remarks, listening to a short-wave radio, owning a short-wave radio, discussing radio news, talking about the war in unfavourable terms, spreading rumors, complaining about the administration, complaining about the high cost of living and even making sarcastic remarks about the government! Basically, everything that was normal during the British rule became big no-no's at that time.

The Malayan dollar (the currency during the British rule) became scarce and so the Japanese issued their own currency instead, termed as banana money due to the banana tree motif on the notes. They churned out so much of it that it led to hyper inflation. Rice that sold for $5 for 100 catties before the War shot up to $5,000 during the occupation! Black markets rose to supply even the basic necessities. To say that life was hard then would be an understatement. The tapioca replaced rice as the staple diet of the population, so our grandparents had tapioca for breakfast, lunch and dinner!

And when the Japanese surrendered in 1945, the whole system was revised yet again. Our grandparents had to unlearn the Japanese way of life and reverted back to the British system. Needless to say, the banana currency became worthless practically overnight. The transition back however, did not go smoothly. There were confusions and periods of uncertainty. In fact, it took some years for the economy to be restored to pre-war levels.

Err on the side of caution

The whole point that I want to share here is that many things will be turned upside down when the financial system collapses, just as it happened during the Japanese occupation.

Of course, the bad times will also not last forever. Order will eventually be restored, and life will slowly get back to normal, just as it did before. However, this process may take years! There will be periods of uncertainty and unrest. So, there will still be much pain during the recovery as well.

In the meantime, you and I have to take care of our families. We must have a roof over our heads, we need to clothe and feed our families, and we need to ensure their safety. All these will cost money – which at that time will be a scarce resource. Oh, let me correct that statement: there will be plenty of paper money. The only problem is that it will not buy much. A loaf of bread may cost $1,000 or even $10,000!

Many of our so-called assets may not be of much help at that time. It is a given that the stock market will crash (assuming that it is still open for business), so there goes our shares and unit trusts. Insurance is also out as most of the insurance companies would have closed shop already. Properties can help, on the condition that we own them outright, and can trade them for something that will enable us to buy the necessities. But then how many of us own our properties outright? Further, properties are illiquid because it can take months before we can get the money after a sale.

So we need an asset that (a) holds its value during these dangerous times, (b) is portable, and (c) is liquid.

"And what might that asset be, pray tell, oh dear guru?"

One of them will be gold. To be exact, the right form of gold. So yes folks, the gold that you buy today may be just the thing that ensures your (and your family's) survival during the trying times. It may tide you over until order is restored. And hey, it may actually make you an extremely wealthy man if you happen to own lots of it.

Oh by the way, you will still face some discomfort even if you took all the actions I recommended in this book. Life during times of uncertainty is never smooth or pretty. However, your problems will be small compared to the problems faced by the tens of thousands who took little or no action. In short, your discomfort will be minor while others will be major.

Of course, I could be wrong here, as I often am. A miracle might happen; the dollar might somehow manage to avoid crashing, the rest of the world is happy to continue subsidizing the high spending Americans, the US escape with hardly a scratch and the world will carry on as it is now. Knowing what you know now, that is a very unlikely scenario. Still, I hope I'm proven wrong because I have no big desire of experiencing life in a depression. I have no death wish to experience life in a world turned upside down. I'm happy to just read and write about it. I would rather be known as the man who wrote good books in the most glorious era in the history of the world (and who stayed rich right into his old age!) instead of the seer who foretold the collapse. In short, I would rather be rich than right!

Furthermore, I believe that the depression quota in my family tree has been used up already. My grandparents have experienced it in the 1930s and then again in the 1940s, so that should be enough!

As the eternal optimist, I believe that tomorrow will be a better day. But as I'm not an ignorant optimist, I also prepare myself for some discomfort. Life has taught me to err on the side of caution, and build in safety margins. So, I do not mind spending money buying umbrellas even though the sun is still shining. I hope the sun will shine forever, but I will be ready in case it rains. My friend, hope, is a poor strategy when it comes to war and also money matters.

As I always tell my clients, to be rich is glorious. But what's even more critical is to ensure that you do not become poor!

Final Words

So, now you have a better idea of what may happen in the coming days. The news is not good, but you have a better idea!

"But why will all these bad things happen? It's almost like wrath from God. I don't see us doing anything so wrong that we deserve such a fate," some people may ask.

Good question. Let me now share with you the reasons why the tornadoes will come a-blowing even though we may not be doing anything wrong.

Chapter 15: Why we will suffer even though we did nothing wrong

I was once the main suspect of a theft.

I was in a boarding school at the time. One Saturday afternoon, I feel asleep in my dorm after coming back from a day out in town. This was highly unusual for me as I hardly slept in the afternoons. Anyway, I woke up at about 6 pm, took a shower and got ready for dinner.

That nap became eventful in more ways than one. There was a commotion in the hostel that night – it turned out that a roommate had lost $60. Naturally, the other students in my dorm – all eighteen of us (it was a big room) – became instant suspects. Unfortunately for me, I became the prime suspect as I was the only one in the dorm when everyone else was out exercising on the fields. Though no actions were taken against me as there was no evidence that I took the money, the spotlight remained on me simply because I was in the dorm when the theft happened. The whole school believed that I was the culprit. For the next three months, some of the other students gave me funny looks and whispered behind my back.

I was in the wrong place at the wrong time. I was innocent, yet I had to bear the cross all the same. I must admit to being very upset at events at that time. I even blamed myself: why oh why did I fall asleep on that Saturday when I hardly ever sleep during the daytime?

That was when I learnt that bad things do happen to good people.

I suppose the only consolation is that I'm not the only person in the history of the world to suffer such a fate. *The truth is that bad things happen to all of us.* In fact, some people went through worse experiences. People have gone to jail or even lost their lives even though they were innocent. *You* could probably recount similar tragedies that have happened in your life. You did no wrong but had to suffer the consequences all the same.

Those tragedies involve individuals. Now replace 'individuals' with 'countries'.

Yes, tragedies can strike innocent countries too.

The imminent collapse of the US dollar

Throughout the ages, there is one phenomenon that repeats itself time and again. Every time an overexcited empire gets too full of itself, the government winds up printing too much money which leads to hyper-inflation, which in turn causes the value of their currency to dive. And every time the value of the currency dives, the price of gold shoots up. This happened in ancient Athens, Rome in 310, France in 1720 and Germany in 1923.

Today, that empire is the US. They may not look like the traditional empire as is commonly defined (ruling over large tracts of foreign lands ala the Roman and British Empires) but believe you me, they are an empire. For the last hundred years, they have been calling the shots, and the rest of the world would pretty much nod their heads in agreement (albeit grudgingly). Very little happens without their permission and these include the ruling Heads of countries. If the US believes that the Head of a certain country has outlived his usefulness, that Head will roll. Some examples are Marcos of the Philippines, Suharto of Indonesia, Saddam Hussein of Iraq and the latest being Hosni Mubarak of Egypt. If the Head refuses to go willingly, then he will be removed by force. Occasionally, he may be taken out altogether, like what happened to Omar Torrijos of Panama and Jaime Roldos of Ecuador (according to John Perkins, author of *Confessions of an Economic Hit Man*, both were erased by the CIA).

America loves war!

“In our history, we’ve had a major war every ten years. We suck at everything else but we could bomb the shit out of any country full of brown people. Only brown people. The last white people we bombed were the Germans. Because they were trying to dominate the world, and that’s our job!” wrote George Carlin. And that just sums the US up.

If the words still do not click for you, then check out Carlin’s video on YouTube entitled *George Carlin – We Like War*. This ten minute clip of the late comedian's show in 1992 will make you laugh and think at the same time.

Rest in peace, George. You're not only funny, but you also made some people think.

With that much power in their hands, it would not be too surprising if the empire gets too full of itself. And when an overexcited empire gets too full of itself, for a variety of reasons, they wind up printing too much money and fighting too many wars. Now, they know the dangers of doing so but it appears that they are willing to dance with the devil in the hope of keeping the empire intact.

Unfortunately for the rest of the world, if the US is in trouble, we are also in trouble! Hence the often quoted statement: 'If the US sneezes, the rest of the world catches the cold.'

One of the reasons why this is so is because the US dollar is the world's reserve currency. The dollar is featured in almost 90 percent of all foreign exchange transactions. This basically means that almost all the world's trade is done in dollars. Firstly, anytime a country buys or sells to the US, the trade will obviously be in dollars. But even trades between other countries are done in dollars. For example, when Singapore or any other country buys palm oil from Malaysia, they pay in dollars. Ditto applies to trade between South American countries and trade between African countries.

Now this system is fine and has at least three benefits. One: it keeps everybody on the same platform. Two: it minimizes foreign exchange cost. Three: it helps boosts international trade and investments.

However, this system will only continue to work if the dollar remains strong and credible. The moment the participants are skeptical about the dollar, it is a matter of time before the system breaks down. After all, would you accept a currency that you know is fast losing value?

Unfortunately for all of us, the dollar is fast losing both strength and credibility. In fact, the dollar has lost 85 percent of its value since 1971, which in English means a 1971 dollar is now worth only 15 cents. If that period is not long enough for you, the dollar has lost over 95 percent of its value since 1913 and is now worth less than 5 cents!

The situation is further exacerbated by the current policy of the Federal Reserve of printing even more dollars. The Chairman of the Federal Reserve, Ben Bernanke, printed over $1 trillion of new dollars in 2009 alone. This money – conjured out of thin air – is to battle the rising deficit, credit crunch, subprime crisis, bailing out the 'too big to fail' companies (American Express, GM, AIG, et al.) and other dragons. Bernanke is on a mission to prevent deflation from hitting the US (which he believed to be the main reason for the Great Depression in the 1930s) and will do whatever it takes. His main cure for deflation is by printing as much money as he can. As a result of all this, the dollar is losing value by the day!

The exploding trade and budget deficits of the US

If there was a manual on how *not* to run an economy, it would read something like this – create trade and budget deficits. But that is exactly what's happening in the US. Both their trade and budget are in deficits, and the figures are simply monstrous!

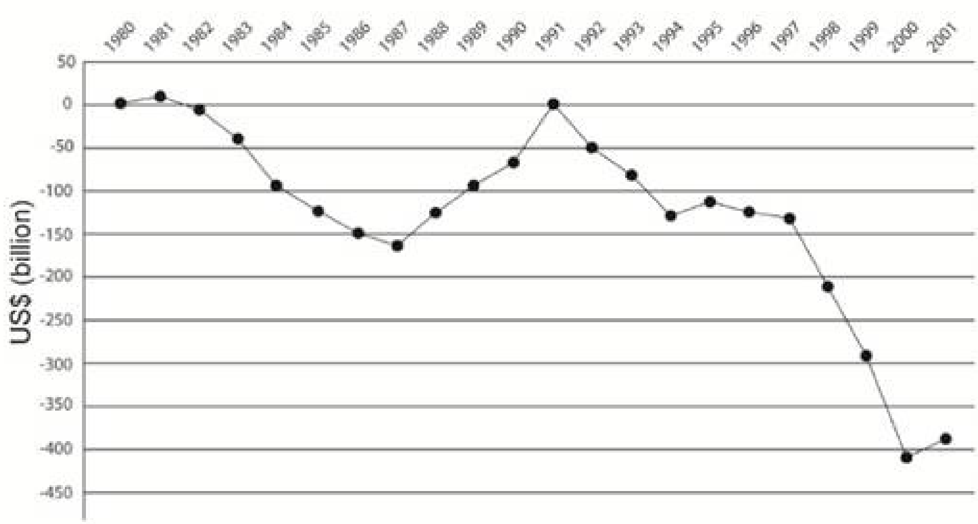
Their budget has been in a serious deficit since 1969 when Richard Nixon was president. However, the situation grew from 'serious deficit' to a free-fall beginning in 1980. While the US was the richest country in the world before 1980, the situation has pretty much reversed itself since. And because of their budget deficits, their public debt grew from $73 billion in 1980 to $221 billion in 1990, touched $10 trillion in 2008, ballooned to over $13 trillion in 2010 and forecasted to shoot up to $20 trillion at the end of 2013. So today, the US is not only the world's biggest debtor nation – they are the world biggest debtor nation ever!

The interest payment on their debts is over $100 billion a year, or more than $300 million a day! (It first passed the $100 billion figure in 2005.) And because 47 percent of the Treasury and US bonds were bought by foreigners (China, Japan and UK tops the list), it means that almost half of that money left their shores.

"The countries that hold US currency and securities in their banks also hold US prosperity in their hands. That prospect should make Americans uncomfortable."

Lawrence Summers
Former US Treasury Secretary

The debt of the US is scary, but that's just half of the horror story. Their current account deficit is growing by the day – literally. Check out the following chart.



Throughout the last century, all the countries that were spending beyond their means had to pay the price when their currencies were devalued. Argentina, Mexico, Thailand, Russia and even big economies such as France, Germany, Britain and Japan – all paid the price. All except one – the US.

For a long time (too long in my opinion), other countries has been propping up the US by supporting the dollar. Many central bankers are scared of the results should the dollar be allowed to find its own way; chaos, disruptions to the status quo and perhaps the collapse of civilization as we know it. So even though the US is spending beyond its means, and with no way out in the near future, it is still moving along because the rest of the world is covering up for them. But the question remains – for how much longer?

“Why are so many people willing to hold dollars with a bulging current account deficit, growing debt and a country living beyond its means? You have to ask how long this state of affairs will last.”

Paul Volker
Former Chairman of the Federal Reserve

In case I did not make it clear why Malaysia will be in such hot water once the US is in trouble, it is because the US is not only one of our biggest trading partners, but they are also one of the biggest foreign investors in the country. If your best customer is in trouble, it is obvious that you will feel some of his pain as well. If he cannot buy as much as he used to, you will suffer as well.

Of course, we will not be the only ones to suffer the pain. Practically all the other countries in the world will be affected as well. The only question is how bad.

The monstrous debts of major countries

Now having the world’s biggest economy in trouble is bad enough as it is, but the horror story does not end there. No, my friends, that is just the beginning!

Morgan Stanley published a report in 2009 showing that seven out of 10 of the world’s largest economies having monstrous debt levels. In fact, all seven have debts exceeding 250 percent of their GDP. These countries include the UK (over 450 percent), Japan (over 450 percent), Spain (over 300 percent), France (over 300 percent), Australia (over 280 percent) and not surprisingly, the US (over 270 percent). And since the report was published, the figures have pretty much gotten worse!

This 250 percent of GDP figure is significant as there is no historical precedence of a country having debt higher than that figure escaping from a financial crisis or inflation. In other words, these countries are facing very formidable challenges ahead. They will have to undergo some painful periods if they want to bring down the debts to more manageable levels. This will include cutting expenses to save money and then using the savings to pay off the debt. Unfortunately, that means going through a severe recession. Unfortunately again, it doesn't look like any of them are willing to bite any such bullet. They will continue to borrow, spend and print even more paper money which will lead to hyper-inflation and then a total shutdown of the economy.

Now while the world can absorb the failure of small economies like Greece or Ireland, the failure of a major economy like the UK and certainly the US will bring untold destruction to the country. In fact, the destruction will be so far-reaching that it will extend well beyond its borders. It will be unlikely that the IMF will have enough money to bail out the UK and certainly the US. And it is for certain that there will be insufficient money available in the world to bail out should these major economies fail at the same time!

The imminent explosion of derivatives

The way things are going in recent days, it would appear that there is growing distrust of the current financial system. While we still do believe in the current system, a lot of people – including economists, central bankers and even governments – are beginning to have second thoughts. They have seen the chaos: the subprime crisis, the real estate bubble, the fall of financial giants such as Lehman Brothers and Merrill Lynch, the collapse of 'too big to fail companies' and the $50 billion Ponzi scheme conjured by Bernard Madoff. They are all the result of excesses in the current financial system.

The drama is not yet over and the worse may be yet to come. A few financial instruments in the market today did not even exist thirty years ago. One example is derivatives: financial instruments that are so complex that you cannot talk about them and not use the word 'complex' in the same sentence! Few people understand them and even fewer know how to measure their risks. So they are potential time bombs. There has been only one live test so far, the fall of Long Term Capital Management (LTCM) in 1998, and that nearly floored the whole banking system! As you already know, LTCM was co-founded by Nobel Prize winning economists and was ran by brilliant economists! What is really scary about it is that the value of the derivatives contracts when this happened was less than $70 trillion. The market has exploded since then so the same contracts were valued at over $700 trillion in 2011, over six times larger than the global GDP! So any sudden jerks and certainly failures in that market will bring much pain – perhaps even a global collapse of the financial system as we know it.

It is little wonder that no less of an authority than Warren Buffett said that derivatives are weapons of financial mass destruction and should be outlawed. It is the proverbial genie that should have been left inside the bottle. But now it is free and only God knows the damage it could do to the world.

"We can't solve the world's problems by using the same kind of thinking we used when we created them."

Albert Einstein

The conclusion

So there you go folks, my arguments as to why the current financial system has its days numbered. They are just four but they are the game changers; the ones which will render much of the previous answers obsolete. I must state that I did not go in great depths here as this book is not a study on the state of the world's economy. There are a number of very good books that dwell in detail about the subject; you should read them to get the complete story. Still, I hope that I have done enough to convince you that while we (we as in BNM and the country as a whole) may not be doing anything wrong, we will be hammered just like all the other countries in the world. No one will be spared and no country will escape from the fallout.

Yes, ladies and gentlemen, the monster tornadoes are real, they are out there and they will be coming our way soon!

At the same time, I cannot help but quote an old Chinese saying, ‘Where there is danger, there are also opportunities.’

All’s well ends well

The real thief of the $60 was finally identified three months after my unfortunate nap. He was one of my roommates; a guy almost everyone thought was the least likely guy to take the money. I don’t quite know how he was exposed – perhaps he told what actually happened to a friend, perhaps he needed to get it off his chest, or perhaps he boasted that he got away with it – but the main thing was that he was caught.

And so my name was cleared.

But I have never forgotten the incident – bad things can hammer you even though you did no wrong.

You should remember it as well.

Chapter 16: What you can do to protect yourself

Right, we've now come to the juicy bit. This is the part where I reveal the steps that you can take to protect yourself and yes, benefit from the fallout.

Just before I slide open the curtains though, I need to remind you about the perils of predicting future money events, as anything can happen. As I wrote earlier, not all the scenarios mentioned in this book will play out as scripted. Some will happen, some will not. So, again, *anything can happen*.

And with that neat disclaimer, here we go, baby:

- **Increase your Reserve Fund to at least one year**

In my first book *Millionaires are from a Different Planet* and also in Part 1 of this book, I suggested readers create a Reserve Fund worth at least three months of their living expenses. And in case some people missed it, that's 'at least', which naturally means a higher figure is better!

But as the coming challenges are a different ball of wax altogether, I think I'd better spell things out clearly. So, now what I want you to do is to increase your Reserve Fund to at least one year of living expenses. For example, if your monthly expenses are $5,000 a month, then your Reserve Fund should be worth at least $60,000 ($5,000 x 12).

Now don't get a heart attack if you do not have anywhere near that figure! The word here is increase, which means build up. If you do not have it yet, then start building up for it today. You may want to increase the saving percentage though so you can get to the figure quicker. It is likely that you will have to forego some luxuries and perhaps even make some lifestyle changes to do this. I assure you that the sacrifices that you make today will certainly be worth it in the future.

Let me now address the why.

The most important thing you can do from a financial perspective in times of trouble is to have liquidity. While having other assets such as properties will obviously help, what you need most at that time is liquid cash. The cash will enable you to buy the necessities – food, clothing, medicines, shelter – which may be hard to find at that time. The cash will also give you an advantage over others that lack it – you will get the first choice because you have cash while others can only offer other stuff; some people will have to resort to barter trade for the necessities, not exactly an attractive proposition for all concerned.

This is why having a Reserve Fund worth one year of living expense can only help you.

Of course, the cash will also enable you to grab the many opportunities that will present themselves at that time!

• Minimize your debts

The second step is to minimize your debts, especially large debts.

You can do this by (1) not buying anything expensive that will require you to take on new debts; (2) selling some stuff, which may include your properties, to realize the profits and reduce or pay off the existing debts.

The people that came through unscathed during the 1930s Great Depression in the US were those who were debt free. They did not suffer as the people who took on debts did. As the economy nosedived, prices plummeted, businesses shut down and even whole industries were decimated. The unemployment rate shot up to 23 percent in 1932 and peaked at 25 percent a year later. As if that wasn't bad enough, over 9,000 banks closed their doors, and many never reopened them. As a result, millions of people lost their savings and could not pay their loans, which caused the banks to repossess their cars, furniture, properties and even businesses. Some families actually lost everything.

This is one reason why I always caution my readers, seminar attendees, clients and faithful followers to be very careful when taking on debts. While there is nothing that feels quite as good as when you are making money from other people's money, there's also nothing quite like it when the tide turns and you are unable to repay the loan. You can turn from a genius into a monster fool in a flash. Such is the power of debt.

More importantly, it appears that the interest rate will continue to rise in the coming days. It has already gone up four times in the last eighteen months and I believe that this is just the beginning. We don’t know how high it may go, but I wouldn’t be too surprised if the rate went up to double figures. And when that happens, things will get really interesting – to put it mildly. There will plenty of people who will be out in the streets. When the banks start repossessing their belongings because of the non-payment of loans, they will have little choice but to get out from their house.

• Convert existing mortgages to fixed interest rate

Of course you will not be selling all your properties. You will need at least one – the house that you are staying in.

So what you want to do here is to convert all existing mortgages to ones with a fixed interest rate. (Of course, this is assuming that you took the variable interest rate mortgages earlier.) By doing so, you would have capped the interest rate to a known and more importantly manageable figure. Any further interest rate hikes will not be of great interest (pardon the pun) to you. In fact, I wouldn’t be too surprised if you stop caring about interest rate altogether!

By the way, I’m not just a preacher, I’m also a doer. For this is exactly what I did in recent times. I took on variable interest rate mortgages when buying properties in the past. I’ve since sold most of the properties and converted all the remaining mortgages to ones with fixed interest rates. On top of capping my costs and protecting myself from further interest rate hikes, I’ve actually saved money already as the interest rate had actually climbed during the period. *Hallelujah!*

• Invest in gold and silver

To protect yourself from the collapse of the financial system, you need an asset that is outside of that system. Only after doing that can you consider yourself to be truly diversified and protected. If the asset is in the system, it is obvious that any fallout of the system will take that asset down with it. (Assets that are in the financial system will include many of the instruments that we are so used to – paper money, savings account, current account, money markets, shares, unit trusts and even insurance.)

This is why you will need to have some hard assets with you – namely gold, silver and properties. Since I spoke about properties already, I’ll talk about gold and silver here.

Gold and silver are both money in itself. They are not tied to the current financial system and therefore will still be there when the sky starts falling down. As the other financial instruments will be practically useless at that time, we may revert to using gold and/or silver as currency. So yes, the gold and silver that you own today may just be the thing to ensure your survival in the coming days. Of course, there is also a possibility that the world will revert to the gold standard used so successfully a hundred years ago.

In case this may sound theoretical, this is one reason why the price of gold has shot up since 2001. In fact, gold has been the top performing asset in the last ten years, giving a return of over 19 percent per annum. And by the looks of things, that performance will continue for the next few years at least. Silver has been catching up with gold in recent days; the price has gone up by over 110 percent in the last twelve months, reaching $48.58 per ounce before turning down slightly at the time of writing.

At the same time, I must add that it is not enough to invest in gold and silver. You must invest in the right form of gold and silver! If you choose the incorrect form, you could actually lose money even though the price is rising!

As this is a story by itself, I urge you to check out my book titled *Get Into Gold*.

• Create MSI

As I wrote earlier, I believe that the most dangerous thing from a financial perspective is to have only one income source. What if that source dried up? While this question may sound absurd a few years ago, it may not sound that way anymore. Today, no business is safe and ergo, no job is safe. There are competitors in every nook and cranny, and through the power of the Internet, they may even come from places you and I have never heard of! They are out there, they are getting better and better and they will grab your customers away in a flash. And those who are unprepared will be among the first to fall. No business and therefore no income.

This is one reason why I urge you to create MSI. In fact, the more income sources, the better!

By the way, having MSI does not necessarily mean having more than one job. You can still have MSI even though you may have only one job. For example, if you author a book, you will have an additional income source from the royalty. If you rent out your property, you will have rental income. Both incomes can come in without you having to quit your day job. (In case this sounds familiar, it should, because I'm having both income sources!)

Of course, having MSI will not only help to protect you from the fallout but also help you to build wealth faster. The extra money will mean that you can save more a month which will obviously accelerate your journey to MillionairesPlanet.

And oh ya, all the millionaires that I know have MSI. While the bulk of their income may come from one source – usually from their business – they have other income sources as well. This includes rentals, royalties, licensing fees, referral fees, dividends and commissions.

A short history of interest rate

The interest rate has risen and fallen in the last twenty years. It rose from 8.9 percent in 1989 to 10.03 percent in 1993, dropped below 9 percent for the next two years, shot up to 10.62 percent in 1997, then 12.13 percent in 1998, dropped to 8.56 in 1999 and remained below 8 percent since. In fact, the interest rates in 2009 (5.08 percent) and 2010 (5.02 percent) were the lowest on record since the 1980s.

This should be of big interest to the younger readers who have known nothing but periods of low interest rates. Dudes, just because the interest rate has been low in the past couple of years does not mean it will remain like that in the near future. In fact, the chances of it climbing above 8 percent and perhaps even into double digits are pretty high, I would say. And why not? After all, it was close to 10 percent for most of the 1980s and 1990s.

Why is this factor important? Because higher interest rate equals higher repayments. So as the interest rate rises, your loan repayments will also go up. If you cannot afford the extra payments, then take a fixed interest rate loan so that you are covered from any interest rate hikes.

So there you go, folks, five steps that you must take to protect yourself from the fallout.

I must however add another somber cautionary note here. You will not escape unscathed when the sky falls down. Yes, you will still face some inconvenience, discomforts and yes, pain even if you took all the steps that I mentioned in this chapter. Life in times of trouble is never easy, convenient and pleasant. But your discomforts will be minor compared to those who did not do a thing to prepare for the fallout. Their discomfort – the actual word is pain – will be major. So this being the case, whatever else you may do with your life after this book, take the steps to ensure that you do not join them in the hellhole!

Just one more thing before I end this chapter. It is likely that you know some, if not all, of the steps already. But it is also likely that you have not done a single thing yet. For a variety of reasons which may include inertia, laziness or thinking of more excuses as to why you haven't done them yet, you haven't done them yet! You know but you do not do. Your knowing has not been translated into doing.

While this inaction has not done you much harm before, the situation is different now. *This time it is really different*. Inaction will mean massive pain, massive suffering and perhaps even losing all that is important and dear to your heart – your wife, children, houses, cars, job, investments – the lot.

What a shame to lose all that you have worked for all these years just because you did not take action.

What a shame to know and yet to not do.

What a shame man must die before he awakens.

PART FOUR: DIE RICH

"With heaven's aid I have conquered for you a huge empire. But my life was too short to achieve the conquest of the world. That task is left for you."

Genghis Khan

Introduction

We live, we die. There is no way out of it.

This being the case, you would think there would be plenty of books on dying. Oh, there are plenty of books that tell us what will happen *after* we die; what awaits us on the other side. But there are not too many books about the actual dying or more appropriately, how to die with dignity.

Maybe the thought of death scares the daylight out of us. Maybe it is because we are not accustomed to things not living. Maybe it is the thought of having to pay the piper after years of misbehaving. Maybe the tales of the burning fires in hell make us uncomfortable. But whatever it is, there is no topic that is as unpopular as death.

Of course, I'm no hero here. For a long time, I was uncomfortable being at a cemetery. That is, until my mom passed away. Now I have no problem being at the cemetery – paying my respects to my mom, my grandmother and my auntie, who are all buried in the same cemetery. The blue skies, the trickling waters in the nearby stream, the green paddy fields, the gentle wind and yes, the quietness of it all helps to sooth my soul.

Furthermore, if you have not discovered it yet, I will tell you – life is short. In fact, it is shorter than what you may have thought; too short for regrets, too short for grudges and too short to dwell on pain and suffering. This being the case, why not fill your existence with experiences and things that will actually make you happy, make a difference, make it count and make it worthwhile? So that in the end you can say to your maker, "Thank you for giving me the opportunity to live this life. I've done everything that I wanted to do, savored every experience, gave it my best shot and enjoyed every minute. Of course, it wasn't all roses, but even the bad times weren't so bad when I put it in perspective. In all, I had the time of my life. Thank you and goodbye."

Coming back to the main point, since we are going to die one day anyway, why not die with dignity? Why not die the 'right' way?

So let this part fill up the vacuum of knowledge somewhat. This is part of the answer on how you can die rich and more importantly, die with dignity.

Chapter 17: Die rich

It takes a lot for something to outdo life insurance. As it stands, the percentage of Malaysians who are covered with life insurance is only 41 percent – a low figure. Now if that figure is low, the percentage of people who have planned their estate is even lower! In other words, estate planning is even more unpopular than life insurance!

Why this is so?

That's a good question. Let me give some answers:

1. Some people think that estate planning is for old people only
2. Some people are confused by the conflicting information
3. Some people are too busy to get it done
4. Some people think it is too complicated
5. Some people do not want to take the responsibility
6. Some people think doing their estate plans will hasten their death
7. Most people have not even thought about it

Now that's a lot of reasons! And there are probably more. This explains why most Malaysians die interstate *i.e.* without a will. This also explains why there are estates worth over $42 billion still unsettled to date! And that monstrous figure is just the Muslims. If we include the non-Muslims, the figure will probably run into hundreds of billions! Much of these estates are frozen in no-man's land – belonging to no one in particular. As they belong to no one, it means that they are not being used productively. Not a desirable state of events for all concerned.

Anyway, that's a problem for the authorities to settle. It is beyond you and me. What we can do is to ensure that our estate does not join that monstrous figure above!

Why you must plan your estate

Now, I could list all the logical and textbook reasons as to why you should plan your estate, but I will not do it because I know it will be a futile effort. The truth is that if you have not planned your estate yet, reading a lecture on it is not going to move you to do it.

I will do this instead. I will give you one reason, just one, why you should do it.

My friend, if you do not plan your estate, somebody you truly despise may get his hands on your money! Yes, you read that sentence right, oh dear reader; somebody who has caused you nothing but endless problems for as long you can remember, who is a source of embarrassment to you and perhaps even a blip to your good name may get a share of your estate. That's not all, somebody who is currently bad-mouthing you, back-stabbing you, rude to you and your family, thinks you are a low life, and in fact, hates everything about you may get your money. Incredible, but unfortunately very true and very possible.

How come? The man may be your own brother.

Let's face the realities of life. Real life is unlike the sitcoms from the 1960s where fathers are responsible, mothers are caring and children obey all the rules. Real life is not like *All in the Family!* The truth is that not all your relatives will turn out to be angels. Some of them will turn out to be, how shall I put it politely, the very people your parents warned you about. (Now that's a polite way of saying that some of your siblings may turn out to be the scum of the earth. Ooops!) Unfortunately, because they happen to share the same father and mother as you, they will be entitled to a share of your money. Oftentimes, they may even get the lion's share. This is particularly so for Muslims.

In case some people think that this is fiction, let me share a true story with you.

A client of mine helped his parents raise his younger brother. Though he did not participate in the actual upbringing, he helped by giving his parents money for the brother's schooling every month. And when the brother was admitted to a local university, it was he who paid for the education. This includes the tuition fees, books, hostel and even pocket money. He also bought his brother a motorbike so he could attend the classes without a hitch.

All the years he never asked for anything from the brother – not a single thing.

For some reason and out of the blue, one day, the brother decided not to speak to him. Not only that, but the brother was rude to my client, his wife, his children and even his staff. That was when he decided to cut ties with the brother. Both of them never spoke to each other again.

But this is the killer: if my client dies before the brother, the brother will get a lion's share of his estate as my client has only daughters. Imagine that: after all the hard work that he did and the sacrifices the family had to make, it is the brother – who by the way contributed nothing but trouble – who will get the lion's share of the estate!

So I told my client the truth – he can scream and shout all day long about how unfair the system is, and it will not change a thing. The reality is that his brother will get the lion's share all the same – unless he planned his estate.

Not surprisingly, he quickly got that done. He wrote his will, moved his assets and took a few other steps to protect his estate from certain undeserving people.

I think you will agree with me that he did the smart thing. But that's his story.

Now how about you? Would you like someone whom you despise to get a piece of your money? Would you like someone whom you hate to get the lion's share of your estate?

I think we all know the answers to these questions, don't we?

What is estate planning?

After that real life horror story, let us now get back to basics. Let me now share my definition of estate planning with you: it is the process of taking certain steps to ensure that your estate goes to the right people at the right time.

Yes, I do realize it is a boring definition, however mine is better than the one in the textbooks!

Now one of the tools used in estate planning is a will, which incidentally is the document most people associate with estate planning. In fact, a lot of people think estate planning is about making a will. That idea is incomplete. A will is just one of the instruments used in estate planning, which means that there are more instruments involved. These may include creating a trust, making an outright gift of assets to beneficiaries (*hibah*), using Power of Attorney (PA) and most certainly transferring assets to instruments that will protect the estate or smoothen the process.

The steps

There are four steps involved in estate planning, and they are:

1. Identifying your assets
2. Identifying the beneficiaries
3. Identifying how you want the assets to be transferred
4. Identifying when you want the assets to be transferred

The first step is easy. All you need to do here is take a piece of paper and write down all your worldly possessions *i.e.* assets. This will include your properties, savings accounts, current accounts, fixed deposits, savings in Tabung Haji, unit trust funds, shares, physical gold (coins, bars and jewelry), paper gold (gold savings/investment account), silver, motor vehicles, collectibles, rare paintings, shares in cooperatives and of course, the money in your EPF account. And oh ya, don’t forget to include the assets that you own jointly with others.

After doing this, you will have a much clearer picture of the composition and the magnitude of the wealth that is available for distribution to your beneficiaries. Having a large estate is nice, however it can create problems of its own, and I’m not just referring to the fights among the children later on! For example, the assets may not be in the appropriate form because they cannot be easily divided between the beneficiaries – properties do come to mind here.

Anyway, we’ll leave that problem for a while and continue with the steps for now.

The second step is even easier, particularly for non-Muslims. All they need to do is identify the people whom they want to leave their assets to. Usually this will include, but is not limited to, your spouse and children. (If you insist on leaving some of your money to the humble author of this book, he will not be complaining.) By the way, it is not limited to human beings as you can will your estate to a charity, a school, a library or even a pet!

Come to think of it, Muslims perhaps have it easy as well because the beneficiaries are already indentified through Faraid. In fact, Faraid has identified the beneficiaries over 1,400 years ago! In case you are not well versed with Faraid, you can refer to Amanah Raya, professional will writers or private estate planning companies such as As-Salihin. They should be able to identify the beneficiaries for you very quickly. What you should not do is to ask any Tom, Dick and Harry about it – their answer will just confuse you further.

Faraid

Muslims follow the Faraid – the inheritance law as laid down in the Quran. The general rule is that the estate of a person will be distributed to blood relatives – sons, daughters, brothers, sisters, father, mother, and may even include grandparents. Males get double the share of females.

However, this does not mean that Faraid applies all the time. If all the beneficiaries agree, the estate can be distributed equally among themselves or following the instructions of a will. At the end of the day, the beneficiaries have to give and take when it comes to estate distribution.

Now the story gets a little bit harder and trickier – how to plan your estate so it will be smooth, fair, equitable, sensible, timely, and perhaps most important of all, follow your wishes. As you can see, that’s a lot of things to be considered. Ideally, your estate plan should tick all of the boxes. I’ll talk more about this shortly.

The fourth step – when you want the assets to be transferred – may be the last, but I can assure you that it is critical. This is certainly a case of last not being least. This is because you can do all the first three steps right, but if you do not consider the ‘when’, the whole thing can blow up into smithereeens! How come? Well, what do think will happen if your twenty-year old son gets his hands on $500,000 in cash?

That’s certainly food for thought, isn’t it?

A brief introduction to estate planning

Estate planning is like income tax – there are a lot of variables and a lot of things that must be considered if you want to do it right. This will include having working knowledge of a lot of financial instruments such as wills, trusts, Power of Attorney (PA), limited liability companies and the actual workings of estate plans. Unfortunately, and like income tax again, not too many people can say that they know a lot about these instruments.

This being the case, it would be best if you consult the professionals here. These will include a lawyer who is an expert in estate planning, a professional will writer, a financial advisor and perhaps even an accountant. The reason why so many people are required here is because developing a first rate estate plan requires much expertise. Having a will is good, however it is insufficient. It is very likely that you will need to move your assets around to optimize the distribution plan – hence the need for a financial advisor and accountant. You also need a lawyer to ensure all the steps taken are within the law and will hold up in any court.

Of course, hiring experts does not absolve you from educating yourself on the subject matter. As usual, read the books and then refer to the experts. (I have listed a few books on the subject matter in the appendix.)

Here comes the ‘but’

There’s a ‘but’ in every sentence and there’s always an exception to the rule. And the following is the ‘but’ to all the points that I’ve written earlier.

As I wrote earlier, the ideal estate plan should allow for a smooth and timely transfer of assets, fair and equitable to the beneficiaries, sensible, following the rules, and perhaps most important of all, following your wishes. In case anyone has a beef with the last three words, remember that it is your money that we're talking about here. YOUR money. It is therefore your right to decide who should get your money. *After all, if you would not give some people a cent when you are alive, why should they get anything when you are dead?*

However, we have to admit that for any estate plan to tick all the right boxes would be asking a lot. So let me tell you something right here right now. Something that will save you from all the unnecessary pain and bother – your estate plan will never be perfect *i.e.* it will never please all parties. The truth is that some people will get more and some people will get less. Some people may not even get anything. Worse, even those that got something believe that they should get more! You can try to make it perfect of course, but it will be an exercise in futility, because at the end of the day, some people will still be unhappy.

These words partly explain why a lot of people avoid making their estate plans. You just cannot win. If you do not make the plans, then things can get really bad. On the other hand, even when you do make the plans, there will still be some dissatisfied parties!

My advice? Do what you believe is right, and leave it at that.

Why a lot of people refuse to make wills

Why do so many people refuse to make wills, or refuse to sign them once they are written? I used to be perplexed by this myself, until I read the book *The Rich Die Richer And You Can Too* written by William D. Zabel. He explains:

"Will-making symbolizes to some individuals a loss of power over their wealth and a lack of control over their families. A will creates a relationship between the people you love and the property you own, fixing the relationship immutably if the will is indeed your last. Many people, consciously or unconsciously, do not want to quantify their relationships. They would rather not decide whether to

protect children with a trust or give the property outright to them, how to divide the estate between the children or to make sure each grandchild gets an equal amount….”

In short, a lot of people do not want to take on the responsibility of dividing their estate between their children as they suspect or know they can never make everyone happy! A lot of people here include big names such as Picasso!

My own story

I prepared my estate plan a couple of years ago. This included moving certain assets around and preparing a will. While that qualified me to join a very small club of Malaysians who have actually planned their estate, it turned out that the steps I took were still insufficient.

Fortunately, I found this out early. Early in the sense that I'm still alive to do something about it!

A few weeks after my father died, my siblings and I (three brothers and two sisters) got together to discuss the estate. Though my dad was not rich, he did have some properties to his name, courtesy of *his* rich father and grandfather! (Yes, my granddad was a fairly wealthy man in his day. I was told that he even owned horses in the 1930s! Alas by time I was born, the horses were long gone!)

To cut the story short, we decided to follow their Faraid rule of estate distribution as it would be the cleanest and potentially fastest method to distribute the assets. This was when we discovered a huge problem, which incidentally might explain why a lot of estates are still in limbo. This is the problem – the missing documents. See, in order to process the estate, the authority, in this case Amanah Raya, needed all the relevant documents. These included the marriage certificate of my father with his first wife, marriage certificate of my father with my mother, all the children's birth certificates and a few more documents. The problem was that many of those documents were long gone. My father married his first wife in 1942. How many people on this planet keep their marriage certificate from 1942? My eldest sister was born in 1943 when Malaya was under the Japanese occupation. Like many villagers, she did not keep her birth certificate, if she was ever issued one! Unfortunately, the missing documents meant a delay – a very lengthy delay as we had to get the documents reissued.

I believe that the same situation applies to practically all the estates out there. The missing documents are causing massive delays as the files cannot be processed.

This is why I have made photocopies all of my documents and kept them in a file marked My Estate Plans in big bold letters. These include my birth certificate, marriage certificate, land titles, share certificates and most important of all, instructions to my beneficiaries on what to do with the millions (ehm, ehm) when I am dead and gone. In other words, all the relevant documents are there in one place so that my beneficiaries do not have to search high and low for them. In fact, the only thing that is missing from the file is my death certificate! For a good reason of course, as I'm not only alive and kicking, but plan to be around for a long time to come!

So if you want to minimize the problems for your loved ones, you may want to consider doing the same. Make copies of all the relevant documents and put them in a file so that your loved ones do not have to search for the documents. And oh ya, you need to let them know the location of *that* file so they know where they can get it!

By the way, you will be glad in more ways than one when you actually do this. I'm willing to bet that you will face a problem locating some of the documents. You may have misplaced them or someone may have thrown them away. Imagine; if you faced a problem finding *your own* documents, can you imagine the trouble other people will face if they had to locate those documents?

Before I close this part, I'd like to share an uplifting story about my family.

I wish I could tell you that we are a close-knit family, my siblings and I. But I can't. For we, at best, get along with each other. We share the same father – my elder brothers and sisters – but different mothers (their mother died and then our father married my mom). Furthermore, as they were a lot older than me, there was an age gap between us. Therefore we see each other only during festivals or at weddings.

But it’s true what people say – blood can be thicker than water. And sometimes, blood can transcend money.

My mother passed away in 2006, before my father, even though she was fifteen years younger than him. One of the assets she left behind was the house that she bought with her own money. But as she died before him, my father is a beneficiary to the house (together with me and my younger brother). And therefore, my elder brothers and sisters now also had a share in that house, even though the house was bought by my mother. So during the meeting, I requested for them to give up their share in the house, leaving it to me and my younger brother.

And to their credit and my eternal gratitude, all four of them agreed to my request in a split second. Let me repeat that – all four of them agreed to my request straightaway. Even though they are entitled to the house under Faraid, they happily and willingly gave up their share. I am so proud of my siblings. We may not be close but I now know that they love me enough to give up their share in the house.

Now, I know some of you are probably wishing that the same thing will happen with your family when the time comes. Well, as the saying goes, good luck!

So that’s a heart-warming story, which unfortunately is the exception instead of the norm. Today, we have people who will go backwards and upside down to see if they can somehow get a share of someone’s estate. And even when they are entitled to it, they will dig further to see if they can get an even bigger share! *No, whether they have done anything or contributed anything to the success or the life of the deceased is not even considered.* All they are thinking about is the assets that they are going to get without having to work for it.

Yes, while blood can *sometimes* transcend money, greed transcends blood most of the times!

The Tragic Tale of James Dean

Just a quick story to share how undeserving people can benefit if you do not plan your estate.

The Hollywood star James Dean died young – he was involved in a car crash at the age of 29. Though he had few assets, he had an actual money machine – the licensing rights to his likeness that generated an income of $1 million to $3 million a year. That money went to his father, Winston, who abandoned him at an early age after his mother died.

So, as if him dying in a car crash wasn't tragic enough, the income from his estate wound up enriching someone many would consider undeserving.

What if you are the beneficiary?

Of course, you could also be on the receiving end, *i.e.* you are a beneficiary to an estate from someone who died recently, who can be a relative, benefactor or most likely a parent. This can be in the form of cash, properties, shares, motor vehicles or some other assets. So, I suppose I should say something about this as well to complete the circle.

The first thing is that you should accept that the assets distribution can never be completely fair, equitable or timely. As I wrote earlier, some people will get more, some less and some others may miss out altogether. Some things will have to give. So, you and the other beneficiaries will do well to give and take.

Otherwise, there will endless arguments, dissatisfactions, fights and court orders. None of which will make any party happier or even satisfied. There will be bad blood for years to come; some people will not speak to each other again and some will go to their graves still bitter about the whole thing.

Naturally, some people will argue until the cows come home about the unfairness of the distribution, they can bring out multiple arguments and raise valid points as to why they should get more. What's more, they may even be right!

But my position remains the same – you and the rest of the beneficiaries must give and take. Forget about the fairness – because life itself is not fair – take what is given to you, say thank you to the relevant parties, and move on with your life. Make your millions elsewhere.

In other words, treat the assets as a bonus or a windfall, which incidentally they usually are, and leave it at that.

Of course, all the points here only apply if everything is in order and there is no 'cheating' involved. You know, cheating as in altering the contents of a will, creating a fake will or some other shadowy activity. If that is the case, then you have every right to fight your case all the way to the Federal Court! In fact, you should go after the culprits with both guns blazing! This is not the time or place to play the nice or gentle human being. Don't let the bastards (please excuse the language) get away with what is yours.

And finally, in case some people think that all that I wrote before that last paragraph sounds too lyrical, me and my siblings did exactly that – give and take.

In our case, I could argue that I gave our father the most money throughout his life (hundreds of thousands); and my brothers gave very little, if any. I don't blame them; how could they give him money when they only have just enough for their own family?

On the other hand, my eldest brother could argue that he was the one who took care of my father after my mother died. He was the one who bought food for our father and he was the one who took our father to the hospital for his regular check-ups. For good reason of course, he lived near our dad. The rest of us lived elsewhere.

I could also argue why my eldest sister should even get anything. When my father married my mom fifty years ago, she wanted nothing to do with our father anymore – my mom was only three year older than her. So as a result, I can count the number of times I saw her in my life. Why should she be entitled to anything after her actions?

The list can go on and on and on.

But at the end of the day, we are family.

So, all six of us agreed to follow the Faraid. We did not argue about fairness or equality. We did not ask who gave more, who did what or even who did not do what. And yes, we did not bring up events that happened fifty years ago. We agreed on the Faraid and that was that.

By the way, we, my siblings and I, became closer after that!

Now while that is my family, I believe a lot of other families will have similar issues.

My advice is for the beneficiaries to agree on a distribution system, be it Faraid, will, family agreement or some other method, and leave it at that. In other words, come to an agreement that most of you can live with, take your share and move on with your life. That is the sanest thing you can do when it comes to the assets distribution of an estate.

This brings us back to your own estate. If you are dissatisfied, and chances are you will be with the distribution made by your parents, shouldn't you do something to your estate to minimize the dissatisfaction among your own children? Shouldn't you plan it well so that it will minimize the problems, arguments and confusion? Shouldn't you set it up so that the distribution of your estate will flow smoothly?

Yes! Yes! Yes!

I hope you get the message by now.

Leave more than just money

At that end of the day (in this case, it is literally the end!), we all want the best for the people we leave behind. We hope that they will continue from where we left off and make it better, faster, higher and wealthier. We hope they realize that life is a climb – we've taken it to a new level – and it is their job to take it higher. We hope they will learn from our mistakes, build on our wins and achieve even greater things. And if they do become actual stars – become a world famous singer or win a Nobel Prize or win an Olympic gold medal or find a cure for cancer or become billionaires, well, that will just top it off.

In my case, I'll leave my children with some money – the money will help them live more comfortable lives, but life is more than just living comfortably, so I want to leave them with something more than just money. That life is about actually living, taking risks and chances, about getting up after they've fallen flat on their faces and about leaving the world a better place for their children. Like every parent, I hope that my children will live happy and healthy lives. But more importantly, I hope that they will make the most out of their lives; that they will seize the day; live every moment, savior every hour; travel the world; read every book; give it all they've got (their best and then a little bit more); fire their best shot; overcome the mountains barring their way; drink every drop; spend much time with their family and loved ones; make a lot of fine friends; so much so that at the end of their lives, they have experienced the best that life has to offer and gave so much that they have nothing else left to give.

As a Scottish proverb goes, "Be happy while you're living for you are a long time dead."

The default estate plan

Non-Muslims in Malaysia who die intestate also have a default estate plan drawn up for them by the government – yea! (Notice the sarcastic 'yea' at the end.) The plan is as follows:

Surviving Family Members	Spouse	Issue	Parents
Spouse only	100%	0	0
Issue only	0	100%	0
Parents only	0	0	100%
Spouse and Parents	50%	0	50%
Spouse and Issue	1/3	2/3	0
Parents and Issue	0	2/3	1/3
Spouse, Parents and Issue	25%	50%	25%

Firstly, and to answer the question in your head, issue means children. As to why they are called issue, it is one of those peculiar things finance people are good at – making things more complicated that they actually are!

Next, and as you can see, the plan is similar to the Faraid in the sense that the estate will be distributed on the basis of bloodlines. Nothing is said about whether the issue or parents deserve to get the assets or not! This means that even if the parent physically abused the deceased or abandoned him when he was a child, the parent would still be entitled to the estate. Likewise, the child could have brought nothing but problems to the deceased and he will still get a share of the estate.

That is already interesting but wait until you find out the next in line to get the assets should the deceased leave no spouse, issue or parent – the first choice is the brothers and sisters. Again, even if they contributed nothing whatsoever to the deceased's success, they will get all the estate. Whoa Nelly!

Wait! Wait! It gets even nastier. If the deceased leaves no relatives at all, the estate will go to the…government!

If that doesn't move you to draw up a will, my man, then I guess nothing will.

PART FIVE: CLOSING

"Pain is temporary, glory is forever."

Anonymous

Closing

If you have not realized it yet, I'll tell you – life is short.

I remember my school days like it was just a couple of years ago, yet it was more than thirty years ago! I remember getting married and I remember my daughter being born like it was just last month, yet she's already twenty one and in college. I remember the struggles, the pain, the long nights and the endless days. But I also remember the sunshine, the laughter, the joy and the accolades. All are now mere memories in the sands of time.

But since life is short, why be ordinary? Why not give it all you've got? Why not go all the way? Why not shine as bright as you can while you are here? What have you got to lose? Money? You can find it anywhere! Face? People don't know you to start off with, so what is there to be ashamed about?

Building wealth is certainly one of the ways that will help you shine. We cannot all sing well, we cannot all become sports stars, we cannot all be Prime Minister, we cannot all win Olympic medals, but *we can all be rich and happy*. As I always tell my non-Bumiputra readers, "There is no Bumi quota to become a millionaire!"

So instead of complaining about what you can't do, why not focus on what you can do? Instead of griping about what you don't have, why not concentrate on the things that you do have? It is certainly a better choice for it can lead to many good things.

At the same time, I must caution you that it will not be plain sailing all the way. The sea will not remain calm throughout your journey; there will be stormy nights and rough days. There will be mistakes made and plenty of regrets. Oh, there will be plenty of regrets. I've a long list myself. There are plenty of things I would change: plenty of words I wouldn't have said and plenty of actions I would have done differently. But of course, I cannot change the past. The best I can do is to ask for forgiveness and hope that somehow, someway, they will find it in their hearts to forgive me. I hope that what I am today will give them the idea that hey, you can be more than what you are today.

The truth is that you can outgrow any shell, you can rise above any walls, you can overcome any disabilities (both physical and mental), you can correct any mistakes, and you can make the light shine even if you started out in the dark.

Dear reader, the truth is that you can do magic with your life, but you must step out. Another truth is that no one else will do it for you; you have to create your own magic. You have to be your own Superman and build the wealth on your own. Taking the steps that I've shared with you inside this book will help you get closer to that magical life.

If you are short of money now but long on time, why not make use of the time to educate yourself about money and then take the actions so you will have a better chance of getting the money?

If you take the actions, if you learn from your mistakes (and you will make plenty of them), if you persist and if you continue getting better, there will come a night when the sky is filled with brilliant stars and the wind is whispering on the leaves, and you will say to yourself: "I did it!"

"You are the master of your destiny. You can influence, direct and control your own environment. You can make your life what you want it to be."

Napoleon Hill

Your habits will make or break you

"There will come a time," Robert Louis Stevenson wrote, "when we will sit down to the banquet of our consequences." An enlightened man, Stevenson, for he wrote two literary classics – *Treasure Island* and *The Strange Case of Dr Jekyll and Mr Hyde*. We'd do well to listen to him.

Stevenson's words only echo my earlier statements that what will make you rich are your money habits. If you have good money habits, you will become rich, live rich and die rich. On the other hand, if you have poor money habits, your banquet table will be empty. Instead you will bear the consequences of years of financial mismanagement. And it will not be a pretty sight.

I have another confession to make – all these will take a lot of work. It will take a lot of your time, energy and yes, money. It will also cause some inconvenience, irritation, discomfort and yes, perhaps even some pain. But if you want the good life, then you have to go through all these tests, and then some.

To get a lot, you must do a lot – that is a given. However, it does not mean you have to jump into it and implement ten things in one go. You can try but I suspect that it will be a little bit too much. It will probably create too much of a shock and could even disrupt your life. This could very well result in you giving up on the whole thing.

So I would recommend easing yourself into this program. Start small by adopting two or three new money habits, and getting those under your belt. For example, I would recommend you start by planning your monthly cashflow, tracking your net worth and tracking your expenses on a daily basis – assuming that you are not doing them yet. They are easy to do, do not take much time nor effort, and yet, will make a big difference in your financial life. Once you are comfortable with it, then adopt a couple more habits and then repeat the process. In other words, get some small victories and work on yourself from there. In time, you would have become a new, better and richer person.

By the way, this was exactly what happened to me (though I must admit that I did not plan it that way). After getting sick and tired of being sick and tired, I adopted some new money habits. And when I saw that it was bringing in great results, I adopted some more. And when those new habits also brought in the desired results, I did more of the same. In short, I repeated the success formula and kept on adding better money habits. Over and over and over again. As a result of all these, the Azizi that you know today is different from the Azizi ten and certainly twenty years ago. The name remained the same but the person is very different.

And oh ya, never quit. Never ever quit. While you can get away with quitting certain things, this is not one of those things. Quitting some classes did not harm you too much while quitting from pursuing certain girls actually saved you a lot of money. But if you quit building wealth, it will affect your life like no other. You will not get a second chance, so never quit. Keep at it and keep at it some more.

"Quitting some things harmed few but quitting many things made a habit that harmed many."

Napoleon Hill

As I mentioned earlier, while the habits will help you get richer, it will also cause some short term inconveniences. Doing things differently from what you are used to always does that.

But if you are serious about becoming a millionaire, then you have to do the work and put up with the inconvenience.

I have to mention this because I run into thousands of people who want to become rich but do not want to do any work or in fact, do anything at all in order to become rich! In other words, they want to become rich by accident! They want to become rich doing what they are currently doing, which is about as sensible as an overweight person wanting to become slim by eating more!

Doing things that are only convenient are reserved for the non-rich.

A sermon for the current millionaires

Right, now it is time for a sermon. So all ye millionaires and multi-millionaires, put down your calculator, stash your cash, lock the safe and listen to this old fogey for a minute.

Money can get to some people. It can intoxicate just as much as liquor or drugs. In fact, the effect can last a lot longer and the damage can be a lot worse.

It is easy to lose perspective when you are surrounded with money. It is also easy to lose sensibilities when money is raining down on you. For when it comes, money does not trickle, it pours! So you cannot help but feel so smart. (I'm guilty of this myself. I feel extra smart every time my net worth jumps by another million!). At that time, you feel so intelligent, so important, so wise and perhaps even invincible. At that time, you may feel like you know it all and then some! You may even feel the need to dish out advice – financial, politics, sports and even on life itself – to others so they can improve themselves and become like you.

Resist the temptation.

"It's hard to remain humble when you're as great as I am."

Muhammad Ali

I realize that it is hard to remain humble when everybody is kowtowing to you, smiling at you, giving you preferential treatment, calling you Dato Sri (or even better Tan Sri) and when even ministers know your name! At that time, it can be hard to keep your feet on the ground.

But you must.

The truth is that life goes around in cycles. While you may be on top today, you can just as easily fall from the perch tomorrow. Something may happen that can turn your world upside down in a matter of weeks or even days. It can be a fire, an accident, a breakthrough competing product, a major client switching to another supplier or a personal tragedy. Of course, no one plans for any of that to happen! But I suppose that's the problem – stuff happens because no one planned or thought it could happen.

So resist the temptation to be a KIA (know-it-all). Resist the temptation to belittle others that do not have as much money as you. Resist the temptation to be a preacher. (I'm excused as I am Malaysia's #1 money preacher!) As I wrote in the Quick Hits chapter, having money does not mean that you are smarter or wiser than others. All it means is that you have more money than them.

Be kind to the people on your way to the top because you are going to meet them again on your way down!

Get rich first, and then live rich

In case some people missed it, I need to remind them that the subtitle of this book is *Get Rich, Live Rich and Die Rich*. I did not write it that way by accident. That is the correct sequence and the right order of how things should be. In other words, you have to get rich first before you can live rich. Be and then have; not the other way around. Make the money first, and then you can afford to splurge a little.

It is easy to do otherwise – to live rich first. It is also tempting to do so because, after all, living rich is a whole more fun than slogging in the pits! Next, it is also easy to look rich than to actually be rich. And sadly, I see this happening everywhere I go. People who are not in the slightest bit rich are living rich and people who made a little bit of money are already doing their utmost to spend the money away. Maybe it is their ego that made them do it, maybe the attraction of looking rich is just too much to turn down, or maybe it is the good life itself that is the siren. But whatever the reason, they are living rich even though they are not yet rich. This conflict will not have a happy ending. In fact, it ensures them of one thing – running out of money. And if they borrowed the money to live rich, they will suffer a second catastrophe as they now have to repay the loan. And perhaps the worst after-effect of trying to live rich before getting rich is that they have doomed themselves to never actually becoming rich.

So make sure this does not happen to you. Get rich first, and then live rich.

Enough sermons! Let me wrap it up for you.

The real way to wealth

After all that talk about investments, I need to point out that investments are not the real way to wealth! (Now I'm telling you – right at the end of the book!) As good as they are, they are actually too slow for you to build serious wealth in your lifetime. See, even if you managed to get a consistent 15 percent return on your money (and as you know, that is on the upper limit already), your initial $50,000 investment will turn to $202,278 in ten years. While that figure is good enough for most people, I doubt that it will be exciting enough to jump start your adrenaline!

So what then is the answer? How do you build serious wealth in your lifetime?

Let me share a final story here to illustrate the answer.

Some years ago, I bought a property for $810,000. After it was completed two years later, I got an offer, and so I sold the property for $1.1 million. After deducting the expenses and paying the RPGT that was still applicable at that time, I netted a profit of about $200,000. So I made $200,000 in two years from property investment. Not too bad.

Well, I can make $200,000 in two months from my business.

Now that you know this, what do think I should be concentrating on – property or business?

And finally

The trick is to enjoy both the destination and also the journey. As I look back at my own life, I get much satisfaction and happiness at the steps that I took along the way. Of course, it was hard in the beginning as I bumped around from pillar to post looking for the success formula. I wasted much time, effort and yes, money doing the wrong things, taking the wrong advice and listening to false prophets. It was heartbreaking at times. Many of the mistakes were due to my lack of knowledge in money matters or sheer naivety. Sometimes even today, I still shake my head at my naivety then – trusting practically everyone, thinking that my good heart would shine through and make everything all right. Boy, that was a mistake!

Today I know that money is amoral – it does not require good intention, sweat count, being born in a certain state, having the right skin color, professing a certain religion or even good looks. After all, if money came to people who only do good, all nurses and ambulance drivers would be multi-millionaires. If money avoided people who may lack morals (according to the norm), perhaps the publishers of Playboy and Penthouse would not be as rich as they are today. In short, if you do the right things as far as money is concerned, money will come to you.

As my knowledge in finance improved, the journey became smoother, faster and more enjoyable. Hey, any journey becomes more enjoyable when you are winning most of the time!

As the cliché goes, I wish I knew then what I know now. The journey would have been a lot faster and even more enjoyable. But everything happens for a reason, and I'm at peace.

Now that you know what to do to make your money work harder for you, it is time for you to get into the big leagues. It is time for the really serious money. You know, the kind that brings in Maseratis, villas overlooking the Indian Ocean, flights on NetJets, personal assistants, private butlers and preferential treatment wherever you go.

It's time to run your own business, which not surprisingly, is the subject of my next book.

A week in the life of Azizi Ali

I must state that I do not have a conventional work week as most people do. It changes every week depending on the roster for that week. However, to give you an idea of my life, here it goes:

DAY	ACTIVITY
Sun	Breakfast with Lynn in the house. Mandarin lesson at 11 am. Wrote for an hour. Did some reading in the afternoon. Spent another two hours in my garden reviewing some old books. Raya Open house at my sister-in-law's place in the evening.
Mon	Interviewed two new Graphic Designers. This was the third interview for both and one of them was really good, so I hired him. Congratulated the new hiree; he will start work next week. I'm sure he'll do a great job. Discussed the MPC project with the Publishing Team after lunch. We're on track to meet the deadline. Telecoaching with an Inner Circle client – happy and proud of her progress as she is doing extremely well. She has passed the million ringgit mark and is now a bona-fide millionaire! Exercised with the Kettlebell.
Tue	Conducted the Monthly Sales Training with the Sales & Distribution Team in the morning. Did some revision reading. Early dinner with Lynn. Telecoaching with an Inner Circle client in the evening – advised the client to channel his energy and talents to outside activities instead of complaining about his employer's lack of interest.
Wed	Discussion with the Accounts Department regarding the billing, tracking and payment collection in the morning. Initial briefing to the Events Team for the upcoming Gold & Silver workshop right after lunch. This is going to be a great event. The Editor briefed me on the Weekly Publishing Dashboard – among others, three new books will be delivered by the printers this week. Went back early so I can exercise with the Kettlebell. Conducted a webinar for the Inner Circle members in the evening – briefed them on my latest money moves.
Thu	Positioned to Bangkok on MH784 in the morning. Checked into the Novotel Airport Hotel – big and impressive for an airport hotel. Later took the airtrain to town, browsed around MBK, Siam Square and Paragon Mall before going back in the evening. Bangkok was vibrant and full of life as usual; maybe KL will catch up soon.
Fri	Operated a flight from Bangkok to Sharjah. Upon arrival, a car was waiting to take us to Hyatt Regency Dubai. Had a late breakfast at the Regency Club. Updated five chapters of the new book in the afternoon. Went for dinner at the Chicken Tikka Inn in Deira.
Sat	Cycled for 30 mins and pumped iron at the gym. Had puri for breakfast at Visitors Restaurant – it was superb as usual. Took the Metro train to the Mall of the Emirates at 11 am. Saw more empty and half-completed properties along the roads – aftermaths of the 2009 financial shakedown. Headed straight to SkiDubai as soon as I arrived at the Mall – skied for three hours; Happy with my progress; I'm getting better at this! Took a cab to Ravi restaurant at 4 pm, only to be told that the lamb chops was only served after 6 pm! So, had chicken briyani instead. Took the Metro back to the hotel; had a drink with a colleague at the Regency club before calling it a night. I'm flying off to Frankfurt tomorrow morning; hope to be able to catch the Frankfurt Motor Show.

You may notice that there is no television, reading newspapers or drinking sessions mentioned. No golf, no music, no surfing on the web either. It’s all business, flying, writing, reading, exercising and time with my family – by design. Ahh, life is but a dream!

My bucket list

Places to go before I die

- ✓ Amsterdam
- ✓ Paris
- ✓ Munich
- ✓ Rome
- ✓ Venice
- ✓ London
- ✓ Honolulu
- ✓ Seattle
- ✓ San Francisco
- ✓ Los Angeles
- ✓ Dallas
- ✓ New York
- ✓ Miami
- ✓ Rio de Janeiro
- ✓ Buenos Aires
- ✓ Kathmandu
- ✓ Bangkok
- ✓ Bali
- ✓ Phuket
- ✓ Shanghai

- ✓ Hong Kong
- ✓ Beijing
- ✓ Istanbul
- ✓ Cairo
- ✓ Dubai
- ✓ Mecca
- ✓ Madinah
- ✓ Cape Town
- ✓ Manila
- ✓ Sydney
- ✓ Brisbane
- ✓ Gold Coast
- ✓ Auckland
- Chicago
- Whistler
- Orlando
- Jerusalem
- Male

I've actually been to all the places that I wanted to go. But of course, as time went on, I added more destinations and more places. Since they looked so good and sounded so interesting, I might as well go. This explains the long list. And by the way, this is just the big towns. I did not include the smaller towns as it would be a significantly longer list! I also did not include the beautiful places in Malaysia as they are a given.

Things to do before I die

- ✓ Go on a motor-home holiday
- ✓ Ski
- ✓ Drive a Ford Mustang
- ✓ Shoot a Magnum 44
- ✓ Parasail
- ✓ Ride a water scooter
- ✓ Ride some of the world’s biggest roller-coasters
- ✓ Sail on a yacht
- ✓ Write a bestseller
- ✓ Be a monthly columnist for a magazine
- ✓ Be featured on the cover of a magazine
- ✓ Appear on TV
- ✓ Appear on radio
- ✓ Give a talk at PWTC
- ✓ Get paid to talk!
- ✓ Own a highly successful business
- ✓ Fly the B737
- ✓ Fly the B747-400
- ✓ Own a Mercedes
- ✓ Own a BMW
- ✓ Make a million a year

✓ Make my parents proud of me

✓ Fall in love and then marry the most beautiful girl I could find (so my children will be gorgeous like her!)

- Make a difference to the world
- See all my daughters graduate from college
- Appear in a movie
- Make $10 million a year
- Be known as a kind, polite, hardworking and honest man
- Give away at least $1 million in my life

Some of the goals are by their nature are work-in-progress. A few, such as making a difference to the world, will be up to others to make the call. On my part, I give it my all and do the best I can all the time. I’m fine if some people think if I’m half-good or half-bad or really good or really bad.

About the Author

Azizi Ali is Malaysia's #1 writer, speaker and coach on money matters.

His first book, *Millionaires are from a different Planet* literally changed the publishing scene in Malaysia. It has sold over 100,000 copies and started the trend for financial books and seminars in the country. Since then, Azizi has written over 30 books on the subject of money and wealth creation. The titles include the best-*sellers How to Become a Property Millionaire*, *The Millionaire in Me*, *Retire RICH* and *Get Rich Faster.* His latest books, *Money Changes Everything: Get Rich, Live Rich, Die Rich* and *Get Into Gold: How To Invest In Gold Profitably While Avoiding The Traps,* hit #1 on Amazon's Bestseller lists in recent months.

He has spoken to over 300,000 seminar participants and appeared in the media on a regular basis. He also meets regularly with members of his personalized coaching program – the Inner Circle. Parts of this book were first shared with the Inner Circle.

Log on to his blog *www.beahappymillionaire.com* to find out more about Azizi and how he can help you to live more prosperous lives.

Other eBooks by Azizi Ali

The Ultimate Guide To Goal Setting: 8 Powerful Steps To Make Your Dreams Come True

How To Become An Extreme Millionaire

Jebe the Super-Morpher

Get Into Gold: How To Invest In Gold Profitably While Avoiding The Traps

Money Changes Everything: Get Rich, Live Rich, Die Rich

Growing Your Money: An Investment Guide For Beginners

One final thing

I trust that you have benefitted from the contents of this book. If you have, may I request that you take a few seconds to add a customer review (oh nothing much; just a 5-star review!) about this book on Amazon.com so that others can benefit from it as well? As you may know, reviews are critical to the success of eBooks so your effort will go a long way to help make this book a great success. Think of it as giving me a $10 tip for writing it!

It would be simply marvelous if you could also let your friends know about it. It may just make a difference in their lives.

Thank you for your help and support.

Azizi Ali