The Street Smart Money Memo

By Curtis Wright

Dedication

This book is dedicated to everyone who touched my life good and bad. To my mother who set me out never to conform. To my family who have long indulged my audacity.

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Foreword

If not you, who? If not now, when?

Is Mr. Rolls Royce a better person than you are? Is he way smarter than you? Do his kids deserve a better education than yours? If you answered 'no' to any of these questions, then it's time to do something about it.

If you are already wealthy, or at peace within your financial strata I applaud your success and I truly hope you are of service to others and your community. However, if you have been mis-led by mis-education this memo is a perfect place to consider new perspectives, gather new info, re-evaluate your situation, and start over.

The majority of people you will ever meet have been grossly mis-educated on money matters. Once I discovered I was mis-educated as well, I set out to re-educate myself on how to use money as a tool instead of merely spending it. Then I decided to share everything I learned with family, friends, and my community.

The primary mission behind *The Street Smart Money Memo* is to debunk the mis-education and many of the outright lies we have been fed on money matters, and then provide solutions and suggestions on corrective measures.

Along with other valuable information and insights, the memo includes very simple instructions on how to complete the three most used financial reports that should be included in every business plan which are the Income Statement, Cash Flow Statement, and the Balance Sheet. The value extended through showing how to use these reports in very simple terms, and how they relate to each other is priceless. Memo orders also include access to other documents and templates to help you start or improve ***"The Business of You".***

Like it or not, if you are not continually planning your business, the business of you will continually fail. Since failure is obviously not acceptable my personal mission is to help you better prepare to move into the lifestyle you deserve. The business of you demands accountability and at least a simple plan. However, not even a simple plan should be without the financial reports outlined inside the memo.

Although I have many years of experience in the topics written in this book I am not a financial analyst or consultant. However, I do qualify myself as a ***Wealth Reporter***.

I certainly do hope this book is of great service to you, but at minimal please do take advantage of the free ***personal balance sheet*** and ***instructions*** on how to fill it out located at Streetsmartmemo.com. You can download the forms through the website for free at any time. Knowing how to fill out and monitor this very important report is a significant step into the financial accountability of your business.

The initial draft of the memo was only a few pages long. Several pages later it is finally worthy to serve anyone who chooses to improve their futures. Thank you for all of the love and support.

Money

1.0 Money

Money is a measured transfer of wealth directly commensurate to the receiver's ability to communicate the value of the goods and or services for which the transfer is made.

money – noun. Something generally accepted as a medium of exchange, a measure of value, or a means of payment: *Merriam-Webster Dictionary*. You can see that by definition money is considered a noun, but in practicality it should be perceived as a fluctual manifestation of a set of actions and or communications. You should also conclude that money should be looked upon as a delivery system of goods, services, etc.,. Hence, once money has transferred to the receiver, it is usually traded for resources, goods, and other services. Conclusion: Money translates into a manifestation of effectively communicated value conclusions, and then becomes a tool or delivery system to trade for what you want and need.

1.1 Value

Value is one of the most critical elements in how money is traded or received in society. Typically a vendor or agent defines the value and or pricing for goods and services. However, the value of anything can change with little or no warning if the circumstances change.

For Example: A one dollar bottle of water may rise to a cost of ten dollars in a drought or other shift in circumstance. There may have been no change in the water content or the container, but the value to the public could fluctuate with the change in supply and demand. The classic key to good business value is to gauge how much competitors are marketing anything you wish to market, and sell more of it for less money. For Example: If store A is selling a quart of milk for a dollar, you should sale two courts for a dollar, provided there is still a profit to be made. By definition you are providing a better value. Another example of good value is to determine the extent to which a competitor is willing to embellish or luxuriate what he is marketing, and exceed his efforts, as long as the circumstance remains profitable. Steer away from unprofitable situations or items, and concentrate on items with intrinsic (subjective/greedy) mark ups so you can offer a superior quality at a greater value than the competition.

1.2 Communication

Within our language there are select and concise groupings of sentences, phrases, words, and or other forms of communication that lead to the identification of the skill sets necessary to command wealth. For Example: "We have just finished drafting the Land Trust, and we have satisfied all of the contingencies necessary for closing. Once the funding concludes, please instruct Title to vest said property indicating me as the beneficiary and trustee of the Revocable Trust established to hold the assets…". The antithesis of a statement like this is to express lesser sets of sentences, phrases, words or other communications that identify the inability to command certain or any skill sets necessary to warrant wealth. Example B: "I can't believe I just got laid off, I'm in foreclosure, and I'm so far in debt I can't get out", etc. The first example demonstrates a combo of skill sets that are more likely to attract wealth than the second example. But the gist of the matter is that both examples are simply words and or sentences strung together (actionable combinations) that communicate a different set of circumstances that should draw different responses & value conclusions. Money = Communication of Value

1.3 Arbitrage

The real trick to credit and money is to only use them as "arbitrage" tools to generate profits. Then the profits that are generated by arbitraging your credit or money can be used to handle your personal expenses.

The definition of *arbitrage* is "the simultaneous purchase and sale of an asset in order to profit from a difference in the price".

For Example: Assuming bank A extends a line of credit or credit card to Mr. Jones for $10,000 at 10%, and bank B offers to pay Mr. Jones 15% for a $10,000 deposit, at the end of the term Mr. Jones would collect $11,500 from bank B, pay off the $11,000 owed to bank A, and keep the $500 difference. Arbitrage can be a powerful wealth building tool if properly used.

1.4 Dimensional Spending

Most of us utilize money as a two dimensional weapon or net to ward off debt or capture things we want or need. However, we should be using money as a three dimensional tool instead. We should take the money in, but instead of spending it, we should recycle and or deploy it into a worthwhile project that will generate more money, ie. arbitrage.

For Example: James and Mike work for $100 each, and both plan on buying designer T shirts. James takes the $100 he earned and buys four designer T shirts. (James makes the money and then spends the money - **Two Dimensional**)

Mike takes his $100 and buys ten plain T shirts and design materials. He creates a design for the shirts, and sells them for $25 a-piece for a $2400 profit. Mike also uses the original money and profits to generate more custom T shirts. Mike buys the same designer shirts James bought, and still has $2300 in his pocket. (Mike makes the money, grows and recycles the money, and then uses the profits from re-generating his money to buy the personal things he wants - **Three Dimensional**).

1.5 Strategic Debt Allocation

For every recurring debt you incur, an income stream should be created to cover that specific debt. Whenever possible the income stream should be created prior to taking on the debt. There should be no exceptions to this rule. You should even allocate an asset to pay for savings, taxes, and insurance.

Example: (Balance Sheet Style)

Money Out		**Money In**	
Home Mortgage	$5,000	Rental #1	$5,150
Cell Phones	$325	Newsletter Sales	$550
Utility Bills	$875	Website Income	$925
Gas & Groceries	$600	Cell Site Lease	$750
Two Car Payments	$3,000	Rental #2	$3,800
Savings, Taxes, Ins	$6,000	Rental #3	$7,500
Educational Expense	$3,000	Rental #4	$4,200
Total Expenses	$18,800	**Total Receipts**	$22,875
Budget Surplus	**$ 4,075**		
BALANCE TOTALS	**$22,875**		**$22,875**

1.6 Credit

Credit can be the greatest gift you will ever receive. BUT, if credit is comingled into personal debt and expenditure it could pull you into financial servitude or worse if there are no funds to immediately offset any credit debt. However, you can obtain substantial success by studying and implementing ways to utilize credit, but the banking industry has a vested interest in keeping you from knowing too much about how to navigate its upsides and pit falls. The reason credit can be the greatest gift is essentially because it is “free money”(with strings attached). If you use this free money to make more money, credit becomes the gift that keeps on giving. However, if you spend this free money on goods, services, debt, or expenses you’re toast.

("Money only truly wants to understand multiplication, seldom wants to understand division, and never wants to understand attrition").

Interestingly enough, those who continually pay interest into the system will typically have better credit scores than those who pay off their credit bills in full.

1.7 Business Credit

Business credit is one of the best and easiest ways to establish a credit profile because the dynamics of obtaining business credit are usually less difficult than obtaining personal credit. Since businesses are looked upon as more sophisticated than individuals, the bank considers them better risks than regular consumers. The biggest upside to business credit is that you can have the worst personal credit possible, but it may not have a bearing on whether or not a credit vendor will extend to your business entity. Also, if something goes wrong, business credit does not count against your personal credit profile unless you agree to a personal guarantee. As with personal credit your primary concern should be to use business credit as a tool versus using the funds obtained to pay for debt, services, and expenses.

1.8 Mis-Education

One of the biggest miscarriages of education that occurs in our life time is that most of us have been purposely mis-educated into believing **deficit spending** is acceptable by banks and the government.

We buy almost everything we consume through some form of credit card or debit card, which are functionaries of the banking system, and the government almost insists that we keep our money in the bank. By subscribing to our current debt and finance system without a viable plan, the math within our finances is immediately skewed. Since money only truly understands replication, not attrition, why are we implored more so to consume and spend money instead of using money as a tool to create more money, and then buy the things we need?

The answer is to keep us in debt so the banking system never stops making endless amounts of interest off of us. Also, the minute we start to understand and make money in the system, we become competitors of the bank. Banks don’t like competition.

Also, if making a living and keeping a financially fit household or business is as important as it is professed to be, then why not teach each of us how to properly use capital and credit, or how to construct an income statement or a balance sheet in early grade school?

There are many other topics in grade school that are more difficult to teach than capital and credit. Instead, the banking industry hands us a couple of credit cards when we’re struggling through college, and then they’ve got us.

There are multi-million dollar lobbyist in Washington D.C. dedicated to making sure no regulations are passed that outlaw this trap that snares many people into their first bout of serious debt.

Why do you think athletes get paid millions of dollars and end up broke a few years later? It’s primarily because they go into a pattern of spending the money without concerning themselves with “replacing” the money prior to it being spent. They figure they will keep on making the money that they burn through, but because of mis-education they more than likely have already adopted errant spending habits.

It becomes only a matter of time before their life styles consume more money than they take in, until their finances finally collapse. The same thing happens to many lottery winners.

The mis-education of deficit spending is your main enemy. You must at all costs adopt a shift in how you approach making, using, and spending money.

You would think that all of the brilliant financial minds that are out selling their services would be instrumental in re-educating people on how to properly use money; however, in my experience most of them are just as lost and trapped in the same mis-educated cycle as most everyone else.

Steer clear of any so called financial consultant who starts talking about getting you into exotic insurance policies and into other investments without a serious discussion about reshaping your spending paradigm into strategic debt allocation. Additional streams of income and careful planning are how you begin to acquire wealth. Anything else is speculation and luck.

1.9 Demonization of Money

For whatever reason, there always seems to be serious efforts to demonize the pursuit of money and other financial prosperity. All you have to hear is “money is the root of all evil” to know that there is at least a dichotomy in how we view money.

Many factions will have us believe that the pursuit of financial prosperity should not hold significance when it comes to our well-being and happiness. However, if we deferred to the church, we would have to accept the antithesis of the “…root of all evil” conclusion.

Otherwise, how could the church continually ask for weekly tithes? We would have to concede that some good comes from the money raised by the church, which alone discredits the assertion that money is the root of **“all”** evil.

1.10 Fiat currency

Fiat Currency is typically the paper or metal representation (dollar bills, coins, etc.) most of us use for the transfer and or trade of value or wealth. Dollar bills or coins represent how much value you have commanded or manifested for any goods, services, or other values you have provided. The better you communicate the values you extend to your clientele, the more manifestation of that value can be converted into dollar value, transferred or credited, and then extracted by you from the currency system or money supply. Money shouldn’t just be considered what you make. It should more so be considered the manifestation of your value and communication efforts shaped into a delivery system for the goods, services, etc., that you attain. Conclusion: Currency translates into the tool/delivery system used to trade for many of the things that we purchase.

The biggest resounding factor is not the manifestation, (money) but the value behind what you did or said that made someone agree to monetarily credit your efforts.

Business

2.0 The Business of You

Many people don't believe that they could run a successful business, and tend to opt out of the proposition by getting a job in someone else's business. The fact is most of us are more than likely already running businesses. Just by taking care of your household through everyday matters, you are in effect running **the business of you.** You are conducting the business of you when you sign up for utilities, and promise to pay on a house or car loan. You have to be responsible for how much you bring into your business, and then determine how much you can spend. There are many other things that force you into business. Once you recognize that you are already running your own business, your job becomes the restructure of that business into profitability. The main stalwart to remember is the ABC's of sales. ABC stands for "Always Be Closing. This means that as you conduct "The Business Of You", try to make sure you are frequently receiving payment from the products or services you have decided to sell. Also, once you put your "brand" out, be very protective of it and put out a quality product or service. Give people the best you've got, and expect the best in return.

2.1 Capitalization

Capital is the life blood of business. If there is no Capital, there is no business.

Most businesses fail due to inadequate capitalization, planning, and becoming over leveraged. Conversely, businesses that have little or no debt, and aggressive income tend to work very well. If you indicate that your initial start-up costs is ten thousand dollars, and you only have one thousand dollars on-hand to put into the business, your business is not properly capitalized. When you come up with the whole ten thousand dollar deposit and place it into an account established for the business, by simple definition your business has been capitalized.

2.2 Banks

Contrary to what they make themselves out to be, the bank is not a social organization developed for the betterment of our community. A bank is a hard core business concern who's main priority is to make money off of as many people as they possibly can. In doing so, most banks have a playbook that determines that they make profits by lending out funds, and sticking its deposit customers with a variety of fees. Banks only take very calculated risks. Any deviation from their playbook will typically fall on deaf ears, even if the idea is good. Therefore, the order of the day is to figure out the bank's play book. Understanding what opens a bank's coffers is very important. The good news is that you can actually look into the playbook.

However, the requirements to play the game are not easy, so only a relative few are invited to play. Although, with proper planning there are a few things that can be implemented in order to unlock the resources that could get you into the game.

Understanding the right “combination turns” such as seasoning, collateral, leverage, capital reserves, and loan underwriting policy can impact your ability to get money from a bank. Keep in mind they typically only lend to people who have good track records and plans for growing the money they lend out; however, a good track record can be established with a relatively small amount of money, and although the seasoning they require is typically two years, it can be as little as six months from the time you start your business.

2.3 Business Plan

Once you have the appropriate experience or education level necessary for the value you wish to produce and distribute, it will benefit you to put your thoughts and experience down on paper so that you can organize and continually review your plans and replicate successful efforts. Before implementation, hand your business plan to someone you trust that has the skill level to review your ideas and give you feedback. From here set your plan into immediate motion and add to the plan as your experience grows.

A good business plan must also highlight financial reports such as Income or Profit & Loss Statements, Cash Flow Statements, and Balance Sheets. Effective knowledge of these reports show others that you know the language of money and business. If you don't have the experience or education necessary, do not hesitate to consult with individuals who have expertise in whatever you wish to develop.

2.4 Producers vs. Consumers

There are far more consumers than producers. Our economy at all times depends on people feeding money into it. However, if there were more producers than consumers, most of us would be sitting on inventory with less than enough buyers for what we have produced. Business comes down to generating profits and minimizing losses. BUT, if too many people knew how to appropriately conduct business it could possibly create too many producers, which is yet another reason our educational system does not teach money matters. Therefore, there is more than enough room for the hand full of millionaires that are created by opting to follow a better direction by becoming producers vs. consumers. There are some notable Bartering societies may be an exception to this rule.

2.5 Skill Sets & Time on Task

You should start by identifying one or more set of skills that is worth a lot of money versus skill sets that only pay a small amount for the time on task. For Example: A good stock broker, or high end real estate broker may command hundreds of thousands of dollars for a set time on task, whereas a cashier at a fast food restaurant may only command a few hundred dollars for the same amount of time. If you have a potentially lucrative profession, do what you do.

However, if what you do has minimal monetary or public value then change what you do, at least until you have secured a consistent source of capital and wealth. Then if you wish to work or volunteer for little or no compensation you may be fine. Seek out high dollar propositions that have a good demand and short supply. For Example: If you decide to be a car salesperson, opt to sell high end new luxury cars versus used economy cars. There are less high end cars produced yearly, and they sell for much more than typical cars. Getting into a higher end market is worth the difficulty, time, and effort.

2.6 The Business of Money vs. The Business of Business

There are several occupations whose concern is making money with money such as investors, stock brokers and Forex capital traders.

There are also many “cash and carry” occupations like street vendors, plumbers, and other various kinds of cash sales and marketing professionals. Even gamblers and dancers collect on a cash and carry basis. You should put yourself into direct connection to the primary capital source whenever possible. Most employees are two or more levels removed from the actual exchange of cash or value from which they get paid.

2.7 Clubs, Seminars, and Affinity Groups

There are hundreds of affinity groups dedicated to advancing the cause of entrepreneurship such as Chambers of Commerce, Seminar Producers, Investment Clubs, etc. However, many of these groups give very little support after they take in the membership dues. But, if you are willing to pay hundreds or thousands for extra membership privileges you may be afforded exclusive attention. These privileges rarely offer any direct or heightened insight that you can’t discover through your own due diligence. While it is smart to make as many contacts as possible, keep the money you pay out to clubs and seminar vendors to a minimal. Do your own due diligence, and use the money you would have given for the “seminar super package” to start or add to the business of you.

Personal Finance

3.0 Recessional Myths

The technical definition of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP).
The tale signs of a recession are when the economy slows down, and people don’t have, or don’t spend as much money as when financial times are good for the country. Spending and job measurements take on great importance as the government scrambles to assure people that things are stable and good times are ahead.
The truth is, recession should be considered mythical on an individual basis. This term is really used to give an excuse as to why more people are experiencing financial difficulty than typical.
Some would have you believe that there is a relatively limited or finite amount of money, wealth, and resources available; however, money is all around you. Money, as in nature, seeks greater abundance, not less. And so by rights you should be upsizing, not downsizing (with the right plan in place). Money follows any vehicle that furnishes the ability for it to replicate itself. “Money only truly wants to hear about multiplication, seldom wants to hear about division, and never wants to hear about attrition”.

Any discussion or circumstance to the contrary is the fastest way to make certain wealth never finds you. However, if you can identify the key elements that force money to replicate itself, money will find you despite what anyone says about the financial climate.

3.1 Debt

We are all born to be the best we can be; however, society has introduced a number of road blocks that keep us from being so. Mind clouds such as debt and other forms of competition have curtailed our natural missions of life. Life seeks out greater abundance which is why we tend to want more out of life than less. When debt clouds your mind you must fight to be creative enough to think past it.

However in contrast, debt can be strategically used to build a strong financial profile (Good debt). Once you have fully subscribed to arbitrage, strategically apply for as much credit that will boost your score as possible. However, once you have obtained the credit, be sure to cultivate the funds into a strategic arbitrage that will bolster your scores. For Example: If you are approved for $1,000 credit card, take out the entire amount in cash. DO NOT SPEND THE CASH. Deposit it into an account until the payment is due.

From here, make the payment with the funds on deposit. This exercise may not be free, but the cost is worth the positive gains that will result on your credit report.

3.2 Passive Income vs Earned Income

There are generally two categories of income, earned income and passive income. Earned income is usually characterized by the salary most people take home from their jobs. Passive income is usually characterized by residual money that is made without having to exert labor and physical presence. Receiving rents, interest payments, or other forms of residual payments are a few examples of passive income. The economy and inflation will usually always catch up with earned income by itself because earned income typically increases much slower than passive income and there is considerably less time on task with passive income. Therefore, it should definitely take priority over earned income.

3.3 The Job

Even if you have to work for someone else, you should always develop other various forms of revenue to afford yourself a better lifestyle. You should consider any job a ‘one on one’ relationship between you and the person who owns the company, no matter how big. There may be many layers of positions between you and the owners, but this should be of no consequence.

If you can't get directly to "The Man" then do not consider yourself a part of the inner core of the business, and if you are not a part of the inner core, most businesses believe that you are replaceable.

Also, if you are working on a job, never become the "Company Man/Woman" unless you own part of the company. To paraphrase a movie quote, "You're already in trouble when you step out your door in the morning. The only question is 'are you on top of that trouble or not'?" Translation, do your recon work on the top brass of the company and make it your business to make yourself as valuable to them as possible. Then when you have enough knowledge, capital, and or investors to start your own company or other income streams do so asap.

3.4 Team Building

You can-not do it alone. There are many things that usually have to be done to conduct a successful business venture. You may do many things better than others, and vice versa. However, do not waste time where you are not timely or proficient. Avoid becoming a "Jack of all trades, master of none", by only doing what you do best, and by bringing in others for areas where you are not as strong. For Example: You may be good at Public Relations, and your partners may be good in office management. However, if you tried to do both, one of them could suffer. Do what you do best and bring in forward thinking individuals to fill in any necessary gaps.

A good way to go would be to have a small group of like-minded people to go in with you as you develop your plan. If you do not go into a venture with people you already know, find professional individuals with specific skills necessary to facilitate the areas you need filled.

If you don’t like leading, hand your ideas to a capable manager and help ‘him’ carry the load. However, do not give up the ownership rights to your brand.

3.5 Positive Energy

Positive Energy should be invited in like your life depended on it. Positive energy and outlook make all things possible. There is always a way to get whatever you want and need done. But you have to be able to think your way through obstacles clearly. Stress and Negativity are killers. One definition of stress is: “The body's reaction to a change that requires a physical, mental, or emotional adjustment or response.” Stress is typically a negative concept that can have an impact on one's mental and physical well-being, but it is unclear what the definite cause is. However, it is certainly a contributing factor to “mind clouds” that prevent creativity. To this regard avoid stress and negativity like the diseases they are. Negative people and situations can drain the positive energy necessary to move you forward. If a negative person sits down next to you, get up immediately to avoid the negative energy. If a negative situation occurs learn from it and move forward as soon as possible.

Misery loves company, and many people tend to call on others with their problems. When this happens to you, either excuse yourself from the conversation, or at minimal re-direct the conversation to plausible solutions. Even if a solution doesn't show up right away, at least the direction of the energy has been turned from poison to positive.

3.6 Gratitude

A few years ago I was sitting in a nice resort under a huge umbrella sipping a cocktail with my family close by. But I wasn't happy because I wasn't "ballin" since I was on a very tight budget. And then I picked up a book that changed my life. After I finished the book I realized how many things I was doing wrong financially, but more importantly, it made me realize that there are many people that I should be grateful to, things I should be grateful for, and that I should be grateful for where I was. It also made me realize that part of my mis-education was how I was implored to keep all the business experience I had secretive, and not give out information, trade secrets, and so on. The book taught me that when I remove myself from "The Competition", I have nothing to fear, or anything to keep secret as I approach the things I have to do to make a good living and build my wealth.

When I opened my eyes to this I realized that there is an abundance of everything I could imagine, I started internalizing that I will no longer fight for the table crumbs it seemed I had been fighting for forever. Most importantly, once I became grateful for everything around me I decided to help everyone I could, and my heart became lighter. When my heart and spirit became lighter I truly started believing that I am going to be very wealthy spiritually and financially, and I was going to win by helping others along in their journeys.

Make sure you are well compensated for being very helpful to others by providing the values they need. I am so thankful for you, and I truly hope that you realize like I did, and reach out to help as many people as you possibly can. This is what's going to make you wealthy.

Investment Strategy

4.0 Inside Out not Outside In

No matter how good the “next best thing” sounds, always invest from the inside out, NOT from the outside in. Most huge initial investment gains are secretly made by insiders prior to a company’s initial public offering, or by those who are otherwise privy to inside information that gives their investment position a better than fair advantage. Once the serious money has been made, whatever is left goes to the general investing public. Therefore, the only people who truly get paid well are on the inside. Strategizing your time and effort at the top with the developers and policy makers is tantamount to investing (your time and effort) from the INSIDE of an IPO waiting for your stock to go public to general consumers. HOWEVER, doing the "rank and file" thing is like being a general consumer waiting for the stock to hit the market so you can pick it up hopefully before a market rush. Sometimes it goes up, sometimes it doesn't; however, what you will seldom ever hear is that several insiders have already made excellent profits before you find out whether your investment has gone up or down. Therefore, always invest from the inside out, not the outside in.

Otherwise, you're just a pawn in the grand scheme of things. Also, a good investment is one that has enough value or equity to pay you, day one. Not one that will pay you off at some future time. Many people go into investments with a future pay off in mind. Don't buy into it. Contrary to popular belief, there are many investment opportunities out there with immediate equity if you take the time and effort to find them.

4.1 Real Estate

Value as it correlates to real estate is mostly intrinsic. The true value of a property is its intrinsically extrapolated land value, plus the depreciated costs of its improvements, driven by supply & demand. Also, extrapolated land value is a function of the socio-economic success of the immediate and then surrounding area where the land is located, which is also driven by supply & demand. Success in real estate investing is not solely about the current value and or discount position of any given acquisition. It's more so about the timing and execution of the exit strategy. One of the stalwarts of Real Estate is "Location, Location, Location". However, the main stalwart to remember is the "ABC's" of Real Estate and sales. ABC stands for "Always Be Closing. This means that as you conduct "The Business Of You" try to make sure you are frequently receiving payment for the properties, products, or services you have decided to sell.

Equity is the difference between the extrapolated land value of a property, plus the costs of its improvements, minus any debt leveraged against that property.
Equity is also a perceived value of property and improvements, if applicable, propagated by banking concerns that define property values, then leverage debt positions against those property values. Land owners with no debt position benefit from the arbitrary values established by various banking concerns.
Conclusion: Property value and most components of equity are creations of the banking industry devised primarily to create and or bolster profits generated through debt extended to acquire or refinance a given property.

4.2 Value Add vs Flipping

Many self-proclaimed real estate investors seek out ways to make fast money by investing in distressed property. Most of these people believe that the best way to turn a profit in real estate investing is through buying property and then quickly re-selling the property (flipping) for huge profits. Flipping became popular many years ago as many banks gave huge discounts to those who purchased their repossessed (REO) inventory; however, once they determined that there were too many investors making huge profits off of them, banks started making it more difficult for investors by lowering the discounts they allowed their re-sales to be purchased for. Also, the current financial landscape has changed over the past few years.

Billions of dollars are sitting in cash waiting for good deals to be offered by the banks. The problem is that there is more money than ever looking for the same deals. Consequently, cash heavy investors are paying far too much for marginal deals betting the real estate market will reward them eventually.

As an investment veteran, my position is there is far more money in a "value add" strategy than there is in a quick flip strategy. Everybody wants quick flip deals, and are ready to shell out quick money to obtain them, creating too much competition for a limited supply, hence, driving down the profitability. However, adding a bed and bathroom to a rental unit immediately raises the value of the property which could be exponentially more valuable than the cost of the additional area. There is ostensibly far more opportunity to the value-add than the quick flip propositions.

4.3 Exit Strategy

Most investors attempt to systematically figure out their profits from the beginning of a transaction and proceed through to the end with the final conclusion being the net profits. However, sometimes critical and or unexpected circumstances occur that prevent the desired end result. Most of these occurrences tend to happen at the end of the transaction since this part is usually the most difficult to close out. Therefore, it is always best to start your project with the end result at least penciled out.

By backing into your transactions you can pencil out your end figures with a worst case scenario in mind. Take care of the hardest aspects of your transaction first, and the transaction will become easier as it progresses. At days end what is the source of the pay day you are looking for?

Once you determine this, make certain your buyer meets all of the criteria necessary to close the transaction. For Example: You find a property worth $100k that you can purchase for 50% of retail value.

It may be easy enough to find a lender who will finance the front end of the purchase, but there may be many road blocks that could prevent the re-sell of the project. Therefore, you should first determine if your buyer truly has the capital or funding resources necessary to complete the transaction. If your buyer is a cash buyer, do not be shy in immediately requesting his or her financials. If the buyer is going to be financed, request a credit report, and info on who he or she is going to use to obtain the funding? Contact whoever it is, and verify their ability to close. Is the maximum they are saying they will fund enough to cover all of the expenses that will be charged to the transaction, and are there enough profits to justify the time and effort? If the answer is yes, set all of these “end game” matters into motion and have them ready for the closing to occur. Then initiate the front end acquisition of the project, with the knowledge that you have a handle on the end result.

4.4 Asset Protection

You must be afforded the same asset protections under the law as Big Business. Some of these rules are meant to protect assets and or auxiliary businesses from being attached by lawsuits that emanate from other businesses. Therefore, it is very important to compartmentalize your financial jeopardy. For Example: Each property or asset you own should be vested into its own entity (LLC, Corporation, Trust, etc.).
Let's say you own ten properties. If you vest all of the properties into your name, or into a single LLC or some other entity, and someone trips and injures themselves on one of the properties, all ten of the properties are at risk because the fall victim will more than likely be suing you or the sole entity that holds title to all of the property. Conversely, if you vest each of your ten properties into its own entity, and someone trips and falls on one of them, the liability is contained to the vested interest of the one specific property where the injury occurred.

4.5 Timing

Timing is everything, and most deals have fast shelf lives. Even really good deals become un-interesting and fall apart if they are not set into serious motion in short order.

If you know for certain that a deal is good, do not waste time, pursue the deal immediately.
Once a good deal is in motion, it tends to stay in motion. Do your due diligence and close your deal as fast as possible because once the clock starts ticking on a deal, your money will usually start to incur interest on a daily basis.

Employ the best professionals to help you close your deals. It will cost you a little more than if you tried to close it alone, but the expense is well worth it. The rhythm of business is just as important as the business itself. Luck happens when opportunity meets preparation. Prepare for every success, and sooner or later an opportunity will present itself. When it does, jump on it.

4.6 Investors

Investors are very temperamental. It is very hard to get people to risk their money on upstart ventures. Although there is some degree of risk in any proposition, you should consider “End Game” propositions versus elaborate “Risk Heavy” upstart investments. For Example: An End Game proposition could be an escrow closing deposit investment. When a real estate transaction is closing, sometimes a buyer needs a small amount to close out a transaction to get to a bigger pool of money that will be available upon closing.

The buyer (you) can clearly show an investor that it is a safe “in and out” proposition, and have them place their money directly into escrow, and have escrow show that their money will come directly back out to them upon closing. Risk heavy capital is not impossible to obtain; however, it is too difficult and time consuming if it does not come with a clear path of repayment.
Even though an End Game proposition is better, always insist that your investors understand the risk to any proposition you put before them. Using unsophisticated investors opens you to unwanted risks and many times they demand their money back immediately if something goes wrong. This means that you did not do a good job having them understand that they did not make you a personal loan, and that they participated in a risk possible proposition. Securities laws stipulate that you should only extend investment opportunities to “sophisticated” (qualified) investors with at least two hundred fifty thousand dollars. However, if you do find small “non-qualified” investors, by only placing them into End Game propositions you should be okay.

No one else will have the vision to the extent that you will on any of your projects. If you know your idea is good, stay focused and be prepared for ‘nay sayers’, but never give up.

We have figured out how to fly into space, so any business we come up with down here on earth is doable and has more than likely been done already, and so you should be able to find valuable information on most anything you want to do. However, even with positive energy moving you forward, be a little cynical of anyone else perfecting the path you have to take to wealth. No one is going to handle your business like you will handle your business.

Also, never ever show any signs of desperation or despair. Most investors head for the nearest door if they see any signs of trouble, or that you are unsure about the part you have to play.

4.7 Intellectual Property

Another gift that keeps on giving is a properly registered intellectual property. Have you ever looked at a simple invention and figured you were smart enough to have come up with that? In some cases the simple idea you noticed has made the creator a multi-millionaire. The reality is most people do not develop their great ideas. It may be very cost efficient to develop your ideas into making substantial profits.

With the proper strategy your idea can tap into a global market. A classic example of this is the Pet Rock.

This product didn't do much for anyone, but its marketing efforts made it famous, and made its creator a multi-millionaire.

The idea is to create a stream of residual income, and property that is transferable to your heirs, or that can be sold. Even if you only start with your favorite secret recipe, take it through the appropriate registration to get your name on it, and get it out into the public domain. You now are the owner of an Intellectual Property.

4.8 Branding Yourself

Now that you are committed to implementing a new financial paradigm, it's time to hit "reset" and get started right away. First and foremost you have to brand yourself (your name or business name), and bring something of value to market. To change your financial strata you must provide more value to your surroundings than you are currently providing. Make a significant effort to think outside the box because there's always something else you can do or think up besides what you are used to. Once you have a brain storm don't let it get away. Do your due diligence on it, and then bring it into your brand. Your mission is to get someone to gladly hand you cash or a check.

Consider starting slowly and then increase your pace. If you are too far in debt to immediately offset your current debt load, then deal with it as appropriate, but do not allow the shadow of past bad habits to undermine your new plans.

Once you start bringing your products and services to market, and your pace starts increasing it will do well to remember the ABC's of sales, (Always Be Closing). As previously noted even if it's as little as putting a few favorite recipes on the web that's going to only add a few dollars a month, do it five – ten – a hundred times until your finances start to always reflect a monthly surplus.

As you start closing your transactions (getting paid) in your newer business, sooner or later you will be able to lend money to your first business until that one is also in good financial shape.

Make certain your product is of superior quality, and give people the best you've got, and expect the best in return. Always require the best accommodations, wear the best clothes, look to live in the best neighborhoods, drive the best cars, and eat the best food. If on occasion you are not extended the best accommodations do not be put off. Maintain your gratitude, but be vigilant in making certain people treat you very well.

If you demand the best, and promote a quality product, your clientele will perceive that you are selling them quality, and your brand will flourish.

Financial Reports

5.0 Financial Tracking

The following is an instruction of how to construct a ‘simple’ Balance Sheet. This is the minimal effort you should afford yourself on the road from debt to wealth. This report will at minimal let you know how much value you have to come up with to offset and then exceed your debt. First, get a copy of a blank balance sheet from www.streetsmartmemo.com.

Note the beginning of each column. “Considerations” are to the left, “Debits” are in the middle, and “Credits” are to the right. Also note the last three rows are reserved for sub, surplus/deficit, and final totals as noted below:

Considerations	**Debits**	**Credits**
Pay Check		$5,000
Rent	$1,000	
Car & Bills	$900	
Yard Sale		$300
Sub Totals	$1,900	**$5,300**
Monthly Surplus	$3,400	
Final Totals	**$5,300**	**$5,300**

Or if there is more debt than monthly income the situation may play out like this:

Considerations	**Debits**	**Credits**
Pay Check		$5,000
Rent	$1,000	
Car & Bills	$900	
American Express	$4,500	
Sub Totals	**6,400**	$5,000
Monthly Deficit		$1,400
Final Totals	**$6,400**	**$6,400**

Whichever sub-total is larger between the Debits and the Credits will always be entered into both Final Totals boxes at the very bottom. If the Credit number is larger subtract the Debit number and enter the remainder in the (Monthly Surplus) section of the Debit column.
If the Debit sub-total is larger, subtract the Credit sub-total, and enter the remainder in the (Monthly Deficit) section of the Credit Column. Remember the two final totals at the very bottom are always the same number.

It's very rare that the Debits and Credits sub-total out the same, and so you either have to balance the numbers with a surplus on the Debit side, or a deficit on the Credit side. If you didn't already know how, you have just learned how to put together one form of a simple Balance Sheet which is a very important first step.

5.1 Example of Combined Financial Statements

The following is an illustration of how to create financial reports using the information provided in the table below and how they all relate:

Jason Smith, a licensed esthetician, has decided to open a personal grooming and care shop specializing in massage therapy, facials, mani and pedicures. The business will be called "The Street Smart Clinique?" Here is a list of his first month's cash transactions:

Dec 1, Jason opens a business checking account with a deposit of $5,000 of his own funds.

Dec 3, Jason pays $1,000 for 1,000 extra-large towels.

Dec 5, Jason borrows $1,500 from his sister Marcia.

Dec 5, Jason purchases $500 of newspaper advertising.

Dec 8, Jason collects $1,200 in fees for several sessions.

Dec 9, Jason pays $155 to a local masseuse for extra bookings.

Dec 10, Jason spends $ 3 of his smart supply inventory.

The table below illustrates the effect of these transactions on the accounting equation:

	Asset		Liabilities	Smart Cap Equity	
Trans Date	**Cash**	**Supply**	**Note Payable**	**Smart Capital**	**Type of Equity**
Dec 1	5000			5000	Owner Invstmnt
Dec 3	-1000	1000			
Dec 5	1500		1500		
Dec 5	-500			-500	Ad Expn
Dec 8	1200			1200	Serv Rev
Dec 9	-155			-155	Labor
Dec 10		-3		-3	Supplies
Balances	**6045**	**997**			

Notice that the basic accounting equation is maintained after each transaction. In the first equation an asset is increased by $5,000 while equity increases by the same amount. In some transactions, like the second, only one side of the equation is changed. One asset, cash, decreased, while another asset, supplies, increased by the same amount. In the third transaction, cash increased and so did a liability in the same amount.

The final four transactions involved revenue and expenses, which are increases and decreases in equity. The revenue transaction increased both cash and equity by the same amount. The expenses decreased both assets and equity by the same amount.

Street Smart Money Memo Income Statement 31-Dec-12		
REVENUE	**$**	**1,200**
Expenses		
Supplies	$	(3)
Advertising	$	(500)
Contract Labor	$	(155)
Total Expenses	$	(658)
NET INCOME	**$**	**542**

Street Smart Money Memo Cash Flow Statement 31-Dec-12	
Beginning Cash	**$ 542**
OPERATIONS	
Cash Receipts	$ 4,200
Inventory Purchases	
General Operations & Admin Expenses	
Interest Payments	
Income Taxes	
Net Cash Operations	**$ 4,200**
INVESTMENT ACTIVITY	
Cash Receipts From	
Sales of Property & Equipment	$ 1.303
Purchase of Property & Equipment	
Cash Paid For	
Purchase of Property & Equipment	
Loans Extended	
Net Cash through Investments	**$ 1,303**
FINANCE ACTIVITIES	
Cash Receipts From	
Stock Issue	
Borrowing	
Cash Paid For	
Repurchase of Stock	
Repayment of Loans	
Net Cash through Finances	**$ 5,503**
Net Increase in Cash	
CASH AT END OF PERIOD	**$ 6,045**

Street Smart Money Memo Balance Sheet 31-Dec-12		
ASSETS		
Cash	$	6,045
Smart Supplies	$	997
TOTAL ASSETS	**$**	**7,042**
LIABILITIES	$	
Notes Payable	$	1,500
EQUITY		
Retained Earnings	$	542
Smart Capital	$	6,500
TOTAL LIABILITIES & EQUITY	**$**	**7,042**

Take note of the progressive relationship of the reports as follows: The final Net Income number of the Income Statement will also be the first entry of the Cash Flow Statement.

And then the cash entry at the end of the Cash Flow Statement will be the first entry (in cash slot) of the Balance Sheet. Also, the Balance Sheet will sometimes have an entry at the bottom called “Retained Earnings”.

This entry is also taken from the Net Income entry from the bottom of the Income Statement. Also, whereas Income Statements and Balance Sheets usually takes into account cash, assets, and liabilities accumulated over a specified period, the Cash Flow Sheet is usually a “snap shot” of how much your business has now.

The financial reports outlined here should be simple to follow. I highly suggest you study other more complex financial reports. However, these basic reports offer the fundamentals of how to put together, read, and construct financial reports. If you can learn how to operate using these reports you will be giving yourself a tremendous advantage in the business world. Attack your Income and Cash Flow statements with credits as much as possible. Sell as much as you can when you can to add to your cash flow, and life will start changing for you.

Conclusion

6.0 Quotes

"What you hear, you forget, what you see, you remember, BUT what you do, you understand."
Confucius

"Give me a fulcrum and a lever, and I can move the world."
Archimedes

"Success is how high you bounce after you hit bottom."
G Patton

"You should only hunt where the ducks are. "
Unknown author

"Money only truly wants to hear about multiplication, seldom wants to hear about division, and never wants to hear about attrition."
C Wright

"Past financial transgressions are quickly forgiven when new money exceeds the amount of the transgression."
C Wright

"Nature seeks greater abundance, not less".
Wallace Wattles

Once you have practiced the fundamentals I have outlined, you will no doubt evolve into more sophisticated ways to move into money and wealth. I truly hope I have helped you in some way, and have saved you a lot of time, effort, and money.

Best Success to You

Curtis Wright
Wealth Reporter

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