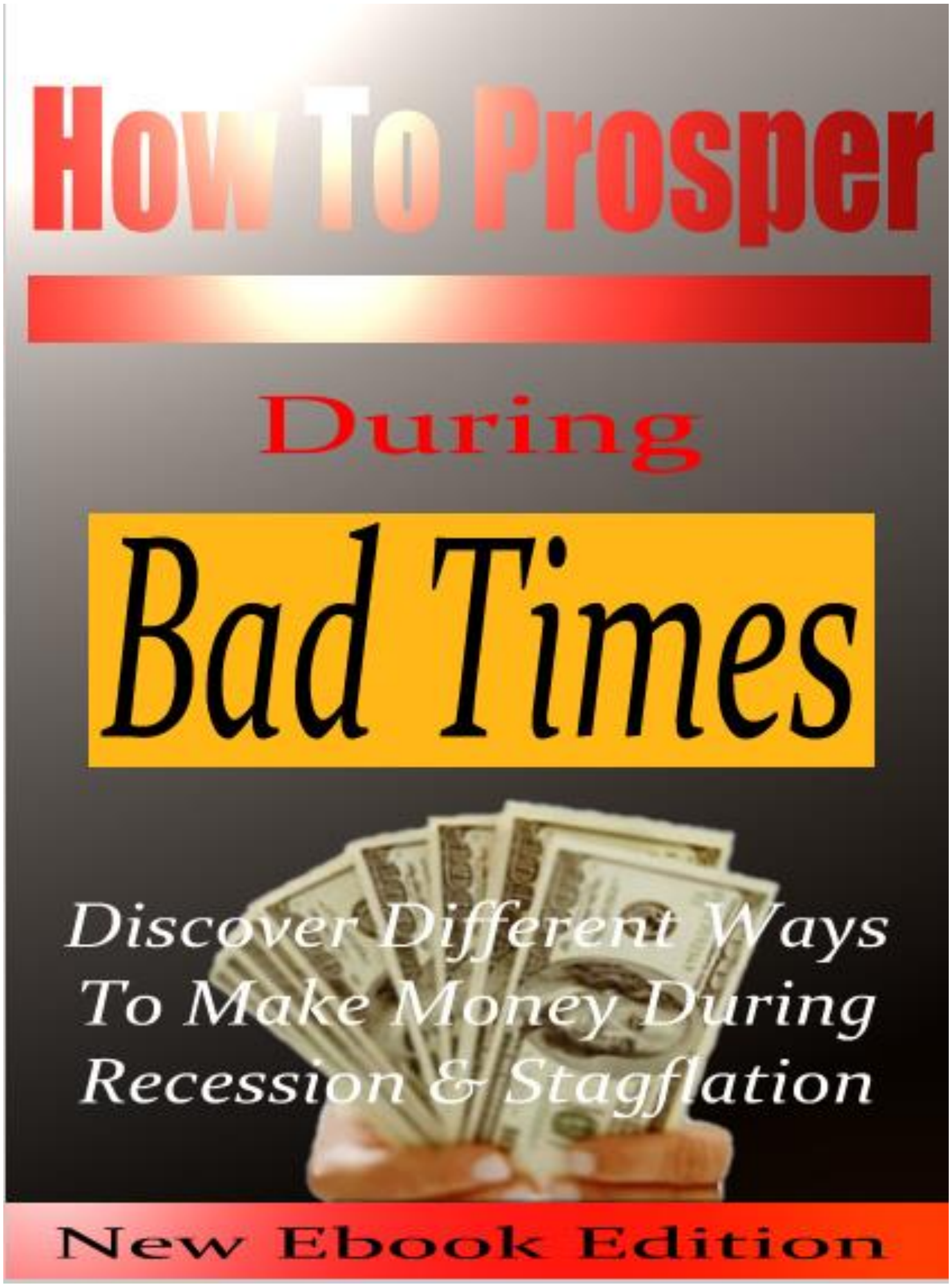
How To Prosper During Bad Times



Many people often associate economic downturn with lack or absence of opportunities. "It's simply impossible to make money much less to prosper during an economic recession or depression."

This is absolutely not true.

Because the truth is, economic recessions or it's uglier cousin, economic depressions, are just the perfect opportunities that anyone with vision can take advantage of to become not just rich – but filthy rich!

For the record no less than America's second richest person alive, Warren Buffet whose personal fortune reached a dizzying $48 billion before he decided to give back to the society $31 billion can attest to this.

Warren Buffet built his massive fortune buying businesses and properties that most people had given up as lost. To many businessmen, he is the great rescuer who bailed them out of their economic miseries.

But of course Warren Buffet saw more than rescuing them out of their economic woes. If he sees no value or potential in their businesses, he sees no reason to buy them.

But what exactly does he know that ordinary mortals don't usually know about economic downturns?

First and foremost, economic downturns don't last. During bad times, Prophets of Doom would say the worst things about the economy.

Of course things are bad. But they only remain bad to a certain point. This is because of the thing called Economic Cycle.

Economic Cycles are periods in history of booms and busts. Economic cycles are the hallmarks of laissez faire system. Economic cycles behave just like the seasons.

And just like the seasons, the climate always changes. And just like the seasons you can predict a downturn or an upturn.

What happened just after just the turn of 20th century was a classic example of an economic boom suddenly gone bust.

In the roaring 20's people thought that there was no stopping to the prosperous times. Until one day, people started dumping stocks at such a frenzy that it sent the whole world in probably the worst economic depression in history.

By all means the signs of a coming collapse were present. Stocks were at all time high. In fact unreasonably high. And people were living beyond their means.

The same thing happened again with the housing market in 2007. Just a couple of years ago, the sense of affluence was everywhere with home values skyrocketing.

Because of the high cost of home ownership many Americans were forced to borrow beyond their means. The result was a credit crisis that sent the world reeling again in another round of recession.

So the question now is if we could predict an economic downturn, could we also predict an economic upturn?

The answer is yes.

If you religiously watch CNBC or read CNNmoney.com, you'd find that home prices had already gone low enough to attract the buyers back.

But how low it could get is the question. Prospective home buyers are still in the sidelines waiting for better bargains. The question this time is when will they decide that the price is already right enough to make them buy?

The following articles will open your eyes to the realities of economic cycles and the opportunities that you can take advantage of for your personal economic growth.

How to Successfully Navigate Your Business through an Economic Downturn
by: **Terry H Hill**

An economic downturn is a phase of the business cycle in which the economy as a whole is in decline.This phase basically marks the end of the period of growth in the business cycle. Economic downturns are characterized by decreased levels of consumer purchases (especially of durable goods) and, subsequently, reduced levels of production by businesses.

While economic downturns are admittedly difficult, and are formidable obstacles to small businesses that are trying to survive and grow, an economic downturn can open up opportunities. A well-managed company can realize the opportunity to gain market share by taking customers away from their competitors. Resourceful entrepreneurs capture the available opportunities, from an economic downturn, by developing alternate methods of doing business that were never implemented during a prior growth period.

The challenge of successfully navigating your business through an economic downturn lies in the realignment of your business with current economic realities. Specifically, you, as the business owner, need to renew a focus on your core clients/customers, reduce your operating expenses, conserve cash, and manage more proactively, rather than reactively, is paramount.

Here are best practices that will help you to successfully navigate your business through an economic downturn:

Goals:

The primary goal of any business owner is to survive the current economic downturn and to develop a leaner, more cost-effective and more efficient operation. The secondary goal is to grow the business even during this current economic downturn.

Objectives:

• Conserve cash.

• Protect assets.

• Reduce costs.

• Improve efficiencies.

• Grow customer base.

Required Action:

• Do not panic… History shows that economic downturns do not last forever. Remain calm and act in a rational manner as you refocus your attention on resizing your company to the current economic conditions.

• Focus on what YOU can control… Don’t let the media's rhetoric concerning recessions and economic slowdown deter you from achieving business success. It´s a trap! Why? Because the condition of the economy is beyond your control. Surviving economic downturns requires a focus on what you can control, i.e. your relevant business activities.

• Communicate, communicate, and communicate! Beware of the pitfall of trying to do too much on your own. It is a difficult task indeed to survive and to grow your business solely with your own efforts. Solicit ideas and seek the help of other people (your employees, suppliers, lenders, customers, and advisors). Communicate honestly and consistently. Effective two-way communication is the key.

• Negotiate, negotiate, and negotiate! The value of a strong negotiation skill set cannot be overstated. Negotiating better deals and contracts is an absolute must for realigning and resizing your company to the current economic conditions. The key to success is not only knowing how to develop a win-win approach in negotiations with all parties, but also keeping in mind the fact that you want a favorable outcome for yourself too.

Recommended Best Practice Activities:

The Nuts and Bolts… The following list of recommended best practice activities is critical for your business' survival and for its growth during an economic downturn. The actual financial health of your particular business, at the outset of the economic downturn, will dictate the priority and urgency of the implementation of the following best practice activities.

1. Diligently monitor your cash flow: Forecast your cash flow monthly to ensure that expenses and planned expenditures are in line with accounts receivable. Include cash flow statements into your monthly financial reporting. Project cash requirements three-to- six months in advance. The key is to know how to monitor, protect, control, and put cash to work.

2. Carefully convert your inventories: Convert excess, obsolete, and slow-moving inventory items into cash. Consider returning excess and slow-moving items back to the suppliers. Close-out or inventory reduction sales work well to resize your inventory. Also, consider narrowing your product offerings. Well-timed order placement helps to reduce excess inventory levels and occasional material shortages. The key is to reduce the amount of your inventory without losing sales.

3. Timely collection of your accounts receivable: This asset should be converted to cash as quickly as possible. Offer prompt payment discounts to encourage timely payments. Make changes in the terms of sale for slow paying customers (i.e. changing net 30 day terms to COD). Invoicing is an important part of your cash flow management. The first rule of invoicing is to do it as soon as possible after products are shipped and/or after services are delivered. Place an emphasis on reducing billing errors. Most customers delay payments because an invoice had errors, and therefore, will not pay until they receive a corrected copy. Email or fax your invoices to save on mailing time. Post the payments that you have received and make deposits more frequently. The key is to develop an efficient collection system that generates timely payments and one that gives you advance warning of problems.

4. Re-focus your attention on your existing clients/customers: Make customer satisfaction your priority. A regular review of your customers' buying history and frequency of purchases can reveal some interesting facts about your customers' buying habits. Consider signing long-term contracts with your core clients/customers which will add to your security. Offer a discount for upfront cash payments. The key is to do what it takes to keep your current customers loyal.

5. Re-negotiate with your suppliers, lenders, and landlord:

i) Suppliers: Always keep your negotiations on the level of need, saying that your company has reviewed its cost structure and has determined that it needs to lower supplier costs. . Tell the supplier that you value the relationship you have developed, but that you need to receive a cost reduction immediately. Ask your supplier for a lower material price, a longer payment cycle, and the elimination of finance charges. Also, see if you can buy material from them on a consignment basis. In return for their price concessions, be willing to agree to a long-term contract. Explore the idea of bartering as a form of payment.

ii) Lenders: Everything in business finance is negotiable and your relationship with a bank is no exception. The first step to successful renegotiations is to convince your lenders that you can ultimately pay off the renegotiated loan. You must point out to your lenders why it would be in their best interest to agree to a new arrangement. Showing them your business plan and your action plan that includes your cost-savings initiatives, along with "the how" and "the when" of the implementation of your plan is the best way to achieve this goal. Explain to them that you will need their cooperation to insure that you can survive, as well as, grow your business during the economic downturn. Negotiated items include: the rate of interest, the required security to cover the loan, and the beginning date for repayment. A beginning date for repayment could be immediate, within several months or as long as a year. The key is to realize that your lender will work with you, but that frequent and continual communications with them is critical.

iii) Landlord: Meet with your landlord. Explain your need to have them extend the term of your lease at a reduced cost. Make sure you have a clause in the lease agreement that entitles you to have the right to sublet any or all of the leased space.

6. Re-evaluate your staffing requirements: This is a very critical area. Salaries/wages are a major expense of doing business.

Therefore, any reduction in the hours worked through work schedule changes, short-term layoffs or permanent layoffs has an immediate cost saving benefit. Most companies ramped up hiring new employees in the good times, only to find that they are currently overstaffed due to slow sales during the economic downturn. In terms of down-sizing your staff, be very careful not to reduce your staff to a level that forces you to skimp on customer service and quality. Consider the use of part-timers or the current trend of outsourcing certain functions to independent contractors.

7. Shop for better insurances rates: Get quotations from other insurance agents for comparable coverage to determine whether or not your present insurance carrier is competitive. Also, consider revising your coverage to reduce premium costs. The key is to have the right balance-to be adequately insured, but not under or over insured.

8. Re-evaluate your advertising: Contrary to the other cost-cutting initiatives, evaluate the possibility of increasing your advertising expenditures. This tactic realizes the advantage of the reduced "noise" and congestion (fewer advertisers) in the marketplace. The downturn period a great opportunity to increase brand awareness and create additional demand for your product/service offerings.

9. Seek the help of outside advisors: The use of an advisory board comprised of your CPA, attorney, and business consultant offers you objectivity and provides you with professional advice and guidance. Their collective experience in working with similar situations in past economic downturns is invaluable.

10. Review your other expenses: Target an across-the-board cost-cutting initiative of 10-15%. Attempt to eliminate unnecessary expenses. Tightening your belt in order to weather the downturn makes practical, financial sense.

Proactively managing your business through an economic downturn is an enormous challenge and is critical for your survival. However, through well-planned initiatives, an economic downturn can create tremendous opportunity for your company to gain greater market share. In order to take advantage of this growth opportunity, you must act quickly to implement the above best business practices to continue realigning and resizing your company to the current economic conditions.

Terry H. Hill is the founder and managing partner of Legacy Associates, Inc, a business consulting and advisory services firm. A veteran chief executive, Terry works directly with business owners of privately held companies on the issues and challenges that they face in each stage of their business life cycle. To find out how he can help you take your business to the next level, visit his site at http://www.legacyai.com

To download a copy of this article, click on this link: http://www.legacyai.com/Article_Downturn.html.

About The Author

An author, speaker, and consultant, Terry H. Hill is the founder and managing partner of Legacy Associates, Inc., a business consulting and advisory services firm based in Sarasota, Florida. A veteran chief executive, Terry works directly with business owners of privately held companies on the issues and challenges that they face in each stage of their business life cycle. Terry is the author of the business desk-reference book, How to Jump Start Your Business. He hosts the Business Insights from Legacy Blog at http://blog.legacyai.com and writes a bi-monthly eNewsletter, "Business Insights from Legacy eZine."

Understanding the Mortgage Meltdown; What happened and Who's to Blame

by: **Richard Gandon**

People are losing their homes and many more will lose their jobs before the mortgage meltdown works its way through the system.

To paraphrase Alan Greenspan's remarks on March 17th, 2008, “The current financial crisis in the US is likely to be judged in retrospect as the most wrenching since the end of the Second World War. The crisis will leave many casualties.”

How many casualties? Experts are predicting that in the next few years, between 15 and 20 million homeowners could have homes worth less than what they owe. Walking away from a bad situation may actually make sense for people who mortgages that are 'upside down' considering the fact that refinancing is out of the question and home equity is nonexistent.

It seems quite easy to point fingers at greedy Wall Street titans for causing the sub-prime mortgage crises. They after all, put together the deals that allowed banks to underwrite mortgages and then offload these liabilities to investors. What many fail to realize is that there is no shortage of blame to go around from homeowners buying more home than they could afford to real estate agents looking for more commission dollars. Mortgage brokers and bankers, the banks themselves, ratings agencies such as Moody's and Standard & Poor's, Wall Street, the Fed and last but certainly not least, the Federal Government.

Let's start with the homeowners--the people who are now in the process or soon to enter the process, of losing their homes. Some of these people had never before owned a home and as such, may not have been prepared for the costs associated with homeownership. Basic financial literacy is sorely lacking in this country despite there being no shortage of budgeting and tracking programs readily available such as Quicken and Microsoft Money. The lack of financial literacy does not absolve these buyers of their responsibility. Every borrower receives a truth in lending disclosure statement. Here is a portion of what the act covers:

The purpose of TILA (Truth In Lending Act) is to promote the informed use of consumer credit by requiring disclosures about its terms and cost. TILA also gives consumers the right to cancel certain credit transactions that involve a lien on a consumer's principal dwelling, regulates certain credit card practices, and provides a means for fair and timely resolution of credit billing disputes. With the exception of certain high-cost mortgage loans, TILA does not regulate the charges that may be imposed for consumer credit. Rather, it requires a maximum interest rate to be stated in variable-rate contracts secured by the consumer's dwelling. It also imposes limitations on home equity plans that are subject to the requirements of Sec. 226.5b and mortgages that are subject to the requirements of Sec. 226.32. The regulation prohibits certain acts or practices in connection with credit secured by a consumer's principal dwelling.

Much of the subprime mortgage crisis can be traced directly back to variable-rate mortgages. As is clearly stated above, “TILA does not regulate the charge that may be imposed for consumer credit. Rather, it requires a maximum interest rate to be stated in variable-rate contracts secured by the consumers dwelling.” It also clearly states that TILA also gives consumers the right to cancel certain credit transactions that involve a lien on a consumer's principal dwelling. One has to wonder whether or not these homeowners:

1. Bothered to read the truth in lending act disclosure at all.

2. Understood what the truth in lending act disclosure meant.

3. Chose to ignore the information printed clearly the truth in lending act disclosure.

A number of months ago, just as the subprime mortgage crisis was beginning to unfold, The New York Daily News ran an article about a family in New York City, who had bought a home and were now faced with the prospect of foreclosure. The article was sympathetic to this family, highlighting the fact that they're living the American dream and that this dream was about to come to an end. What I found to be distressing was the fact that clearly visible in the photo that accompanied this sympathetic article was a very expensive flat screen television hanging on the wall. Perhaps I'm naïve, but I can assure you that if I were faced with the prospect of losing my home and having my family put out on the street, there is absolutely no way that I would still have that expensive television hanging on my wall. It would have been one of the first things to be sold and some financial relief would be found by jettisoning what I'm sure was the expensive cable bill.

Clearly the public needs easy access to financial literacy courses. Too bad we don't see the need to make this a mandatory course of study in our educational system.

Mortgage bankers and brokers have in the last four or five years been raking in cash by the bucket load in the form of commissions paid when mortgages they've originated, close. Many of these people have not needed to do much in the way of prospecting. Instead, their phones have run off the hook as people have jumped on the homeownership and refinancing and take out extra cash bandwagon, despite their ability to pay for their home. No-document loans were readily available without the borrower having to produce documentation that backed up their income. Clearly this practice can and indeed has, lead to substandard loan underwriting processes. Were some of these mortgage bankers and brokers dishonest? Sure. Were all of them dishonest? I think not. To have a massive nationwide conspiracy, where thousands and thousands of people involved in the mortgage banking and mortgage brokering profession got together to create this situation is simply not feasible. Yes, some of the blame does belong with those in the mortgage industry, but they were simply a small cog in the huge machine that created this mess.

Let's discuss real estate agents. In 2007, we bought a home, and also sold a home. The agent we used to purchase our home was absolutely fantastic. In our opinion, she went above and beyond to make our deal happen. She answered every phone call, followed up on every concern and was the epitome of professionalism. We consider this individual to be a friend, and we have sent referrals her way that have resulted in her earning additional commissions. We will continue to recommend her to all who ask or mention that they'd like to buy or sell a home in our area.

The real estate agent, we used to sell our home, could not have been more different. We got our old home ready to sell prior to closing on our new home. We decided to list it as “For Sale by Owner.” In the event that we didn't sell this home on our own, it was our intention to list it with an agent as soon as we had closed on the purchase our new home. Literally, from the day we put the sign in front of our home and listed it on a “For Sale by Owner” website we were inundated with phone calls from real estate agents. We were told many lies and were constantly harassed; although we had already made it quite clear to every agent who called, and there were more to 60 who did; that we were willing to pay half the commission-the same as they would have received had they sold another agent's listing. We also told every agent that called that we had already lined up an agent to sell our home in the event that we chose to no longer sell it ourselves. Our deadline was the closing date of our new home purchase. We did have an interested buyer who shortly after our closing date decided to keep looking so we listed our home with a local agent so that we could concentrate on getting our new home ready for our moving date at the end of the school year. This agent showed our home a maximum of two times and got an offer which we accepted. We ended up getting $1,000 less than we had wanted in a declining Real Estate market. The agents who had called many times to harass us called our listing agent on a number of occasions and he lied telling them that the house was under contract when in fact it wasn't at that time-clearly a breach of our agent's fiduciary duty. Quite frankly an ethical agent would have continued to show our home until closing in the event that the deal fell through.

But wait, there's more. Our agent also acted as the buyer's mortgage broker. At the closing table, we learned that he had signed documents from the buyer stating that he (our agent) represented them and we had signed documents stating that he represented us. We also learned that the buyer had effectively put down approximately 2-3% of the purchase price when financed closing costs were factored into the equation. Their first mortgage had what we thought was a high fixed rate and their second mortgage came with a rate in excess of 8.5%. Because the closing happened in August, literally in the midst of the first wave of the meltdown, if they didn't close on the day they did (August 31st, 2007), Citibank wasn't going to extend their rate. When my wife & I have bought houses in the past, it had always been a very happy day. These people looked absolutely shell-shocked at the closing table. I'm not convinced that they knew just how much their monthly payment was going to be until closing day. We knew down to the penny well in advance having budgeted and planned everything on a spreadsheet. Were these people stupid or just inexperienced and mislead by a greedy combination of real estate agent & mortgage broker? I'm extremely confident that they are intelligent people but inexperienced and taken advantage of by an unscrupulous agent.

The banks are also culpable. Prior to bank deregulation, Savings and Loans provided mortgages to home buyers and kept these loans on their books. Non-performing loans had a negative effect on the S&L's profitability which of course caused tighter lending guidelines such as job stability and decent down payments in order for prospective home buyers to be approved for a mortgage. Way back then, a home buyer had to actually save up enough money for a down payment 10 or even 20% before a bank would ever consider underwriting a mortgage. The checks & balances kept banks solvent and borrowers responsible. Although this approach worked, some cried foul stating that the regulated system was racist and discriminatory-and there certainly was some truth to this. Skipping forward to the present, banks made a bundle on mortgages over the past five or six years. For the most part, they allowed their underwriting criteria to be stretched so far out of alignment that almost anyone could and indeed did, qualify for a mortgage despite their ability to pay. Some folks even applied for and received mortgages for more than the property was worth. Sometimes for as much as 25% more than their property was worth!

Under the prior system, 125% mortgages would not have been possible because of course these loans were held on the banks' books and could have led to losses that would have had to have been absorbed directly by the bank.

So what went wrong? Under the current system, these loans were sold to the big Wall Street investment firms who repackaged them as collateralized mortgage obligations (CMO's), Mortgage Backed

Securities (MBS's) and other similar acronyms. These instruments were then sent to the ratings agencies for their blessing and more importantly a letter rating. Many of these structured finance deals receive AAA ratings-the highest ratings available meaning that in theory, these instruments were least likely to default. How does one create a 'triple A' or AAA rated financial instrument out of sub-prime mortgages? Herein lies the magic. These Asset Backed Securities (ABS) are made up of different tranches or slices, each carrying a different risk and reward level. The first dollar of principle and interest is applied to the securities with the highest rating, and the first dollar of loss is applied to the tranche with the lowest ratings. The lower slices are designed to provide a security blanket that in theory protects the higher-rated securities. The investment banks that package or 'structure' these securities in order to earn fat fees when they sell them to investors are the same entities that pay the ratings agencies to rate these instruments. Clearly the possibility for conflict of interest is present. If investors and not the investment banks that stand to rake in millions in fees were to pay for the rating, the potential for this conflict of interest would be negated. Furthermore, the investment banks have a vested interest in convincing the ratings agencies of the credit worthiness of these securities.

So we've already pointed fingers at homeowners, some greedy, many more I suspect, naïve or uninformed, real estate agents-one out of more than 60 in my experience was a gem, mortgage brokers & bankers, banks, Wall Street and ratings agencies so who's left? The Federal Reserve and the Government of course.

The Fed as its known is responsible of the country's monetary policy and for supervision and regulation of banks. This is the definition of the Fed's roles in their own words:

Monetary Policy

The Fed is best known for its role in making and carrying out the country's monetary policy-that is, for influencing money and credit conditions in the economy in order to promote the goals of high employment, sustainable growth, and stable prices.

The long-term goal of the Fed's monetary policy is to ensure that money and credit grow sufficiently to encourage non-inflationary economic expansion.

The Fed cannot guarantee that our economy will grow at a healthy pace, or that everyone will have a job. The attainment of these goals depends on the decisions of millions of people around the country. Decisions regarding how much to spend and how much to save, how much to invest in acquiring skills and education, how much to spend on new plant and equipment, or how many hours a week to work may be some of them.

What the Fed can do, is create an environment that is conducive to healthy economic growth. It does so by pursuing a goal of price stability-that is, by trying to prevent inflation from becoming a problem.

Inflation is defined as a sustained increase in prices over a period of time.

A stable level of prices is most conducive to maximum sustained output and employment. Also, stable prices encourage saving and, indirectly, capital formation because it prevents the erosion of asset values by unanticipated inflation.

Inflation causes many distortions in the market. Inflation:

· hurts people with fixed income-when prices rise consumers cannot buy as much as they could previously

· discourages savings

· reduces economic growth because the economy needs a certain level of savings to finance investments that boost economic growth

· makes it harder for businesses to plan-it is difficult to decide how much to produce, because businesses can't predict the demand for their product at the higher prices they will have to charge in order to cover their costs

Bank Regulation & Supervision

The Fed is one of the several Government agencies that share responsibility for ensuring the safety and soundness of our banking system. The Fed has primary responsibility for supervising bank holding companies, financial holding companies, state-chartered banks that are members of the Federal Reserve System, and the Edge Act and agreement corporations, through which U.S. banking organizations operate abroad.

The Fed and other agencies share the responsibility of overseeing the operation of foreign banking organizations in the United States. To insure that the banking system remains competitive and operates in the public interest, the Fed considers applications by banks for mergers or to open new branches.

The passage of the Gramm-Leach-Bliley (GLB) Act in November 1999, was the culmination of a multi-decade effort to eliminate many of the restrictions on the activities of banking organizations.

Some of the main provisions of the GLB are:

· Repeals the existing limitations on the ability of banks to affiliate with securities and insurance firms

· Creates a new organizational form that allows banking organizations to carry new powers. This new entity called a "financial holding company," (FHC) and its non-banking subsidiaries are allowed to engage in financial activities such as insurance and securities underwriting

The Fed's enlarged role as an umbrella supervisor of FHCs is similar to its role in supervising bank holding companies. The Federal Reserve Banks will supervise and regulate the FHCs while each affiliate is still overseen by its traditional functional regulator.

The Fed has to delineate the financial relationship between a bank and other FHC affiliates. Its primary goal is to establish barriers protecting depository institutions from the problems of a failing affiliate. To do this efficiently the Fed has to ensure increased communication, cooperation, and coordination with the many supervisors of the more diversified FHCs.

The Fed has access to data on risks across the entire organization, as well as information on the firm's management of those risks. Regulators will be in a position to evaluate and presumably act on risks that threaten the safety and soundness of the insured banks.

It would appear that the Fed has failed to curb housing inflation which played a role in this entire debacle then made matters worse and in their efforts or lack there of, to properly supervise banking institutions.

Finally the government, a.k.a. Uncle Sam, the big Kahuna 10,000 pound elephant etc. Where do we begin? How about with: 'Where were they?'

It now appears that after millions of horses are out of the barn (some horses ran, others were foreclosed upon) the government wants to step in with a bailout to save the rest. While nobody wants to see people lose their homes, the question that must be raised is this: What about all those of us who were responsible? Those of us, who scrimped and saved up a decent down payment, bought less-house than we could afford and who live below our means? Many of us drive older cars and keep them longer. We don't run out and buy the latest and greatest at inflated prices, we watch, wait and budget.

When the World Trade Center was attacked, families who decided not to sue received government payouts and we certainly don't begrudge them as I'm sure that given the choice, they'd prefer to still have their loved-ones over the money. The problem, in typical government fashion is that those who were responsible and had insurance policies in place received less than those who were irresponsible and didn't plan ahead. I'm not talking about dishwashers at Windows on the World and blue collar workers; I'm talking about executives, traders and people who should have known better.

Now our government, the same government that sat by idly watching as this bubble got bigger and bigger despite many warnings, wants to step in and bailout people who are in danger of losing their homes. There has been no talk about educating people, let's not teach people to fish, rather, let's give them a fish and bail them out once again at the expense of those who are responsible.

Clearly, by keeping the majority of the population financially ignorant, there is a lot of money to be made by the poverty industry.

About The Author

Richard Gandon is the Managing Director of The Financial Learning Network, dedicated low-cost online to financial literacy seminars. His 'Understanding the Stock Market" course was made into a CD-ROM and is in use in more that 50,000 classrooms nationwide. Every year since 1998, Richard has teamed up with a fifth grade class in Georgia to teach them about the stock market online. Richard has more than 20

years of financial services industry experience including as a broker, trader, licensing trainer and managed both a sales group and Central Inquiry, a Historical Equity & Index Research group at Standard & Poor's.

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Superior Leader - Warren Buffet
by: **Michael J. Spindler**

Superior business leader and American investor Warren Buffett is often called “Oracle of Omaha” or the “Sage of Omaha” and philanthropist. (Wikipedia, 2007) Buffett is the CEO, and the biggest shareholder of the Berkshire Hathaway Company. Buffett’s has an estimated current net worth of approximately $52 billion in US funds. Forbes Magazine ranks Buffett the third richest person in the world in September 2007 behind Carlos Slim and Bill Gates.

Warren Buffett is known for his economical and plain lifestyle. Buffett still lives in the same Omaha, Nebraska house that he purchased in 1958 for $31,500 with a current value of $700,000. In 1989, Buffett spent $9.7 million of the Berkshire’s funds on a corporate jet. He jokingly named it “The Indefensible” because of his past criticisms of such purchases by other CEOs. (Wikipedia, 2007)

Warren Buffett decided to make a commitment to give his fortune to charity back in June 2006. Buffett’s charity donation is approximately $30 billion, which is the largest donation in the history of the United States. The donation was enough to more than double the size of the foundation with 83% of it going to the Bill and Melinda Gates Foundation. Buffett believed that his family had enough money to get started in life so Buffett decided to give his fortune to charity. Buffett’s annual salary in 2006 was only $100,000. In 2007, Buffett was listed among Time

Magazine’s 100 Most Influential People in the World. (Wikipedia, 2007)

What makes Warren Buffett a good business leader? This is what everyone wants to know because Warren buffet is so successful. It all starts with leadership. Warren buffet is a true leader where his leadership makes a difference in the world. Leadership is very much related to change and Warren Buffett has the capabilities of leadership change to fit the changing world. Warren Buffett has repeatedly demonstrated the ability to map read in the irregular waters of change. Is Warren Buffett born a leader? The authors of this paper believe not. Experience and research has shown little evidence that an individual who comes to power is a “born leader.” Warren Buffett took the falls that any other leader has to take. Warren Buffett learned from his mistakes and turned his mistakes into a positive thing. Warren Buffett shares his leadership at all organizational levels and Buffett is empowered to share leadership responsibilities. In the world of business, many titles related to leadership roles are actively used in business and Warren Buffett wears those titles to make him effective in multiple leadership positions in business. Distinction between good leadership and good management is made often. Managers are made to be organizational, controllers and budgeters. Warren Buffett has leadership in all three departments and one must have these traits to be a good business leader.

Another important trait in Today’s business leadership is communication. Warren Buffet is a skilled communicator in all aspects of life. Communication is the real key of leadership. Skilled communicators have an appreciation for positioning in the business world. Warren Buffet is experienced at positioning himself at the right place at the right time. Warren Buffet has the understanding of the people he is trying to reach and what he can and cannot hear from the people. Knowledge of audiences’ needs and wants gives the orator the ability to listen. Warren Buffett is an excellent listener with the ability to convey his understanding.

When Warren Buffett talks, people listen. Warren Buffett can send a message through an open door and does not have to push the message through a wall.

Leadership is crucial to any successful business and good leadership is what Warren Buffett is all about. This is what makes Warren buffet a good business leader.

Mr. Warren Buffett’s investment strategies and course of leadership are shining examples of characteristics shared by cognitive theorists. Cognitive theory is an approach of explaining behavior through perception, anticipation, and thinking. Mr. Buffett’s continual approach of analyzing both possible investment choices, market trends, and the ability to place management resources of the right caliber in the right position has consistently brought this investor to the forefront amongst peers and the marketplace. At the core of every sound investor is a creative innovator.

Innovation demands creativity. Creativity in turn draws on our cognitive faculties, across the full amplitude from emotion to reason. In the number-heavy world of global investing, innovative thinking is critical. Innovative investors decipher future trends, spot likely winners by combining science (financials) with art (acuity and perception) and continuously mitigate risk. They assess user needs, product features, the proper deployment of money, professional organizational structures and risk management. (Kore Kalibre, 2006)

Mr. Buffett’s instinct and ability to interpret market trends is also held by tight reigns. Despite over 50 years of growth, Mr. Buffett always adheres to one of the most basic business principles: “…only compete where you have a competitive advantage. Warren

Buffett refers to staying within your circle of competence. Social psychologists tell us, though, that we are prone to overconfidence when it comes to assessing our abilities…” (Arthridge, 2006) A man of Warren Buffett’s position and track record could easily be derailed to a sense of over confidence. The principle of only competing within your range of competitive advantage is a principle that can be applied to many other areas in life, and Mr. Buffett’s ability to work and live by this idea has allowed him to continue forward with minimal bruising.

By establishing the previous examples, the authors can reinforce the principles of cognitive theory in that Mr. Buffett behavior patterns are clearly dictated by thought processes, which include interpretation, analysis, and foresight. “As experiences and events gain meaning and value, the process becomes increasingly top down as the mind in (a) attempt at an orderly process influences perception though beliefs, goals and external process” (Gardener, 2007)

Warren Buffett’s is a self empowered leader, because he is loyal, sets goals, plans a strategy for achievement, and stays committed until he accomplishes his purpose. Up to date, he is the greatest stockbroker of all-time. He is a very conservative investor that prefers to invest in companies that sell name brand products that he uses. For example, Coca-Cola, Gillette Razors, See’s Candy, Gulfstream Jet, and GEICO are the major companies he invested in. In the nineties his assets quadrupled in less than five years. He is a smart investor that usually does not take big investment risks. For example, he will not invest in internet stock, because the return is unpredictable. He likes to invest in companies that he is sure will be successful 20 years later. He buys the company with the intentions of keeping it forever. Usually, the management team of each company is the same staff that sold it Warren Buffett from the beginning. He stays loyal to his partners, and the team workstheir best to keep him happy.

After Warren Buffett’s wife died, he decided to donate 85% of his money to charity. However, “he wants his money to be used the same year he donates it”.(Harris, 2006) The requirement will accelerate the process to help the world. According to Fortune magazine, five-sixths of his money will go to the Bill and Melinda Gates Foundation. This foundation which focus on finding cures for diseases that are common in poor nations. The rest of the money will be split among four other charities, that are each run by his three children and one that is in his late wife’s name.

Warren Buffett is not a huge spender. In fact, he still lives in the same house he bought 40 years ago. Warren “told ABC News “Nightline” that being born into wealth did not entitle his children”(Harris, 2006). In addition, he told Fortune magazine that, “A very rich person would leave his kids enough to do anything, but not enough to do nothing.”(Harris, 2006) In other words, he wants his children to work earn their money and value hard work and smart choices.

In the year 2006, Warren’s first annual donation to the Bill and Melinda Gates Foundation was $1.5 billion and the rest was divided among the four charities. He was the first person to make a donation better than Bill Gates, the richest man in the world. It seems as if Bill Gates and Warren Buffett set a good example and lead others to be more generous, because now the Barron Hilton has committed to donating half of his fortune to charity also. Barron Hilton is the founder of the Hilton Hotels and is worth $2.3 billion. Hopefully, a trend started among the fortunate to give to the less fortunate.

The personality of Warren Buffett ties to the Social Cognitive Level, because he tries to understand and make sense of other people. He observes the differences in social knowledge when dealing with people. Social cognition refers to making sense of ourselves, others, and how the information is used. In the sixties and seventies Albert Bandura and Walter Mischel were psychologists, studying personality development. They found that social learning and cognitive principles improve ones abilities to self-regulate and to follow goals. Warren investment choices were successful, because he conditioned his the way he processed information, choices, and expectations.

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Invest In Yourself – Your Career, Future Income Stream, Education And Training

by: **Maxwell Z. Rubin**

The advice often given to young couples starting off in life is "Not to buy what you cannot afford". The same basic advice should be heeded by many. If you cannot afford it- then do not buy the item. But what of investing in your own future in terms of an investment in your personal education or training as well as investments in your own personal career. Is this not getting ahead in life? Is this not money well spent? Even if you have to borrow and go into debt is this not money well spent?

If at the end of the day , year or decade you will be much further ahead in position , salary as well as benefits in addition to "job" and "personal" satisfaction is this not money, time and effort well spent and allocated. ? Indeed it is and can well be.

In the case of your education a dollar borrowed now will result in better jobs- that you will most likely find more challenging and enjoyable , and have a lot more financial reward than a job on the status scale – say as a bus driver or a technician doing oil jobs at your local Wal-Mart. In the case of a vehicle or car loan it may be a godsend. If your vehicle is not reliable – then how can you show up on time, keep your job without an image and reputation of reliability? Not only do you want to keep your employment and income associated with the job but also the job references from your employment superiors for use with other employers for better positions and pay, or for promotion within your present organization. You may even run into a case of promotion within your present firm to another branch office or plant. Not having reliable transport may limit your promotion offerings and flexibility. In addition, if you take out a loan to purchase that vehicle, you may well have upscaled and upgraded your car or SUV, from the models that you most likely would have purchased. By doing so, and driving a higher grade auto model, you may well appear as a more established, senior, more experienced and established employee as well as individual. Fortunately or unfortunately in life most comes down to appearances and perceptions.

There may be a much better and / or better paying job but its way across town, or in an area not served by the bus transit system. Or it may be the case that there is bus service - but if devours a good two to three hours a day of travel time. Good bye to your personal social life. You may have all the money in the world – the wealth of Bill Gates Himself and yet no time or energy to enjoy it. So much for all that pay of that new wonderful job.

A real step foreword as they say. It is always a case of reward versus cost or cost versus benefit. It is a case by case analysis.

In addition you should think of additional or add on costs. Do not stretch yourself too thin – financially. A course at university may not be offered in your calendar year – you will have to complete your schooling fully at a later date than expected. A course may be full – ditto for time delay. Or you may even have to repeat a course or change plans along the way necessitating longer time duration of studies. Leave a buffer of funding both for yourself and as well with the agency that provided the loan – be at bank, savings and loan, credit union or even parents or relatives. Don’t break the bank so to speak at the first step. The same analysis of benefit versus costs prevails in the car / transport / job scenario situation. Many people will drive across town for a bargain to save a dollar and spend $ 10 on gas costs in the process. Incorporate the price of gas into your final net salary not as an aside.

Lastly and most importantly – always pay your bills. Never take on more than you can chew, or in this case afford. Before making that commitment for a loan or undertaking always evaluate carefully before signing on the bottom line. It’s not only a matter of convenience. Your credibility itself is on the line, in addition to your personal honor and integrity and reputation. Pay your bills on time – even earlier than required. This applies to all loans – whether they are for rent, mortgage, utility bills, bank loans, charge card payments or student loans. If you cannot pay in full, then at least pay a bit above the minimum payment. If you are really stuck then contact the lender. Explain the situation honestly. Make a commitment and follow through. Remember the whole point of the exercise was your self improvement – an investment in yourself. To not take the exercise seriously is to shortchange yourself and your future opportunities as well as income stream in the future. To borrow for yourself and personal gain make prudent sense.

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Economic Recession Strategy - How To Keep Your Business Alive During Economic Recession

by: **Michael Seriosa**

You may be in Mail Order, Direct Mail, E-Mail/E-Zine Marketing, or you may be a local merchant with 150 employees; whatever the case-you've got to know how to keep your business alive during economic recessions.

Long before the cash flow in a business, large or small, starts to tighten up, the money management of that business has to be run as a "tight ship." Some of the things you can and should do include protecting yourself from expenditures made on sudden impulse.

We've all bought merchandise or services we really didn't need simply because we were in the mood, or perhaps in response to the flam-boyancy of the advertising or the persuasiveness of the salesperson.

Then we sort of "wake up" a couple of days later and find that we've committed hundreds of dollars of business funds for something that's not essential to the success of our own business, when really pressing items had been eagerly waiting for those dollars.

If you are incorporated, you can eliminate these "impulse purchases" by including in your by-laws a clause that states: "All purchasing decisions over (a certain amount) are contingent upon approval by the board of directors."

This will force you to consider any "impulse purchases" of serious cost, and may even be a reminder in the case of smaller purchases.

If your business is a partnership, you can state, when faced with a buying decision, that all purchases are contingent upon the approval of a third party. In reality, the third party can be your partner, one of your department heads, or even one of your suppliers.

If your business is a sole proprietorship, you don't have much to worry about really, because as an individual you have three days to think about your purchase, and then to nullify that purchase if you think you don't really need it or can't afford it.

While you may think you cannot afford it, be sure that you don't "short-change" yourself on professional services. This would apply especially during a time of emergency.

Anytime you commit yourself and move ahead without completely investigating all the angles, and preparing yourself for all the contingencies that may arise, you're skating on thin ice.

Regardless of the costs involved, it always pays off in the long run to seek out the advice of experienced professionals before embarking on a plan that could ruin you.

1244 Stock Category Advantages-

As an example, an experienced business consultant can fill you in on the 1244 stock advantages. Getting eligibility for the 1244 stock category is a very simple process, but one with tremendous benefits to your business.

The 1244 stock encourages investors to put equity capital into your business because in the event of a loss, amounts up to the entire sum of the investment can be written off in the current year.

Without the "1244" classification, any losses would have to be spread over several years, and this, of course, would greatly lessen the attractiveness of your company's stock. Any business owner who has not filed the 1244 corporation has in effect cut himself off from 90 percent of his prospective investors.

Getting “Hard-Nosed”-

Particularly when sales are down, you must be "hard-nosed" with people trying to sell you luxuries for your business. When business is booming, you undoubtedly will allow sales people to show you new models of equipment or a new line of supplies; but when your business is down, skip the entertaining frills and concentrate on the basics.

Great care must be taken however, to maintain courtesy and allow these sellers to consider you a friend and call back at another time.

Your company's books should reflect your way of thinking, and whoever maintains them should generate information according to your policies.

Thus, you should hire an outside accountant or accounting firm to figure your return on your investment, as well as the turnover on your accounts receivable and inventory. Such an audit or survey should focus in depth on any or every item within the financial statement that merits special attention.

In this way, you'll probably uncover any potential financial problems before they become readily apparent, and certainly before they could get out of hand.

Further Considerations-

Many small companies set up advisory boards of outside professional people. These are sometimes known as Power Circles, and once in place, the business always benefits, especially in times of short operating capital.

Such an advisory board or power circle should include an attorney, a certified public accountant, civic club leaders, owners or managers of businesses similar to yours, and retired executives.

Setting up such an advisory board of directors is really quite easy, because most people you ask will be honored to serve. Once your board is set up, you should meet once a month and present material for review.

Each meeting should be a discussion of your business problems and an input from your advisers relative to possible solutions.

These members of your board of advisers should offer you advice as well as alternatives, and provide you with objectivity. No formal decisions need to be made either at your board meeting, or as a result of them, but you should be able to gain a great deal from the suggestions you hear.

You will find that most of your customers have the money to pay at least some of what they owe you immediately.

To keep them current, and the number of accounts receivable in your files to a minimum, you should call them on the phone and ask for some kind of explanation why they're falling behind.

If you develop such a habit as part of your operating procedure, you'll find your invoices will magically be drawn to the front of their piles of bills to pay.

While maintaining a congenial and courteous attitude, don't hesitant, or too much of a "nice guy" when it comes to collecting money.

Building the Strength of Your Stay Power-

Something else that's a very good business practice, but which few business owners do is to methodically build a credit rating with their local banks.

Particularly when you have a good cash flow, you should borrow $100 to $1,000 from your banks every 90 days or so. Simply borrow the money, and place it in an interest bearing account, and then pay it all back at least a month or so before it's due.

By doing this, you will increase the borrowing power of your signature, and strengthen your ability to obtain needed financing on short notice.

This is a kind of business leverage that will be of great value to you if or whenever your cash position becomes less favorable.

By all means, join your industry's trade associations. Most of these organizations have a wealth of information available on everything from details on your competitors to average industry sales figures, new products, services, and trends.

If you are given a membership certificate or wall plaque, you should display these conspicuously on your office wall. Customers like to see such "seals of approval" and feel additional confidence in your business when they see them.

Often Overlooked-

If at all possible, you should have your spouse work in the business with you for at least three or four weeks per year.

The important thing is that if for any reason you are not available to run the business, your spouse will be familiar with certain people and situations about your business.

These people should include your attorney, accountant, any advisors or consultants, creditors and your major suppliers. The long-term advantages of having your spouse work four weeks per year in your business with you will greatly outweigh the short-term inconvenience.

Many couples share responsibility and time entirely, which is in most cases even more desirable. Whenever you can, and as often as you need it, take advantage of whatever free business counseling is available.

The Small Business Administration published many excellent booklets, checklist and brochures on quite a large variety of businesses.

These publications are available through the U.S. Government Printing Office. Most local universities, and many private organizations hold seminars at minimal cost, and often without charge. You should also take advantage of the services offered by your bank and local library.

The important thing about running a small business is to know the direction in which you're heading...to know on a day-to-day basis your progress in that very direction [your dynamic Business/Marketing Plan]

Be aware of what your competitors are doing and practice good money management at all times. All this will prepare you to recognize potential problems before they arise. In order to survive with a small business, regardless of the economic climate, it is essential to surround yourself with smart people, and practice sound business management at all times.

The Misconception About Business In The Summer-

Whoever started the nasty rumor that Mail Order business is very slow during the months of July and August is dead wrong. In case you are new to the world of Mail Order you are likely to believe this rumor.

The sad part is that a lot of people in the business really believe it! Why do they believe it? Because they have been told by someone else and the rumor was considered "gospel" - so that someone told someone else and so on- sound familiar?!?

What people don't realize is that there is no foundation to this rumor. The only reason the mail order business MAY slow down in the summer months is because of the nature of the product being sold. Try selling winter clothes in July!

Some people will go so far as to stop advertising during the summer months because they are convinced they won't get any sales. Because of the drop in revenue for publishers, due to this line of thinking-

Everybody suffers and they keep the rumor alive and true. Only people believing this lie are making it happen.

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How to Recession Proof Your Job: Ten Job Secrets for Career Success!

by: **Ed Sykes**

Economic times constantly change and organizations adapt to these changes. For you to find career success, you must be pro-active about your job. What are the career secrets of those who soar to the top in their careers no matter what the economic environment is in the world?

The following are ten career secrets you can use to “recession proof” yourself and find career success no matter what the economic situation is:

1. Find Out What Your Organization Needs for Career Success

Invest the time to investigate and understand your organization’s mission, goals, and values. Your organization may be facing challenges and the person who can tune into what the organization needs to be successful and provide the solution can write his/her own career success ticket.

Remember, to get what you want in your career, you must help your organization, your department, your manager succeed. Focus on what is important to your manager and provide the solution. If customer service is important, speak with your manager in terms of creating customer solutions. If your manager is a numbers person, quantify all your results, etc.

2. Be a Change Agent for Career Success

Organizational change will change the way you do your job. There is no escaping the changes that are happening around us all the time. Learn to embrace these changes so that you can learn how to take advantage of the career opportunities available from being a change agent.

How do you do this? Be pro-active and ask questions about the change. How does it affect the organization? What challenges will there be implementing the changes? How will these changes affect the way you do your job? And the most important question, “What can you do to help implement the changes?"

Once you receive the answers to these questions, and are able to act on the answers, you are way ahead of the "change curve" and will be looked at as someone who can "make things happen" within the organization. This will lead to countless career opportunities

3. Be the Master of Your Job for Career Success

Invest the time to learn as much as there is to know about your job. Many times, employees will become complacent and master only the few tasks that they do 80% of the time. Then when a career opportunity comes up, this employee doesn't have the skill set to take advantage of a promotion or raise.

Take the time to read trade journals, go on the Internet to job related sites, and ask questions to master the understanding of your job. With the wealth of information there is in the 21st century, there is no excuse for "not knowing."

4. Volunteer to Make a Difference for Career Success

Volunteer for assignments that expose your skills. Look for especially challenging projects that other people have declined.

Also volunteer to mentor others within your organization. This will show and develop your leadership, management, and interpersonal skills. Keep management posted on your challenges and how you are working with the person you are mentoring to overcome these challenges.

Volunteer to write a department or organizational newsletter. This is another way to benefit a large group, while showcasing your skills and ideas.

5. Be a Solution Creator and Not a Problem Maker for Career Success

Anybody can find problems within organizations. My experience is that you don't need to find them…they will find you. Some people have a special skill for finding problems and reporting them.

Develop the skill of looking at these problems as "opportunities for advancement," step back and analyze the opportunity, and develop ideas for overcoming the problem. Make sure you communicate these solutions during meetings, e-mails, memos, and conversations with management. You will soon be looked upon by management as someone who can overcome obstacles and make things happen within the organization.

6. Handle the Next Level at This Level for Career Success

If you are a manager and want to become a vice president, then start working like a vice president. Find a vice president that is open to mentoring you for the next level. Remember, that vice president will not be promoted to the next level unless the organization sees that the vice president has developed someone to take his/her spot. It might as well be you. Plus, you can lighten the vice president's work load.

Explain to the vice president what you want to accomplish so that everyone has a clear understanding and that this is a win-win situation for all involved.

I hear, "I'm too busy already to do this." Well, let me ask you, "How badly do you want the promotion?" We are all busy. It's up to you to enhance your time management and delegation skills so that you can take on these tasks that will prepare you for the next job level.

Note: Dress as if you are already at the next career level. When you dress for the next level, this makes it easier for the decision makers because they can already envision you at the next career level.

7. Announce That You Want It!

Many times employees miss out on promotions because the decision makers and career influencers do not know they are interested in being promoted.

Announce that you want to go to the next career level!

Take time to sit down with your supervisor, manager, director, etc., and let them know you are interested in going to the next level. Ask them for their honest assessment of your skills. Then ask what you need to do to be ready when the next career opportunity appears.

Also announce your career aspirations to influencers in the Human Resources Department. Remember the more people they can hire from the inside, the less work they need to do. Make it easy for them to hire you.

Announce it to any one who can influence the decision for your promotion.

8. Network and Join Groups to Accelerate Career Success

Join and be active in committees within your organization for career success. This shows management that you care enough to make a difference. It also allows a larger assortment of managers to experience your skill set outside of your normal duties.

Also join professional groups and associations for career success. Professional groups and associations are a perfect way to let influencers outside your organization become aware of your skills. Remember, these influencers most likely work for other organizations and may be in positions to hire new employees. Don't just join, participant in the association's activities to show your creativity, teamwork, and other skills.

Join and let your organization know you've joined these groups. This will show your organization that you are an employee who is taking action to stay ahead of the "career success curve" and can contribute to the organization.

9. Tell Your Job Story for Career Success

Let as many people within your organization and outside your organization know what you do and how well you do it. Make sure you tell your job story at meetings, company conferences, and retreats and to customers. Make sure you tell them with passion!

Many people are shy about telling their career story in a group setting. Because of this fear, you may miss out on the one opportunity to let other people know what you know. One of the most important groups that you could ever join to overcome this fear is Toastmasters. This is a worldwide organization with over 175,000 members dedicated to helping members improve their public speaking, evaluation, think-on-your-feet, and leadership skills. The main reasons you should join Toastmasters are the following:

* Toastmasters can give you the confidence to approach any opportunity with confidence.

* Toastmasters can give you the speaking skills to stand up in front

of a group and present your point in a persuasive manner, while others may shy away from this opportunity.

* You develop your leadership skills by learning how to do effective, positive, and encouraging feedback and evaluations, while learning how to empower the receiver to do better.

* You have the opportunity to develop your leadership skills by volunteering for positions at the club, area, state, regional, and international level. I always say if you can't get the skills at your organization, you can get it at Toastmasters.

10. Build a Nest Egg for Career Success

One of the biggest barriers to creating career success is not building a financial nest egg. When you are at a financial disadvantage, you are less likely to pursue job opportunities, invest in educational opportunities to increase your skills; and, most importantly, you may develop an overwhelming fear of losing your job while in your present position.

Eliminate your debts so that you can freely pursue any career opportunities that present themselves. It's no fun knowing that you wanted a certain job but couldn't pursue it because of financial obligations.

I challenge you to apply these ten career techniques today! You will see immediate job results and go to the next career level no matter what the economic environment may be.

About The Author

Ed Sykes is a highly sought after leadership, motivation, stress management, customer service, and team building expert, success coach, professional speaker, and author of "Jumpstart Your Greatness." You can e-mail him at mailto:esykes@thesykesgrp.com, or call him at (757) 427-7032. Go to his web site, http://www.thesykesgrp.com , and signup for the free success newsletter, OnPoint.

Recession Proof Your Business - Get Bigger Profits
by: **Ted Cantu**

WARNING: Dumb Marketing can wipe out your business! Ex-Art director saves you money, time and tears of misfortune! Learn the ropes of how to strategize your online business.

It's amazing the amount of BAD marketing that I run into along the rocky road to financial freedom. There are many false gurus, shaman, and magic gizmo sellers from every walk of life. I am offered everything from snake oil to the "one in a life time chance to meet Bruce Springsteen". I am not even a Bruce Springsteen fan, (I only know a handful of his songs).

But anyways I am getting WAY off track.

HOW DO YOU RECESSION PROOF YOUR BUSINESS?

Before I fork over the "Golden Ticket" I think its important that you know the difference between a successful business and one that sucks the life out of you. Many entrepreneurs think they have a cash pumping business but in actually it is the cash that gets PUMPED OUT OF THEM! In short, they have a very expensive hobby.

The BIG QUESTION is….. (drumroll please)

What Creates A Recession?

I'm sure you got a text book answer. I can think of several myself. One of the things that comes to mind is that you have a disastrous guy in charge somewhere who calls all the shots. He does a shoddy job at best but still has the ear of the boss. As far as the man in charge he takes his cues from another era where the marketing made little sense then as well. He likes expensive advertising and has convinced himself that this stuff actually works.

I am talking about advertising in things like radio and television. You could get away with that stuff in the 1960's back when you only had three networks, ABC, CBS and NBC. But now you got 900 digital channels, pay per view, HBO1, HBO2 and well you get the idea. Lets not forget the multitude of digital radio stations too. Getting someone's attention now is going to be a heck of a lot harder than you thought.

How do you break through the CRUD?

When you need leaders you need people who can think on their feet. It's a good idea to get someone who can actually push your vehicle out of the mud.

This means trimming the fat. You have to cut the ties with outdated thinking and things that will bleed your account dry, (television and radio being just the beginning). Your business could be in the dumpster because of outdated thinking.

Here are just a few things that could help you elevate your position in wealth.

1. Getting more of your business into ongoing profit generating systems.
2. Automating all of your sales pitches online.
3. Automate the way you accept payment for just about everything you do.
4. Find new ways to create streams of outgoing information without being on the phone.
5. Creating ways of making money and eliminating as much "face

time" as possible.

Its not that I want you to stop liking people as a whole. On the contrary I am looking out for you. That is we have to take care of the boss – namely – YOU. And you cannot do that if you are running around all over town meeting with everyone who calls you on a whim.

I got a rule of thumb about this entire prospecting thing. I rarely ever meet with anyone in person unless I am sure they are going to be worth my time. I try to take care of this through online technology as much as possible.

The Power Of Automation

I set up roadblocks when I can. I try to create an online outlet for my prospect to get more information before they actually pick up the phone and contact me. I do not want to be on the phone all day although that sometimes happens. My prospects usually find a pre-recorded "movie" that explains my services to them in some form.

This really works wonders if you are dealing with people who are in a recession frame of mind. If they are normally close minded to new ideas and new thinking then putting your presentation on autopilot on the web --- works! In fact it can work so well that it will create two dynamics for your business.

1. People will disqualify themselves and not bother calling you in the first place.
2. People will qualify themselves and call you with check in hand, (I'm serious)

You can set up all of your marketing on auto pilot. I record all of my online sales pitches. I accept FAXES online morning, day, noon and night. I have online web sites that accept payment and deposit them straight into my bank accounts. I run all of my presentations on my many web sites and blogs I have out there in cyberspace. And boy do I get the leads and jobs. I get stuff from all over the country from cities I have never been to.

This stuff really works.

What Business Are You In?

Remember what business you are in. You are in business to primarily MARKET your business. It's not to learn the latest tricks in .NET development, SEO, cosmetic dentistry, even though you should be competent in the thing you specialize in. Your real skill as a businessman is to know how to market your services and how to land customers. If you don't have that then you cannot do too much. You need to perfect this stream of steady leads day in and day out.

I recommend duplicating this format whenever you can. It may take a while to get this to work for you but it can be built. The idea here is to create pages that support every profit leg of your business. You have to prime the pump to get this going. Once it is built you can enjoy a day off now and then.

Who knows – maybe you can even take a nap. If you are a full time entrepreneur no doubt you deserve one.

About The Author

Ted Cantu runs iMobile Media, (http://www.1seomichigan.com)and works out of NYC, Chicago, and Detroit, Michigan. He has the number 12 podcast show on http://www.podomatic.com you can listen to it here… http://911copywriter.podomatic.com

3 Foolproof Ways To Soar Through A Recession

by: **Allyn Cutts**

Winners are ALWAYS looking for ways to grow their business. They trust their company, trust their customers to come through for them, and realize that a financial crunch offers advantages that aren't available during better economic times.

1. Get More For Your Advertising Bucks

When the economy makes a turn for the worse, it just makes sense that your advertising will give less of a return than during and economic boon. Sure there's a lot less money being spent, but you don't have to have to watch your profit margin plummet!

Think about it... advertisers are feeling the recession just as much as you are, and are more desperate for clients. It's the perfect atmosphere to negotiate your way to lower costs - even if you are already getting a good price. Every advertising penny you can save, is that much more profit you'll earn on the products.

Have you thought about getting free publicity? Local newspapers are always looking for something of local interest. Make the news! Publicity is free, but a wonderful way to get your business in front of potential clients.

Do your advertisements really need to be as big as they are? We tend to think the big is better, but the facts are that short ads with 11 words or less often generate higher response than large ads. Give it a try, and trim some costs right off your advertising bill.

2. Take Advantage Of Big Ticket Sales

Not all of your customers suffer during recession. Remember that there are always people who are thriving financially, so don't be afraid to make big ticket sales offers. Additionally, when money is tight, people who place a lot of stock in your product will value it even more.

Think about ways to create products similar to yours, but with much higher prices. Internet marketers often create members only sites and sell their products at much higher prices. Hey, they'll obviously make fewer sales, but the people who really value the product will buy. Each sale will net an immensely higher profit. Think about it like this... even though the sales are fewer, the actual profit may be even greater than when it was sold at a lower price.

3. Maximize The Customers You Have

Your customers already know that you have great products and provide satisfactory service. They trust you to come through for them. Think about it... it's much easier to make sales to someone you already have a relationship with.

Use every opportunity to increase your sales volume within the customer audience you already have. Do you have a product that goes with the one they are purchasing? Offer it to them at the register. It's a proven and effective method for increasing sales. You may be shocked at the additional sales you can generate from those who are already buying from you.

About The Author

Who is Allyn Cutts, and why should you care? Allyn has spent over 24 years helping businesses like yours find new customers and increase sales to current customers. Allyn is a marketing and sales fanatic, providing measurable marketing solutions that drive huge results for small-to mid-size business clients. Allyn works personally with clients to design and deliver off-line and on-line direct marketing strategies that focus on metrics and measurable results. You can learn more about Allyn Cutts at http://www.AllynCutts.com and you can call 610.437.4106 between 10 AM and 4 PM Eastern Time Tuesdays and Thursdays.

World Recession now Inevitable - Assume the Crash Position!

by: **Peter Parsons**

You can hardly have failed to notice the massive consumer-fuelled boom across most Western economies the last 5 years or so. In the wake of 911, decisions were taken at the very highest levels that a recession at this point would be disastrous, and so it was 'put off' with the panacea of low interest rates.

Interest rates, in fact, have been hovering at or near 50 year lows since that time in most developed nations including the US and UK, and have only recently begun to rise back to historical norms in the face of worldwide economic pressures.

The 'optimistic' among us seem to think the current situation can continue indefinitely, with a 'new paradigm' of low interest rates, easy credit, and massive house price inflation in what is otherwise a low inflation environment. They are, of course, wrong, as the key phrase 'new paradigm' should have alerted you. Whenever anyone says 'it is different this time' you can safely bet your very last dollar that it isn't!

But why can't the current 'perfect' situation continue? There are 2 explanations, an easy one and a difficult one. We'll take the easy one, of course. Imagine you lose your job. You still have bills to pay. So you max out your main credit card buying those little luxuries like food, and mortgage payments. The next month, you still have no job, so you apply for another card, and max that out too. The third month, however, to your horror, you discover that not only do you still not have a job, but the credit card companies won't advance you any more money, as they are aware of your previous credit binge, and the fact that those debts are still outstanding. You have become a 'bad risk'.

So what do you do? Go bankrupt? What choice is there? If you have no income, and have no source of borrowing, yet still have outgoings, you are bust. Period. In fact, even if you do find a new job, it must now pay MORE than your old job, because you now also have the interest payments on your new debt to support.

For 'You' read 'America'. For 'bankrupt' read 'recession'. The US, and most other Western states have relied to an incredible degree on cheap credit, happily supplied in the main from the Far East. This situation just changed, with the Chinese 'warning shot' across the bows of the dollar, and the smart money is already exiting greenback positions, even though relative to the other main currencies, it should in theory be an attractive home for cash.

The resolution of the current credit bubble may take another year or so to truly unwind, but when it goes, the bust will be BIG. What should you do? Go to cash, and in more than one currency!

For the technically minded, the reason why the coming recession is inevitable, and may even be a 'depression', is simply that countries relying on credit to sustain themselves incur 'carry costs' of those debts. The more they borrow, the bigger the regular payments become to support just the interest on the debt. There are only 2 ways to pay that off - devalue your currency so the debt becomes worthless, or inflate your economy so your GDP rises at MORE than the growth in carry costs on the debt.

The US cannot devalue the currency deliberately, without obvious severe socio-economic results that will be punishing painful to the American citizen and industry. Politically, of course, this would be suicide for the incumbent US Leader.

The alternative is to spark increased internal economic growth, and this is usually what credit binges are used for - to create new industries, employment etc. In the case if the US, however, the unprecedented sums borrowed from Chine and Japan have been spent on... you guessed it, Chinese Plasma TVs and Japanese game consoles. Oops.

The carry cost has been rising at a rate almost 4 times as fast as the internal US growth for some time now, and has already passed the point where any conceivable US growth schedule can comfortably cope with it. As the Far East just decided the Dollar isn't so great anymore, there really only is one way out now. Down. Don't say you weren't warned!

About The Author

Peter Parsons writes for www.nodebtever.com the free site full of advice on debt.

Recessions Don't Last Forever!

by: **Robert A. Kelly**

Recessions Don’t Last Forever!

It could, but what if it doesn’t?

Will you be prepared?

Will those key external audiences of yours, whose behaviors REALLY affect you, look favorably at you and your business?

Because, once the economy emerges from recession, if they don’t, you’ll have one arm tied behind your back.

Don’t let that happen. Instead, decide now which groups of people outside your organization can help or hurt you the most. For our purposes, that #1 group is your key target audience.

What’s going through the minds of members of that audience? You and your people must monitor those perceptions by interacting with these important folks, and asking questions. Yes, that takes time, but you must do it!

Take this approach when you actually meet those members. Start with questions. What do you think of our operation, products or services? Stay alert for wrong thinking, misconceptions and inaccuracies that can hurt. Watch for rumors or beliefs that can lead to behaviors that will pain you. And be especially sensitive to negative conversational tone. Does it suggest that a problem may be on the horizon?

The answers you gather will let you create a corrective public relations goal. It may call for straightening out a damaging misconception about your service quality, or it may seek to replace an inaccurate perception with the truth. Sometimes, your public relations goal will zero in on a particularly hurtful rumor with plans to lay it to rest. For that matter, even a less than positive overall impression of your organization can be targeted for improvement by your public relations goal

How do you achieve that goal? You select a strategy that shows you how to get there. There are only three choices. Create opinion (perceptions) where none exist, change existing opinion, or reinforce it. Select the one that obviously fits your public relations goal.

Now, we think message. What are we going to say to your target audience?

First, your message must aim at correcting the misconception, inaccuracy, rumor, even a lukewarm enthusiasm for your organization. But it must be persuasive, and compelling with its meaning as clear as possible. It must also prevent any further misunderstanding. Try it out on a test sampling of members of your target audience, then adjust the content if needed.

How will you get your message to the attention of that key external audience? “Beasts of burden,” that’s how! Better known as communications tactics that will carry that message to the right eyes and ears.

And there are many tactics awaiting you. Personal contact, radio interviews, newsletters and open houses. Or contests, news conferences, emails and press releases. There are literally scores available.

So, after two or three months of aggressive communications between you and your key audience, are you making any progress?

Only way to find out is to monitor once again what members of your key audience are thinking. Same questions as the first set of interviews, but now what you want to see are perceptions altered in your direction.

For example, you want to know if that inaccurate belief has been successfully neutralized. Or that misconception cleared up. Or that rumor effectively killed.

Certainly, if you discover little progress in those areas, you will revisit your message and evaluate whether it offers believable facts, figures and rationale. In particular, you should revet it for clarity.

And, because there are so many communications tactics available to you, selecting higher-impact tactics, then applying them with greater frequency, will probably be the ticket for the second round.

However, as the day arrives when answers to your remonitoring questions show clear, consistent improvement, you may be excused for concluding that your public relations effort is, at long last, taking advantage of an economy emerging from recession.

end

About The Author

Bob Kelly counsels, writes and speaks about the fundamental premise of public relations. He has been DPR, Pepsi-Cola Co.; AGM-PR, Texaco Inc.; VP-PR, Olin Corp.; VP-PR, Newport News Shipbuilding & Drydock Co.; director of communications, U.S. Department of the Interior, and deputy assistant press secretary, The White House. mailto:bobkelly@TNI.net Visit: http://www.prcommentary.com

Investing in a slow market? It’s all a case of demand and supply!

by: **Keith McGregor**

Are you considering investing in property in the near future?

Whether you are an experienced landlord or looking at taking your first steps on the property investment ladder you are probably being advised to seriously consider investing with the “state of the market at the moment”

Is this a valid argument?

You have probably been told by a property investment broker or company that there is never a bad time to invest in property as long as you are in it for the long term. The reason for this is that statistically, over the long term, property prices have always increased at a rate of around 5% per year.

There is no doubt that making a profit out of property investment is a lot more attainable if you give yourself 10 years to do it.

If however, you are looking at making significant profit in the short term then you could be in for a shock!

If you are buying a property to live in the increase or decrease in property prices will not affect you as dramatically as someone with a large and highly geared portfolio.

If your family house increases in value £50,000 over 3 years and you decide to sell, don’t forget that unless you are downsizing, other houses similarly prices or higher priced have also increased in value!

There is no doubt at the moment that the market is on the buyer’s side. With prices of property down on average £5,000 last month and fewer and fewer buyers visiting estate agents, many buyers may be desperate. Couple this with interest rate rises and a lot more repossessions coming onto the market than at any time in the last few years, discounts off of property are most definitely easier to attain.

What steps can be taken to make sure you are in profit at the end of the year?

Due Diligence.

This is a word that has been used more an more frequently in property investment.

It basically means thoroughly researching your chosen investment.

This includes:

* Studying property prices over a sustained period of time.
* Making yourself known to estate agents and property investment companies.
* Making a list of questions that you need answered by any agent when looking at property, and making sure that they are all answered.
* Haggling, whether there is already a discount or not, if you believe the deal works at a higher discount, ask if there is any movement.
* Make use of various property investment forums , if you are looking at an investment in a certain development, potentially someone has got there before you and has an opinion! Simply type property investment forum into Google!

Once you have found your particular property investment you will need to work out the finances.

Many newspapers are predicting that interest rates will fall again in 2008, but try and work out your worst case scenario.

You need to know if you can afford to keep your investment over the long term. If rates go up you don't want to be just another repossession case for the banks to deal with.

Remember, when house values increasing yearly you could afford to gear your portfolio highly, this is no longer the case for many people.

Make sure that you keep a decent amount of equity in your properties.

Following these steps should help you to invest! Good Luck!

About The Author

Keith McGregor is a partner of Strawberrysoup, a web design agency with offices in Chichester and Bournemouth. Strawberrysoup specialise in creative web design, content managed websites, search engine optimisation, search engine marketing and graphic design

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Why Buffett'S Investment Strategy Won't Work For Buffett Anymore – But For You It Will Still Work!

by: **Hendrik Oude Nijhuis**

You probably already know that Warren Buffett is the world's greatest investor of all time. Starting with only $ 100, Buffett made an unprecedented journey in creating a personal fortune of $ 48 billon. A truly unprecedented accomplishment, especially when you consider he never started a company of his own and never invested a single penny in technology stocks. His complete fortune comes from investing in the stock market!

And, as a matter of fact, Buffett's investment strategy isn't that complicated: buy shares of quality companies when they are 'on sale'. That's all there is! With this straightforward strategy Buffett earned his billions of dollars. But, as we take a deeper look at Buffett's returns over time something stands out…

The outperformance of Buffett compared with the S&P 500 diminishes over time. Between 1957 and 1966 Buffett outperformed the S&P 500 by a massive 14.5 times. In the most recent decade his outperformance has been diminished to 'only' 2.2 times the S&P 500. Of course, Buffett still shows that he is able to beat the indexes. But, now only at a fraction of the outperformance he achieved in earlier decades.

So, what's the reason for this? Has Buffett's system of buying quality companies on sale stopped working? Or has Buffett lost his 'Magic Touch'? Twice the answer is negative.

The explanation behind the diminishing returns

The real explanation for the diminishing (relative) returns is actually quite simple. Nowadays, Buffett has to invest large amounts of money. Even investments of a few hundred million dollars aren't worth the trouble anymore. Just, calculate along with me…

Buffett's total investments currently have a value of approximately 110 billion dollar. So, should an investment still have some effect on the performance of the total investment portfolio this investment has to be at least 2 billion dollar. And that's the problem.

As Buffett's doesn't want to influence a stock price too much (buying in large quantities drives the price of a stock up…) and wants to remain somewhat flexible, normally it isn't possible to buy (or sell) more than 10% of the shares in a certain public company.

And, as the 2 billion equals 10% of the market capitalisation, we are speaking of companies with market capitalisations of at least 20 billion dollar. And, simply put, there aren't that many companies with market capitalisations of over 20 billion!

And, besides the fact that there simply aren't that many companies with market capitalisations that big, these companies are much more followed and researched by investment analysts and all kinds of investment professionals.

Because of this these companies are priced less inefficient. And voilà, here we have the second reason for the diminishing outperformance of Buffett.

Maybe you didn't realize it, but as a consequence of this you have actually a considerably advantage over Buffett (unless you are Bill Gates…). After all, you aren't limited to invest only in these giant, more efficiently priced companies. You can choose from a much, much greater supply of more inefficiently priced companies!

Buffett agrees with this reasoning:

"I think I could make you 50% a year on $1 million. No, I know I could. I guarantee that."

–Warren Buffett, Businessweek, 25 th of June, 1999.

Also the returns of a couple of hedge fund managers show that it is an enormous advantage NOT to have too much money to invest. We will look at two of them: Joel Greenblatt and Mohnish Pabrai. Both of these top investors can be considered as Buffett copycats.

Joel Greenblatt

A few years ago, Greenblatt became known to a wider public as author of ‘The Little Book That Beats The Market’. In this book Greenblatt outlines a strategy in line with Buffett’s investment strategy. Greenblatt’s desire for stocks with high returns on invested capital accompanied by high earnings yields is essentially the same as Buffett’s desire for ‘quality companies on sale’.

Greenblatt’s hedge fund earned annual returns of over 40% for over twenty years. In his first ten years he even achieved annual returns of over 50%. And, like Buffett, Greenblatt got the same problem as Buffett: too much money to invest. And that’s why Greenblatt choose to buy out all the external investors in his hedge fund and to continue investing only with his own, private money!

An example of a recent investment of Joel Greenblatt is his purchase of shares of Aeropostale, a highly profitable clothing retailer. Within only a few months shares of Aeropostale had appreciated over 40%. Greenblatt sold his shares already. With a market cap of around 1 billion dollar at the time of Greenblatt’s purchase, such a transaction would be unthinkable for Buffett.

Mohnish Pabrai

Pabrai, like Greenblatt, can be considered as a Buffett follower:

‘M r. Buffett deserves all the credit. I am just a shameless cloner .’
– Mohnish Pabrai

In 1999, Pabrai started his investment fund with only 1 million dollar to invest. Now, only eight years later, Pabrai manages over 500 million dollar. Of course, Pabrai’s performance justifies this enormous growth: an annualized return of over 28% (after all fees and expenses).

An example of a recent transaction of Pabrai is his purchase of shares of Cryptologic, a software supplier for casinos on the internet. Total market capitalisation of Cryptologic at the time of Pabrai’s first investment: less then 250 million dollar. Pabrai, meanwhile, has seen this investment increase in value over 50% in less than 6 months. Again, this would be totally unthinkable for Warren Buffett.

But, like Buffett, both Greenblatt and Pabrai will be confronted with the laws of financial gravity. Also their relative returns will diminish over time. For sure, some will claim that Greenblatt and Pabrai just had some good fortune and claim that Buffett’s investments strategy doesn’t work anymore.

But also in the future new Buffett’s will arise. And they will demonstrate the sceptic, once again, that it’s still possible to outperform the market. Simply by buying shares of quality companies when they are on sale!