

## Lesson 41

### INVESTING 3

Reminders from lesson 40

## How to become a successful investor

Before you invest in anything make sure you totally understand what you are investing in.

By now you have learnt how important your thinking and belief system is.

***“All that you accomplish or fail to accomplish with your life is the direct result of your thoughts” James Allen***

You have to believe you are a successful investor and then do what successful investors do.

***“Believe you can and you're halfway there”***  
*Theodore Roosevelt*

Fortunately there are a lot of successful investors who we can read about and copy their actions e.g. **Warren Buffet**

***“I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years.”***  
*Warren Buffet*

***“Derivatives are financial weapons of mass destruction.”*** Warren Buffet

***“I buy when other people are selling”*** J. Paul Getty

***“An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today”*** Laurence J. Peter

### **Investing in your own business**

Owning your own business can be very rewarding if you are prepared to do the necessary research and preparation before committing.

Too many people rush in and don't do their homework. That's why there is such a high failure rate with new businesses. Apparently 80% of new businesses fail within the first 5 years.

They also don't have the experience and necessary skill sets before going into business.

**Being successful in business is very simple:**

- **Sell a product or service at a profit.**
- **Pay your expenses out of the profit**
- **Save the surplus you have created and use it to generate more income**

Many people set themselves up for failure by over capitalizing when starting out.

I believe you make money from day one and keep the risk as low as possible.

This requires a lot of discipline and applying what you learnt about handling money in the previous lessons.

Your most important factor in business is your "cashflow". Most businesses fail because of cashflow problems and not because of poor product or service.

Let's look at the different businesses I have opened over the years and the lessons I learnt.

### **Manufacturing mini surfboards:**

When I was still at school I went into partnership with a friend making miniature perspex surfboards which the other kids bought to hang around their necks. We made good money as we gave good value for money.

I learnt my first lesson about "partnerships" – my partner wasn't honest in his dealings with me.

Be very careful of partnerships. Lay down all the rules in writing before you open the business. Also think of all the things that can go wrong with the partnership and make sure this is all covered in your "partnership agreement".

This will save you a lot of unnecessary stress, time and money.

### **Selling Glassware:**

During my school holidays I used to sell "glassware" and made good money.

One day a lady who owned her own business gave me a big order and didn't pay me when I delivered the order. She kept promising to pay.

I never ever got paid – so lost all the good money I had made during my vacation, as I still had to pay the supplier.

### **Never ever give credit.**

I recommend only go into businesses where you get paid immediately or in advance.

### **The Restaurant Business:**

At the age of 22 I went into partnership and opened a restaurant in Umhlanga Rocks.

I had to go into partnership because I never had enough money to do it on my own and I had no restaurant experience.

My partner and I never put anything in writing should we have any disagreements. In other words we never laid down any rules on how we would work together (a partnership agreement).

We did have disagreements and decided to dissolve the partnership after only a few months. We came to an agreement that I would take over the whole restaurant and I paid my partner out for his share over the months ahead.

At the time I loved entertaining people and wasn't afraid of hardwork. So the restaurant game was the ideal business for me to be in. I loved what I was doing.

The restaurant was called Gordon's Prawn and turned out to be a great success.

Being young and ambitious I then started opening other restaurants.

Because I was now giving my attention to the other restaurants, "Gordons Prawn Restaurant" started to suffer and my regulars complained that I wasn't spending enough time at the business.

So I sold the other restaurants and focused on the one.

### **Mail order business:**

I created a very successful mail order business which I had for many years and then sold it on terms - a big deposit and a payment plan.

Never got paid the full amount.

### **Casino business:**

Very successful except I made the mistake of giving credit and lost a lot of money.

### **Publishing business:**

I created a magazine for the black market. Unfortunately I did not have total control as had to do what C.N.A. (Central News Agency) told me to do.

I lost money with this venture.

### **Seminar Business:**

Very good business as you get your money up front.

### **Internet Business:**

This can be a good business as you are paid up front. However a lot of time and effort is involved. I spent 3 years learning the internet marketing business. This involved a lot of time and energy and making many sacrifices. In my opinion there are easier ways to make money.

### **Property Business:**

The easiest, safest and most rewarding type of business. Very little time and effort involved. You need to have patience and be in it for the long term.

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## The Streetwise Mentor

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**IMPORTANT:** Selling a business is not that easy unless the buyer can pay cash. The banks won't lend money to buy a business – they are aware of the high risks involved.

However they will lend you money to buy a property if you qualify and can afford the necessary payments.

**NOTE:** A big mistake people make when their businesses start doing well is they spend more money instead of “economising” and investing the “surplus” in “income producing assets”

From the above you can see I have been involved in many different types of businesses.

Lets look at what in my opinion has contributed to the success of these businesses:

- 1 Having the right attitude
- 2 Being passionate and enthusiastic
- 3 Hardwork
- 4 Having total control over the business
- 5 Doing the administration required to keep good control of the financial affairs.

P.S. No one cares more about your money/business than you do. Don't ever give up the financial responsibility and control to bookkeepers and accountants etc.

Today, I still do all my own books. I have total control of exactly what is going on with the financial side of my business. This takes a lot of time and effort plus I have to make many sacrifices.

- 6 Marketing – promote, promote and never stop promoting
- 7 Give your customers more than they expect – under promise and over deliver

**IMPORTANT:** If you are employed and want to open your own business. Don't give up the security of your employment until your business is established and has sufficient cashflow.

**NOTE:** If there is a business which you are passionate about but don't have the training and experience, you could always go and work for someone for nothing to learn the game.

## The Streetwise Mentor

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I know of someone who did this many years ago. He went and worked in a restaurant for a few years and then opened his own and did very very well, until he went too big. Unfortunately he lived above his means and this very successful restaurant went "belly-up". Today this particular person has "nothing".

**To be continued in the next lesson.....**

**"All lasting business is built on friendship"**

Alfred A. Montapert

**"About the time we can make the ends meet, somebody moves the ends"**

Herbert Hoover

**"An economist's guess is liable to be as good as anybody else's"**

Will Rogers

To your health, wealth, success, abundance and happiness

Gordon and Brenda