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The African-American Economic Empowerment Packet

The Building of a Financial Legacy is Overdue

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"Education is the light in the tunnel of life."

An Economic Empowerment Plan for the African-American Community
By Ryan Mack, President of Optimum Capital Management, LLC

- A mother wakes up at 3:00AM to a crying baby. She runs into the other room to see what is wrong and rocks the baby back to sleep.

- A father sees his son fall from a tree and break his arm. Without thinking he picks him up and drives him to the hospital for treatment.

What will happen if the mother doesn't answer the baby's cry? What will happen if the father doesn't take his child to the hospital? The possible answers to these questions are so unbearable that both individuals are forced to take action. The events described above are instances where an individual uses his instinct to respond to a seemingly urgent situation. He sees or hears a particular situation, and from past experiences, he knows that if he fails to respond appropriately there could be drastic results. He may have been doing something he felt was important at the time; however, the situation that arose was so drastic that he stopped what he was doing to attend to it.

I must warn all of you that we have a drastic situation on our hands that needs all of our immediate attention. No matter the stage of life that you are currently in, we all must find a way to take the time to learn and apply the important principles of financial literacy and economic empowerment within our lives. What are you doing that is so important that you don't have the time to learn how to apply these important life skills? Perhaps you don't perceive your financial future as urgent. Consider these facts?

- By their 65th birthday, 93% of Americans require the financial support of family and friends or social security *just to provide for the basic necessities*. (US Department of Labor stats)
- Fewer men are worth $100 at age 68 after fifty years of hard work than at age 18. (Denby's Economic Tables)
- Eighty-five percent of all people have *only $250 in cash at retirement*. (Social Security Administration)
- Over one-third of all Black senior citizens *live below the poverty level* as established by the federal government. (US Census)
- Two and a quarter million senior citizens forfeit their social security because *they have to work*. (Social Security Administration)

There are two types of people in this world. There are those who are proactive and those who are reactive. The reactive person lives his or her life and responds to changes as they come. The proactive person lives his or her life by preparing in advance for things that could occur, and making his or her decisions appropriately. We can no longer afford to respond to those things that have been plaguing the Black race for hundreds of years. We owe it to ourselves and to future generations to be proactive enough to embrace principles of fiscal responsibility as a steadfast component of our daily lives.

Financial literacy is a relatively new language to Blacks in the United States and it is often very intimidating for those who are unfamiliar with its complexities. I urge you all to be patient as there is no such thing as a "quick-fix" to our current economic situation. However, as you begin to embrace and apply these principles, you will begin to see changes in not only your life, but within the lives of the loved ones who surround you within your community—and even beyond.

Over these next few pages I will attempt to explain various aspects of financial literacy to introduce you to this very important concept. I emphasize "introduce" because reading this is only the beginning of a very long journey that you must take to get the full revelation of the learning about economic empowerment principles. Learning is only half the battle for you must begin to immediately apply these principles in your daily living for the sake of your community, your family, and yourself. Knowledge by itself is useless; however, knowledge plus action is power. I urge all of you, upon reading this book, to become aggressive in taking positive action.

Are You Still A Slave?

Slavery is not only a physical state but it is also a mental state. Any Black male or woman carrying the notion that he/she does not have the ability within himself to attain economic prosperity, or who feels as if he/she must rely upon the decisions and influence of others, who seemingly hold the key to his financial future, is still a slave. Let me explain the concept of slavery as it relates to economic independence and financial empowerment.

African-Americans come from a strong bloodline of prosperity within a rich ancient ancestry. However, here in the U.S., an oppressive society has been successful in creating the overwhelmingly popular, inaccurate perception within African Americans that we are incapable of creating our own economic reality—that we are incapable of achieving financial independence. It is unfortunate but true that many of us allow ourselves to believe this and therefore allow an oppressive society to control our lives and shape our destinies. If it is true that the next phase of the civil rights movement will be fought on an economic front, it is imperative that the African-Americans remove themselves from this form of mental slavery that continues to prevent them from achieving the level of economic independence that we are capable of achieving.

Are you a slave? This is a question that all Blacks must ask themselves before they can effectively attempt to contribute to the advancement of the Black race, and certainly before they can understand the critical importance of financial empowerment. Let's examine the definition of the word "slavery".

Slavery[1]

1. The state of one bound in servitude as the property of a slaveholder or household.
2. The condition of being subject to a specified influence.
3. The state of being under control of another person.

The first definition describes a "physical" state in which someone is physically bound and held as a piece of property. The second and third definitions are not necessarily a physical state of being, but can also be a mental state of being. If I as a person allow you to influence or keep me under your control, but you do not have me bounded with any physical constraints or boundaries, then the control and influence must be that of a mental state. In essence if I have allowed others to control me and/or my destiny, then I am still a slave.

Consider cases of Harriet Tubman and Sojourner Truth, both of whom were born into slavery; both were able to overcome their physical states of slavery by escaping. However, before overcoming the physical state of slavery, they had the tougher task of breaking the mental "chains" that resulted from the years of oppression brought upon by their masters. They both had the daunting task of realizing that the influence and control of their masters were not necessary for them to lead a productive and fruitful life. Likewise it is up to all African-Americans to realize that these mental chains of slavery must be broken in order to walk the road to financial independence.

So are you a slave? Below are a series of questions that you can answer to assist you in determining if your mentality is that of a slave or if you have taken the first important step to financial freedom by breaking the mental chains of bondage.

1. Oppression, racism, and discrimination are substantial obstacles to overcome and have understandably resulted in the lack of financial success for many African-Americans. Is it possible to overcome these obstacles and be successful?..□Yes□No

2. Is it possible for someone to be successful who comes from an inner-city neighborhood without government and/or family support? …………………………………………..……….□Yes□No

3. Ward Connerly of the American Civil Rights Institute is attempting to end affirmative action, deeming it to be unconstitutional and racist. If he is successful will it be possible for Blacks to be successful? …………………………………………………………………………….…..□Yes□No

4. Will you be able find a legal way to continue to financially support yourself and/or your family if you lose your job tomorrow? ….…….…………………………………………………....…....□Yes□No

5. A hurricane demolishes your home and leaves you and your family homeless. Is it possible for you and your family to recover?………………………………………………...…………...□Yes□No

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[1] "slavery." *The American Heritage Dictionary of the English Language, Fourth Edition.* Houghton Mifflin Company, 2004. 20 Dec. 2007. <Dictionary.com http:dictionary.reference.com/browse/slavery>.

All five examples describe real scenarios that have already been experienced by thousands or could happen to you within the very near future. If you did not answer "Yes" to all of the above questions then you are under the control of the environment and/or the people within the environment. You too are a slave.

If you answered "Yes" to all questions, you should prepare yourself for a life of abundance. Your thoughts determine your words, which determine your actions, which determine your habits, which determine your character, which determines your destiny. If you have broken the mental chains of slavery, then your destiny will also be free to be as fruitful and expansive as you desire it to be.

Financial Legacy for African-Americans

Legacy[2]

1. Money or property bequeathed to another by will.
2. Something handed down from an ancestor or a predecessor from the past.

African Americans have long been extremely disadvantaged because of the circumstances that brought us to America. Immigrants came to this land with their cultures intact and with strong self-esteem, both of which have resulted in a strong entrepreneurial spirit. Slaves, in contrast, were broken down and reduced emotionally, as well as physically, and for many years were denied the opportunities to operate our own businesses.

Even after slavery, we continued to be oppressed and were not given equitable opportunities to advance professionally. For example, soon after the radio was invented and found its way into the homes of thousands of Americans, the government disseminated the rights of broadcast ownership to a long exclusive list comprised of the most affluent in society. Until the past 20 years African Americans did not have an opportunity to own radio stations. The same circumstances existed with the invention of television and ownership of broadcasting networks. Similar milestones in American history have resulted in many families leaving strong legacies, creating for their children a foundation of wealth and prosperity that stretches back to the days of America's founding fathers.

It is indeed true that we have not had the best of opportunities since arriving in this country. In fact, we continue to face many forms of degradation and discrimination. However, even with the strife that we have endured, we are at a point where we need to take accountability for our own actions. In many ways, we continue to be the cause of the inhibition of our own economic growth.

Most of us did not receive an inheritance or a legacy to give us a solid foundation of wealth and prosperity and are still surrounded by economic conditions that are very difficult. However, what we fail to realize is that, "Eighty percent of America's millionaires are first generation rich." (*The Millionaire Next Door*, by Thomas Stanley and William Danko) We must ask ourselves "What have we done with the little that we have?" Have we continued to complain that it wasn't enough, or have we made the most of it and tried to increase what we do have? "The plans of the diligent lead to profit as surely as haste leads to poverty." (Proverbs 21:5)

It is not only our responsibility, but also our obligation to be responsible for what we have been given and continue to grow financially. This is our duty, not the government's responsibility, and certainly not those in power who have used discrimination to keep us from professional and financial advancement. While legislation such as affirmative action continues to be necessary, and welfare is still needed in many of the inner-city areas of the community (and elsewhere) we must not use these systems as a crutch. Welfare was not intended as a continued means of living, but only as a temporary subsidy. The problem with relying on government programs to shelter and save us is that the government takes people out of poverty. As African-Americans, we must work on taking the poverty mindset out of the people.

Let's examine the statistics: Black unemployment rates are twice those of Whites. We own less then three percent of the wealth, even though we are 13 percent of the population. Forty one percent of our households hold less than $1,000 in net worth. For every $100 Whites possess, Blacks possess between $8 and $19. The median Black family's net worth is $8,300 compared with the median White family's net worth of $56,000. (*Black Wealth, White Wealth*, by Melvin Oliver and Thomas Shapiro.) One might conclude that this discrepancy is the result of racism, and the fact that most Blacks have not had access

[2] Legacy. (n.d.). *The American Heritage # Dictionary of the English Language, Fourth Edition.* Retrieved December 20, 2007, from Dictionary.com website: http://dictionary.reference.com/browse/legacy

to a legacy of prosperity. However, of all the millionaires in America, “[o]nly 19% receive any income or wealth of any kind from a trust fund or an estate,” and “[m]ore than half never received as much as $1 in inheritance.” (*The Millionaire Next Door,* by Thomas Stanley and William Danko). If African Americans want a piece of the pie, we must work for it.

We must now ask ourselves what can we do to help ourselves? How can we turn these circumstances around so that despite the marginalization we can empower our own communities? The answer begins with yet another question: Why is it that 93% of our income is spent outside the community? Lee Jenkins, author of "Taking Care of Business" noted, "The Black dollar turns over less then once on an average before it leaves the Black community. Asians turn over their money nine times in their communities, and Whites turn their money over eight times before it leaves." Keeping money in our circle means that the circle becomes stronger. Money made within our communities should be primarily spent for the benefit of the community.

However, too many African Americans feel otherwise. Oftentimes we hear comments such as "You just can't work with Black people!" "Truth is—they are just too slow!" These are statements we have all heard from other African Americans. Dr. Martin Luther King made the statement, "Whenever Pharaoh wanted to keep the slaves in slavery, he kept them fighting amongst themselves." There is power in the numbers of the institution, more so than in the individual. In other words, together we can do much more for ourselves than any one person can do for his or her community. None of us is as smart or strong as all of us.

Why are material things so important to us? Does a new car proclaim to the world that we have achieved financial success? Earl Graves Jr., of *Black Enterprise* magazine said, "Blacks on the average are six times more likely then Whites to buy a Mercedes, and the average income of a Black who buys a Jaguar is about one-third less than that of a White purchaser of the luxury vehicle.” There are those of us who can save to buy rims, but struggle to put our children through college. If I were to give you a stock tip to buy 10,000 shares of a stock at $2, and told you in advance that the stock would be worth $1.50 tomorrow, would you buy it? The obvious answer is “no”. Why is so much of our money going into assets that do nothing but go down in value? Many of us are going deeper into debt everyday in order to buy these assets that lose 25% or more of their value as soon as we take them from the vendor. Are you rich because you have a nice car? Is it so important to prove yourself to others that you are more concerned about your nice car or fancy watch than your children? The typical millionaire has never spent more than $399 for a suit, $140 for a pair of shoes, or $235 for a wristwatch (*The Millionaire Next Door,* by Thomas Stanley and William Danko). It is our children who are suffering from this irresponsible behavior; it is our children and grandchildren who will be left without a legacy as a result of our excessive spending habits.

When I was in school, many of my friends, Black like me, were there with borrowed money. With my other friends I could not understand how they so readily afforded college. I now refer to them as the “trust fund babies,” and as you can probably guess, few of them were Black. Parents of these “trust fund babies” began early to plan (and often to sacrifice) for the education of their children while many African American parents were more concerned with what they were wearing, what they were driving and where they were living. Why are some of us more concerned with material wealth than with establishing trust funds for our children? What inheritance is your child going to be left if we are forever increasing debt and spending money frivolously?

We must think about those superficial values and shallow desires that are so often glorified on television. “Phat” rides, gold-filled houses, fancy hotels, champagne wishes, caviar dreams, “fly” gators (alligator skin shoes), “bling-bling” jewelry, spinning wheels, rattling trunks, etc.—are all things that our society often values. We need to re-define our definition of wealth as a people. “He who works the land will have abundant food, but he who chases fantasies lacks judgment.” (Proverbs 12:11)

When all is said and done, we have the ability to take control of our own destinies. Despite the racism we have experienced we have the capability to do for ourselves and achieve success. "A good man leaveth an inheritance to his children's children...” (Proverbs 13:22) For African Americans there must be a paradigm shift. It is our responsibility to build an inheritance, not for ourselves, but for each of our own children and our communities. We must change our mindset and think in terms of leaving legacies.

The African-American vs. Consumption

Consumption[3]

1. The using up of goods having an exchangeable value.
2. The purchasing of goods which depreciate in value.

When Blacks participate in an act of consumption, he is using up those goods that would have been better served to benefit his community, family, or his own financial future. Blacks are spending over 90% of the Black dollar outside their own community (*Taking Care of Business*, by Lee Jenkins) and the majority of those funds are spent by means of consumption. We must consistently focus on creating more value with our hard earned dollars.

Consumption is not always easy to eliminate from our lives so I have outlined some of the strategies that vendors use to get you to continue to purchase their items.

The "Bogus" Sales Strategy—Producers, knowing that the majority of shoppers do not shop unless there is a "sale", will mark up prices then mark them down to be able to state that the item is on sale.

Example: A clothing store receives a jacket from the supplier. Normally this item would retail for $150; however, because the jacket is placed in a store frequented by people of color, the jacket's retail price is increased 100% to $300 because the clothing store recognizes that Blacks will purchase the item at an inflated price due to its popularity. If the jacket remains on the shelf for too long the retailer will mark down the price of the jacket to $150 and advertise a 50% off "sale" in order to entice Blacks to purchase the item (This is a real example from an undisclosed store).

The "Guilt" Sales Strategy—Have you ever wondered why certain stores encourage you to try on as many clothes as possible in the store? This is because many shoppers feel a sense of guilt after they have sampled multiple pieces of clothing and feel as if they are obligated to purchase the item. Another method of creating guilt is serving light refreshments to the customer. While refreshments are a great strategy that creates customer loyalty through service, it is also designed to create a feeling of obligation to pay back for those refreshments enjoyed while shopping.

The "Impulse Creation" Sales Strategy—Stores have ways of creating a sense of urgency with their customers. One strategy is to limit the amount of supplies on the shelves. Many people try to be the first in line to buy that new pair of sneakers or that new technical toy because they know the store will sell their inventory rather quickly. This is purposefully done with the intent to create a sense of panic on the part of the customer who wants to purchase the item before the inventory is depleted.

Another strategy is to rotate the clothes from one store to another to create the impression of limited supply. That fitted baseball cap would seem much more valuable knowing that it will only be on the shelf for another day or so. If you feel that you are about to purchase an item on impulse, put the item down and for three days think of all of the ways that you can better utilize your funds rather than purchasing that item (paying bills, retirement, college savings for children, family vacation fund, etc.). If after three days you're still convinced that you have the funds to purchase the item and you have weighed your options, feel free to return to the store and purchase the item. If the item is not there, check with other locations of the store. The bottom line is this: train yourself to take time to reconsider any purchases that are not absolute necessities. Train yourself to distinguish between "must haves" and "would really like to have." Have a solid understanding of what you "need" versus what you "want".

The "Credit Card Discount" Strategy—Many clothing stores offer credit cards with discount incentives for using the credit card. They will offer you 5–10% discounts knowing that consumers with consumer store credit cards will spend, on average, an additional 35% more in that store using a credit card than they would without that credit card. This is because the credit card creates access to capital. If you are carrying $50 in your pocket without any line of credit you will only spend $50 within any given store. However, if you have a $200 line of credit within a store then statistics show that you will spend an additional 35% more because you now have access to credit to make additional purchases. If you purchase $200 worth of clothes and get a 10% discount you will spend $180 (10% multiplied by $200 equals a $20 discount). However, if you would

[3] consumption. *(n.d.). Dictionary.com Unabridged (v 1.1).* Retrieved December 20, 2007, from Dictionary.com website: http://dictionary.reference.com/browse/consumption

have only spent $50 then even with the discount you are spending an additional $130 with the card then you would have spent while carrying only cash.

The "Lure" Sales Strategy—Stores have done research showing that certain scents and especially music lure African-Americans into stores. There is a reason they are playing your most recent and favorite songs as you walk by the store. They are creating ways to reach into your pocket!

Additional Tips—Never shop when you are….

- Excited or bored, as these feelings trigger frivolous purchasing of items.
- Sad, because this triggers guilt-inspired purchasing of items. This has also caused shopping addictions to form so that whenever you feel down you have a desire to shop.
- Hungry, because you will purchase food that you do not need but looked good to you at the time in the store.

The African-American and Investing

If I gave you $100,000 today how would you spend it? Before you continue to read, I want you to take a moment and think hard about this question. How would you put that money to work? After you have thought about it, which of the following two scenarios describes the best use of the funds?

Scenario A: Spend $50,000 on a "caddy", $25,000 for your pinky, and the balance on a "pound of blow". In twenty years you will have an old pinky ring and a lot less brain cells.

Scenario B: Spend $20,000 on a Honda Accord, $5,000 on a nice vacation, and invest $75,000 in your own portfolio. In twenty years you could have as much as $350,000 (with a very modest 8% return).

For those who chose Scenario A, you have agreed with famous rap star Lil' Wayne as this scenario was taken from his lyrics in his song "Stuntin' Like My Daddy". I listen to rap music, but we must understand that many of the lyrics in this music were written because of their ability to make money…NOT because of their contribution to our intellectual capital as a people.

I personally agree with Scenario B and so do the majority of millionaires in this country. Half of the millionaires in America have never spent over $30,000 for a car in their ENTIRE life (*The Millionaire Next Door*, Thomas J. Stanley and William D. Danko).

One reason is they are so busy making money that they do not have much time to worry about self image. If you were TRULY wealthy, and like 5% of America who controls 95% of the wealth in America, would you care about what others thought about you? Another more important reason is they understand that as long as they are spending money on items that lose value instead of things that gain value they are less able to maintain and increase their economic status. This is why you will hear stories about Jim Walton, heir to the fortune created by his father Sam Walton (founder of Wal-Mart). He still drives a 15-year-old Dodge Dakota pickup despite being number 23 on the 2007 billionaire's list. You may have also heard about Ingvar Kamprad, founder of multi-billion dollar enterprise and also a billionaire. He still drives a Volvo which is also 15 years old. Before he attained his fortune, his father gave him a very modest reward for doing well in school and what did he spend his money on…a "modest" furniture company named Ikea which reported revenues of $17.7 billion dollars in 2005.

The question that you should be asking if you do not know and have not asked already is, "What are they spending their money on if it is not consumption?" The opposite of consumption (putting your money into assets that lose value) is production (putting your money into assets that go up in value). Four of the most common vehicles that you can invest your money into are the following:

1. Stocks
2. Bonds
3. Real Estate
4. Entrepreneurship

1. Stocks

a. The outstanding capital of a company or corporation.
b. The shares of a particular company or corporation.
c. The certificate of ownership of such stock: stock certificate.[4]

Simply put, stock is ownership of a company. You can go to Starbucks and purchase coffee to be a customer. However, you can purchase stock in Starbucks and become part owner of the company. As an owner, you have a stake in every coffee that is purchased. The more shares you purchase, the larger your stake becomes.

2. Bonds

a. A certificate of ownership of a specified portion of debt due to be paid by a government of corporation to an individual holder and usually bearing a fixed rate of interest.[5]

Both governments and corporations need to raise capital to operate. Salaries, suppliers, facilities are all examples of expenses that an employer incurs on a consistent basis. Welfare, social security, Medicaid, public schools, and the Iraq war are all examples of programs and events that require a significant amount of funding from the government. One of the ways to pay for expenses and programming is to borrow from individuals by issuing bonds. If you purchase a bond you are essentially lending that entity money with their promise to return the funds borrowed PLUS interest.

3. Real Estate

a. Land plus anything permanently fixed to it, including buildings, sheds, and other items attached to the structure.[6]

Whether it is your first home or purchasing a piece of investment property on the side, home ownership has always been an American dream and one of premier ways of accumulating wealth.

4. Entrepreneurship

a. The organization, management, and assumption of risks of a business or enterprise, usually implying an element of change and a new opportunity.[7]

Owning and operating your own business has proven to provide the highest return of all of the stated investment vehicles. However, this investment also has the highest risk. It is a risk that is worth it because you are investing in your own ideas. There are those who want to invest in other peoples' ideas…these investors are called venture capitalists.

Before you begin investing in these vehicles, there are a few things that you must do to prepare yourself to invest such as the following:

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[4] stock. (n.d.). *Dictionary.com Unabridged (v 1.0.1)*. Retrieved November 15, 2006, from Dictionary.com website: http://dictionary.reference.com/browse/stock

[5] bond. (n.d.). *Dictionary.com Unabridged (v 1.1)*. Retrieved February 28, 2008, from Dictionary.com website: http://dictionary.reference.com/browse/bond

[6] real estate. (n.d.). *Investopedia.com*. Retrieved February 28, 2008, from Dictionary.com website: http://dictionary.reference.com/browse/real estate

[7] entrepreneurship. (n.d.). *On-line Medical Dictionary*. Retrieved February 28, 2008, from Dictionary.com website: http://dictionary.reference.com/browse/entrepreneurship

How to Prepare a Budget: It is a must that we begin to pay closer attention to our spending habits. There is an old saying that you can tell a lot about the values of a person by looking at their checkbook journal entries. I cannot tell you how many friends who I have put on a budget and they have said things like the following:

- "I would have never thought that I spent that much money at the bar in a month."
- "I need to stop eating out so much!"
- "My girl is just going to have to learn to be happy with pizza!"
- "I didn't know that my closet full of sneakers was costing that much over the past six months!"

The budget is the most important piece of the financial plan. It is time consuming when you first start to organize your finances in this fashion. However, as with any other financial principle and habit, we must make a diligent effort to incorporate the language and actions of economic empowerment into our daily lives. Sixty percent of America is spending more money than they earn every month because they have not learned the habit of budgeting.

Eliminate Credit Card Debt: Many people feel that it is not important to eliminate credit card debt before investing in the market. Credit card debt has variable interest rates that can go as high as 30%. The national average annual percentage yield being paid by the average person in the US at the time this is being written is approximately 15%. Average credit card balance in each household in the US is around $9,000 and steadily increasing. If you have $5,000 in cash, have a credit card balance of $9,000, it does not make sense to put that $5,000 at risk to HOPEFULLY get a 15% return in the stock market when you are CERTAIN that you have to pay 15% on your credit cards. Whatever extra cash you possess, use that money to pay down your credit card debt.

Prepare an Emergency Fund: It is important to have 3-6 months of living expenses saved before you invest in the market. Recently, in October of 2006 when the Detroit teachers were on strike for 8 days, there were many teachers at the Credit Union applying for loans because they didn't have enough savings to last for much more than a week. Additionally, these savings should be placed in a high yield savings account. "High yield" refers to the interest rate on the account. In a regular checking account known to have as low as a .35% interest rate or 0%, you are losing money when you factor in inflation.

Inflation is the rise of the general level of prices in the nation related to the increase in amount of money in circulation. The result of inflation is the loss of value of currency. Inflation is why you could by a candy bar in the 70s for nickel but have to pay as much as a dollar at many stores today. Inflation is the reason that gas prices continue to increase making it more expensive to drive. If you are keeping your money under the mattress, in a safe in the basement, or anywhere that is not earning interest then your money is loosing value as you read this. Putting your money into a high yield savings account will ensure that your money will earn interest that will outpace inflation thereby retain its value and even grow in real value. Good examples of high yield savings accounts are ING Direct, Emigrant Direct, and One United Bank. I saved the best for last in this case because One United Bank is a Black owned bank which is giving one of the highest rates of return in the country as this is being written.

I was watching CNN and saw an older gentleman being interviewed who was worth over two million dollars. That might not sound amazing to you but it is very amazing when I learned that he had never in his life earned over $11/hour. He made a practice of investing his money and living beneath his means. He made sure to include another monthly bill to pay himself within a savings/investment account on a monthly basis. Investing is not just for the rich, but for all income and age levels. The less you earn, the more important it is to be mindful of your expenditures. Less income means less financial protection to provide a cushion during financial setbacks (job loss, salary reduction, rising gas prices, or medical emergencies). Regardless of your income of financial position, it is up to you to make the decision to begin saving towards financial independence today!

African-Americans and Good Credit

Every successful financial plan needs to have clean credit and a high FICO score. If we are to see more home and business ownership in the African American community, having good credit is the first step towards accomplishing this goal. Too many times I have personally seen many opportunities missed because we have not taken the time to "clean" our credit.

Knowing how to improve your FICO score is one of the most important factors in clearing up your credit. A FICO score is a three-digit number that determines the interest you will pay on your credit cards, home mortgage, and even determine whether you will get that new apartment. FICO, the Fair Isaac Corporation, single handedly created this three-digit number that will soon become the dictator of your livelihood in many ways. There are five elements of the FICO score. They are listed below along with their weight of importance.

1. Record of making timely bill payments…………………..…………………...35%
2. Total balance on your credit cards and other loans compared to your total credit limit…………...…......30%
3. Length of credit history……………………….……......…………………………………………...………15%
4. New accounts, recent loan applications, and credit inquiries..…………………………………..…….10%
5. Mixture of credit cards and loans……………………………………………….………..…….………10%

Pay Your Bills on Time: Always pay your bills on time. There are no excuses for late payments. As soon as I receive a bill, I pay it immediately. It was a very difficult habit to establish, because instinct says to throw it on the dresser under a pile of other envelopes and avoid it like the plague. Another bill paying strategy is to designate a day of the month where you do nothing but pay bills. No matter what you are doing, stop and pay your bills. The only downfall to this is that sometimes if you happen to miss that day, it leaves room for procrastination. If the fixed monthly cycle is your preferred strategy, designating two days a month might be more appropriate.

Better still, just pay as they come. One missed payment of a bill can lower your FICO score by 50 – 100 points. If you miss a month of payments a 700 FICO score can easily be 526. I understand that many times it seems as if the best solution towards bills that you cannot afford to pay is to act as if they do not exist, but it is these negative habits that we allow to persist that are severely hindering the economic growth of our community. I challenge you to be responsible to each bill that comes into your home. We all have had times when we have fell behind or have missed a payment…myself included. It is how we recover from these moments to diligently create positive habits that will transcend to other areas of our lives. Responsibility and accountability are principles that we all need to practice in paying bills and to ensure a solid infrastructure of the upcoming economic empowerment movement.

The Debt-to-Credit-Limit Ratio: Your debt-to-credit-limit (D/C) ratio is an important issue as well. Let's just say you have a $3,000 balance on a credit card and a total credit limit of $6,000. Your D/C would be 50% ($3,000/$6,000). This is an important number that accounts for a high percentage of your FICO score (30%). Continuing with the above example, if you pay off a $1,000 balance on one of your cards (let's call it Card A), with a credit limit of $2,500, I would advise you to NOT cancel Card A. Here is why. If you cancel Card A, your credit limit will decrease from $6,000 to $3,500 (remember you had a $2,500 limit on the card). Since you just paid $1,000 of your total balance owed, your new balance owed decreased from $3,000 to $2,000. Your new D/C ratio would now be 57% ($2,000/$3,500), which increased from 50%. The end result of your presumably responsible behavior of bill payment and debt reduction would be an increase in your debt-to-credit-limit ratio and a decrease in your FICO score. The best move when paying off the credit card balance would be to simply cut up your card, and leave the credit line open unless there is an annual fee. There is no sense in wasting $50 to$70 a year on a card you will never use.

The Length of Your Credit History: Your credit history is very important as well. If you must cancel a card, make sure you cancel the newest ones first. The Fair Isaac Corporation can use more points of data to determine your FICO score the longer your credit lines have been open. Protect those cards you have with the longest history. If you must cancel a card, cancel one card then wait a month. At the end of the month, wait and see if your score was negatively affected. If it wasn't, do the same for each additional card you want to cancel.

New Accounts/ Card-to-Loan Mixture: For 4 and 5, you want to be careful not for apply for too many cards at once. This sends a red flag to lenders. Steer clear of too many retail cards as well. When you are at the sales counter at Sears, it can be very tempting to allow the checkout employee to coerce you into a savings card that will open the door to "extreme savings". In the book *The Millionaire Next Door*, the authors Thomas J. Stanley and William D. Danko mention the most popular credit cards of millionaires. The top five credit cards of millionaire household members, and the percent of millionaires who own these cards, are:

1. Visa (59%)

2. MasterCard (56%)

3. Sears (43%)

4. J.C. Penny's (30.4%)

5. American Express Gold (28.6%)

The truly wealthy realize the lack of need for these retail credit card traps. They use cards responsibly and with caution so as not to accumulate unnecessary, overpriced debt.

Lenders like to see a good mix of installment loans (i.e., monthly car notes, monthly mortgage notes) along with your credit cards. Installment loans show just how reliable one can be, especially if payments have been made for an extended period of time, as well as in a timely fashion.

Using Credit Cards Wisely

As consumption rises in the Black community, so does consumer debt in the Black community. There is often the incorrect assumption made that getting a credit card is merely opening an account that will give you credit. This is a misconception that many times leads to financial disasters. As African Americans it is critical that you have an understanding of the most important factors to consider when selecting a credit card.

Keep in mind that it is not so much the credit card that is important, but much more critical is how you use the card. Whichever cards you choose, do NOT use these cards for everyday use. When you get a card, store it in a safe place in your home, where you are not tempted to utilize it frequently. The purpose of this credit card will be two-fold:

1. To establish a credit history.
2. To give you extra protection in case of an emergency.

For number one you must be extremely careful. Unless it is an emergency, NEVER spend money that you cannot reimburse immediately. If you want to purchase a book, and want to use your card to establish a credit history, don't buy the book if you don't have the funds to immediately pay off the bill. When I use my credit card, I charge whatever item I purchase and on the following day I pay the entire balance on my credit card. If you cannot do that, then you must do without the item (unless it is a serious NEED such as food, water, lodging, or essential clothing).

For number two, make sure that you are able to get a sufficient line of credit. Ideally, the card should be able to cover at least three months of expenses covering an emergency. This card as an emergency fund should not replace your personal building of an emergency fund. Remember, you should be saving on your own to establish 6 months of living expenses. Save, and use the card as a subsidy to whatever amount of emergency funds you must establish.

Here are a few tips when looking at the services of various cards.

1. Make sure that there are NO **hidden fees** for having and using the card.

2. **Check the interest rate.** If you have a decent credit history, you should be able to get an introductory rate below 5%. This rate typically lasts for 6 months to a year. You might be able to get a 0% rate for this period. The FICO score (credit score) is a key number in this situation. If your score is above 720, you should be able to get an excellent rate. If it is below 720, you might benefit from getting your score above 720, and then apply for a card. With a high score, you will be able to demand lower rates.

3. **Know your grace period.** This is the time between the statement end date and the date when your payment is due. If you pay off your bill in full during this period, you will owe no interest on the purchases you make until the next month. This grace period doesn't work if you carry a balance. The moment that you carry a balance over until the next month, you begin to pay interest. You might want to shop around for the longest grace period. The standard grace period is 25 days. Others have a 20-day grace period while some have actually given consumers no grace period at all (steer clear of these). Read each statement carefully, as many times companies switch grace periods and hide this in the small print that many never read. Check the due date each month, and see if the grace period has been shortened.

4. **What is the billing cycle?** Is it the averaged daily balance or two-cycle averaged daily balance? Average balance is good; two-cycle average daily balance is bad.

    - Example of averaged daily balance: You will be charged with interest on only the $200 that you didn't pay off.

    - Example of two-cycle average: Last month you charge $5,000 and pay off $4,800 leaving a $200 balance. This month, you charge nothing. You have a bill leaving you with interest on the full $5,000 because this looks at a balance for the previous two months.

5. **How do they calculate the minimum due**? Cards calculate the minimum due by charging approximately 2.5% to 1.5% of the outstanding balance. The lower this number, the lower the amount you have to pay back per month. This can make a difference if you are hurting for cash to pay other bills. However, the lower amount you have to pay off, the more interest is allowed to build up. I strongly urge that you always pay off more than the minimum due and obviously the entire balance, if possible.

6. **Pay on time!**

7. **Look out for mistakes.** Many times credit cards mistakenly double charge you.

At the end of the day, credit card companies are for-profit companies. The more that you pay, the more money they make. They use the legal system that is created to make things more difficult for you to navigate through the red tape. Small letters in the fine print, long contracts with tricky wording, changing billing cycle methods sent in letters they know you won't read, etc. The more irresponsible and uninformed we are, the more money they make. Over 60% of Americans spend more money than we make, and this is because of inflated debt from the misuse of credit cards. Good luck with your next credit card selection!

Home Ownership

To own your own home is not a small venture, and requires considerable thought and planning. I am sure that those who have purchased a house would agree that the process is very long, tedious, time consuming, and perpetually costly. Whichever home you purchase, you must make that decision responsibly. The amount that you pay on your home, and the payments that you are required to make to retain your property will have a huge effect on your future financial state.

If you are not wealthy but want to be someday, never purchase a home that requires a mortgage that is more than twice your household's total annual realized income. (*The Millionaire Next Door*, Thomas J. Stanley and William D. Danko)

While I believe that the above statement over-simplifies the situation, the thought behind it is very true. If you want to purchase a home, you should “act your own wage.” Make sure that you purchase a home within the limits of what you can afford to pay. I have witnessed many people going out to look for a new home without any idea of how much they can afford to pay. I urge every one to take the time to do the math *before* beginning the hunt for a new home. The sub-prime credit market crash beginning in 2006 resulted from a nation of individuals who failed to properly prepare, making them more susceptible to predatory lending practices. Don’t let the mortgage broker do the math, as he or she is pushing for the highest loan to make the most commission. He or she will find a way to stretch you well beyond your means, making a nice commission, while you loose your sanity and happiness trying to over-extend your budget to make your mortgage payments…this is the essence of predatory lending. Remember that every one who has ever filed for bankruptcy or foreclosure was initially approved for a loan from the bank. Know what you can and cannot afford before you meet with a mortgage broker. “The rich rule over the poor, and the borrower is servant to the lender.” (Proverbs 22:7) Buying a home should not be your only goal, but rather you should be buying a home that you can comfortably maintain while living in it.

One good strategy to determine if you will be able to purchase your home before you buy it is to purchase an “imaginary house.” Calculate the amount of money you think you will be able to afford and then immediately open a savings account. With your “house fund” put a down payment into your new account that will come as close to 20% as you can afford. Each month after you have made the down payment put the calculated mortgage payment for your new imaginary home in the account. Without fail, every month make mortgage payments into your savings account for either six months; or until you have the 20% down payment that you will need for your imaginary home. If you find that you are able to make these payments, and still able to live comfortably without over-extending your budget, then you are on your way to having that new house.

Many people have discussed the possibilities of paying off your mortgage early. I have always been a huge fan of early mortgage payments. However, you shouldn’t start paying off your mortgage until you have established an adequate emergency fund that provides financial liquidity in case of unexpected circumstances. There are a number of pros and cons relative to paying off a mortgage early. Once you have purchased your home and made a decision to investigate an early pay-off, check with a financial advisor who will evaluate your personal circumstances and advise you appropriately.

We need more African-Americans to realize the dream of owning their own home. To come home to something that we own is truly a magical feeling. However, we need to be diligent enough to do our own research and not leave our financial futures in the hands of others. Make sure to personally cross every “T” and dot every “I.” Do not be afraid to invest in a competent financial advisor to assist you in this tedious process. A principle of wealth is to be willing to invest in those professionals whose intellectual capital will enhance the quality of our lives.

With predatory lending being such a hot topic, I want to summarize this section with three simple steps on how to avoid predatory lending:

Step One: Improve Your FICO Score

If you are thinking of purchasing a home, the right time to start thinking about improving your credit score is now. You should give yourself a year to improve your FICO score by doing the following:

- **Step One:** Basic Housekeeping of your Credit Report
    - 75% of all reports have errors on them. You are allowed to obtain one free report per year from each of the credit agencies (Equifax, Experian, Transunion). Go to www.annualcreditreport.com and obtain your free copies of your reports.
    - Get rid of any small balances that you have forgotten about.
- **Step Two:** Pay Your Bills on Time
    - Use auto payment to assure that the money is automatically taken from your account. Make sure that you have an efficient budget to leave enough funds in your account to cover bill payments.
- **Step Three:** Pay Down Debts
    - Carrying balances on your cards serves no purpose. Eliminate all balances on your credit cards as soon as possible.
    - Avoid being seduced by credit card companies with their special offer. You will never hear of someone becoming a millionaire because their credit card company offered them frequent flier miles.
- **Step Four:** Do Not Cancel Old Accounts

    - 30% of your FICO score is your balance/lending ratio. If you already have the account open, canceling that account can lower your FICO score.
- **Step Five:** Don't Fear Credit Counselors
    - Going to a credit counselor or a credit consolidation agency is not viewed negatively by FICO.
- **Step Six:** Steer Clear of Bankruptcy
    - Bankruptcy is even harder to file for as a result of new legislation passed by George Bush.
    - 200 points can be deducted from your score.
    - This will stay on your report for 10 years.
- **Step Seven:** Be Patient!
    - Nothing happens over night. This is a process that will take time.

If you do these steps and your FICO score is still below 650 then do not purchase a home. Give yourself enough time to raise your score. There is nothing wrong with waiting and there is no such thing in the housing market as a deal that is here today that will not return in some form tomorrow.

Step Two: Know Your Limits

As stated before, the house budget is crucial to home ownership. Do not allow the bank to decide how much you can afford. If you Google the key phrase "mortgage calculator" you will be able to find many calculators that will assist you in this process. I urge that you do seek out assistance with a professional who is familiar with the calculation process so that you can have an unbiased and objective opinion.

Step Three: Get Three Opinions

- **Opinion One** – A Mortgage Professional: Get an opinion from a mortgage lender that you are comfortable working with who seems to be trustworthy. There is nothing that can compare to a professional opinion in this matter.
- **Opinion Two** – An Unbiased Party (Knowledgeable Friend/Financial Advisor): Get an opinion from an unbiased party who does not have a conflicting interest. While it is good to have a professional opinion from a qualified mortgage lender, these professionals often have a conflicting interest in earning a commission. The larger loan you take out, the larger the commission they earn. This act of predatory lending has caused many to take out loans on homes that were not affordable over the long run.
- **Opinion Three –** Research for YOURSELF: The days of going into the financial professional without researching the various products for ourselves is over. If I steal a car, and I know that I will be arrested if caught stealing that car, does that mean that I am as smart as a lawyer? No. It does mean that I have the basic knowledge of the law that keeps me out of trouble. This same applies to our finances.

Many Americans were duped by Interest Only mortgages. Under these mortgages the borrower is only obligated to pay the interest portion of the loan as opposed to the interest plus the principal. This, obviously, makes the loan more inexpensive for a period of time. However, because many borrowers throughout America were not educated they were unaware that this introductory period would soon expire. After this period expires, the borrower would be obligated to begin repayment of principal of the loan making the mortgage payments increase over 500% in many cases. It was not an uncommon scenario to see a mortgage increase from $500/month (which the borrower could afford) to $2,500/month (which was unaffordable by the borrower). A few hours of research could have avoided the millions of foreclosures that we are currently seeing across this nation.

To educate yourself and find programs that can assist you in purchasing your home you can go to the following websites:

The Federal Housing Administration – www.fha.com
The U.S. Department of Housing and Urban Development – www.hud.gov

Investing in Your Community

In my years as an Equity Trader on Wall Street and currently as a Financial Planner, I have fielded many questions. One of the most frequent questions I have been asked is, "What is the best area to invest in this market?"

Many say that stocks are poised for a strong rally in the long run. Others say that bonds are very attractive. I have heard frequently that real estate is best to accumulate wealth for the long run. The answer to this question depends much on whom you ask.

There is another area of investment that is not talked about as frequently. This area of investment has TREMENDOUS potential and almost unlimited upside. Doubling, and tripling your investment in this area would be an enormous understatement. “What is it?” you ask.

I will give you a clue: you wake up everyday and go to sleep in it. You eat in it, you take your children to school in it, you attend block parties in it, and many of your family and friends may also live in it. If you haven’t guessed by now, I am referring to the community. That’s right. An investment in your community is the greatest investment you can make. How does one invest in a community and what are the returns for the investor?

I have always tried to be a person who has lived a life of assertive purpose and tangible impact. I graduated from the University of Michigan Business School majoring in finance in 1999. I spent the next 5 years working on Wall Street as an Equity Trader, four of those years at the largest NASDAQ trading firm in the country. Of the 300 traders on the floor, there were only 3-5 traders who were Black at any point in time during my tenure. It was not something that personally made me uncomfortable because my primary objective was not create social change, but to make money. I became quite skilled at doing so. However, during my final year on Wall Street, my aunt called me and asked me, “What is a stock?” This caused me a great deal of concern because I had been involved within a world of finance for many years and many members of my own family did not know about this important information. When looking at the statistics about the lack of knowledge of this important arena within the community at large I decided to pursue a career where I would be able to create change by educating my community of the importance of financial literacy. The best way for me to do this was to pursue a career in financial planning.

When I got my first offer from my dream company, I turned in my letter of resignation to the Equity Trading firm and began to prepare for my first day on the job. I was excited to say the least. I had visions of using this firm to educate ALL components of my community and communicated these visions to my new employer. I was hit with a harsh reality when I was told this, “I understand that you want to educate your community. However, unless you are working with high net worth individuals you are wasting your time.”

This crushed my spirits as he basically told me that if my own mother walked in the room I could not work with her because according to that firm, because she was not a rich woman, she would be a “waste of time”. It was at that time that I told that I needed a few more days to contemplate the offer and I walked out. Soon after, on a Tuesday, September 14th, 2004, Optimum Capital Management became a reality.

The road was not an easy road as the next 12 months I did not earn a single dollar. I spent that time researching all of the firms who gave me offers, reading 2-3 books per month, working with Crown Financial Ministries to learn Biblical principles of managing finances, conducting free seminars throughout my community (4-6 per month), and I created a personal financial literacy course for colleges and one for the US Department of Justice. I started a campaign to teach financial literacy to those individuals of all individuals of all income levels. Rich or poor, Black and White, men and women…all were the target of this crucial education. Unions, churches, gang members, youth, public housing communities, inner-city neighborhoods, universities and all aspects of the community were, and continue to be, my target audience. In the years of my company I have traveled across the US and have even traveled as far as South Africa to teach this information to ALL those in need.

This was not an attempt to brag or boast about the efforts of my company. We all have skills and abilities that we can contribute to the progress of our communities. If you are one of those who is taking up space and too apathetic to contribute, then I suggest that you put this book down and give it to someone who is willing to assist in the movement. If you are one who wants to assist in the growth of the community, then I have listed below a few ways and places where you can contribute.

Community Businesses

In your community, there are many businesses. These businesses, if upheld, will bring respectable traffic to your community. Restaurants, bakeries, schools, libraries, and more are all a reflection of the upkeep and character of the community. Outsiders often get a sense of the community by the quality of service, experience and ambiance within the local community restaurants and other institutions. The upkeep of the schools and libraries are all factors looked upon by drive-through visitors. Frequent investment is crucial to property value and quality of living. Time and money that flows through these community institutions will always be reflected in the property values and ultimately the quality of life for the community's residents. So take time to eat in your community restaurants, donate books to your local libraries and schools, and frequent the stores and shops in your community.

Entrepreneurship

According to *Black Economics: Solutions for Economic and Community Empowerment*, by Jawanza Kunjufu, the business ownership ratio per thousand people is as follows: "107 Lebanese, 93 Syrians, 89 Koreans, 65 Japanese, 64 White, 60 Chinese, 30 Columbians, 21 Jamaicans, 17 Hispanics, and 9 for African Americans." Why do we often appear to take more pride in the company we work for, than working for ourselves? Why are we so afraid to step out of our comfort zones provided by someone else, and become an entrepreneur in our communities?

How much return did Bob Johnson, Bill Gates, Russell Simmons, or Oprah Winfrey get on their original dollars of investment? The number is far too large for any ordinary calculator to hold. Successful entrepreneurship has always been guaranteed to be one of the largest returns on your investment. So I challenge you to open your own business in your own community. Below are the four steps to follow to start your own successful business.

Step One: Find Your Passion

Our creator has given us skills and talents upon birth. There is something that you can do better than anybody else. What is it that you are always thinking and talking about? What are the skills and talents that you have that you can translate into dollars? A good strategy that you might want to pursue is to volunteer in the community. Not only does volunteering help the community, but it gives you a chance to try out new and different perspectives. Also, more importantly, if you are willing to do something for free then it just might be your passion. It is your passion that will give you the strength to finish the job even though you are tired. Your passion will carry you through the night to do the extra research necessary to create a successful company. Within your passion you will find the excitement that will always grab your attention to focus when all around you seems to be in chaos. Talk to any millionaire and more often than not they have found their niche in life. What is yours?

Step Two: Have a Vision

It says in Proverbs 29:18, "Where there is no vision, the people perish." If you are driving a car, but do not know your final destination, how are you supposed to know if you are off course. Within the word "destination" you will find the root of the word "destiny". Do you know what your destiny holds? I challenge you today to take authority and control of your life. I challenge you to have a vision of your destiny. Where will you be in ten years and what you will be doing? Twenty years? Thirty years?
It is okay to not have a vision today. However, it is NOT okay to not be working towards creating a vision for yourself. We need soldiers with focus and clear intentions in this economic empowerment movement…soldiers who can lead our communities to the next higher level of economic development. With no vision you will lead your community to nowhere but a lost state of chaos and confusion. We have enough of that in the Black community and I frankly am tired of it. Lead or get out of the way!

Step Three: Collect the Necessary Resources for Success

Now that you have a vision, you must collect the necessary resources to make that vision come to fruition. The most important of all necessary resources is knowledge.

High School Dropouts – We need you to get your GED to participate in this movement. If you are not willing to go to college, which is not for everyone, then you need to find the resources necessary to develop a skilled trade so that you can contribute in the building of our communities.

High School Students – For the Brothers who desire to have visions of higher education, talk to your school counselors to assist you in researching the best school that fits you and your personality. Make sure to research all of the scholarships that are available to you on websites such as www.FastWeb.com, www.ScholarshipAmerica.org, or www.scholarships.com. After you have written at least 20 essays (yes I said 20) to apply for AT LEAST 20 scholarships, apply for as much financial aid as possible.

DO NOT limit your search to only local city or state institutions. There is nothing wrong with attending these schools. They are cost effective and I know many students who have attained a lot of success with degrees with these institutions. However, there is something wrong with not believing that Harvard, Brown, Yale, and Princeton are not options for you. It IS possible that you can attend an Ivy League school. Also, Historically Black Colleges and Universities should be a part of the equation. The education and networking that you will receive from a Shaw, Hampton, and Morehouse University is tremendous. However, whether you choose an Ivy League or an HBCU, you must have the vision and desire to see outside the boundaries of your immediate community. I am from Detroit; however, the world did not start and end in Detroit for me. I attended the University of Michigan where I graduated from the #1 ranked Bachelor of Business Administration in the country. I had the vision to leave Detroit to pursue something larger than my surroundings…I urge you to do the same. However, NEVER forget where you came from. Use the knowledge that you acquire in higher education and in life to return to your home community and help to build and strengthen it. I travel back to Detroit once per month seeking ways to empower my community.

College Students – Do not be limited to your curriculum. Now is the time in your life where you should be contributing as much as possible to development to the community. The more that you work in the community during school, the more experience you can add to your resume and the more attractive you will be to employers. Talk to as many business owners as possible, be a mentor to someone in high school or younger who wants to eventually go to school as well, try to take a semester abroad as the world is bigger than your community, and use every opportunity possible to grow yourself outside of your school books.

College Graduates – Brothers, we need you to continue to learn and develop your mind. When starting my company, Amazon.com became my best friend and still is. If you are the smartest person in your group, you are in the wrong group. Always push yourself to find those people who will stretch and challenge you mentally.

No matter what your educational level, knowledge is crucial for community development. I did not error when I stated community development. The knowledge that you acquire, while it will lead to personal development, is not for you as much as it is for the benefit of the community. We need soldiers who are willing and able to contribute to an intellectual think tank that can move the community forward as a whole economically, spiritually, mentally, physically, and socially.

People are crucial resources to your development. It is said that you can tell a lot about someone by the company that they keep around them. Brothers, I know that you are loyal to your friends, and I do not deny that that loyalty is important. However, as you begin your journey through intellectual and spiritual development, there will be those who will no longer be on the same level as you. I am not saying to not associate when them any longer, but I am saying to recognize the path that you are on. If they are not willing to join you, it is a possibility that they may drag you down with their acceptance of mediocrity. We have spent too many years in shackles to allow our own people to entrap our progress…we must break free from ALL bondage. You are only one person away from success. I challenge you to meet as many positive people as possible until you meet that one person who catapults you to the next economic level through their contribution to your life. Feel free to consider me as a resource as well. Don't think because I am writing this book that I am any better than you are. If you want to reach out to me please do so…I am accessible.

Capital is another important obvious resource that you must acquire. I would not have been able to start Optimum Capital Management unless I had saved the funds necessary to resign. Nonetheless, looking back, I saw many areas in which I could not have been so wasteful with my resources. That year that I went without earning a dollar meant many dinners of Cheese Nips, tuna fish, 50 cent sunflower seeds, or nothing at all. I was able to last 12 months on savings alone, but had I been more diligent I would have been a little more comfortable during that time. Nonetheless, it was my capital that allowed me to develop a company which I felt would best be able to uplift communities across the country.

Step Four: Write a Minimum Five-Step Plan of Action

It is a misconception to say that knowledge is power. I know many smart people who are penniless. Knowledge plus action equals power. I challenge you today to write out a minimum 5 step plan of action. This plan of action should be AT LEAST 5 steps and should only include steps of substance. A step of substance IS NOT "working hard". However, an example of a tangible step of action is the following:

- Calling the local community center to sign up for a GED course.
- Calling that brother who has his own business to learn how he started his business.

- Filling out a college application and sending it in.
- Researching scholarships to fill out scholarship applications and sending them in.
- Creating a budget so that I can monitor my personal spending habits and avoid consumption.
- Buying some life insurance and having a will written so that if something happens to me my family won't suffer.
- Learning how to and writing out an elaborate business plan to start my business.
- Going on www.inc-it-now.com so that I can fill out the form necessary to start my own company that I have been researching.
- Having regular conversations with my special lady friend to make sure that we are on the same page because I know that marrying the right woman, right along with education, is "alpha and omega" to my success.

Take some time to write out this plan of action as it is vital to your success. The odds of achieving your goal increase tremendously if you write them down. This plan will grow and change as you grow and change as a person. This is fine as long as you keep your eyes on the prize. It will not happen right away, but you have to remain on course. If you find your passion, have a vision, acquire the necessary resources, and write out a plan of action; it might take 6 months, 1 year, 3 years, or even 5 years…you WILL be successful.

Investing In Our Youth

Investing in the youth of our communities will not only yield enormous returns but returns that are often the most immediate and most fulfilling. The youth of our communities are crying out for our assistance and support. Within my firm we started a youth financial literacy organization called All About Business (AAB). I have been volunteering my time for at least 4 days per month for over 6 years teaching youth financial literacy within the local school system. The program began to grow and expand into something than I had ever imagined.

Meeting once per week with these students, they began to grasp the information so well that I felt that they were ready to begin to teach this information all around the community…even to adults. It was amazing to see a 15 year old teach a group of adults about complex financial principles. Not only did this group of youth conduct their own seminars, they began to embody the principles that they were learning. Many began to research scholarships and received scholarships to school. Due to their new found ability to network many received internships. Heavy emphasis on principles of entrepreneurship has caused many various types of businesses to form such as an event planning company, a car service, a construction service company, an All About Business board game, and a clothing line to name a few. As I am writing this, 10 of my students are writing a book which will be the first book written by teenagers to educate adults about the importance of financial literacy. We must raise the level of expectations for our youth in every way, and All About Business is an example of what happens as a result of these increased expectations.

Seeing the smile on a youngster's face— a smile that you helped to create—is one of the most personally rewarding experiences one can have. I personally spend a great deal of time with the youth in my community, and will always continue to do so because I continue to see so many positive results. How many young Bob Johnsons, Warren Buffets, or Bill Clintons will never reach their potential because we didn't take the time to invest in them? I urge all to take time to volunteer at the local school in your community and talk to the children. Career days, tutor programs, after school programs, and more are all opportunities to stop by and spend some time with the children of your neighborhoods. They are our future, and investment in their lives is also an investment in yours.

The Bible says, "But if any provide not for his own, and specially for those of his own house, he hath denied the faith, and is worse than an infidel. (1 Titus 5:8) This means that if we are to take ownership of our communities, then as stated in the Bible we must provide for our communities. So I urge you to think about how you are contributing to your own communities. If you are not active, then how can you get active? Many people look to the politicians to create change, and often fail to realize that they can create positive change and movement right in their own communities. How much time are you putting into the care and upkeep of your community? Participate in your community; donate to your community (time and money), and most of all RESPECT your community. An investment in your community will have a tremendous impact for all African Americans and the American society as a whole.

Next Steps

I know that for some of you, many of the concepts and principles were complex and perhaps difficult to understand. However, to make is more simplistic would have been an insult to the intelligence level that runs in our race. We are a race who created math and science and there is no reason why financial illiteracy levels are so high in our communities. If there is anything that you did not understand in this reading, re-read it. Purchase another book about financial literacy to obtain a different perspective. When I first learned about tax-deferred accounts I was perplexed as well but that was not my cue to be frustrated and give up. That was my cue to pick up another book, ask someone else, or read another article that helped me to explain the concept.

Also, I know of many people who have read many books on financial literacy but have yet to progress because they are stuck in the information gathering stage. How many plans in the Black community are going to live and die on the drawing board because we do not have the faith and fortitude to take the necessary action in place to implement the plan? Knowledge is not enough! With no action you have no plan so I urge you to take action today and reach in your pocket to pay a qualified financial advisor whom you can trust. So many of us will knock the door down to purchase PlayStation for our children but will hesitate to pay a similar amount to a professional that will actually enhance our lives. Gather your friends and families to form support groups that discuss financial literacy on a regular basis. This is a new language and I do not expect anyone to learn it overnight. However, we must do all that is necessary to make sure that we are walking that path towards economic empowerment and financial independence.

My grandmother used to tell me a story of a horse being ridden by his master who begins to ride into a dark tunnel. When the horse stops and refuses to go into the pitch black tunnel, the master takes out his handkerchief, blindfolds the horse and they ride into the tunnel when suddenly the master sees a huge hole. Going at such a fast speed the master knew it was impossible to stop the horse. Thinking quickly, the master jumped off just in time to safety. Meanwhile, the horse fell to his death to the bottom of the hole. Whose fault is it that the horse died? The horses fault!

Without the basic knowledge of how to control our finances, without being equipped or supplied with an ability to think for ourselves, we are no better off than that horse being led into a dark tunnel blindfolded. As long as we rely upon the master to control our destinies, we are no better than the slaves on the plantation who had no say in their financial destinies. I am not a slave...are you? Of course not…act like it!

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Optimum Capital Management, LLC

Seven Steps to Financial Freedom

Step 7 — **Diversified Investment Strategy**
(Stocks, Bonds, Real Estate, Venture Capitalism)

Step 6 — **Eliminate Low Risk Debt**
(Student Loans, Auto Loans, Mortgages, etc.)

Step 5 — **Establish an IRA**

Step 4 — **Establish Emergency Fund**
(6-9 Months of Living Expenses)

Step 3 — **Efficiently Establish/Allocate the Company Retirement Plan**

Step 2 — **Eliminate All High Risk Debt**
(Credit Cards, Cash Advances, IRS Collections, etc.)

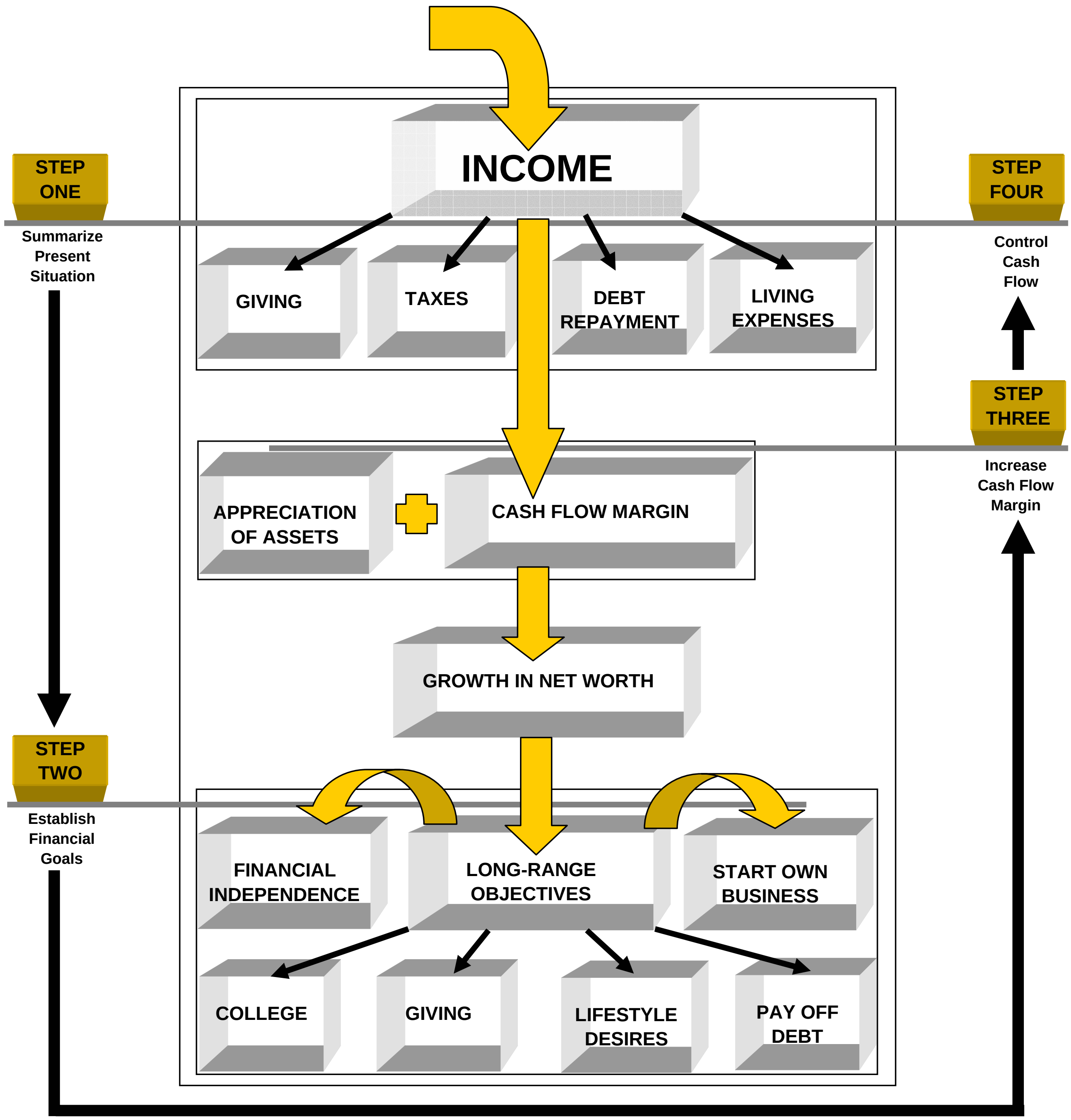
Step 1 — **Get Your House in Order**
(Adequate Insurance Coverage – Up to Date Estate Planning Documents – Establish a Working Budget – Improve the Credit Score)

Optimum Capital Management, LLC

Email: info@optimum-capital.com
Phone: 877-75-TEACH (83224)

The Optimum Difference: A Disciplined Process

If managed separately, the pieces of a financial life can only realize part of their true potential. Optimum uses a disciplined process designed to allow the different pieces of our clients' lives to work together to create, build, and protect wealth.



Estimated Budget

MONTHLY INCOME

GROSS MONTHLY INCOME ______

Salary ______
Interest ______
Dividends ______
Other Income ______

LESS

1. Tithe /Giving ______

2. Taxes (Fed., State, FICA) ______

NET SPENDABLE INCOME ______

MONTHLY LIVING EXPENSES

3. Housing ______

Mortgage/Rent ______
Insurance ______
Property Taxes ______
Electricity ______
Gas ______
Water ______
Sanitation ______
Telephone ______
Maintenance ______
Cable TV ______
Other ______

4. Food ______

5. Transportation ______

Cab Rides ______
Gas and Oil ______
Insurance ______
License ______
Maint./Repair/Replace ______
Subway and $ Van ______

6. Insurance ______

Life ______
Health ______
Other ______

7. Debts ______

Student Loan and Credit Card

8. Entertainment/Recreation ______

Eating out ______
Baby-sitters ______
Activities/Trips
Vacation ______
Pets ______
Other ______

9. Clothing ______

10. Savings ______

11. Medical Expenses ______

Doctor ______
Dentist ______
Prescriptions ______
Other ______

12. Miscellaneous ______

Toiletries/Cosmetics ______
Beauty/Barber ______
Laundry/Cleaning ______
Allowances ______
Subscriptions ______
Gifts (incl. xmas) ______
Cash ______
Other ______

13. Investments ______

14. School/Child Care ______

Tuition ______
Materials ______
Transportation ______
Day Care ______

TOTAL LIVING EXPENSES ______

INCOME VS. LIVING EXPENSES

NET SPENDABLE INCOME ______

LESS TOTAL LIVING EXPENSES ______

SURPLUS OR DEFICIT ______

Spending Diary

Month Year

30-Day Diary

Category	Income	Tithe/Giving	Taxes	Housing	Food	Entertainment	Debts	Miscellaneous	Clothing	Transportation	Insurance
Budgeted Amount	$	$	$	$	$	$	$	$	$	$	$
Date											
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
Subtotal											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30											
31											
This Month TOTAL	$	$	$	$	$					$	$
This Month SURPLUS/DEFICIT	$	$	$	$	$					$	$

	Total Income	$
BUDGET	Minus Total Expenses	$
SUMMARY	Equals Surplus/Deficit	$

Personal Financial Statement

Date:____________

Assets (Present Market Value)

Cash on hand/Checking account	
Savings	
Stocks and bonds	
Cash value of life insurance	
Coins	
Home	
Other real estate	
Mortgages/Note receivable	
Business Valuation	
Automobiles	
Furniture	
Jewelry	
Other personal property	
Pension/Retirement	
Other Assets	

Total Assets:

Liabilities (Current amount owed)

Credit card debt	
Automobile loans	
Home mortgages	
Personal debt to relatives	
Business loans	
Education loans	
Medical/Other past due bills	
Life insurance loans	
Bank loans	
Other debt and loans	

Total Liabilities:

Net Worth (Total assets minus total liabilities)

Financial Goals

Date: ________

GIVING GOALS:

I would like to give_______ percent of my income.

Other giving goals: ______________________________________

____

DEBT REPAYMENT GOALS:

I would like to pay off the following debts first:

Creditor	Amount
______________________________	____________
______________________________	____________
______________________________	____________
______________________________	____________

EDUCATIONAL GOALS:

I would like to fund the following education.

Person	School	Annual Cost	Total Cost
________	______________	_____________	__________
________	______________	_____________	__________
________	______________	_____________	__________
________	______________	_____________	__________

Other educational goals:________________________________

____

LIFESTYLE GOALS

I would like to make the following major purchases (home, automobile, travel, etc.):

Item	Amount
______________________________________	___________
______________________________________	___________
______________________________________	___________
______________________________________	___________

I would like to achieve the following annual income: __________

SAVINGS AND INVESTMENT GOALS:

I would like to save_______ percent of my income.

Other savings goals: ______________________________________

____

I would like to make the following investments: Investment

____ ____________

____ ____________

____ ____________

____ ____________

I would like to provide my/our heirs with the following:_________

____

STARTING A BUSINESS

I would like to invest in or begin my/our own business: _________

____

GOALS FOR THIS YEAR

Priority	Financial Goals
1	______________________________
2	______________________________
3	______________________________
4	______________________________
5	______________________________

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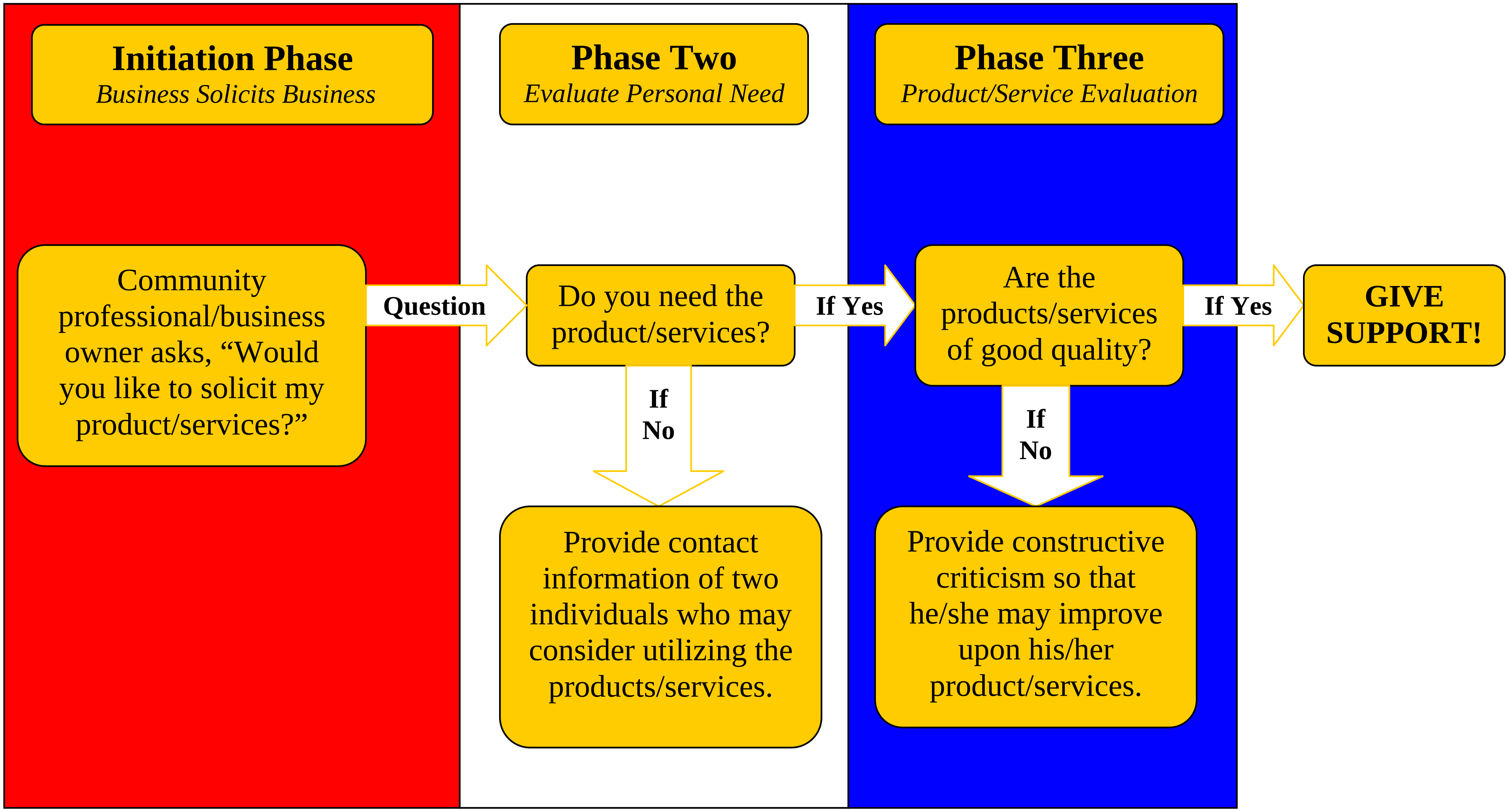
The Community Business Support Model

Uplifting Community Businesses

www.optimum-capital.com



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All About Business (AAB)

The Youth Group Making A Difference!

The "Teach Them to Fish" Community Empowerment Program
Supporting Our Homeless and Community Residents of Need

Give Them Money…They Eat 4 a Day
Give Them This Flier…They Eat 4 Life!

GED & Educational Programs

- NY State Department of Education – (518) 474-5906 – www.emsc.nysed.gov/ged/
- Brooklyn Public Library – (718) 230-2100 – 1 Grand Army Plz #1, BK, NY 11238

Food and Shelter Programs

- BRC – (212) 803-5700 – 324 Lafayette, 8th Floor, NY, NY 10012
- Students in Temporary Housing – (718) 935-3562 – 131 Livingston, BK, NY 11201

Job Training Programs

- HELP USA – (800)-311-7999 – www.helpusa.org/
- The HOPE Program – (718) 852-9307 – One Smith Street, BK, NY 11201

Do you know of any programs? Write them in and give this to someone in need!

- Name:________________, Number:_______________, Address:_________________
- Name:________________, Number:_______________, Address:_________________

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About the Author

President of Optimum Capital Management, Ryan Mack: Mr. Mack has a life mission to build and develop a durable financial empire geared towards educating his community and beyond. Ryan Mack graduated from the University of Michigan Business School (ranked number one in the country) with a concentration in Finance. His career in equity markets began in Detroit, Michigan as a stock trader and later as a trader for the largest NASDAQ trading firm in the nation, Knight Securities. Having a passion for teaching he established his own financial awareness group in 2003 where he began to publish regular newsletters about various financial related issues that were of interest to people from all income levels. In addition to being a financial advisor working with many prominent clients across the U.S., he charitably lends his support to inner-city communities by coordinating workshops and creating economic empowerment initiatives that teach the principles of understanding the power of financial literacy. Unions, churches, government-subsidized housing communities, municipal programs, nonprofits, inner-city organizations, international communities and especially colleges and universities have benefited from the financial workshops/programs that he has developed and instructed through Optimum Capital Management.

As a renowned public speaker he has provided keynote presentations to organizations across the country such as NAACP, National Association of Real Estate Brokers, Housing Preservation and Development, National Urban League, National Aeronautics and Space Administration, National Black MBA Association and many others. With a strong sense of philanthropy he flew to South Africa to teach economic empowerment principles to those in need and has partnered with the local District Attorney's office to teach financial literacy to previously incarcerated community residents with the aim of lowering recidivism rates. He can be regularly viewed on television networks such as **GMTV, CNBC, CNN and BET** discussing economic/social issues that impact American citizens. Ryan has also been profiled in **Tavis Smiley's Covenant and Action** (a New York Times Bestseller); co-authored a book with Kevin Powell entitled "**The Black Male Handbook**"; featured **in Black Enterprise, African American Family, The Source** & **NV Magazine**; contributes regularly to **Huffingtonpost.com, The Network Journal, Fortune, and Black Enterprise**; received the **Top 40 Ander 40 Achievement Award** from **The Network Journal**; was inducted by **Medgar Evers College** (where he currently serves as a board member) into its national honor society **PI ETA KAPPA** as a honorary member; and received **Tom Joyner's "Hardest Working Financial Advisor Award**" because of his efforts to empower the community with the crucial life skills of financial literacy. Whether he is counseling a group of doctors at a convention or in Rikers Island providing a free course Ryan Mack's comprehensive, exciting approach to teaching economic empowerment to all income levels has generated a level of much needed interest in a volatile economy.