

INVESTING STRATEGIES

That Work Every Time:

BUSINESS

A Step-By-Step Guide to Making Your Money Grow



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Investing Strategies That Work Every Time: Business

A Step-By-Step Guide to Making Your Money Grow

James Skinner, Mark Victor Hansen, and Roice Krueger

“Investing Strategies That Work Every Time”
shows you what the best investors know—how to
use time-proven strategies to multiply your wealth
in real estate, stocks, private equity, and running
your own business.

**Give this book to anyone you know who has to
build teams or work in teams. Come to think of it,
give it to everyone!**

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The Authors

JAMES SKINNER is the founder of two global financial groups that manage billions of dollars of assets. He is also recognized as one of the world's foremost business thinkers and appears regularly on Japanese television.

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ROICE KRUEGER co-founded Franklin Covey, the world's largest training company, and has supervised consulting projects for 80 percent of the Fortune 500.

NOTE: Ideas That Can Change Your Life™ is a collaboration of three of the world's most amazing authors, speakers, and thinkers. The first person "I" may refer to any of the authors.

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Foreword

There are many, many ways that we can invest in the world. We live in a phenomenal time in human history when there are literally thousands of investment vehicles available to us. Many of them are confusing and hard to understand.

We want to get back to some of the basic investment strategies that have been proven over time, location, and destination to work again and again for many people who may not be spending 100 percent of their time trying to understand investing.

The secret to investment success is the consistent application of time-proven strategies, not the use of complex, hard-to-understand investment vehicles created by investment bankers out to take your money!

When most of us invest, we do not have the leisure of spending 24 hours investing and doing nothing else. But we still have to have investing strategies that work.

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If you look at the world as a whole, most people make their money by doing what?

They do it by working.

They have a job and earn money.

But even if you are working for a living, you still need to invest that money to grow it, because if you want to master wealth, you need to be able to create, grow, and protect your wealth.

The mastery of wealth requires you to create, grow, and protect your wealth.

Investment is the primary means of growing your wealth.

Investment is the primary means of expanding your wealth!

Through investment, you are going to turn your money into something bigger than it was before.

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Investing Strategies That Work Every Time looks at four categories of investments, four questions to ask anyone who asks for your money, and five vital lessons we've learned about business.

All of them have been shown to work consistently over time, and you can use them to increase your own wealth.

This book will show you proven strategies for investing in Business.

James Skinner, Mark Victor Hansen, Roice Krueger

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Investment 4: A Cash-Flow Positive Business of Your Own

I want to share with you five things. If you get these five things right, then your business will pay dividends to you every single time.

My guess is that the majority of you have wanted to own your own business. How many of you want to own a business? How many of you would want to own a business if you knew that it would make money for you every single time?

That changes the equation dramatically!

I have had the opportunity to start more than 30 companies operating in 35 countries. Among the three of us—Roice, Mark, and I, James—we have started some 60 companies operating all over the planet, and we have learned certain lessons. If you remember these things, then you can make sure that your company will make some money.

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1. Conduct your business on other people's money.

O.P.M. is Other People's Money.

When you are in business you want to be rewarded for the organization of the business. You want somebody else to be rewarded for the risk.

You want to take a risk and invest in someone else's business so that you have one income stream over there that is not related to your income stream over here.

You don't want to double the risk, where your business risk and your investment risk are in the same company.

You can split the risk out.

I would rather invest in Mark's company and have him invest in my company; that way, if his company goes well and mine dies, I still have money.

Use other people's money.

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You go to them and you give them a part of your business for virtually all of the money that it takes to run your business.

Do you think that they will do that for you? Yes, because they do not want to organize and run the business. They want to get rewarded for the risk of the business. They are called investors. Investors get rewarded for taking risks.

What they need is somebody who will run a business so they can take a risk and get paid for it.

They need you to do a good job of it, and they will be very pleased to hear that you know the next four points. So if you KNOW the next four points, then they know that the company is going to make money, and they will be very willing to invest with you.

2. Keep your fixed costs as low as possible.

I started a training company in Tokyo. We made money on every single program that we did if we sold three

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seats. Is that good? If three people showed up, then we made money.

This is how we did it. Our office was in my old apartment. So our entire rental payment was \$2,000 a month.

I told people that they could use it any way they wanted as long as they continued to fit in the same office. I said, “You are not going to get a bigger office; this is your office.” You have \$2,000 a month for rent and that’s a fixed cost.

Everybody in the company was involved in what activity? Selling! They were all paid on full commission; so if they didn’t sell anything, they didn’t get paid.

So what is the most money I could lose in a month? \$2,000. Is this comforting? It was very comforting.

We wouldn’t let them buy a copy machine. Then we would have been paying the lease on the copy machine, and we would have a fixed cost instead of a variable

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cost. Whenever they needed to make a copy, they had to go to 7-Eleven to use the copy machine there and put in the ten yen coins. It was great because they realized if they had to go to 7-Eleven then the copy wasn't that important; we made fewer copies, so we had less total cost as well.

We wouldn't let them buy a business phone because then we would have another lease we would have to pay. They had to use their own cell phones and charge us for the amount of cell phone time they actually used; that is not a fixed cost but a variable cost.

Since our fixed cost was \$2,000 and our seminar seats were \$1,000 a seat, if we sold three seats, we made money.

Be fanatical. Be absolutely fanatical about holding the fixed cost down. It is so easy to create an obligation that is going to be recurring to you every month. Be fanatical. Think two, three, or four times before getting the cell phone or the copy machine for the office or the employee.

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You want to have as few employees as you can. All the employees are fixed costs. You have fixed costs that have a tendency to go up. Healthcare goes up, and insurance goes up; even security goes up. Everything goes up.

What we do at our company is outsource everything we can. Today you can outsource almost anything.

For example: We are writing books right now. At the end of every session that we are teaching here, the file is sent to the other side of the world to an outsource supplier who transcribes it. It is then sent to an outsource supplier who proofreads it, then sent to another outsource supplier who edits it, then sent to an outsource supplier who designs the cover, then sent to another outsource supplier who does the layout; and we have a book!

We have how many employees doing all that?
NONE.

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We are not employers.

You are looking at three people going after a billion-dollar goal who have no employees!

We think that everybody should outsource to everybody. Everybody should be in business. It is a brand-new concept that we have engendered, and we know it is going to work.

3. Keep the ratio of direct costs to indirect costs very high.

In business you have many, many functions. A lot of you work at companies. It could be the accounting department, the human resources department, or the sales and marketing department.

There are many functions in a business, but only some of those functions are directly related to your sales.

Is the manufacturing department directly related to sales? Yes; they are actually producing the thing.

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If you have a seminar business, is the person who teaches the course an indirect or a direct cost? That is a direct cost of getting and delivering the sale.

Are the sales people for it a direct cost or an indirect cost? They are a direct cost.

Everything else is indirect.

So the only people you want to be paying are the people doing the doing or doing the selling.

You want everyone either doing the doing or doing the selling!

You want to keep all the other costs infinitesimally small.

If you do that, do you think your company will make money? Think about it for a moment. All of your costs are going to selling and delivering. It is really hard to lose money.

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If you have one salesperson and one delivery person and you have three people in accounting and four people in HR taking care of the two people that are doing the work, it won't work. I wish I were joking, but I have seen companies just like that. I have seen a 20-person company that had seven layers of management. I was called in as a consultant for this company that had 20 employees and was saying "Who at the bottom of the pyramid is holding this thing up?" It didn't take much to tip it over. If all of the people at the bottom are doing all the work, then they have the entire structure sitting on top of them.

It is a very simple principle.

4. You want to have an insanely profitable business model.

You all have seen books and articles about business models; the only problem is that nobody ever bothered to define what one was.

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We define a business model as a brief, concise description of why your business makes money.

A business model is a brief concise description of why your company makes money.

It should be understandable to anyone because you are going to hire very average people. If your business ever gets big, average people are still going to be executing the model, so it needs to be easy to understand.

As soon as your business becomes complicated and your business model is no longer understandable, you will lose money.

We have had bitter, tearful experiences of overcomplicating our business model.

We had a business in which we made direct sales to corporations. We had retail, we had catalog sales, and we had Internet sales. In our catalog we offered 37,000 SKUs, which are independent items. Can you imagine

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offering 37,000 items when we are a training company?
It was too complicated for any human being to manage.
I know, because I was managing it!

You want to keep it as simple as possible and
insanely profitable.

Let me give you an example of a business that I ran.
We used to have a training program in Japan where we
would train executives. We would charge them \$16,000
a year for 12 sessions in which I would teach them all
the things I am teaching you now. We upped the price
over time to \$30,000 a year for these twelve monthly
sessions, one day a month. The sessions were held in my
living room. We paid the salespeople 30 percent of the
value of the sale for making the sale. So, I would get
\$21,000 for every person who came, for one day a
month in my living room. How do you lose money
doing that? It can't be done. If one person signs up I
make the rent for the whole year. Everything else is
gravy.

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You want to have an insanely profitable business model, a model that is set up so that it just automatically makes money.

Many financial services businesses are insanely profitable. If you go to the financial district in your city and look at all the largest buildings in the highest rent area and find out who owns them, every single one of them will be owned by a financial services company. That is something to think about.

I used to think about it when jogging in the morning in the Otemachi business district in Tokyo, and I realized that it was a business that I needed to get into.

You might have a business that makes only a little bit of money when the business is going really well and that loses money when it doesn't go well.

You do not want to be in such a business.

I was just on vacation in Maui. I have a friend there who takes care of luxury hotels: the four-, five-, and six-

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star hotels. He got us a great room at the brand-new Westin. Now they are selling it as a timeshare. One unit cost them \$70,000 to build, and they are charging buyers \$70,000 for one unit. Since they multiply it by 52 weeks a year, they are making millions per room!

The rooms are luxury rooms; they rent out for \$600 a night. Everything is added on. The food was added on. If you wanted fins or diving equipment, it was added on. The place is insanely profitable because it only has very rich people staying who have come to spend a lot of money. They got the entire cost of the construction back in the first week!

They opened up their next branch, a billion-dollar hotel next door, and they dropped a quarter-million orchids on us while we were there. It was great fun, and an insanely profitable business model.

5. You want an impregnable niche.

You want to be in a space that is so “you” that nobody else can get into it. In *Chicken Soup*, nobody could compete with Jack and me (Mark). We took the

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leadership role; and although a couple of companies tried to beat us up, they couldn't touch us. We owned the niche of self-help books that touched your heart.

How many of you would like to own the concept of YouTube or Google?

The way you get a niche is by going for something very, very narrow. Being all things to all people is not having a niche, and it is a formula for a business that will not make money. It will never make money. You cannot manage it; you cannot finance it. You don't know who to hire, people get distracted, and you lose money. You want to have a narrow concept.

In Japan I started a company that was the first company in Japan to do high-energy, high-entertainment training. We have audio and video equipment. It is a mix between a rock concert, a Broadway musical, and having your own TV station.

But once you have the niche, you own it. It is a very narrow kind of thing.

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To give you a final example, there is a piece of equipment called the video toaster. The video toaster is from the very early days of computers. The creators offered the first hardware and software that would allow you to do broadcast quality video production on a PC. They owned the space for 15 to 20 years, completely owned it. Nobody could compete with them for that time because they had taken this completely narrow space and said, “We are going to be the people who do video production on the computer.” And they still own probably half the market for personal computer video production.

It is amazing what you can do by occupying a very narrow niche; it is hard for people to come in and compete with you in that space.

If you do these five things, your business will absolutely pay you every time.

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Remember number one especially, because if you are doing business with other people's money to begin with, it is very hard to lose!

These are the five proven strategies for successful investing in your own business:

1. Use other people's money.
2. Keep fixed costs low.
3. Keep the ratio of direct costs to indirect costs very high.
4. Have an insanely profitable business model.
5. Create an impregnable niche.

Make a plan. Work your plan. And may all of your investments prosper!

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With best wishes,

James Skinner, Mark Victor Hansen, Roice Krueger

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