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5 Financial Predators That You Need To Be Weary Of

- It is easier to change myself than to change the system…
- The rules aren't fair or equitable…



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Dear Reader,

Protecting your money from financial predators is important. As most of us know, the world is filled with people and organizations waiting for the opportunity to help themselves to your money. Many

of these people and organizations are very smart and powerful. If they are smarter than you or have more power than you, they will get your money.

My rich dad's lessons to his son and me on the importance of protecting money from financial predators started at a very early age—before we had any money. Because we were young, rich dad used a very simple example of farmers to make his point. He said, "A farmer needs to protect his crops from bunnies, birds, and bugs. Bunnies, birds, and bugs are thieves to a farmer." Using the idea that bunnies were thieves served as a powerful lesson to me as a young boy. Bunnies were cute and cuddly. They were harmless. The same was true of birds. In fact, I had a pet parakeet at home and to label a bird a thief was a harsh concept. Bugs, however, I understood. I knew how they could be labeled thieves. I had a garden at home, and I lost many of my vegetables to bugs.

Rich dad was not trying to frighten us. He simply wanted his son and me to be aware of the real world. The reason he used cute creatures such as bunnies and birds was to make the point that some of the biggest thieves of our personal wealth are not just bandits, criminals, or outlaws. He used bunnies and birds because he wanted us to remember that some of the greatest financial predators are people and organizations that we love, trust, or respect—people or organizations we think are on our side and are standing behind us. Rich dad said, "The reason so many people stand behind us is that it is easier to get into our pockets from that position. One of the reasons so many people have financial problems is because they have too many hands in their pockets."

Continuing on with his "B" theme of bunnies, birds, and bugs for labeling farmers' predators, rich dad's list of real-world financial predators included: bureaucrats, bankers, brokers, businesses, and

barristers.

tax department is to get your money and turn it over to a government bureaucrat who spends it.

Unfortunately, the problem with most politicians and bureaucrats is that they are very good at spending money. Most public servants do not know how to make money, which may be why they choose to become bureaucrats. If they could make money they would probably be businesspeople instead of bureaucrats. Since they do not know how to make money but love to spend it, bureaucrats spend a lot of time figuring out more and creative ways to take our money via taxes.

As you know, we already pay taxes on our income, investments, homes, cars, gasoline, travel, clothing, meals, alcohol, cigarettes, businesses, education, permits, licenses, death, and on and on. We pay taxes upon taxes. We pay taxes on taxes we do not even know about. These taxes are sold to us as being good for society, and some are. Society's problems, however, only get bigger because bureaucrats do not know how to solve problems (and consequently do not know how to make money); they only know how to throw money at problems.

Bankers

Banks were created to protect your money from bandits. But what if you found out your banker was also a bandit? A banker does not have to put his hand in your pocket. You take money out of your pocket with your own hands and turn it over to the banker. But what if you found out that the very people you have entrusted with your money were siphoning off more money than you knew about—and doing it legally?

While he was New York attorney general, New York Governor Eliot Spitzer investigated a number of investment banking firms and

large mutual fund companies, finding them guilty of several illegal practices. The very people the public entrusted with its money were skimming a little more money than they should have been. The guilty companies were fined a trifling amount compared to the dollar amounts they took. While the paltry size of the fines is disturbing, what is even more disturbing is that these bankers are still in business today.

The problem is that Eliot Spitzer's investigation was limited to investment banking firms in New York City. The problem of bankers' taking money from innocent customers is a worldwide one. As more businesses stop caring for workers for life, more workers are forced to save for their own retirement. Workers do not have the money to hire professional financial services as businesses do. This is causing the pool of financially naive money to grow like a hot-air balloon, making bankers and people who sell financial services to workers grow richer and richer. Today, workers' retirement funds are fueling a global economic boom. Retirement funds represent an ocean of money, unprecedented in world history, guarded by bankers, not you.

Brokers

"Broker" is another word for "salesperson." In the world of money, there are brokers for stocks, bonds, real estate, mortgages, insurance, businesses, etc. One of the problems today is that most people are getting their financial advice from salespeople, not rich people. If you meet a rich broker, you need to ask if the broker got rich from his or her sales ability or financial ability.

Warren Buffett once observed, "Wall Street is the place people drive to in their Rolls Royce to take advice from people who ride the subway."

Rich dad said, “The reason they are called brokers is that they are broker than you are.”

All businesses have something to sell. If they do not sell, they are out of business. I often ask, “Is this business’s product or service making me richer or poorer?” In many cases, the product or service does not make you richer; it only makes the business richer.

Many businesses do their best to make you poorer. For example, many big department stores have their own credit cards—the worst credit cards a person can own. The reason they want you to carry their credit card is that their company gets a kickback from the bank. The business that issues the card is a broker for the bank. Notice that the pattern—broker and banker—reappears again.

Barristers

You may remember the person who sued McDonald’s claiming the coffee was too hot. That is an example of a financial predator using the court system to get your money. Millions of people are waiting for any excuse to use a lawsuit to get rich.

This is why the fifth B is for barristers or lawyers. There are lawyers whose sole purpose in life is to take you to court and take your money. Knowing these predators are lurking, there are three things a financially intelligent person must do:

1. Keep nothing of value in your name. It was my poor dad who proudly said, “My house is in my name.” Financially smart people would not have their houses in their names.
2. Buy personal liability insurance immediately. Remember, you cannot buy insurance when you need it. You must buy it before you need it.
3. Hold assets of value in legal entities. In the United States, the good legal entities are C corporations, S corporations, limited liability corporations (LLCs), and limited liability partnerships

(LLPs). There are also bad legal entities. These are sole proprietorships and general partnerships. Ironically, most small business owners are in bad entities.

Personally, I am not trying to change the system. My personal philosophy is that it is easier to change myself than to change the system. In other words, I am not a person who battles the winds that drive windmills. Hence, I am not politically inclined. I don't believe politics or politicians are effective against those who run the world of money. It seems that most politicians, in order to be elected, need to be pawns of the very people who control the world's money. Most financial advisors are employees of these world bankers.

I simply want to know the rules and play by the rules. This does not mean I believe the rules are fair or equitable. They aren't. The rules of money are what they are, and they change regularly. Besides, this new world of money, even though unfair, has done a lot of good. It has brought tremendous wealth and new products to the world, raising the standards of living everywhere.

Regards,



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