

“The Richest Man in Babylon” by George Clason

Notes for students with additional detail

Introduction

“What can a book written in the 1920’s tell modern investors about their finances? A whole lot if it is George Clason’s delightful set of parables that explain the basics of money. This a great gift for a graduate or anyone who seems baffled by the world of finance and a wonderful, refreshing read for even the most experienced investor.”

Los Angeles Times

“Ahead of you stretches your future, like a road leading into the distance. Along that road are ambitions you want to accomplish. To bring your ambitions and desires to fulfillment you must be successful with money. Use the financial principles made clear in the pages that follow. Let them guide you away from the stringency of a lean purse to a fuller, happier life a full purse makes possible.

“Like the law of gravity, these laws of money are universal and unchanging. May they prove to be for you, as they have proven to be for so many others, a sure key to a fat purse, larger bank balances and gratifying financial progress.”

The 7 cures for a lean purse (or how to create wealth when you have little)

1. Start they purse to fattening

a. For every ten dollars you make, save one

(one saving strategy – others are forthcoming)

b. You’ll start to feel good as your savings grow, even if it’s in the bank

c. Don’t make fun of it because it sounds simple. Truth is always simple. This is how rich people started toward wealth.

(Think of some of the simple things that you really enjoy doing or that really work such as being with your favorite pet or listening to music)

d. Funny thing is you’ll get used to living on less money

(It’s like building a habit. When we do something enough times, it becomes what we’re used to. It works the other way too. If we start making more money, we get used to that too if we’re not careful. When I went from an acting job to teaching job, they took more money from my teaching pay than I made as an actor. I thought I would save a lot of money because I had so much more relatively speaking. But I didn’t know money strategies then so instead of creating the habit of putting the extra money away I allowed myself to get used to the extra money and spent it as I got it. If I had saved that

money back then by using what I now know about the Rule of 72, I would have quite a bit of money saved now.)

2. Control thy expenses

- a. That which we call “necessary” will always grow to meet our incomes unless we stop it.**

(Just as we can get used to an increased salary, we can also get used to things and services we add to our lives. Only a few short years ago, only the very rich had cell phones which were quite big in size at the time. Now we all have one and can't imagine what it's like not to have one. But it's an added expense that we didn't have a few years ago. How many students have cell phone bills that are difficult to pay for? Think about what you're paying for – words that have disappeared in thin air. We all have choices of how we spend our money. Did you use the phone for important conversations or did you waste the money? Only you can decide what a necessity for you is. Another situation that didn't exist even ten years ago is having artificial nails done. I now spend \$25 every two weeks because I “need” to get my nails done. This was never in my life before and now I've made it a “necessity”. If I truly needed money, this would become a luxury and not a necessity.

- b. Don't confuse “needs” with “wants”. We all have more desires than our earnings can pay for no matter how much we make.**

(This goes back to the nail situation. Having my nails done is a ‘want’ not a ‘need’. People survive just fine without having acrylic nails. Same with cable TV - although I love having it - same with the internet unless you use it for school or business, same with a second car or a boat or even a plane. The truly wealthy support their ‘wants’ by making sure that all their needs are taken care of especially investing for their futures. How many of us put off saving because we just have to have something. Often it's something we no longer want a month later – like a certain sweater, CD, or trinket we bought at the mall.)

- c. Even rich people have limits to what they can have in life – not enough time, strength, health, true friends, etc**

(Everyone has limits. We often think that rich people can have everything they want but even they have limits to the money they have. How many famous rich people have you heard about that were totally broke soon after. MC Hammer was a multi millionaire and lost it all. Most people who win big jackpots in lotteries are broke and bankrupt within seven years. They have more money than most of us will ever dream of having and they not only lose it all but go into debt because they don't realize their limits, they have beliefs about money that don't support them and they don't make a plan for handling

their new wealth. There are wealthy people who have poor health, few friends and no time. We all have limits.)

- d. Make a budget for yourself. Think of your budget not as a restriction...but as the way to create wealth for yourself so that you don't waste money on things you don't truly need. Be sure to budget for things you enjoy as well as long as you don't use the money you are saving in #1**

(How many of the same thing do you own? Do you have to go out and buy something because you couldn't find it or you forgot you had it? There is the story about a woman who kept buying a black sweater because she thought she needed one. When she got around to cleaning out her closet, she found that she had five of them almost identical to each other. Think of the money she could have saved if she had known she had one already.)

3. Make they gold multiply

- a. Find a place to invest that 10% from number one**

(There is a whole world of investing out there. This course is not designed to be investing advice but make it a promise to yourself that you'll keep learning about investing from people who have been successful at it. There will be a list of resources on a future daily sheet and of course the internet is the ultimate source of research about investing.)

- b. Don't let fear or lack of knowledge or boredom keep you from learning about how to invest your money.**

(So many people think learning about finances is boring or that they don't know enough about it so they stay away from learning more. We get to choose our beliefs, what we envision for ourselves and our words. Wouldn't it be smarter to choose beliefs such as: "Even though I don't know a lot about money, I can learn just as well as anyone else" or "Some people think finances are boring but anything that improves my life is definitely interesting.")

4. Guard thy treasures from loss

- a. Be careful who you invest with**

(As mentioned previously, you need to get knowledgeable about investing. Don't invest your hard earned money with people you don't trust. The best way to be successful is to see what other successful people have done and model them. Promise yourself you'll keep learning and just as you're careful who you'd get into a car with, be the same with your investments.)

b. Be careful who you loan money to

(Loaning money is a delicate thing. It can ruin many a relationship with a family member, friend or significant other. Sometimes you loan money to a family member and they never get around to paying you back. A recent episode of the popular television show “Everybody Loves Raymond” showed Raymond and his wife loaning his out of work brother Robert a thousand dollars because he was out of work and only had bologna and orange juice in his refrigerator. They felt good about the loan until they realized that Robert was taking the money to go to Las Vegas. The show revolved around the two brothers’ beliefs about what a loan meant – something they hadn’t discussed before the loan. Raymond thought he should use it for food and other necessities. Robert felt that because it was a loan, he could do whatever he wanted with it. Obviously this was just a TV show but it showed a situation that can easily happen. In the show, everything worked out within the allotted half hour. In real life, sometimes family relationships never mend. The same is true with friendships. Loaning money can end a friendship in a similar way. Borrowing from a significant other can be truly uncomfortable. Although the money may be offered with good intentions, consider what would happen if the relationship broke up and you still owe the other person money!)

c. Get your knowledge from people who have done what you want to do successfully (See above)

5. Make of thy dwelling a profitable investment

a. Own your own house or condo as soon as logically possible

(If you rent, you give money to someone else. If you own, the money you pay every month goes towards ownership. Because you own you get tax benefits every year when you file your tax return and eventually the house/condo will be yours)

b. Each payment per month gets you closer to total ownership rather than rent which does nothing for you

6. Insure a future income

a. Everyone eventually becomes old - even you - so best to prepare while young

(Everyone who is older than you thought they’d never get old. That includes your teacher, your parents and your grandparents. Every single one of them was a teenager at one time. The ones that have money now are the ones who began planning and saving while they were young. The ones that don’t have much money in their adult life had scenarios such as this:

i. They didn’t believe they would be old so they didn’t plan for it

- ii. *They figured they could always do it later*
- iii. *They spent most of their money for what they wanted at the moment rather than thinking that they'd want things later*
- iv. *They saved and planned but they started late.)*

b. You will want to be able to provide for your spouse and children

(Most people get married and have children. Don't you want to be able to have money for the people you bring into your life? Aren't you glad your parents did for you? Or maybe do you wish they had planned better?)

7. Increase thy ability to earn

a. Get more training in what you do for a living.

(Jobs are very competitive day. The better the job, the more people want that job. The better you are at the job, the better the chance you'll get hired and the better the chance you'll keep the job. I think I was more successful as a math teacher than some others because of all the outside things I did as careers and activities. Students always wondered where certain math lessons would ever be used. Because I had experienced so many different things, I could tell them from personal experience which made the lesson more valuable to them.)

b. Learn to do more things so you will be of value to those who may want to hire you.

(The more you know how to do, the more valuable you are. You are a more valuable employee if you can do more than the job requires. In times when there are more people who need jobs than there are jobs, an employer would rather have someone who can be many things rather than someone who can only do one thing. Suppose you're hired to stock shelves. As you work and see problems arise, you offer good suggestions and you're pleasant to be around. Because you've taken the initiative to offer help, the manager might suggest that you become a cashier. I was a cashier when I was in college. Because I demonstrated an ability to work well with people and was good at math, they offered me the courtesy desk where I was responsible for cashing checks for people. I eventually got to manage the entire front end of the market at the age of 20. If the market had to let someone in the front go, I had a much better chance of staying because I knew more procedures than anyone else. I also did not call in sick unless I was very sick so they knew that they could count on me. Every additional thing you are able to do makes you more valuable.)

c. Don't let yourself be left behind because you didn't want to keep up with what's new

(Many people feel that they know enough so why bother to learn more. When I owned a flight school, I had many employees. I had one woman I hired as my office manager. Although she was older than I was and not proficient on the computer, she had great heart and willingness to learn. Technology was not in her comfort zone but she was willing to learn and told me her best way to learn. She took on the task of learning the computer technology I needed her to know and did an exceptional job. Keep up with what's new. You'll never know when you'll need it.)