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Straight Talk: Bringing You What Matters Most About Your Money...AND Resources and Tools You Can Use Now to Make the Most of Your Money
by Nalini Indorf Kaplan

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How To Be A Skeptical Investor - Protect Yourself From Scam Artists

Navigating The Waters Instead of Drowning in The Sea of Economic Pessimism

Recommended Reading: Part 1 - Seven Stages of Money Maturity

How To Be A Skeptical Investor - Protect Yourself From Scam Artists

Investing successfully calls for a healthy dose of skepticism. It's critical that when you are considering parting with your hard-earned money for an investment opportunity, that you do your homework and keep your emotions in check.

Many people have asked me how Bernie Madoff was able to get away with his scheme. In a word, the answer is trust. He knew, as well as anyone in history, how to gain someone's trust and I dare say, appeal to the ego.

Protect yourself. It should take a lot to convince you to part with your money. Spend the time to understand what the investment opportunity is, what risks you are taking and how you would manage yourself in light of the risks.

So that you aren't tempted by insidious seduction from the likes of a Bernie Madoff character, here's a checklist:

1. Make sure that you understand what you're investing in. If whoever is proposing the investment is speaking technical "gobbledy gook" to you, run away!
2. Make sure that the rate of return and the time period make sense. Sound investments take time. You need to allow time and compounding of returns work for you. This takes years, not weeks or months. If someone is promising you pie-in-the-sky returns in a short amount of time, run away!
3. Ask the person how much of their own money, or even better, how much of their mother's money, they've invested in what they are pitching to you. Think about it: If someone comes to you with a real estate deal, do they believe in their hearts that it really is a sound investment? Putting their own money - "skin in the game" - is one way to have them prove it to you.
4. If you're considering a mutual fund investment, my recommendation is to educate yourself on low cost index-based funds and exchange-traded funds. Find out more by reading some of my blog posts.
5. If someone tells you an investment opportunity is guaranteed and no risk, run away! Not even a bank CD is without risk, albeit the risks are lower than for other kinds of opportunities.
6. Every opportunity open to the general public should include a prospectus or offering memorandum.

7. Lastly, take your mama's advice. Don't talk to strangers. Well, be highly suspicious of unsolicited phone calls, emails, mailings. Apply common sense and trust your gut.

Navigating The Waters Instead of Drowning in The Sea of Economic Pessimism

Are you addicted to watching the news? Reading a favorite newspaper? If so, you may be unwittingly being completely overwhelmed by the sensationalistic doom and gloom reporting that has become par for the course - every day.

Consider this: Cancel your newspaper subscriptions and cable TV. And, stop surfing the net for your news too, while you're at it.

Here's what to do instead.

Surround yourself with productive and constructive people. Read a good book or listen to awesome inspiring music.

Focus on creating value in the world and on your relationships. This is an ideal time to revisit your values, what's most dear, and what you are grateful for.

Recommended Reading: Seven Stages of Money Maturity by George Kinder

Review:

I've never met anyone who hasn't wrestled with money issues of some kind. How much better off would you be if you understood the spiritual and psychological issues around money?

The Author describes it like so:

Are money and spirituality separate and incompatible? The Seven Stages of Money Maturity is my answer to this ancient, perennially vexing question. Like many of us, I used to think the two realms had nothing to do with one another. But now, after many years as both a Buddhist teacher and a certified financial planner, I realize that only when we fully understand the spiritual and psychological issues surrounding money is true freedom possible.

In The Seven Stages of Money Maturity I show readers what I have been sharing with clients and lecture audiences for years – the skill and wisdom needed to achieve financial peace, freedom, and security. The journey begins in understanding that we approach our relationship with money by moving through a series of developmental stages. Just as the title implies, The Seven Stages of Money Maturity lays out the emotional dilemmas presented at each step on the path and demonstrates how to move through them toward the sense of ease around dollars and cents that is money maturity.

The Seven Stages of Money Maturity shows readers how to identify internalized messages about money, understand the feelings that affect financial decisions, develop new skills in dealing with money, and take on money tasks with enthusiasm and optimism. The payoff is great: the deep freedom that comes from letting go of old patterns and painful habits and the boundless satisfaction of living a life that is fulfilling both financially and spiritually.

Here's my take:

Every client I work with wants a sense of ease, of freedom, in working with money. Moreover, each person has a deep-seated drive for spiritual alignment with their material world. While this sense of spirit often comes with maturity, I'm working with younger and younger folks who want their lives to matter and want their choices about money to be spiritually productive ones.

In the introduction, George Kinder lays out how it's essential for our hearts and souls to be included in our money

management, not just our minds. In fact, money management isn't a simple skill to be learned - it's an integration of all parts of us coming together and working congruently so we both don't sabotage ourselves and we make life meaningful and successful...on our own terms.

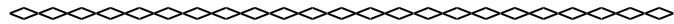
Be sure to tune in to the next installment coming up in two weeks, Childhood, from this extraordinary book.

Coming September 15th, 2009

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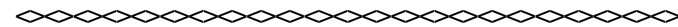


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