

I have been getting alot of email's pushing the quick way to riches. Finally I get an article that explains my point of view. There is no substitute for the old fashion way, through investigation before you buy, proper management duringf your hold period and then let time build your investment.

Thank you,  
Bill White, Broker

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## Get rich quick or lose money quick?

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Henry Hebler

**Recently I got one of those invitations to attend a get-rich-quick seminar. Included were two free tickets valued at over \$100 each. The seminar promised to provide life-altering financial strategies. It had been a while since I attended one of these seminars, so I decided to go.**

The meeting was held in a lavish setting: an expensive hotel ballroom lit with fancy chandeliers. The room was equipped with a PowerPoint display on a huge screen. Attendees began to fill the room, directed by lots of assistants who gave out colorful brochures. Precisely on time, the speaker walked up to the podium and took command. I'll call him Slick (not his real name, of course, but it fits).

Slick described himself as a self-made, very wealthy man who made a lot of money in a company buyout, real estate and then the stock market. He had retired very young, got tired of living the easy life and then decided to help others learn how to be successful investors. He was an excellent pitch man who sought audience participation, some of which I suspect came straight from shells planted in the audience.

### Get rich now

The prospect of getting rich effortlessly has great allure, but the promoters are the ones making the easy money.

### Resist the temptation to be a sucker

1. [Make a killing in real estate](#)
2. [Make a mint in the stock market](#)
3. [Make for the exit -- fast](#)

### Make a killing in real estate

Slick devoted about an hour to the topic of how to make money from properties on the brink of foreclosure. He described situations where widows and less fortunate people got behind in their mortgage or tax payments and were therefore ready to settle for pennies on the dollar days before the scheduled date of a foreclosure auction.

Although all of these "opportunities" are a matter of public record, the government is slow to produce the data. Slick said that by working with his firm, you could get more timely information plus professional help when the time came to go to the door of the desperate seller. A legitimate real estate agent would accompany you and do all the talking. You would stand at the agent's side as the prospective buyer.

As Slick pointed out, this is a benefit to all parties: The seller gets a clear record without a bankruptcy, the mortgage holder gets a good fraction of the debt back, the real estate agent gets a commission and you get a valuable piece of property that you can turn over for a nice profit.

So far, Slick divulged nothing new. He admitted that others promoted the same techniques as proffered in many books and seminars, but his firm offered expert advice, training, a Web site with materials that made rapid response possible and use of professional real estate firms that would help close the deals.

Getting money for investments would be no problem. Slick said we could borrow money from our 401(k) plans and later pay it back with interest that would increase the savings value. He didn't mention that many plans don't allow

you to make additional contributions until your loan is repaid, which would cause you to miss out on your employer's matching contributions. Nor did he detail the very stringent rules on 401(k) loans or the fact that the money you borrowed would be taxed twice: once on the after-tax money to repay the loan and then again when you withdraw it at retirement.

Slick then suggested an alternative financing method -- that investors could get adjustable-rate mortgages, or ARMs, and enjoy low rates with little risk since these properties would only be held for the short term. But you'd have to have lived in a cave for the past year to be oblivious to the pitfalls of ARMs. They are partly to blame for the meltdown in real estate and involve a high level of risk, as many homeowners can attest, especially in a real estate market that has virtually ground to a halt.

Undaunted by current market conditions, Slick promised that the real estate payoffs would be huge. Some offered a guaranteed 25 percent return, he exclaimed. Some even averaged a 50 percent return. He showed that a few thousand dollars would compound to millions over 15 years.

I don't doubt his math and I'm sure opportunities exist like those he described. There are a few people who have amassed fortunes in real estate. But is this easy, are the opportunities for great gains plentiful and can this be done with little or no risk? No.

### **Make a mint in the stock market**

Then Slick turned to the subject of the stock market. That 50 percent return on real estate paled in comparison to what you could make in the stock market if you could take advantage of technical analysis, puts, calls and options.

"Volatility is simply opportunity," Slick told the audience. "It's not risk."

He went on to say that we had a great advantage over professional traders because we can trade faster. (This was news to me.) The best strategy, Slick said, was to buy and sell, not hold. He gave an example of a series of buy and sell tactics, combined with charting, that he had used with a stock. He made well over 50 percent in just six months, he said.

Near the end Slick repeated that he was doing this only to help other people learn how to get rich. This free lecture would be followed by an opportunity to attend any of a number of follow-up courses -- each of which cost thousands of dollars. These courses cover a number of aspects of real estate investments and such things as foreign trade and options trading.

To Slick's credit, he did not apply a lot of pressure on everyone to sign up for the courses. He knew he had planted seeds of 25 percent-plus returns, and that these would germinate in the minds of many of the attendees in the audience.

### **Make for the exit -- fast**

Some time ago, in spite of my admonitions, some of my friends attended expensive courses put on by a promoter of similar concepts. They too heard the same pitches about real estate and stock trading. They were taken by the opportunity to make lots of money with little work. They paid thousands of dollars for courses, CDs, Web site use and books. The promoter made millions from his courses and publications, but lost money on his firm's own investments. He is now facing jail time for tax evasion, and his clients and employees are now sadder but very much wiser.

The shame of this is that these get-rich-quick seminars likely attract more clients than seminars given by legitimate, hard-working financial planners who charge low fees and recommend low-cost portfolios consistent with their clients' goals and risk tolerance levels. Sure, some advisers hawk insurance products and investments that help them profit more than their clients. But their greed pales in comparison to that of firms promoting schemes that offer guaranteed extraordinary returns at little or no risk.

The get-rich-quick hucksters can probably find actual investors who can testify about their huge gains at these seminars. But the odds of the average person consistently achieving extraordinary results are low. It's true that lots of money can be made in real estate deals, but lots of money can be lost, too. I have friends on both sides of that fence, and my own real estate results have been very mixed.

As far as stock market trading goes, if such accomplishments were common and consistent among the average investor, then certainly mutual fund managers would be able to easily beat their benchmarks and hedge funds would never get in trouble. But this is not the case. Far more mutual funds lag the indexes than beat them. Hedge funds

have their problems, too. Consider the collapse of Long-Term Capital Management, spearheaded by some of the brightest people in the finance business. And plenty of hedge funds recently found themselves on the wrong side of the housing bubble bet.

Unlike much of the audience, I walked out without signing up for the next level of instruction. An old joke popped into my head that asks, "How do you make a million dollars?" The answer: "You start with 2 million."

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