

# Ghostwriting

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*The following is an excerpt of ghostwritten content for a client's book.*

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Obviously, the financial industry was proving to be a system I wasn't interested in being a part of.

I could never fall in love with the idea of charging someone a fee to manage an account that could lose money. And probably would.

The industry needed a catalyst for change. Why not me?

So I left dad's firm and made the move to Michigan where I joined a new firm and studied like a flunky the day before finals. I studied the numbers, the system, the players — all of it.

Here's what typical advisors tell their clients:

*"Give me your money, I'll charge you 1% and I'll go gamble with it over here.*

*Don't worry, it's structured gambling because I study these stocks all day long.*

*Of course, I have no idea what the stock market's going to do tomorrow - no one does. But I'm going to charge you a fee whether it goes up or down."*

**Yeah, that doesn't make me feel like I'm on the path to becoming a millionaire.**

I'm not a gambler, but there's one thing I am willing to bet on: myself. And I believe everyone should manage their money with that mindset.

**Your biggest rate of return is in yourself. What we do with our money should prove we believe that.**

Let's think about this from a business perspective for a minute.

The concept of gross versus net is foundational to the business world. What you bring in versus what you take home.

If you own a business that does \$10 million dollars in sales but only take home \$50,000 in income... that's a significant amount of revenue for such a disappointing payout.

The gap between gross revenue and net income is what's called "margin." In the business world, there are two universal ways to see an increase in your margins or in your net return.

The first is to bring in more revenue by increasing sales, or "scaling" the business.

Of course, this is easier said than done. This method takes more effort. It takes more marketing dollars. You may have to increase production or move!

You could employ any number of "*if you build it, they will come*" strategies.

Shelling out more money and more time in the hopes of getting a better rate of return on a higher gross number.

You HOPE your marketing is targeting the right audience.

You HOPE your time is being spent developing the right campaigns and offers.

You HOPE one or all of these methods actually pay off.

**These are all just different forms of gambling!** And if you remember, I'm not a gambler.

When your margin is only 5% of your net earnings, you're still only going to earn 5%. Even if your sales increase, what will that 5% be?

Why would anyone want to scale that business? That 5% won't amount to anything significant.

### **Before we scale, why don't we take a look at what we can control?**

This brings me to the second way to increase the net number wand that is to *reduce costs*.

Maybe you try to bargain for a better lease rate.

Maybe you research cheaper insurance.

Maybe you change your employee pay structure and incentivize them to perform more efficiently. They win, you win!

**There are innumerable ways to adjust the cost of doing business rather than chasing a rate of return.**

Still not convinced? I'll give you another example.

Let's say that you live in Ann Arbor and you buy a pizza shop.

This pizza shop does \$1 million in sales. Does that mean you take home those \$1 million dollars?

**That's an extra-large, two topping'ed NO.**

That \$1M is just your gross sales - it has absolutely nothing to do with what you take home.

I think we can reasonably say that as a pizza shop generating \$1M in sales, you have a healthy 20% net income.

**Here's the fun part.**

Assets that are invested in the market, are invested in things that work the exact same way as a business. There is still, and always will be, a massive difference between gross numbers and net numbers.

***We don't learn this from the financial industry because they get paid on gross numbers.***

Whose idea was that, I wonder? But I digress.