

30 Business “No No’s” (3)

It’s a “No No” to push “all in” on a get rich quick deal.

Don't gamble on the pot of gold at the end of the rainbow, hocking your house against a lucky chance. The time will come when you have to pay up; you'll be left with nothing but the shirt on your back. Solomon¹

Madoff’s Ponzi Scheme

Sandy Koufax Hall of Fame pitcher, Fred Wilpon and Saul Katz owners of the New York Mets, and several charities lost millions in a \$50 Billion “Ponzi” scheme that many are claiming is the worst ever. ² The truth became very evident when the economy began to go south. Madoff’s own son’s apparently called the FBI to investigate his holdings. When the truth came out that it was all a scheme Madoff admitted that he did not have the money and that his business was a fraud.

Madoff’s draw was the fact that he was so well connected to the securities commission and that he was well networked with many high profile clients and charities. He promised a greater than normal return on the investments his clients gave him. His returns were consistent even in down markets. Many who were hoping to gain quick money lost everything. At least three charities have closed their doors as a result of their investments being stolen by Madoff. Many have been left with only the shirts on their backs.

Don’t gamble on the pot of Gold.

I found a picture of the end of the rainbow and there is no pot of Gold.³ I urge you to “Google” these pictures. There is an amazing set of pictures which made news in England and on the web because it shows the end of a rainbow hitting the road. Someone may well point out that it could also be the beginning of the rainbow, but I wouldn’t do business with that person. The reality is that there are no pots of gold at the end of any get rich quick deal. It is a “no no” to push it all in on a lucky chance.

The time will come when you have to pay up.

Over the last 5 years many American households gambled on the pot at the end of the rainbow. Many businesses took advantage of the low standards for loans and defrauded thousands of households for untold millions. We are living at the moment when Americans have to pay up and people are losing their homes. Some people are going to jail for their fraud, and still others are being bailed out. Many have only the shirts on their back left.

Risk Taking

This is not a prohibition against taking risks in business which will be productive. Risk is a part of everything that we do. However, risk taking should be well informed.

*“It doesn't work to leap a twenty-foot chasm in two ten-foot jumps.”
American Proverb⁴*

A man coming to a chasm that can’t jump will not risk jumping twenty feet. He is informed.

Risk taking should involve doing the hard work of **discovering if something is a viable business agreement.** We should not enter into agreements or do deals that we are uninformed about. Jesus told a story of a man who was walking out in a field and discovered some buried treasure in the field. He went home and sold everything and went and purchased the field. To the outsider this looked like a gamble. However, we who knew he found something of incredible wealth understand that this is no risk at all. It is an informed decision and a great opportunity.

In another story Jesus talks about the risk of building a house and urges his disciples to **count the cost.** For example, it may be a great decision to start a business and have your own office, but the over head on having offices can lead to you not turning a profit. Consider what things are going to cost before you leap into

¹ MSG, Proverbs 22:26-27

² http://www.nydailynews.com/news/ny_crime/2008/12/13/2008-12-13_feds_say_bernard_madoffs_50_billion_ponz.html/ March 11, 2009; 12:25 PM.

³ <http://www.dailymail.co.uk/news/article-1143482/Found-The-end-rainbow--theres-pot-gold.html/> March 12, 2009; 9:35 AM

⁴ http://www.wisdomquotes.com/cat_risk.html/ March 12, 2009; 10:03 AM

an agreement. Others may think what you are doing is risky but if you have counted the cost you are informed.

What others call risks may merely be seen by you as "opportunities". It appears to be a risk but if you are informed you likely see it as an opportunity. Risk taking is necessary for doing business, but that doesn't mean you shouldn't do your homework and be informed.

Hard work and frugal living

At the heart of this "no no" is a desire to short circuit the process for building wealth. To become wealthy a man must be industrious and live frugally. Unfortunately, we are living in times when the understanding of hard work and frugal living are being pushed aside by a sense of entitlement. John Jorgenson has an excellent article on this titled Money Advice from Ben Franklin's Way to Wealth.⁵ His article merely reminds us that wealth is produced by hard work and common sense spending habits.

Hard work

A man who is a hard worker in our culture is generally rewarded well for his labor. A man who is lazy receives the reward for his sense of entitlement. I love watching ants. When I worked for St. Law Pest control my boss would often take me and we would sit down and watch the fire ants. He assured me that if you destroyed one mound they could build another over night. They are incredibly industrious.

Take a lesson from the ants, you lazybones. Learn from their ways and become wise! Though they have no prince or governor or ruler to make them work, they labor hard all summer, gathering food for the winter. But you, lazybones, how long will you sleep? When will you wake up? A little extra sleep, a little more slumber, a little folding of the hands to rest— then poverty will pounce on you like a bandit; scarcity will attack you like an armed robber. Solomon⁶

A man who is working hard is also taking a big gamble. The farmer sows his seed but he never knows how well it is going to go because he can't make it grow. At the end of the day you are risking your life on your own hard work, and on the good grace of God. We should all love those odds.

Frugal living

***Frugality** - Prudent economy; that careful management of anything valuable which expends nothing unnecessarily, and applies what is used to a profitable purpose; thrift; — opposed to extravagance.⁷ Ben Franklin (Pickthebrain.com)*

Frugal living requires long term thinking. Frugal living for businesses means that you prepare your company financially for the down times. You manage your resources and investments in such a way that you have the ability to persevere and thrive in down economies. Carefully manage everything that you have. The scriptures teach us a story that magnifies this idea of hard work and frugality. Joseph was given the leadership task of managing the food resources of Egypt when he revealed the dream of a coming famine to Pharaoh. How did he prepare for the down years? During the first seven years of plenty he stored up a percentage of all the grain for the seven years of famine. In the end, Egypt was in a position to grow its finances and to put the world at its mercy for food. Granted, Joseph's wisdom was from God but the principles are applicable for today. The money that we make in business has two purposes from what I gather that are frugal uses. They should be reinvested into the business to grow it, and they should be used to care for our lives and the lives of our employees. Such management is free from extravagance, profitable, and demonstrates long term thinking.

Let me sum it up for all us. It is a "No No" to push it all in on a get rich deal. We should be taking informed risks. Our businesses should be highlighted by hard work and frugal living. This prepares us for both good economies and bad economies.

Round table:

What was your reaction to the Madoff scheme?

⁵ <http://www.pickthebrain.com/blog/78-timeless-wealth-building-tips-from-benjamin-franklin/> March 12, 2009; 10:31 AM.

⁶ NLT, Proverbs 6:7-11

⁷ <http://www.pickthebrain.com/blog/78-timeless-wealth-building-tips-from-benjamin-franklin/> March 12, 2009; 10:47 AM

How does our housing wow's as a country reflect the truth of this "no no"?
What is a good risk for your company to take right now? How do you know?
Why is hard work a great risk?
What role does financial management play in taking risks and preparing for down turns in the economy.

