

To Own Takes Courage, But Can Pay Well

It has been my observation over 31 years in this line of work that people like to make money. While this might not seem like a brilliant observation, it is none the less valid. If this is true, how can people make money and how might I help them do that? We can trade time and talent in the workplace for compensation and almost all people do this at some point in their lives or for most of their lives. We can loan money to people, banks, corporations or governments and receive interest and (hopefully) our principle back. A third way we can make money is to take on an ownership interest, where we can't "know" what we will earn or whether we will get back the money we put in.

Are You Crazy?

So why exactly would you buy an ownership interest in real estate, your own business, a private venture or a public company? After all, can't you lose money that way? Isn't that risky? The short answer is, yes, it most surely is "risky" to do this. There are companies large and small, private and public, old and new, which have gone and are going out of business. Anyone who owes more on their mortgage than their home is currently worth will testify to the idea that owning real estate has risk.

Now contrast that with the people who you feel have been financially successful. What is it that caused them to gain that level of success? How many of these people took the risk of an ownership interest in something or many things on their road to success? If the people you know are like the folks I've had the pleasure of meeting along life's path, then almost all of them have gotten there by taking some risk of ownership.

Why Does Ownership Sometimes Pay Better?

My answer to this may or may not be one with which you will agree. My answer lies in two concepts: value and difficulty. Owners create jobs, create services and products to improve our standard of living, pay taxes, secure workers benefits and generate profits that can be employed in other ways to build our economy. In short, they are very beneficial and create great value. As a result, the owners who do succeed often make a good amount of money. That 2/3's of small businesses don't make it to their 10th year is a good indication that this is not that easy to do. Adding value and the degree of difficulty both contribute to owners earning higher returns.

Boom or Bust?

Certainly opening your own business can present the extremes of making it big or losing everything. Putting money in any one venture has this as its nature. The more you can influence the outcome through your smarts, insights and effort, the more this might make sense. However, most of the ownership I see from day to day comes in the form of buying a portion and most often a small portion of a larger enterprise. When people do this they often buy an ownership interest in a number of enterprises with the thought that the ones that do

best will balance out the ones that don't do that well. You don't get rich that way, but chances are you don't go bust that way either.

What's Right For Me?

The two factors that make the biggest difference are how much the dips affect you and how much time you allow. If you can look at a statement and not be terribly concerned when the value is down and you are willing to wait several years for the investments to work, then having lots of ownership interests in your investments will work well. If on the other hand short term swings and MSNBC have a big impact on you, then you may need to accept lower long term returns and reduce the amount you devote to investments that place you in an ownership position.

Bottom Line

Long term averages of stocks versus bonds would suggest that "owning pays better than loaning". This is definitely not true at all times and especially during certain shorter periods of time. Still, in general, if you are willing to think long term and are willing to ride out drops in the market in a diversified group of ownership interests, averages suggest that you will be rewarded for having the courage to own.

Your Feedback

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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