



First Capital Personal Finance Newsletter

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Three Types of People in the World & How they Make Money

You have heard that the world is comprised primarily of three types of people: 1. Those Who Make Things Happen (Group A); 2. Those Who Watch Things Happen (Group B) and 3. Those Who Wonder What Happened (Group C). We're all given a different starting position in life, but what matters isn't what we're given, it's what we do with what we are given. Whether you are born into abundance (rich family), into scarcity (poor family), or heavily indebted, your starting conditions are irrelevant to who you become and all depends on which group you choose to belong to. This month's Newsletter is dedicated to men and women who find themselves in Group C – Those Who Wonder What Happened. People in Group C are faced with debt problems that were incurred mainly to finance consumptions; their poverty level is rising, they are stressed, depressed, directionless, and tend to be good followers even though the road they are travelling leads them to hell. I will use the latest global events (Japan & Middle East) to demonstrate how people in these groups respond to events.

Those Who Make Things Happen (Group A)

You will know this group of people by what they do with their money. They are on the lookout for opportunities; they do not keep their money in bank accounts and do not borrow money to buy clothes, furniture or food. They borrow money deposited in bank accounts by people in group C, and add their own savings to invest in shares, property, and other assets with good returns. People in group A are problem solvers, generators of wealth, they create jobs, are leaders, they inspire and motivate others. They are ambitious, determined, and driven. They are always seeking out new ways to improve their work ethic and are highly success oriented. They move into action before it becomes public knowledge. They profit once main stream has gotten wind things are good. They hold onto those profits and research the next profitable opportunity. While everyone else is doing the same old thing it's quite common for them to do the exact opposite and go against the grain. They dare to be different and reap the rewards. People in this category are hard working, strive to be winners, and keep trying and trying until they achieve. They stay focussed on their goals and take action, consistently, to ensure they achieve and exceed their goals. They see opportunities in every crisis and they often come up with solutions to problems and this is how they respond to current events:

Those Who Make Things Happen (Group A) Continues...

Japan Earthquake & Tsunami: The earthquake and Tsunami is estimated to have destroyed 10% of the Japanese economy and in the process destroyed towns and many lives. People in Group A are not incapacitated by disasters or crisis and this is how they always respond to such type of events. Day 1: They assess the magnitude of the impact of this event on life, property, and wealth and they contribute financially, and in kind to help people who survived this disaster. Day 2: They conduct research on how much it will take to rebuild the destroyed towns, how the share/stock market, the currencies, oil prices have reacted to the disaster. They listen careful to policy statements made by the Japanese government and other global leaders and incorporate these policy pronouncements in their research. Some of these pronouncements are whether Japan will rebuild the towns, where they are likely to get the resources to rebuild the country and which type of resources. Is Japan likely to close all nuclear power plants, and what are the implications on uranium prices and oil prices? Day 3: Based on the research they will determine where buying opportunities are in Japan and will start investing in sectors that are likely to benefit from the spending program to rebuild the country. After the disaster in Japan, major shares that you could not afford before disaster declined substantially, they have become cheaper and the future looks brighter as the major rebuilding of Japan has already started and will benefit these companies and their shares are likely to rise substantially over time. Those who make things happen (Group A) don't waste time crying and wondering why the disaster happened, they are busy buying and investing in Japan and other parts of the world that will help benefit from the reconstruction and rebuilding of Japan.

Protest & Crisis in the Middle East: Those in Group A reaction to the crisis in the Middle East was first to establish the cause and effect of this crisis, estimate the positive and negative impact of this crisis on the global economy, establish how long the crisis will last and which countries will be affected. When riots/crisis started, oil price was at US\$70 and those who make things happen immediately started investing in oil shares as they estimated that oil price could reach US\$100 and as we write, oil price is already at U \$115 and some of them are already selling to take profits, and they are selling to people in Group B who are slowly entering the market, and later to people in group C who enters the market when prices are their peak and start falling. I believe that in the coming months there will be amazing opportunities coming up for people who are paying attention to what's happening now, and I have no doubt that the Group A people will accumulate wealth that will be passed from current generation to their next generation.

Those Who Watch Things Happen (Group B)

Those who watch things happen are mostly unhappy and resentful people. They wait and watch while the shakers and movers experiment to see what will work and what will not. They are observers, are pacifists and have a fear of failure, they are not risk takers usually, but will tow the line however and are very good at following directions. When opportunities arises the Observers follow suit, and also make money, but not nearly as much because the Shakers and Movers in Group A had the upper hand and bought at lower prices. Although they look for profitable opportunities, they always take long to enter the market and often lose out. They mainly invest half of their wealth in bank deposit and the other half in shares, properties and other high risk assets as part of their risk balancing strategy. They can easily lose focus on their goals due to fear and they wait for too long to jump on opportunities this is how they respond to current events:

Japan Earthquake, Tsunami & Crisis in Middle East: People in Group B are incapacitated by crisis and this is how they always respond to such type of events. They kept on asking why Japan and Middle East didn't foresee the disaster coming and institute preventative measures. They watch negative news as it unfolds and this forces them to disinvest and sell all their investments in Japan. It is from Group B and C that people in group A start buying those shares and other investments that has fallen sharply. After a while when things start stabilising and positive news start coming out, Group B people returns back to Japan and start investing mainly in the same shares and assets they sold at a loss when the crisis started. At this point in time, Group A sees an opportunity to make profits and they will start selling the same shares they bought at lower prices to Group B at high profits, sometimes at more than 50% of the purchase price. Group B will hold on to these assets and because shares are not rising as fast as they expected, they will take small profits and start selling to people in Group C. Group A entered the market at the start of the crisis when oil price was at U\$70, and now at U\$115 they are busy taking profits and selling to investors in Group B, and to limited extent those in Group C.

Those Who Wonder What Happened (Group C)

People in group C dominate the world population and always dream of winning a lot of money or a car. They are people who will die and never attain their full potential in life because of fear, belief, and tradition. They are easily misled, they like complaining, blaming their employers, blaming their wives or husbands for their failure, blaming everyone for their failure except themselves. They are the trend followers. They do not take risks and often late to join the party, they are following the lines of popular thinking; they are copies, not themselves. The problem with this group of people is that they are always late, they wait and wonder and only jump for an opportunity towards the end and always miss out on profit to be made, and they end up taking losses. They are the ones who suffer the most when stock/share Market decline or collapse. It is this group of people who are heavily in debts and most of them trapped in debts, waiting for an Angel to come and rescue them. People in Group C hold most of their wealth in cash, bank deposits, and government bonds and in their residential property? They do not borrow to invest, but most of their borrowings are to support their consumption, pay bills such as furniture, school fees, alcohol, dining out, clothing and food accounts. Group C people view disasters as a sign of the world coming to an end; God's final judgement has come and therefore forgets about new ventures. This is how this group view the current events:

Japan Earthquake & Crisis in Middle East: Those who wonder what happened do not see opportunities in a crisis immediately, they are saddened by crisis/disasters, and they get stressed and even go into depression and become completely incapacitated. Those who wonder what happened again only see the dark side of the crisis in the Middle East, for them it is the destruction and end of the Middle East and the prophecy of doom starts. They justify this type of reaction to disaster as being in line with the Word of God and they devote time to prayer, but their prayer is not followed by action. They do not take action to help the victim, partly because the disaster, crisis found them already in personal/family financial crisis. They forget that God does not have physical hands and body, but uses us to do good to others and therefore a prayer without action will produce no results. It takes them many days, months and even years to come to terms with what has happened and by the time they come to their senses, the reconstruction in Japan is complete, peace has returned to Middle East and new disasters hit somewhere again, and they shift their attention wondering what has happened again. This group of people will miss out on all the profit opportunities, and will only return and invest in Japan when everything is stable, they will be buying overvalued shares from those who make things happen and within a short-time those investments collapse and they make losses. They then blame someone else for these losses except themselves and their poverty increases at an alarming rate and this poverty is transferred to their children and grandchildren.

I would like to conclude by the famous story in the bible, the parables of the talents. One day a man was going on a long trip. He needed his servants to take care of his property while he was gone, so he called them to him. To the first servant he gave five talents of money (Group A: Those Who Make Things Happen). This servant went to work at once using his money until he had doubled it. He now had ten talents instead of five. The master gave the second man two talents (Equivalent of Group B in our story). The second servant was successful also, and doubled his money. The third servant (Group C: Those Who Wonder What Happened) was not as capable as the other two, but the master gave him one talent with the expectation that he would manage it well. He, too, could have increased his money, but he dug a hole and hid it in the ground. After a long time the master returned. He was ready for a report from the three servants. The man who had received five talents brought his money and showed the master that he had doubled it. He was happy to show his master the results. The master was well pleased. He said, "Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness. The man that had been given two talents showed the master that he had also doubled his money. He received the same words of praise as the first man who had received five talents.

The man who had received one talent dug up the talent he had buried and brought it to the master. He accused the master of being a hard man to work for, said he had been afraid, so he just buried his talent. He gave it back to the master saying, "See, here is what belongs to you sir." The master was very angry with him and called him a wicked, lazy servant. He said the man should at least have put the money with bankers and received some interest. The master took his one talent away from him and gave it to the man who had ten talents, and the one talent man was punished because he had not properly used the talent he had been given. Ladies and gentlemen we need to use whatever "talent" God has given and planted in us. It might be money or ability. If we use it wisely, He will increase it so that our lives will glorify Him. This simple story makes some interesting points that are applicable to the pursuit of personal development. As I mentioned above your starting point in life does not matter much, what matters is what you do with the little you possess or the talent you are given. Praying day and night while you bury God given talent will not please your creator and your poverty now will be passed over to your future generation, and you will be held accountable. End.

About the Author

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