

Financial Foursquare

PAGE NUMBERS USED:

Pages 35-38 if desired.

COSTUMES/PROPS NEEDED:

Tape, colored E, S, B sheets of paper. Print on different colored paper, i.e., E on blue, S on pink, B on green. (Note: the I is printed on the back of each E, S, B sheet)

MAIN OBJECTIVES:

- To show the four ways people make and earn money
- To show that almost any occupation can live in any quadrant
- To show that everyone can be—and should be—an investor
- To show how to leverage other people's time, energy and money to make you money

KEY TERMS, CALLBACKS:

Employee, self-employed, business owner, investor

PRINCIPLES, SAYINGS, DECLARATIONS:

Leverage is utilizing other people's Time, Energy and Money to make YOU money.

SUGGESTED ENROLLING QUESTIONS:

How many of you want to make a ton of money doing something you love? How many of you want to learn how people do that?

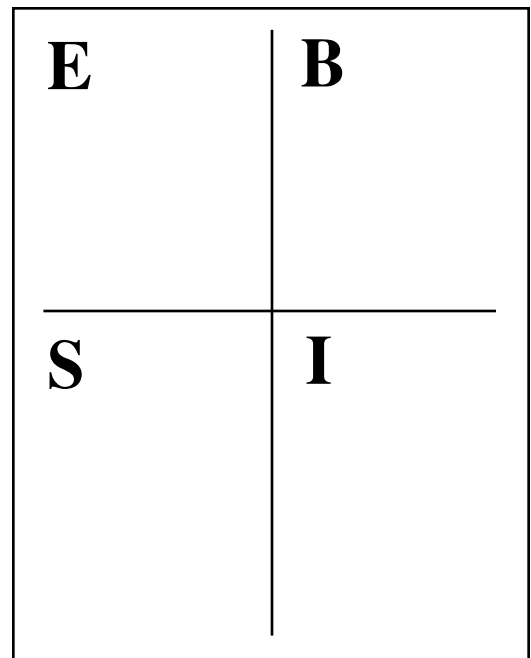
SET UP/PREPARATION:

Make a big cross on the ground using tape. Count off the participants using E, S, and B to break into three (3) groups. Refer to diagram to your right to see where to put the Es, Ss, and Bs. Once the groups are divided, have them all sit down in their respective squares.

DIALOGUE:

All of you are in the graphic design business, but you are all at different stages in your careers.

Where are my Es? When you first decide you want to earn a little money of your own, what do you usually do? (Get a job). Exactly. You become an Em _____ (let them fill in Employee). You guys are just out of college and you majored in graphic design. You go out and get yourself a



job so you now all work for a business. The person you work for is an Em_____ (Employee). What do you think the B stands for? Right...business. You are all employed by the Bs here. (Bs usually like this:-).

Where are my Bs? B stands for Business Owner. We also call them Em_____ (Employers). We'll talk more about them in a bit, but for now, we just know that the Bs are hiring the Es to work for them.

The Business Owners are paying their Employees \$20 an hour to do graphic design work for them. That's pretty good for someone just out of college, right? But here are some questions I want to ask my employees:

Who decides whether you get the job? Who decides how you get paid and how much? Who decides what your hours are? If you want to go on vacation, could you just go? Do you get to decide which clients you work for? Do you get to decide what kind of work you do? Who gets to decide all of these things for you? Right...The Business Owner or Employer.

But, do you (the Es) have to worry about how the business is doing? Do you have to work long hours making sure the business is doing well? Do you have to worry about finding clients? Do you have to worry about paying rent for an office or making sure the business makes a profit? No. Do you have as much responsibility as the Business Owners? No, not usually.

One last question, Employees. When do you pay your taxes? Right, your taxes come out of your paycheck before you ever get paid. How do you feel about this? What if we told you that there are legal ways and tax rules you can use to pay your taxes AFTER you get your money? Great...we'll get into that in a bit, too.

A lot of people, in fact, a huge percentage of Americans are Employees and that's absolutely OK. As an Employee, what do you trade for money? Right, you are trading your TIME AND ENERGY for money. We call this EARNING money.

Employees, you can go ahead and place your Es (on the paper) on the floor with the E side up.

So, let's imagine that the Employees work for their bosses for a few years and get really good at what they do. So good, in fact, that the customers start asking your boss for you. You know that your boss charges \$100 an hour for your time but you're getting a little tired at only getting paid \$20 an hour.

After thinking about this for a few months, you realize that you can go out on your own and charge \$100 for YOUR work. So you quit and start your own little graphic design firm. You are now what we call Self-employed.

So, where are my Ss? How much were you getting paid as an Employee? Right...\$20 an hour. Now that you're self-employees, you are going to charge you clients \$100 an hour for every hour you work. That's quite a lot more money, isn't it?

OK, my little self-employed people, here are some questions for you?

Who gets to decide what you charge for your work? And who decides when you work? And, if you plan accordingly, can you go on vacation when you want to now? But do you get paid while you're on vacation? No, you don't. Also, what are you responsible for now? Health care, making a profit, paying for rent, paying for supplies, sales and marketing, financial reports, finding clients...basically everything the business owner is responsible for.

Is the amount of work you can do limitless? How many hours are there in a day? And do you need to sleep and eat and take breaks?

What you need to understand is that Self-employed people are still trading their TIME AND ENERGY for money. If they aren't working, they aren't getting paid. Remember this!

OK, remember the tax question I ask the Employees? Well, any ideas about how Self-employed people pay their taxes? As a self-employee, do you have a lot of expenses that you have to pay to run your business? Name some (rent, office supplies, gas, computers, advertising, legal help, accountants, software, etc.). Are you paying taxes BEFORE or AFTER you deducts all of your expenses from your revenue? Right, your taxes are based on the money you have left over AFTER you've deducted (subtracted) your expenses, or what it cost you to run the business. So who has more control over their money...an employee or a self-employed person? Right, someone who is self-employed. And what do you have a lot more of than most employees? Right...your time. Most people who are self-employed love the freedom they have to work when, where and how they want. AND most self-employed people work a lot!

OK, you can put your Ss (on the paper) on the floor with the S face up.

OK, a few more years go by and our self-employed person has gotten way too busy. He/she has no time to enjoy life anymore. So they start thinking back to when THEY were employees and they realize THEY can hire an employee or two, still charge their customers \$100 an hour (or more since things have gotten more expensive) and still pay their new employees \$20 an hour. When they do this they now become Business Owners.

What's the difference between \$100 and \$20? Right...\$80. But are our business owners making an extra \$80 on their employees? No, not that much because what do they have to pay out of that \$80? Right, a lot of employee benefits and all of the expenses of the business. But the point is, who's the one doing the work? Right...your new employees!

Here's a question back to my self-employed people. Do people who are self-employed have employees? Yes, they often do but these people aren't making money for your business. They are really expenses. In other words, if you have a secretary answering the phone but she'd not doing anything to bring money into the firm, she's an expense. You can hire a bookkeeper to do your books and that person isn't making you any money. Understand? Great.

So, where are my Bs? Bs stands for what? Right...Business Owners. A lot of business owners probably did the whole Employee thing and the whole Self-Employed thing and were really successful at both. So successful, in fact, that as a self-employed graphic designer, they found they had more work coming in than time to do it. This is where a Self-Employed person decides they need to hire an Employee to do some of the work for them.

And this is when you finally understand the idea of Leverage.

Everybody repeat after me...

Leverage is (leverage is) utilizing other people's (.....) time, energy and money (.....) to make ME money (.....). Let's say that one more time so you really get it (repeat). Great.

So, when you have employees working FOR you, and they are making money for you if you're not

working, you have finally figured out how to MAKE money! And Making money is a very good thing indeed.

So, my little business owners, here are some questions for you.

Can you now go on vacation and still make money? Of course you can. As long as you have people you trust running your business.

Are you responsible for a whole lot more than your employees? Of course and are you making a whole lot more money than your employees? Usually. Sales people who are paid a commission, or percentage of each sale, often make a whole lot more money than a typical employee.

So, you've now figured out how to make money while you sleep. Anyone think they might want to start and run their own business when they grow up? Good idea! And (not but) is it also perfectly OK to be an employee all your life? Sure...you just need to understand the limitations.

OK, you can put your Bs (on the paper) on the floor with the B face up.

Now, we have one more square. I have a few more questions to ask each of you.

Employees, who is in charge of taking care of saving and investing for when you don't want to work for money anymore? Some people call this retirement. We like to call it being financially free.

Right, you are usually. In the past, employers often put money into something called a Pension, or retirement account. This doesn't happen much anymore so who's responsible? Right...YOU are.

Self-employed people, who is responsible for planning for YOUR financial freedom day? Yup...YOU are.

And business owners? Right...YOU again.

Anyone take a guess what the I stands for? It stands for Investor. Any ideas about what an investor is? Right, it's someone who knows how to make their MONEY make money for them. We've talked about this already. And investor usually invests in different types of assets (reference The Three Pillars of Wealth: real estate, business and stock market) that eventually provide them with different types of cash flow and that's what they live on when they decide they don't want to work for a living anymore.

So everyone, who should be an Investor? Right...EVERYONE.

I'd like everyone to put their Right Foot in the Investor square (this is funny with a large group of kids). Now repeat after me:

Everyone

Should

Be an

Investor!

OK, I need everyone over here by the flip chart. (You can leave them sitting in their squares if you want.)

(Draw a cross on the flip chart to begin and then one by one, go over each quadrant.)

OK, so in the beginning, we had our who? Right, our Employees so E stands for Employee (remember to let them fill in the blank). As an employee, you were trading your what for money? Right...your time and energy. Becoming financially free often takes a really long time when you're an employee.

Next, S stands for? Right...self-employee. What are you trading for money here? Yup, you're still trading your time and energy for money but you do have some tax advantages that your friend the employee doesn't have.

Next, B stands for? Right...business owner. What are you trading for money when you're a business owner? Exactly! OTHER PEOPLE'S TIME, ENERGY AND MONEY.

And finally, I stand for? You got it...Investor. And what does the investor trade for money? Yes...he's putting his

money to work for him making more money.

Any of you know the principle for this? Put Your Money to.... (work for you!). Great work everyone.

Pick up the tape and throw it away and put your chair back as quickly as you can. One, two, three, GO!

QUESTIONS TO ASK EACH GROUP:

1. How are you hired?
2. How are you paid (hourly, salary, commission, interest, appreciation)?
3. Do flexible is your work schedule (9-5, every weekend, nights, etc.)?
4. What skills, knowledge and other talents do you need?
5. What are your responsibilities?
6. Who funds (pays for) your retirement?
7. Who takes the risks?
8. Who pays your medical insurance?
9. What are your salary/income limits?
10. Can you deduct job expenses from your taxes?
11. Who controls your vacation time, time off, sick time?
12. What type of income are you earning (earned, passive)?

FLIPCHART:



Note: The word **OPTIMIZE** in the B square stand for Other People's Time Energy & Money!