

# Financial Literacy

The Abridged Version for a Digital Age and the 21st Century

**DRAFT as of 9/25/2021**

## **CAUTION!**

**This book is a follow-on to our Bookkeeping and Accounting Literacy book.**

**Reading this without reading those first could be very confusing to those with experience who might wonder what on earth is happening to introductory Financial Education.**

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## Introduction and Review

## The Cliff Notes for this Book

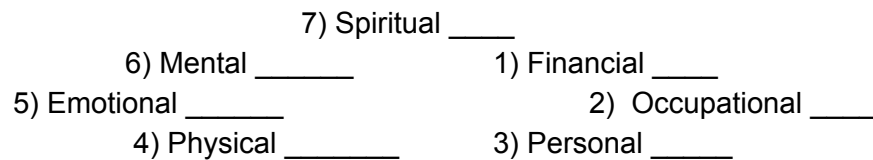
**Coming soon...**

## PART 1 - The BIG Picture of YOU and COMMERCE...

### Chapter 1: The Wheel of Life

Depending on your age you may or may not have seen models that provide a structure to assessing your overall health as an incarnated human.

This model in concept isn't novel, but it is unique in that no others are exactly like it, AND it's starting point is very unique as compared to most....



The starting point is Financial \_\_\_\_\_ , where the blank could be health, well being, success or some other word that fits.

For earth lovers, this may seem stupid and may seem to omit the environment.

For those enthralled with physical wellbeing or mental gymnastics, this may seem odd

Everyone has an opinion and in many other Ages, they would all have better ideas.

In current times a system called "Federal Banking" is employed around the world now with extremely few exceptions and those countries without it are affected by it as much or more as those with it due to their minority now. Most don't realize the level to which the financial situation and system they were born into actually affects the majority of their initial options in life as well as long term options for many. Not much thought is given to finance and banking because not much attention is given to it during childhood education AND because that which is given is grossly inaccurate, making it seem rather benign, like a necessary utility.

This book is dedicated to teaching you about "Financial Literacy". If 100 people sat down to write this book, we'd end up with 100 different opinions on what information should be packed into a 33 page document.

Here's to a unique view in Financial Literacy that hopefully inspires a sliver or more of people to continue to seek out that which makes them Happy with a better financial understanding than those that came before them.

## Chapter 2: Commercial Life is an either or - It's with or without Currency

Generally speaking there are only two ways Commerce transpires on Earth.

1. Without Currency -In this situation goods with actual or perceived value are traded among humans to transfer energy and share resources. This is the more complex form of commerce and often times, Geography associated with the Geology of an area dictate the areas of greater or lesser value.
2. With Currency - In this situation, some groups of people are chartered with issuing and managing money and money is used as an intermediate mechanism for holding energy so it can be trade among people with less problems that is found when trying to do Commerce without it.

Imagine life without money. How would you exchange energy? What skills or gifts do you have that you could put to work to exchange with others who grow food or provide health care if those are things you and your family did not have

Imagine life with money, but with a system where those that are chartered to create and manage the money don't do their jobs properly. Any clue what that would look like? It's a big thought. :Take your time with it.

## Chapter 3: How is Currency created and Distributed ?

Currency typically has two forms. Coin and Paper.

Coins used to be composed of some percent of a precious metal that had some value that was equal to or less than the coin itself. This was/is a kind of merger between life without currency and life with currency. The precious metal represents a good that could be traded in raw form for other goods without being shaped into a specific form. Over time, the precious metal has been removed, such that it is now more like paper. Let's not get too bogged down with this right now. The paper comes in larger denominations and has more interesting things to consider at this point.

In the olden days Paper Currency was printed with printing presses.

Who decided how much to print?

What happened to paper money with minor typos?

How did money that printed properly get distributed?

How are people familiar with complex printing prevented from just printing their own money?

In modern times, we talk a lot about Paper Currency, but in fact many use checking accounts and credit cards tied to a digital system to stand in for paper because it's easier.

Do they actually print Currency for each digital representation in circulation these days?

No.

The bankers these days just get balances adjusted in their bank accounts by the nation's bigger private bank called by the confusing name of the "Federal Reserve".


Below is an exceptional 2 minute video to get clarity on the Federal Banking System in the United States as it pertains to "printing money" and "managing monetary needs" as "someone" other than a "competitive marketplace" deems fit.

<https://www.youtube.com/watch?v=9Tt5lcDzU8Q>

<https://watch.screencastify.com/v/PB5vXLvjdy3aF2EpT9xl>

<https://drive.google.com/file/d/1fWgnX9OfIE4-foMLXBFba-VN-hLWslWd/view?usp=sharing>

Recorded 9/25/2021 and backed up to Screencastify and Drive in the event it disappears from Youtube.



The Problem With "Modern Monetary Theory" (MMT) Is **That It's True**

**HOW DID THEY PAY FOR THAT?**  
**NOT JUST**  
**1 TRILLION DOLLARS**  
**BUT**  
**9 TRILLION DOLLARS**  
**IN TOTAL**

2008-2009

0:22 / 2:46

Ben Bernanke tells Scott Pelley how they "make money up" when needed...

123 views • Mar 18, 2020

2 0 SHARE SAVE ...

## **Chapter 4: Do Bankers have to earn the money they lend out to make money?**

No. That is evident from the video above.

Most people have to work very hard to “earn” money they can use to buy and sell goods, or invest to make more money. For Profit Bankers in the United States like Bank of America, Wells Fargo and others are literally given money via a digital handoff that they can then make money by lending out on as needed basis. Does the idea of being given money to make money sound attractive to you? If so, maybe you should go into banking.

## **Chapter 5: Is Banking an open and free market to enter into?**

No. Superficially it may appear that way, but it's not.

You have to know someone in banking to get into banking but that's true in most industries.

The problem lies within the hierarchy of the Commercial Banks that all simply represent client facing branches of the Federal Reserve.

The bigger banks are always given advantages over smaller banks to make sure they remain the dominant forces in the United States.

See real estate rates and lending rules on local, state and regional banks as compared to national banks to understand the dominant positions that the established banks are given to maintain their superiority.

Another way the Bigger Banks have been given advantages in the past 20 years has to do with increased regulation that becomes too costly and burdensome for small banks to manage.

## **Chapter 6: Is US Banking a Monopoly with proper cross checks?**

Yes and No.

The game of Monopoly has a Banker who controls the money and also participates in the game.

The game of Commerce in the US has a Banker. It's called the Federal Reserve.

In theory the entity itself and those that manage it are not supposed to participate in the Game in a way where there insider information would benefit them or those familiar to them, but 1) people are people 2) human nature is human nature and 3) there are the people inside the Federal Reserve who take advantage of their insider status all the time.

<https://www.cnn.com/2021/09/16/fed-chief-powell-orders-ethics-review-after-multimillion-dollar-trades.html>



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# Powell orders ethics review after Fed presidents disclosed multimillion-dollar investments

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## KEY POINTS

- Federal Reserve Chairman Jerome Powell directed staff to review the central bank's ethics rules after several Fed presidents disclosed large investments and stock trades.
- News of Powell's inquiry broke after Sen. Elizabeth Warren sent 12 letters to the Fed's regional bank presidents demanding stricter ethics around stock buying.
- Documents revealed that Dallas Fed President Robert Kaplan traded Apple, Amazon and Delta Air Lines stock in 2020.



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## Chapter 7: Is Federal Banking limited to the United States?

No.

Federal Banking as implemented in the United States is generally a European concept that grew out of the practices of a very wealthy family with humble roots that grew to Banking prominence in the 1700's with the last name of Rothschild.

The idea of banking this way was spread across Europe when siblings in this family left their German homeland and went to nearby European countries to "help" with international trade.

As Global Trade grew, countries needed ways to do business between countries. Banking Dynasties like the Rothschild's (and others) grew to prominence helping establish more global trade routes.

Unfortunately, as is the case today, back then there was very little ability to oversee or audit the work they did or the control they had related to issuing and moving money around, and with time all the families associated with this industry of creating and managing money on behalf of governments gained positions of power few can fathom today.

Prior to 9/11 there were only a few dozen countries that did not use “Federal Banking” and the European Federal Banking network as is used in the United States. Remarkably, after 9/11 most of those countries suffered major attacks or setbacks, after which monetary control was granted to the Federal Banking network to get them “back on their feet”. Today, it’s believed there are only three countries left without a European inspired Federal Banking system: Cuba, North Korea and Iran.

Please do your own research on this. This information is generally agreed upon by many who have tried to do research on this topic themselves, but it is a complex topic to follow and oftentimes really good videos and research related to this is removed from youtube and other websites.

## **PART 2 - For You...**

### **Chapter 8 - You were born into a World where Banking and Currency is the norm...**

The majority of the population is now being born in countries where Paper and Digital Currency is the norm. This may not have been the case 100 to 300 years ago and it certainly wasn't the case prior to the advent of the modern Printing Press in 1440 AD.

If you wanted to get a view on the more modern world, separating the time before and the time after the invention of the Modern Printing Press may be a great dividing line.

### **Chapter 9 - Learn Trades that meet Personal Needs while nurturing your Creative Gifts**

In order to survive in this modern world, it is suggested that you learn, at a young age, a handful of different trades that you might always be able to rely on to earn cash, and it is suggested to try to gain some of those in areas that coincide with providing shelter, food and water for yourself and/or your family simultaneously.

If you are viewed as a visual artist or naturally funny at a very young age, cherish those and build on those, but learn to use a circular saw and learn how to build a dog house at a young age too.

If you are a poet or a singer at age 3, dive into those gifts, but learn to grow sprouts and simple food that can sustain you simultaneously.

If you love eating at McDonald's, Burger King and In and Out Burger, for goodness sakes, learn to use a Pressure Cooker for Beans, Rice and Veggies for at least one meal a day! Cooking with a Pressure Cooker is now a Trade all should learn in middle school!

### **Chapter 10 - Learn to Earn Money**

At a younger age, explore what it takes to earn money working by yourself or with others. Learning to work takes communication, discipline and respect. Find positions that are a proper fit for you, not those that others deem popular. Trust your instincts when seeking work that is a fit for you.

### **Chapter 11 - Learn about "Secured Credit"**

Secured Credit is a situation in which you take something of value, and you give it or rights to it to someone who is willing to lend you some amount of money equal to or less than the value of the item for a given period of time. The item you provide them for "security" for the loan is referred to generically as "collateral". This type of lending situation most typically has a fee associated with it and that fee is referred to as "interest". We'll get

interested later in the book. Think of it as a fee for now. A modern day “Pawn Shop” is the best example of a place that issues “Secured Credit” and in fact there are no other major examples of secured credit issuers in modern society right now.

If you don't repay the money you were lent on the item you allowed them to secure for collateral per any terms you agreed to when the loan was made, you are considered to be in “default”. The lender gains the right to sell whatever items you gave them for security and keep all the money from the sale even if you had paid back some or the majority of the loan.

## Chapter 12 - Learn about “Unsecured Credit”

“Unsecured Credit” is a situation in which you are granted the ability to borrow money as needed with only your signature as a guarantee you will repay the money.

That sounds crazy right?

With Secured Credit you had to give them something and you were lent an amount of money less than or equal to the value of the item they held as collateral.

With Unsecured Credit you don't have to give them anything other than your word that you will repay them, and they will lend you money !!

WOW! What a system right? Sign me up, right?!

Some may want to think about this as their experience as Adam in the Garden of Eden, BUT taking a bite of the apple does not need to turn toxic if you do it with respect for yourself and others. It could just turn out to be an enjoyable way to eat apples while in good company with a sexy partner. 🙄😄

Unsecured Credit is a unique gift that Banker's as well as family and friends are in a position to grant. If you grow up in countries where Islam is a minor religion, you may not realize the Koran advocates for interest-less loans only. Both Christianity and Islam arose as a result of discontent with Jewish traditions, with Islam coming 800 years after the time of Christ and 500 years after the formal creation of the religion, but Islam separates itself from those two by specifically discussing interest-less loans in its scriptures.

The most common form of “unsecured credit” is a “credit card”. Credit Cards can be issued to citizens age 18 and above. Those wishing to get one between the ages of 18 and 21 will need to provide proof of employment or individual income, but that is in addition to a “Credit Check” to review their “Credit Score”.

## Chapter 13 - Learn about “Credit Scores and Credit Checks”

Your Credit Score is a numerical number that rates your responsibility with Credit and your Credit worthiness. The current scale maxes out at 850 and the low end of the scale is around 400. The median credit score in the United States is currently 698 and when you check your credit score or someone shares it with you it typically tells you what “percentile” you are in as compared to all your peers.

Why don't they just scale from 0 to 10? Great question. We have no answer for that.

When your Credit Score is retrieved, that is called a "credit check" because someone is "checking your credit", and by law no one can check your credit without your permission. In the United States, your Social Security Number is the unique ID that identifies your information in that massive database.

## The Credit Score System is a Social Crediting System

Many people worry about a "social credit system" that may get taken over by Artificial Intelligence some day that will allow controlling and crazy people to turn off your access to money. Few realize the United States and all other countries with broad issuing of Credit and a Credit Score System already have a "watered down" social credit system.

Because all the banks are ultimately related to each other via the Federal Reserve, and because the Federal Reserve is the ultimate issuer of Credit in the US, it's reasonable to believe members of the Federal Reserve were involved in setting up the original "consumer credit tracking system" in the United States.

Please check this reference to see if it's accurate. The connections may not be clear but down deep, it's difficult to have "consumer credit" without a "credit scoring system" of some sort long term.

Each time you open a checking, savings or credit card account with a bank, or a credit account with a retailer for purchase or lease to own, that information is reported to three major "credit bureaus" with your name, social security number, and other personal information.

For some, this credit score system could be thought of as the North Poles naughty or nice list. If you manage the balances in your accounts in line with algorithms that show you use credit and are responsible with it, you will be issued more credit for your use if needed. If you were granted the opportunity to use credit and failed to manage it properly or make payments as promised, negative reports will be made on your behalf and your access to future credit will be more costly, limited and/or eliminated.

CREDIT IS NOT EVIL  
MIS-USING IT CAN LEAD TO ALL KINDS OF KARMIC PROBLEMS  
WHETHER WE SHOULD HAVE INTEREST OR INTEREST-FREE CREDIT IS AN INTERESTING  
CONVERSATION TO HAVE SOMEDAY...

Do we have plentiful, "interest free" Credit in the United States today?

Actually, we do...

## Chapter 14 - “Consumer Credit” is a Banker’s Gift to help you manage “Cash Flow” and “Stress”

There is something very surprising and very unique about Consumer Credit in the United States (and possibly all other countries too).

When you use a “typical credit card” to make a purchase, no interest is charged for the first 30 days or so. You will receive a statement within 30 days of using the card and that statement will typically give you around 15 days or so to make the payment with ZERO INTEREST associated with the short term loan.

Wow. That’s kind of interesting.

If used properly and responsibly, the use of Credit Cards can help with “Cash Flow Management” and that can help reduce “short term stress” related to bill requirements that may not be perfectly inline with your paycheck timing.

That said if you are operating without enough “cash reserves” comparable to 3 months worth of expenses, you will likely end up in a position where you may need to carry the balance on your credit card, in which case you will incur some interest.

## Chapter 15 - “Cash Reserves” combined with the Bankers Gift is your gift to you for managing “Cash Flow” and “Stress”

A minimum of 3 months worth of expenses stored as “cash reserves” are critical for enabling the use of credit in a way that is truly stress reducing.

Many people in modern times blame the bankers for their discontent. They are a good group to blame for many things including stress and general societal malfeasance.

However, how many people in the United States took the time to learn about the true benefits of Consumer Credit and how many learned how to develop a healthy strategy for using it for themselves, while cultivating the self-discipline not to get in trouble while using it?

Consumer Credit is a “financial tool” that can be used by those with self-discipline to dramatically simplify their life in a modern commercial world, but only if used responsibly and if used in conjunction with one’s own “cash reserves” equal to a minimum of three months of expenses or more, depending on your situation.

## Chapter 16 - Financing for Cars and Large Purchases

You have three options for purchasing things like Cars and other large items like boats or appliances or comparable.

- Cash
- Credit Card
- Other Financing

If you can get to the point where you don't buy anything until you can afford to pay for it in cash, you will be living in a world where your financial stress should be limited as a result of your self discipline.

That said, sometimes you actually need things like cars or other expensive items to earn more money to build the nest egg that would allow you to purchase the same items in cash in the future.

This is the real "chicken or egg" situation with growing into money.

Credit cards are "best used" for normal, day to day credit needs that help with cash flow, with a full pay off of the card each month. The interest rate of Credit Cards is often the most of any credit option, frequently ranging from 15% to 33% annual interest. (see appendix on interest calculations for that education).

Other Financing simply refers to a special loan situation that is established specifically for a purchase. An interest rate is established for the loan along with payments for a specified period of time that will cover the purchased item plus the interest for borrowing the money.

Those with better credit times get reduced interest rates and you typically need to have some kind of credit history to get such a loan, but not always. If no prior credit is required, typically the interest rate is very high and you should really avoid buying that item until you can establish consumer credit and/or afford to buy the item in cash.

## **Chapter 16 - For Home Purchases - An "open end", "revolving", "Line of Credit" was the norm prior to 1913**

Prior to the creation of the Federal Reserve Bank in the United States in 1913, the primary system for purchasing a home was a "open end" "Line of Credit".

This is where your new found understanding of Secured and Unsecured credit above is going to come in handy. This is a bit of a hybrid of those two along with a partnership relationship with a Bank that had the potential to be very healthy prior to 1913.

Let's pretend I wanted to buy a home worth \$100,000.

The bank would say to me...

"

If you can put up \$20,000 in cash, we will partner with you on the home purchase.

We will pay the seller \$80,000 and we will establish that as a credit line in your name.

You will owe us interest for the outstanding Balance each month.

If you choose to pay down the principal part of the loan the interest you will owe us the following month will be less or you can choose never to make a payment against the principal balance as long as you live.

You can remain in good standing with us as long as you make interest only payments each month on the amount of money outstanding on the loan as of the prior month".

"

It's referred to as "open ended" because there is no termination date nor payoff date for the line of credit. As long as the borrower makes payments the loan will be a viable loan.

It is referred to as "revolving" because money can be loaned from the bank, be paid back to the bank and then get borrowed again in a revolving manner.

It is referred to as a "Line of Credit" just because that is the general name granted for this type of lending situation. The term "loan" is in fact contrary to this. It has an implied meaning of "closed end" , "non-revolving" although you wouldn't know that unless someone told you that.

For those with any understanding of borrowing, does this sound new and interesting? Can you imagine a situation just over 100 years ago where that may have been the norm?

It gets better...

What if I had a good crop that year. I made \$20,000 in excess of the money I needed to live and I paid my loan balance down to \$60,000. The following month, I'd only owe interest on \$60,000, not 80,000, so my payment would be 75% of what it was the month prior.

If thought about another way, that makes this "Line of Credit" more like an interest bearing savings account. The more I pay in the more I earn in the form of "interest savings".

It gets better...

What if the following month, my wheel fell off my carriage and I needed \$1000 to fix my wheel. With this "revolving line of credit" money that I paid in can come back out when I need it. So in that sense it really is much like a savings account too.

This is how lending was done in the United States until the advent of the Federal Reserve in 1913. It was very friendly and there was a generally mutual benefit between Banker and Home Loan Borrower.

## Chapter 17 - For Home Purchases - The “closed end” “Mortgage” was introduced after 1913

With the creation of the Federal Reserve came an entirely new, privately managed banking system with European roots.

One “feature” of Federal Banking has to do with ‘fractional reserve’ banking. Fractional reserve banking is a complex topic, but in summary a bank might lend out 5 to 10’s as much money as they actually have in deposits.

YIKES! How can that happen? If the paper currency doesn’t exist, how can it be lent out? In the form of IOU’s (I owe you’s).

Most people with homes had lines of credit and since a line of credit acted like a savings account and checking account all in one, there was very little need to deposit money with a bank outside of the line of credit for the home.

To obtain cash to fractionalize, the new bankers started offering a “closed end” “mortgage” as a substitute for the “open end, revolving Line of Credit”. This product had less flexibility and was generally less desirable so in order to make it attractive the bankers offered it with a LOWER INTEREST RATE and possibly a lower down payment.

If the going interest rate on a Line of Credit was 6% back then, maybe these were offered at 4%. Unsure. Look it up.

The terms were different.

If I wanted to buy a \$100,000 home, the banker might ask me to put up 20,000 and loan me 80,000 to complete the purchase. I would then be obligated to pay the banker back a fixed amount of money each month that accounted for principal and interest for the month until the loan was paid down to zero. Modern mortgages often have a 15 year or 30 year payoff period. The advantage to the consumer was a lower interest rate, and they could typically pay off the loans earlier if desired. The disadvantage was an inability to pull money back out if needed, because this was a one way loan, not a revolving line of credit. If a home buyer had lots of money in the event of emergency this type of loan was a benefit for the reduced interest.

Today, the only loan you hear about in Marketing on a mass scale is this “mortgage” product. They keep the interest rates low and they have reduced downpayments to 3.5 to 5% making it very attractive for folks who have not been able to save a lot of money for a down payment or who prefer to keep that money elsewhere.

Would it surprise you to know that the old fashioned Lines of Credit are still available for a purchase? The interest rates may be a point or so more, but long term you might be shocked at the benefits of this over the other for sure. Do your research into “Lines of Credit in 1st Position” to become a more educated financial citizen.

## Chapter 18 - The Mortgage Industry Interest rates are set by who?

As you start to watch mortgage interest rates go up and down, have you ever wondered where or how those changes took place?

With the stock market there is an open market for buying and selling.

With the commodities market, there is an open market for buying and selling.

With the mortgage market, there is a sheet that comes out with rates that the mortgage people use, and very few if any have any clue who changes the rates and most are too afraid to ask too many questions.

If you'd ever like to look behind a mysterious curtain, see if you can figure out who makes up the rate sheets that are sent out to mortgage companies. The answer will likely surprise everyone if anyone ever tells the truth.

## PART 3 - International Affairs

### Chapter 19 - International Letters of Credit

Have you ever thought about how payments are made when products are shipped internationally?

If a US Company wanted to buy 1000 lawn mowers from China, does the company just pay up front and hope the product gets shipped to them in good condition? Or does the Chinese company just ship the products and relay on the good faith of the recipient to pay for the goods upon arrival?

There are companies called 'import - export companies' that facilitate trade that the financial transactions required with "letters of credit".

They act as an intermediary in the transactions. Without these types of companies and bankers involved in international commerce it would be impossible.

### Chapter 20 - International Sanctions

Have you ever heard about the US implementing "banking sanctions" on places like Cuba, Iran, North Korea or others?

Does it make any sense that a country could unilaterally apply some kind of financial flow sanctions on another country that is supposed to be a sovereign nation?

If you start to pay attention to “international sanctions” you will start to realize that the “international banking system” operates much like the feared, pending “social credit system” that has many folks concerned.

Why does a social credit system that affects individuals concern people when a global banking system that could do the same to entire countries that oftentimes only had leaders that had their own best interests in mind?

Does this seem a bit hypocritical?

With systems like this, what level of control do international bankers gain over entire foreign countries if they want to flex their muscles?

## Chapter 21 - US Currency used in foreign countries

The country of El Salvador has been using US Dollars as currency since 2001.

If a country can not create their own currency, they can not control the volume of money in circulation.

If they can not control the volume of money in circulation, could the people be made to feel richer or poorer at the whim of whoever does control the currency in circulation in their country?

If you were evil and you wanted to affect immigration or emigration, could you use the volume of money in circulation to create stress that would force people to leave the country?

## Chapter 22 - Foreign Currency pegged to the US Dollar or Not..

The Central Bank of Belize was established in 1982. The country of Belize has established a 2 to 1 ratio between their Dollar and the US Dollar.

What effects does tying a country's currency have to that country's ability to trade with other countries?

If money is not tied between countries, how is the value between the two currencies established?

This is not an easy one to assess.

## Chapter 23 - War between countries requires lots of money..

In all formal fight industries, there are “promoters”. Promoters help find people who like to compete and promote the fights to make them financially worthwhile to transpire.

There is a belief that most or all war in the past 200 years has been the result of Banker manipulation.

In this analogy that would make “international bankers” the “promoters” of wars.

Does that make any sense?

If Brother A is a banker in the US and Brother B is a banker in Germany. If both are a bit evil and both love to make money and both love to control people, does it make sense that they may promote disagreements between their countries to create a war that each can fund to make more money and gain more control over the governments of their own countries who will need to borrow money to fight the wars?

This is a very simplistic look at the reason for war and the promoters who have eagerly encouraged them for hundreds of years.

## Chapter 24 - Political Families who Profited from War?

Are there any US Presidents or major US Politicians whose families have profited from War. .

Yes. There are many. The Bush family for one. The Cheney family for another.

Is it a crime to profit from war?

No. Not as long as your profits are aligned with your country of citizenship.

## Chapter 25 - Political families busted or profiting from enemy lending?

Yes. The Bush Family. Prescott Bush, the father of George HW Bush and grandfather of George W. Bush was charged with financing the enemy in World War 2.

They don't care who's fighting as long as they make money.

## **PART 4 - Keys for Individual Financial Success**

### **Chapter 26 - Be able to calculate your Expense Baseline at all times and add a fudge factor for surprises**

The key to financial health starts with an ability to establish your expense baseline for living and be honest about a fudge factor required for surprise expense based on your pets, possessions and lifestyle.

Putting together a list of expenses to determine your minimum income every month is NOT a budget. It is a fact that can only be obtained from making a list of items.

It is the beginning for a budget but it is not a budget. .

### **Chapter 26 - Earn more than you Spend and a Minimum Expense Baseline**

The key to financial health has everything to do with the spread between how much you make and your Expense Baseline. If your expense Baseline is very low, you can afford to make very little.

Asking someone who doesn't make enough to cover their minimum expense to "budget" is like asking a hungry man to talk about God.

### **Chapter 27 - Your First "Investments" in Education or Capital Equipment**

It would be nice if you could earn all the money you need for your Education or Capital Equipment to start a business (like a truck for a contracting business) before you need it. That typically is not the case for most these days. If you are going to take out loans for Education and/or Capital Equipment, try to sit down with someone who is 'honest' about money and the realities of life after the investments are made to figure out if the situation you will face is truly something you will find to be a good fit for you long term. Some people may feel ignorance is bliss and for some, magic happens. Many wish they had been able to see the future clearer before the debt was applied.

### **Chapter 28 - Budgeting for Fun Stuff, Savings, Investing and Travel**

Once you start making 10-20% more than your minimum expenses, be that with or without debt payments for things like Education or Capital Equipment, you are in a position to make a budget and start making decisions.

You do not need a "budget" prior to that. You need honesty about your expenses and self discipline to live within your means.

A unique approach to budget categories for Personal Finance revolves around an expense system which separates required items from optional items first and then categorizes those in descending order based on quantities budgeted. Such a system makes budgeting much easier.

## Fun Stuff

Try to find fun stuff that doesn't cost a lot of money. That way you can continue to enjoy it no matter your financial situation.

## Savings and Investing

Pick an amount you want to have in your emergency fund. Then pick a target you want to have for something like a home purchase. After that you should be done with "savings" and shifting to "investing" for benefits or retirement.

## Travel

Travel is one of the greatest gifts you can give yourself or another person. Travel on a small budget is doable. Keep it in mind.

## Chapter 29 - Your First Financial Investments

If you have money left over every month and the idea of trying to make money with money is of interest, start out by reading "The Richest Man in Babylon". It's an exceptional introduction to making money with money.

These are the traditional investment avenues as of today. Some of us don't feel any of them are very stable anymore. Take all of this with a grain of salt and do your own research

Your first investments could be:

1. Savings for a home and/or a home purchase
2. Investment in interest bearing savings, CDs, or money market account (irrelevant since 2000's)
3. Rental Properties
4. Investment in the Stock Market - Long Term (ranging from fixed returns to speculation)
5. Investment in Life Insurance with cash value and line of credit options
6. Investments in Gold, Silver or other commodities (speculation)
7. Investments in Art or other Collectibles.
8. Investments in some kind of digital currency (speculation)
9. Commodities Trading
10. Stock Market Day Trading
11. Ponzi Schemes

There are many approaches to investing. Here's some common and more straight forward places most should start...

## Novices

**There are two places to start that require little investment with the potential for good benefits.**

### 1) The Stock Market , Mutual Funds and Index Funds

Owning stock is about owning a tiny portion of a company. Some stocks pay regular dividends, which is a small share of their profits/earnings for a period of time. The dividends may or may not be a fixed amount. Other stocks pay no dividends so you only make money if the perceived value of the company (and thus its stock) increases and you sell the stock. 75% of people who invest in individual stocks under perform “index funds” (index based mutual funds) for a comparable set of stocks in a similar category. A Mutual Fund is simply a collection of stocks that someone else owns, and you buy a small share in the collection. This way you don’t have to buy each individual stock to own a little bit of a lot of companies. An Index fund is a mutual fund that only holds stocks that are named as part of one of the indexes that is used to track market health.

If you invest in index funds, you will be ahead of 75% of the other investors. It’s the only sound way for a novice to invest in the Stock Market and it requires little to no thought. It’s like saying “I’ll bet on the top 10 horses that run each year”. One key with index funds that most don’t realize right away is that the stocks in the index change regularly. As stocks in the index underperform better performing stocks based on basic math and reports are substituted in to replace them, so you are getting a dynamic investment that is managed by performance itself. NOTE: if you are going to invest in the stock market try to get into a position where you buy in on a regular basis with a consistent amount. You will be buying more when the market is down and less when it is up and this will produce the best results long term. If you have a chunk of money to invest one time, you may want to buy in over a period of months instead of all at once for a similar reason.

### 2) Life Insurance with Cash Value and a Line of Credit for Banking Freedom

This is far more interesting than most would expect. If the idea of a 4-5% fixed rate of return that is tax free, with access to the cash value of your policy as a Line of Credit a few years after starting the investment sounds interesting, check this out. It turns out a specific type of Life Insurance makes for a very powerful tool that most folks don’t learn about early enough in life if at all. Check out books related to life insurance and “becoming your own banker”.

## **Homes as Primary Residences**

The old rule of thumb on a home was to only buy it if you know you are going to be there for 10 years or more. It may be very tempting to rush to buy in without thinking about this when seeing reports of people making a lot of money in real estate. Before rushing in, do your research on the people who have lost money on the own homes and investment properties, and learn what went wrong and why. Buy a home as a primary residences if it makes sense and buy a residence that fits your repair skills set and maintenance budget. Ignore long term repair and maintenance issues when selecting a home is one of the largest mistakes made along with ignoring the fact it will cost you about 8-10% of the value of the home to sell it. (The home will need to go up by 8 to 10% for you to “break even” on the sale, assuming you had to put no money in it).

### Line of Credit in First Position

Lines of Credit in First Position typically require 20% down or 20% equity during a refinance. These stand to be the best investment vehicle most can own. If you have down payment money or equity get educated on these and see if you can get one to work for you (Link\ coming s0on for an educational redirect)

### **Homes as Investment Properties**

Be cautious of all the TV shows and Hot Air Salesmen promoting this. Investing in properties is a very complex business with significant risk. If you are going to buy investment properties you need to be able to do your own maintenance and/or understand the maintenance requirements in depth to avoid major issues. If you are offered the opportunity to buy into “partial ownership” with generous fixed rates of return, it is most likely a Ponzi Scheme that may or may not pay off long term.

### Line of Credit in First Position

Just like with Primary Residences, you can get Lines of Credit in First on Investment properties. They typically require 20-30% equity position. (Link coming soon).

### **Ponzi Schemes**

A Ponzi Scheme is a situation in which people are lead to believe they are investing in a stock , real estate or some other investment vehicle, but the dividends paid out are unrelated to the investment they were led to believe they were investing in. Ponzi Schemes always have a ring leader or a team of people who start them.

Ponzi Schemes use to be limited to people like Bernie Madoff with investment portfolios and it seems there was a bit in the oil business. In the past 20 years there has been a huge increase with the use of Real Estate rentals and vacation rentals as the investment decoy.

Some people make a lot of money on these “investments”. Some people enter these schemes knowingly and willingly feeling they are as safe as any other investment while others go in blind. In truth, if you get into a Ponzi with a smaller group that is strict with their management, they may profitable as long as there is a long term plan for support.

To the surprise of many, the Stock Market is in fact nothing but one large Ponzi Scheme. The definition of Ponzi Scheme used by the FBI and other law enforcement agencies does, in fact, fit stock trading exactly. After the initial public offering, the persons selling stocks are selling it to people based on values that have no correlation to the actual performance of the company or their proceeds. it's just a large Casino that actually pays out like a Ponzi would or does but without the stealth that Ponzi typically has.

## **Chapter 30 - Estate and Trust Planning**

Your “Estate” is the sum total of all of your belongings. Your “net worth” is a summary number that might describe your estates’ value.

Decades ago Estate Planning was more relevant for more people because smaller estates were taxed\ before bing passed on to heirs. Now, estates worth less than 11M incur no transfer tax.

If your total net worth is less than \$11M (welcome to the crowd!), you may want to look into Trusts tht help speed up and smooth out the transfer of money as people pass on.

## PART 5 - FINANCIAL MATH

### Chapter 31 - Simple Interest

#### Simple Interest Calculations, like on a Line of Credit

I have a home with a Line of Credit on it for \$100,000 with a simple interest rate of 4% paid monthly.

Loan Amount x Interest Rate = Interest Due

$$\$100,000 \times 4\% = \$4,000 \gg \$100,000 \times .04 = \$4000 \gg \text{interest is due annually...}$$

$$\$4000/12 = \$333 \text{ due monthly}$$

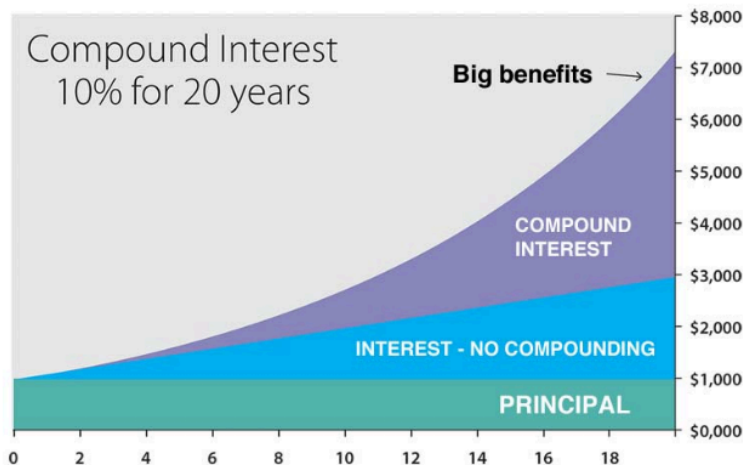
The more common way to do this math for a monthly calculation is:

$$\$100,000 \times (0.04 / 12) = 333$$

## Chapter 32 - Compound Interest

When interest made on an investment is reinvested at the same interest rate as that which the original investment was earning as opposed to being removed for spending or savings elsewhere, an investment goes much faster.

<https://www.thecalculatorsite.com/articles/finance/compound-interest-formula.php>



You can read more about the benefits of compound interest in our article, [what is compound interest?](#)

**Compound Interest Calculations, like on a Life Insurance Policy with a Cash Value for borrowing against...**

<https://www.thecalculatorsite.com/articles/finance/compound-interest-formula.php>

The formula for compound interest, including principal sum, is:

$$A = P (1 + r/n)^{(nt)}$$

Where:

**A** = the future value of the investment/loan, including interest

**P** = the principal investment amount (the initial deposit or loan amount)

**r** = the annual interest rate (decimal)

**n** = the number of times that interest is compounded per unit t

**t** = the time the money is invested or borrowed for

NOTE: this assumes you start with a fixed amount of money and are not making more contributions. That is not typical for Life Insurance where you are making contributions for a while. That formula has another component...

If the additional deposits are made at the **END of the period** (end of month, year, etc), here are the two formulae you will need:

**Compound interest for principal:**

$$P(1+r/n)^{(nt)}$$

**Future value of a series:**

$$PMT \times \{[(1 + r/n)^{(nt)} - 1] / (r/n)\}$$

If the additional deposits are made at the **BEGINNING of the period** (beginning of year, etc), here are the two formulae you will need:

**Compound interest for principal:**

$$P(1+r/n)^{(nt)}$$

**Future value of a series:**

$$PMT \times \{[(1 + r/n)^{(nt)} - 1] / (r/n)\} \times (1+r/n)$$

## Chapter 33 - “The Rule of 72”

If you want to know how long it will take for invested money earning compound interest at a fixed rate to double, use the “Rule of 72”

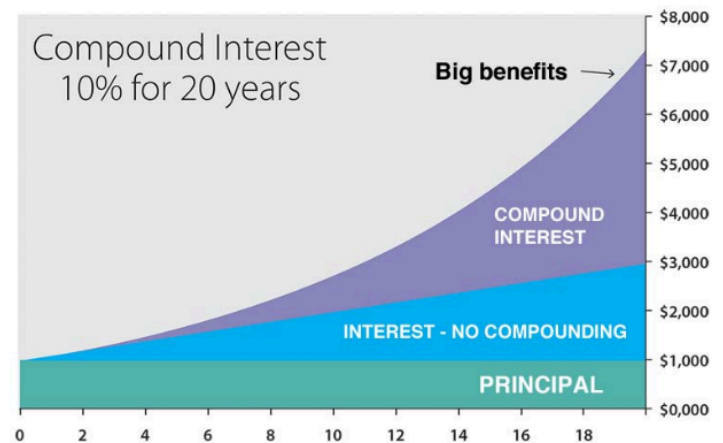
$$\text{Interest Rate} \times \text{yearsToDouble} = 72$$

$$\text{yearsToDouble} = 72 / (\text{Interest Rate} \times 100)$$

$$\text{Example: } 72 / (10\% \times 100) = 72 / (0.10 \times 100) \\ = 72 / 10 = 7.2 \text{ years}$$

If money is invested at 10% with interest reinvested (compounded) it will double every 7.2 years

Is this graph right??



You can read more about the benefits of compound interest in our article, [what is compound interest?](#)

<https://www.thecalculatorsite.com/articles/finance/compound-interest-formula.php>

\$1000 would double at 7.2, 14.4 and 21.6 years -- so at 20 years it would be just under the third double..

\$1000 would to to \$2000 at 7.2 yers, \$4000 at 14.4 years and \$8000 at 21.6 years

The graph indicates it is at about \$7200 at year 20 so that seems about right...

## Chapter 34 - Hourly Rate to Annual Income

This simple short cut to estimating annual income from hourly wage is based on 2000 hours of work per year.

50 weeks x 40 hours per week = 2000 hours per year.

The actual math is 2087 hours per year, but 2000 makes this easy for estimating...

If you earn x \$'s per hour, your annual income for a 40 hr week year round would be  $2(x) \times 1000$

\$8/hr, >>  $2(8) \times 1000$  >> \$16,000 per year

\$12/hr >>  $2(12) \times 1000$  >> \$24,000 per year

\$30/hr >>  $2(30) \times 1000$  >> \$60,000 per year

What if you earned \$50/hr but you only were able to do that 10 hrs a week (which is 1/4 of a full work week)?

\$50/hr >>  $2(50) \times 1000$  >> \$100,000 per year / 4 >> \$25,000 per year

## Chapter 35 - Hourly Efficiency

This isn't quite financial math but it's great math to know and it can be financial if you turned time saved into a dollar earned...

If you save 1 hour/week that equals 52 hours/year.

- That is over a week's worth of work (or free time) at the end of the year that is mine to reclaim

If you save 5 hours/week (which is 1 hour per work day), that equals 220 hours/year.

- That is equal to 5.5 work weeks of TIME RECLAIMED (assuming 40 hour weeks)!!

If you wanted to reclaim 5.5 weeks of time in a year (220 hours/year)

- You need to shave 5 hours from a 40 hour work week
- You need to shave 7.5 minutes per hour during an 8 hour work day
- You need to shave 5.25 seconds/minute during an 8 hour work day
- You need to shave 9/100th of a second/second during an 8 hour work day

## Chapter 36 - Federal and State Tax plus Sales Tax

The US Tax code, if printed, will fill up an entire car. The company that has controlled the actual printing of tax code documents for the US Government since the establishment of the FED in 1913 is a Dutch Company. As a printing company, who makes money with each page printed, would you have a reason to lobby for more tax code?

### Income Tax For Beginners

**Taxable Income** - For w2 wage earners it is your gross income from your paystubs less any 401k deductions which are tax free. The actual name for this might be "total income subject to taxes". For Self Employed people, this is your "net income" from your income statement. If you did setup a tax free retirement plan, subtract those contributions.

**Taxable Income less the Standard Deduction (aka total income subject to taxes)** - Take your taxable income and subtract an amount the government designates each year to be tax free. In 2021, that value was \$12,550.

Assumes Filing single with the standard deduction of 12,550

Taxable Income	Total Inc. Subject to Tax		
13,000	450		
20,000			
30,000			
40,000			
50,000			
75,000			
100,000			
125,000			
150,000			
175,000			
200,000			

imple Examples

For si

This assumes you are filing individually.

### 2021 federal income tax brackets

Tax rate	Taxable income bracket	Tax owed
10%	\$0 to \$19,900	10% of taxable income
12%	\$19,901 to \$81,050	\$1,990 plus 12% of the amount over \$19,900
22%	\$81,051 to \$172,750	\$9,328 plus 22% of the amount over \$81,050
24%	\$172,751 to \$329,850	\$29,502 plus 24% of the amount over \$172,750

The amount of money that is a “standard deduction”

Single Examples:

Xxx

Xxx

Xxx

<https://taxfoundation.org/publications/federal-tax-rates-and-tax-brackets/>

## 2021 Federal Income Tax Brackets and Rates for Single Filers, Married Couples Filing Jointly, and Heads of Households

Rate	For Single Individuals	For Married Individuals Filing Joint Returns	For Heads of Households
10%	Up to \$9,950	Up to \$19,900	Up to \$14,200
12%	\$9,951 to \$40,525	\$19,901 to \$81,050	\$14,201 to \$54,200
22%	\$40,526 to \$86,375	\$81,051 to \$172,750	\$54,201 to \$86,350
24%	\$86,376 to \$164,925	\$172,751 to \$329,850	\$86,351 to \$164,900
32%	\$164,926 to \$209,425	\$329,851 to \$418,850	\$164,901 to \$209,400
35%	\$209,426 to \$523,600	\$418,851 to \$628,300	\$209,401 to \$523,600
37%	\$523,601 or more	\$628,301 or more	\$523,601 or more

Source: Internal Revenue Service

## 2021 Standard Deduction

Filing Status	Deduction Amount
Single	\$12,550
Married Filing Jointly	\$25,100
Head of Household	\$18,800

Source: Internal Revenue Source

There is also an “Alternative Minimum Tax” for high income taxpayers with maximum exemptions in the 73k and 114k range.

There is also credits for kids.

There is also a stack of tax code larger than your car which a lot of people make money producing and manipulation.

## Other

Non profits

Clinton Foundation