So anyway, how does that even work?

Let's start with some investors.

First, let's take their pictures away.

So, let's say I start a Ponzi scheme, and what I do is set up those investors, and here they are.

And then, let's say, we also have some time periods.

This is where we can see why at first glance, my "business" is legitimate.

Here are the time periods, we have period one, let's say it's the first year, second year, third, fourth and fifth.

What I will do is that I'll write to every investor.

I'll write how much money they think they have on me, as promoters of the Ponzi scheme.

Here is Investor A.

And that's what they think their money is worth. The "perceived value".

And here, I'm going to write about the total actual value. So, if you think about it, it's the actual amount of money I have.

Investor A in blue, and let's say in the first year, he gave me $10,000.

And I said, I have a way to double his money next year.

In the second year, I didn't really do anything with the money and I could even spend it on myself.

Instead, let's just say the money was saved in the bank. So, he gave me $10,000 and let’s pretend I didn’t touch it.

Let’s also say that the money has no interest.

Or the money is just hidden under my mattress.

I promised him I was a genius who could double his money in a year.

He still hopes it will double it again.