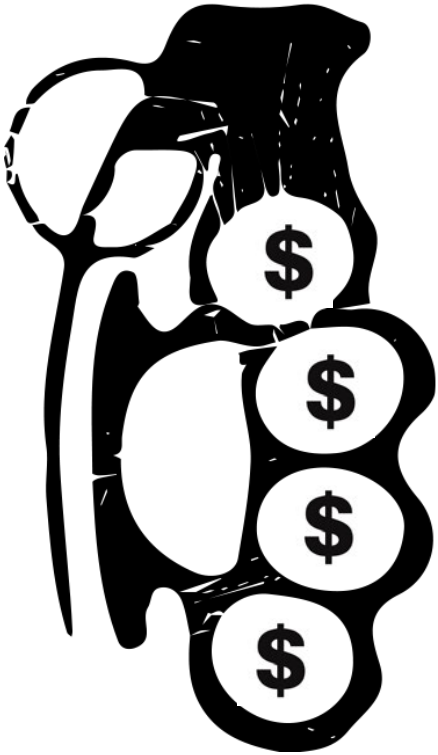
BRASS KNUCKLE FINANCE



3rd Edition

THE ULTIMATE GUIDE FOR BEATING DEBT, MASTERING YOUR MONEY AND RECLAIMING *YOUR LIFE!*

BRASS KNUCKLE FINANCE

3rd Edition

"THE ULTIMATE GUIDE FOR BEATING DEBT, MASTERING YOUR MONEY AND *RECLAIMING YOUR LIFE.*"

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"People don't realize how a man's whole life can be changed by one book."

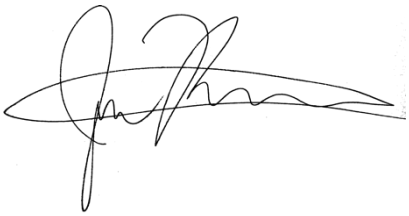
-Malcolm X

Dear Society,

I spent the last 30 years of my life learning all of the things youv'e deemed to be important. Today, I have decided to spend the next 30 years of my life attempting to unlearn them all.

I apologize should this decision cause you any inconvenience. This, however, is something I must do for myself and I must begin doing so **immediately.**

Thank you for your understanding.



PREFACE

ENOUGH IS ENOUGH.

It's high time that we got **fed up.** Culture-wide financial f*ckery has been encouraged and allowed to run rampant for far too long in our community.

We have well known minority leaders in politics, health/fitness, religion, entertainment and everything else but when it comes to finance, we're basically lost in the sauce.

Sure there are those like Dave Ramsey and Suze Orman who have been trying to include our community in their approach for years but their messages have pretty much gone on deaf ears since day one.

Well today *it's time to step it up a notch.*

This is not your ordinary personal finance course. This is also not a "how to be normal" set of guidelines.

The idea behind the movement is simple: "Buy less, live more. **F%^#k the Joneses.**" Once you adopt this philosophy, the world (financially) will be yours. Simple as that.

For some of you, this may be your first personal finance book you've ever read and for others, this may be just one among many.

Then there are those who've spent years upon years trying countless personal finance tips, suggestions and books only to find out none of them work.

If this person is you, what do you do? Do you give up?

Hell no! You take the most no-bullsh*t approach to personal finance on earth. From now on, it's bigger than a bunch of tips. It's a life change. This time it's about results.

Welcome to ***Brass Knuckle Finance*** – a 7 course guide that promises to not only change the way you view money but change the way you view yourself.

Please do not think that this is going to be a walk in the park, though.Many of the steps and ideas that we walk you through here are very radical and at first, very hard to grasp mentally.

This is a collection of custom personal finance methods that I've been using successfully on thousands of my clients across America.

Again, please be advised: this is only for those who are *fed up* and dead serious about change.

This program is tailored specifically to those who want to break the chains of debt **and unlock a life full of potential.**

Should you follow each one of the courses here exactly how they are outlined, while using great discipline in order to change your life, you ***will*** become free.

The only question is… ***"how soon?"***

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BRASS KNUCKLE FINANCE

-Noun.

1. a cash based, no debt, high investment return philosophy.

2. a set of tools used in beating debt, mastering your money and reclaiming *your life.*

3. a type of mentality that when harnessed correctly, allows you to re-focus your aim from building credit to ***building wealth.***

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Course 1:

THE POVERTY MENTALITY

Brass Knuckle Finance™

“Far too many people around us simply aspire to be **slaves** with **fancy clothing.**”

-Jarim Person-Lynn

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Lets talk ***basics.***

Meet **Ned.**

Ned is normal ***AF.***

All Ned's life he set out to simply fit in, blend in and to become muted in whatever is going on around him.

Hi, I'm

Normal

You see, what Ned hopes to achieve is a life not remembered.

A life of ***him*** not being remembered.

The fact is that Ned's entire plan in life has been and always will be, to follow society's rulebook.

Whether this means living in debt, aspiring for a life lived vicariously through celebrities on TV or providing additional wall decoration for his ultra beige cubicle everyday at work.

But while its true that these aspirations in life sound bad as it is, there's something we must *also* understand about Ned…

Ned is Broke *as f*ck.*

Hi, I'm

Normal

76% of Americans live **check to check** and are **not able to survive** a period of **extended job loss.***

This is the norm.

*(*taken from a recent Bankrate.com survey)*

The average person in America will spend **40+ years of their lives** working at **jobs they can't stand** while being married to people they **stopped liking years ago,** all in order to give their children a future of the *exact same.*

This is the norm.

What we're talking about is entire generations of people who are alive just to fit in.

Generation after generation of people who barely even exist.

Generation after generation of only having enough to survive but to never meet our true needs.

And we do this under the guise of being **"normal"**.

But you know what's worse?

Everything we've been discussing here is even doubly true for *Black people.*

Most of ***us*** are in the same exact position of *lack*– just like the majority of Americans – **but with less than average household incomes.**

We then take these lower average incomes and **spend 150% of them ballin' out of control** in a **never ending chase** to have what those we believe are 'normal' have. (read: *white people*)

All while we have yet to realize ***that normal people are broke.***

And that these "normal people" are simply trying to keep up with *their own* version of the Joneses who in their minds regard *them* as ***poor as well.***

But it turns out…you know those "wealthy" people that the 'middle class' are aspiring to emulate all the time? They **don't spend on** or **buy** the type of sh*t that television has convinced the middle class that they do.

Most wealthy people are frugal.

So the result is that as *Black people,* we spend the most important portions of our lives trying to keep up with *our* version of the Joneses who are trying to keep up with their *own version* of the Joneses, who…

…technically don't even exist.

Because you see, its not that other races have more than they need while we as Black American's don't, and that that is which keeps us 'poor'.

Its that we are constantly embodying America's addiction to **comparison** and **class status** harder than everyone else while we barely have enough resources **to survive.**

Adopting that mentality is what keeps us *poor*.

“**Poverty** is a result of **comparison.**”

Jarim Person-Lynn

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And...

COMPARISON is the THIEF of JOY

Theodore Roosevelt

Here's the truth:

'Poor' is simply when you have *less* than **others.**

'Rich' is simply when you have *more* than **others.**

And ***'normal'*** is when you essentially have the exact same things **that everyone else around you have.**

(Notice how each of these are the worst type of comparison words…)

"Therefore **we are all poor** at the moment we begin to judge our **self-worth** based on what we find our neighbors to be doing."

Jarim Person-Lynn

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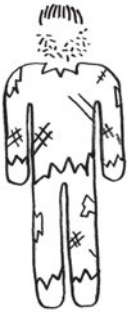
(if there is one thing you take away from this book, *take this)*

"I don't know how much I have exactly, but I know its less than most people."



Hi, I'm

Poor

"I worked too damn hard in life to be one of these peasants. If I found out I had the same amount of money in the bank as they did, I'm liable to kill myself."

Hi, I'm

RICH

Avoiding that "peasant life"

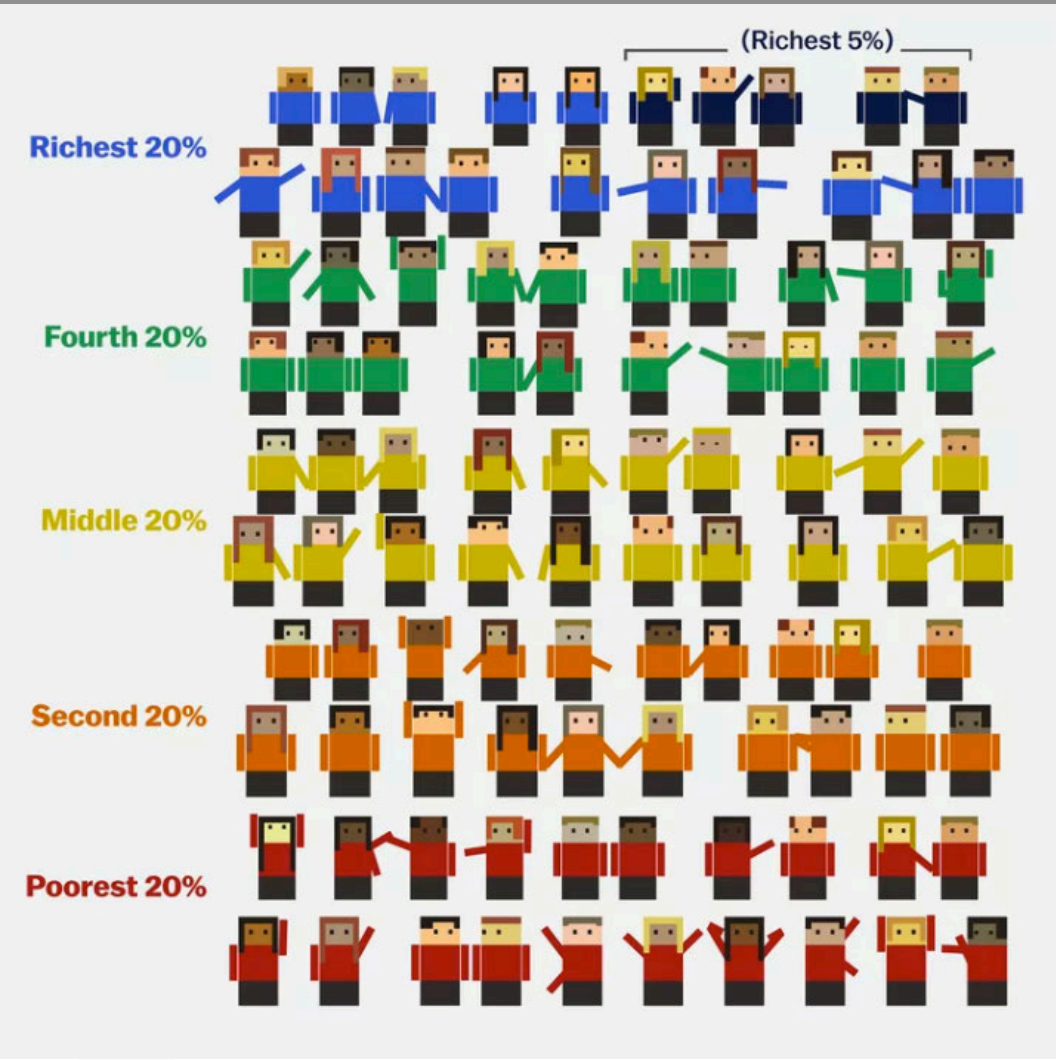
=

*"My identity is wrapped up in money and status. I **need** someone to have less than me to continue my illusion of happiness; I live vicariously through their envy. Without the their comparison, I would be forced to realize that I too must appear peasant-like to the many others who have more than I do. Sometimes I actually do remember that I technically am indeed a peasant. And then I'm reminded of my own unhappiness."*

Hi, I'm

RICH

The Distribution of Affluence in America



95% of the American public are considered **peasants** in regard to *someone else* on the totem pole.

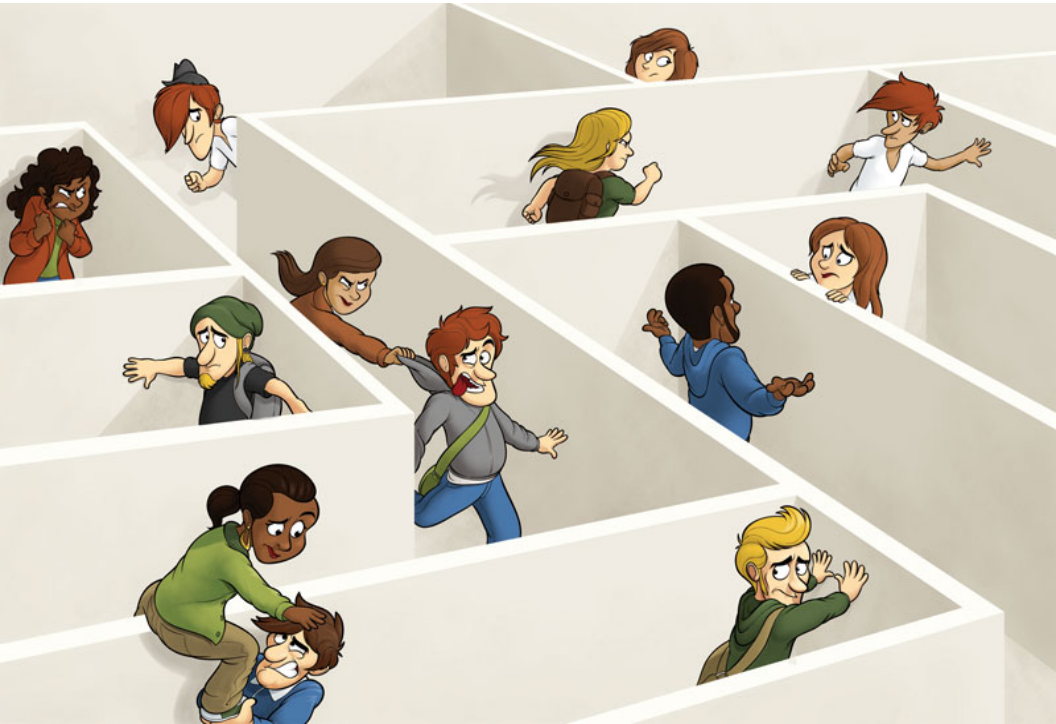
Hi, I'm

RICH

So what we must understand is that ***comparing ourselves to others is dumb.***

There are **no winners** when you go down the path of comparison.

We can no longer keep allowing ourselves to be enslaved to an **emotional, psychological & financial rat race** that does not produce **any tangible results.**



So then how do we fix this ridiculous charade?

How do we reclaim our lives and our sanity?

The answer is in re-defining what *wealth is* and then placing ourselves on a path to *obtain it.* For this to work, wealth must only be based on what we *individually** need.

Note: there is no limit to the amount of people who can become wealthy. But by sheer definition, only a small, small fraction of the population can every become "rich". *Individually can mean what you, your family or whoever else you take care of needs as well.

So if ***'rich'*** is having ***more than others...***

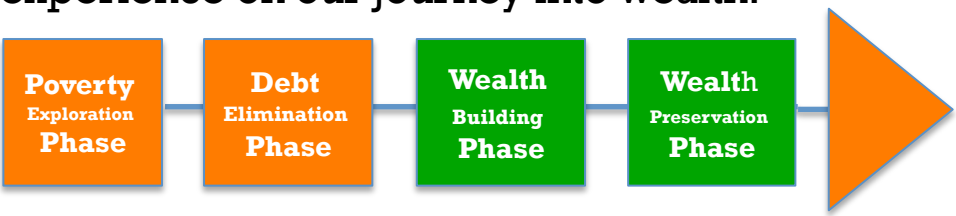
Then ***'wealth'*** is having **more than *you* need.**

And **'wealth *building'*** is the placing of yourself in position to always have more than ***you*** need ***in the future.***

This *is one of the most important concepts found in this book. Few other things will benefit you from reading this book, if you do not first grasp this concept.*

The 4 Phases of Wealth.

Below are the 4 phases most of us have to experience on our journey into wealth:



1. Poverty exploration phase - this is the early phase of your life where you begin to work through and re-test all of the financial lessons you've already explored multiple times. You've likely watched your parents struggle, your friends go into debt due to constant comparison to others & yet you insist on exploring the same financial habits to see if "this time its different".

2. Debt elimination phase - something in your life implodes. Whether it be a major tragedy or a slow realization of the truth, you've finally gotten fed up and yell out "ENOUGH IS ENOUGH. I CAN'T KEEP LIVING LIKE THIS". You begin getting your financial life in order, budgeting, raising your income and paying off debt & liabilities aggressively in hopes of beating your seemingly never ending circumstances - once and for all.

3. Wealth building phase - you've paid off all of consumer debt, have an emergency fund and you're maintaining the right income. You're kicking a$$ and taking names, finding ways to grow your money and decrease your dependency on single source pay from your employer as well. You're technically retired by age 45 but this doesn't mean your work is over - this simply means that now, HAVING to work is over. Because of this, the "work" you begin to do more closely aligns with your passions.

4. Wealth preservation phase - nearing legal retirement, you begin to scale back your investment risk & begin to utilize bonds, tenant income property & other more stable investments. This consistent income provides you with exactly what you need to explore the setting of a legacy. Whether that means changing the legacy in your community, within your family or that of some remote small village in a war torn country, you've found the true meaning of effective generosity - that which fosters ***permanent change.***

BRASS KNUCKLE FINANCE

INVESTING SCHOOL

But understand that wealth building is **not easy.**

It takes hard work, discipline, learning yourself and what *you* desire, not what you see celebrities on TV *tell you to desire.*

And it also takes having the actual **financial means** to make it happen.

Because **wealth is one part math** and **one part mentality.**

To be financially wealthy, however, **you** must first **have money.**

(Again, the key: you + have + money.)

This doesn't mean that *the bank* has the money and you are temporarily holding said money in the form of a loan until you earn enough to pay it back. That's not *your* money.

To 'have money' means that you have to have a **positive net worth.**

Because as long as you remain in debt, ***you are a slave.***

As a slave, you technically have no money.

While you remain indebted to others, you are **living life insolvent** with a **negative net worth.**

Everything you see in your hands really belongs to the bank.
It's all a mirage.

So by definition, its impossible to have 'more than you need' financially when you don't even have what you need *to begin.*

The majority of Blacks in this country fall into one or more of the following categories:

- ***STRUGGLING:*** when you consistently find it difficult (and sometimes impossible) to meet basic monthly expenses.
- ***IN DEBT:*** having a 'negative net worth'; aka when you've already spent this year's income ***5 years ago.*** (technically means you have no money)
- ***BROKE:*** when you do *have* money, but not enough to do a majority of the things you want or need to do in life. (This requires a positive net worth.)
- ***POVERTY:*** poor; as determined by comparison only; when you/your family have 'less than' the majority.
- ***UPSCALE POVERTY:*** (1)when you're poor, struggling and in debt, but you just signed up for a mortgage **at 4 times your annual income** in hopes of changing your situation; (2)when you have to climb into your car each morning through a broken passenger seat window…***but you got them Js though.***

MOST OF US HAVE TO SAVE UP JUST TO BE *BROKE.* THIS IS THE NORM

(But you'd never know this based on *Instagram*)

→ **BE.AN.ANOMALY.** ←

Note: you are *not* struggling if you find it difficult to go to Miami or to buy Chanel bags each month. Well, not yet. Being in debt from those aforementioned things normally **leads to *struggling.***

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Course 2:

GETTING OUT OF DEBT

Brass Knuckle Finance™

“A man in **debt** so far a **slave.**”

Ralph Waldo Emerson

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Debt is DUMB

No…not like sorta dumb or kinda dumb…

I'M TALKING ABOUT REALLY, INCREDIBLY DUMB.

Debt steals **dreams.**

Debt wrecks **marriages.**

Debt is a drain on your **financial future.**

Debt can prevent you from obtaining **certain career advancements.**
(*especially if you're in the military.*)

But first, ***what is***

The BKF definition of 'Debt' is ***'anything you legally or morally owe which is over 30 days old.'***

Note that "bills" themselves (as bad as they are) **are not debt.**

A bill is a merchant's request for payment in full for something you've used this month or will be using over a number of upcoming months.

Now if that bill goes unpaid after 30 days, **it becomes debt.**

As well, if that bill is tied to a contract requiring you to pay off a larger balance related to something, **its debt.** (ie. the average monthly mortgage)

There are two types of debt in the U.S. – debt assumed and debt assigned.

Debt assumed:

Anytime you've connected yourself by *your own will* to a financial contract requiring monthly payments, you are dealing with **debt assumed.**

Debt assigned:

Anytime a judge or any other legal entity awards a financial judgment against you or your estate, that you can not pay within 30 days, you are dealing with **debt assigned.**

Anytime you are charged a bill for a medical procedure done in an emergency that you didn't sign up for, and that you know good and well you can't pay…like ever… you're dealing with debt **assigned.**

Two things you must note, however:

#1. **Debt does not have to involve interest.** As well, not all interest paid on debt is financial. A loan from a family member without an interest rate, ***if*** its even paid back, is paid back in principal and in guilt as interest.

That guilt can even multiply every month you aren't able to pay and triple at each family gathering you're forced to now dodge because you know the tension in the air will be different.

For these reasons among others, borrowing from and/or loaning money to friends, family members or other is **one of the dumbest things you can do**.

“Love is ***not*** a loan.”

Jarim Person-Lynn

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*(**Note:** Loaning money to people you care about is the quickest way not to actually help them and the second quickest way to never speak to them again.)*

The *second* thing you should note:

#2. **You have to be legally or morally bound to the contract you have signed for or agreement you've made, for it to be considered debt.**

In California, for instance, if its been 4 years since you defaulted on your balance from that janky a $$ credit card company indebting consumers daily, then by law, you are no longer liable.

Now if you feel you have a *moral obligation* to pay anyone willing to place someone else in debt bondage, that's up to you.

But for smart people planning on never touching debt again, **now you have no more credit card debt.**

So in summary…

WHAT IS DEBT:

- ✓ Car loan contracts
- ✓ Credit card balances you can't afford to pay off at the end of the month
- ✓ Credit card balances you can't afford to pay with 29.99% interest rates and greater
- ✓ Even credit card balances you can't afford to pay off with 0% introductory interest rates
- ✓ Payday loans you have to renew
- ✓ Cash advances you have to prolong payment on
- ✓ ***Monthly*** auto lease payments
- ✓ 12 month apartment leases that are not paid in advance (prior to going month to month)
- ✓ Mortgages
- ✓ Student loans
- ✓ Personal loans you pay back over a set number of months
- ✓ Medical debt
- ✓ Back due child support

WHAT IS NOT DEBT:

- ✓ Any contract which you've pre-paid costs
- ✓ Stock ownership in a business (this is called equity investment and is different than a business loan)
- ✓ Pre-paid auto leases
- ✓ Month to month apartment rent
- ✓ Hotel/Airbnb stays
- ✓ Monthly car insurance that has no termination penalty
- ✓ Cable bills that do not have early termination clauses (even as stupid as it is to be paying for cable in 2016)
- ✓ Cell phone bills and cell phone lease

Note: if you default on the terms of any agreement, it most likely will turn *into* debt.

So if everything previously mentioned relates to debt, then **what is** ***credit?***

And additionally, what are the differences between the two?

Answer: debt and credit are basically the same concepts, with one simply setting the other up better to take your money.

---

debt

is slavery in America.

credit

is simply the slave ship that got you there.

My father had always been very strongly against credit.

"Credit is the first step into debt and back into slavery," he had always said.

The Autobiography of Malcolm X

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And its not like we don't know this.

Yet regardless of it all, most of us are still trying to "*raise our* ***credit scores***."

So why do we continue to do this to ourselves?

For one, we've been told for as long as we can remember that unless we **borrow money**, we will never be able to **obtain anything in life.**

We've been told that you need **credit** to be **financially successful in America**

We've been told that by paying off our credit cards each month, **credit cards can be beneficial.**

As a matter of fact, lets take a look at a few of these credit myths, shall we?

1. ***"You need credit to be financially successful in America."*** <<No, the truth is, you need credit to get into debt. And you need debt to work for the rest of your life at dead end jobs just to pay for it.

2. ***"Using credit cards responsibly can be beneficial."*** << No, the term "using credit cards responsibly" is an oxymoron. Credit cards were set up from jump to get and keep you in debt. To use credit cards the way they were meant to be used, you would need to never pay cash for anything, keep a maxed out revolving balance, send in your payments late EACH month and take advantage of those awesome cash advances charging you tons of interest on top of the interest you're already paying.

Don't believe me? Google why the credit card industry refers to the few who pay off their credit cards each month as "dead beats".

Sooner or later you will fall into the trap because that's how it was designed. And even if you don't, the risk reward is so small -40 years of paying interest to get some reward points? For real? *Come on son.*

3. ***"If I don't carry a credit card and a balance on that credit card, then I wont be able to build my credit score."*** << And the reason you're trying to build your credit score again is…? If you're aim is to become affluent, there is nothing you are going to take out a loan against your personal name to get you there. Business loans are against business scores and mortgages aren't investments. Now if your aim is to be

wealthy, you need to understand that wealthy people don't rely on general credit ratings. They use the cash they have access to and live within their means. If they want to take out a mortgage, approval on said mortgage isn't obtained by trying to increase general credit scores. (More on this in Course 4)

And in terms of those with the most money in this country? What do they say about this?

> ***"Avoid credit cards and start saving"*** *Billionaire Warren Buffett to college grads (7:40sec)—>>*
> *https://www.youtube.com/watch?v=0Te40M-HW0I*

> ***"I'm basically against debt. The average individual will live a lot happier life if..."***
>
> *– Billionaire Warren Buffett*

> ***"My only advice is to stay away from credit cards"***
>
> *at :2min – Warren Buffett*
> *http://www.youtube.com/watch?v=4BJfEI300rY*

> ***"The best place to invest is to pay off all your credit cards and then burn them"*** *– Billionaire Mark Cuban starting at :56 sec –>> http://youtu.be/KAoIUaoXSew*

> ***"If you use a credit card, you don't want to be rich"***
>
> *– Mark Cuban (billionaire)*

"Boy you gotta supplement yo income wit dem reward points!"

– yo broke a$$ uncle Tony

We must understand that the only reason someone would build up a credit score is to potentially **use it.**

And you should NEVER voluntarily become someone's slave. But that's what comes from the use of credit; debt.

There is nothing on earth you need to get into debt to buy and *definitely* nothing that's beneficial to you.

Instead, all you have to do is focus on living within your means. Its really not complicated at all.

However, of course 'simple' is not 'easy' for if it were, everyone wouldn't be broke trying to tell others the secret to staying broke.

4. *"But the lower my interest rates, the richer I become!"*<<False. Folks, don't make the mistake of thinking because you got a low interest rate on a loan that you are somehow beating the system. Interest rates aren't what's killing this community. Its the PRINCIPAL on all your loans that has you trapped.

A principal balance which you were allowed to obtain because you were given the ability to use credit in the first place. A principal balance you would have never signed up for if you had to use your own money.

Your interest rate is just icing on the cake.

And I don't give a good cot damn if you're only paying 4% on a $60k car. If you used your own money you'd be driving a $15,000 car and not currently contemplating bankruptcy. But you didn't and now you're driving your entire year's salary plus some.

I mean seriously, ask yourself this question: the LARGEST debt balances I have (car loans, mortgages, student loans) - are they debts with the lowest interest rates attached?

Now think about the LOWEST debt balances you have (credit cards, payday loans, overdraft balances) - don't they have the highest interest rates on your books?

Ahhh now you get it.

Hopefully you figure this sh*t out before these banks keep figuring you out.

But still, we must understand that EVEN IF YOU HAVE NO BALANCE,

the opportunity to spend what you don't have is the most dangerous thing to your finances vs simply the interest rate.

The use of credit cards isn't stupid simply because of the interest rate that you're hit with if/when you don't pay your credit cards off at the end of the month; its stupid because having little plastic loans on you at all times influences you to buy things you wouldn't have bought in the first place with your own money. It's a mentality that transfers through to every other aspect of your life as well.

5. *"I need to build my credit score because without it I cant get a job, rent an apartment or rent a car."* <<False. By law, employers must look at your credit REPORT and not a credit SCORE.

Read this directly from the employee privacy rights org:

> *An employment background check often includes a copy of your credit report. The three major credit reporting agencies (Experian, TransUnion, and Equifax) provide a modified version of the credit report called an "employment report." An "employment report" includes information about your credit-payment history and other credit habits from which current or potential employers might draw conclusions about you.*
>
> *An employment report provides everything a standard credit report would provide.* ***However it doesn't include your credit score*** *or date of birth. Nor does it place an "inquiry" on your credit file that may be seen by a company looking to issue you credit.*
>
> *http://www.privacyrights.org/fs/fs16-bck.htm#7*

So in other words - each person aspiring to build significant wealth should be attempting to create a **CLEAN credit report** without any entries – 'positive' or 'negative'. You should avoid stressing out about opening new credit card accounts and taking on debt to build a meaningless credit score.

Now, in regard to renting/leasing apartments, what they won't tell you is the majority of locations you will attempt to rent will look at your credit REPORT for residential type delinquencies vs "your actual credit score".

These companies are searching for delinquent water & power bills, evictions and believe it or not only to a lesser extent – bankruptcies. (yes you can lease an apartment quicker with a bankruptcy than you can with outstanding residential type collections and debt.)

As well, when cash and a credit report with no entries are brought to just about any table on Earth, a miraculous thing begins to happen. Approvals appear out of thin air.

Who woulda thunk.

Renting cars- about 80% of car rental agencies accept debit cards. That's an *overwhelming* number. Yes, they will place a hold on the funds in whatever account is connected to the debit card but once you start living within your means like I have, you start noticing a very surprising trend – you have WAY more extra money than you did before.

A $500 hold on a $10k balance is nothing compared to someone who is living off maxed out credit cards and has a $900 balance waiting for their car note and other bills to come out.

But even better? Next generation companies like Sidecar, Uber X, Lyft, Zipcar, Turo, Cars2go etc have put in blood sweat and tears to offer new experiences that will also save you a ton of money and trouble.

No one should be renting cars from traditional rent-a-car companies in 2017.

So lets get this straight. So far we know credit was meant to be kept clean and credit scores have no determining affect on employment, traveling/renting a car, renting apartments, happiness, or anything else worthy of having in your life. So now you're asking yourself "well I will never be a home owner or a car owner without a loan and they check your credit score for that don't they?!"

Well lets talk about exactly that **shall we?**

The truth about Credit Scores

Remember: credit scores are *not* useful in **wealth building.**

Your credit ***report*** (which is different from a credit score) ***can be*** important in wealth building

Nevertheless, this section is for those who understand this and still want general education on credit scores.

"Can you tell me how to fix my credit score?"

Ah yes…the question that has become the **bane of my existence.** However, I have a better question for you though: *what exactly are you trying to do?*

Most people are under the false impression that they have some general credit score that matters.

And most of those same people don't even know why they're trying to raise that general credit score in the first place.

But lets come back to that in a moment.

Understand: you literally have **6 different FICO score types** that each allow you to do different things in your quest to stay in debt (like a dummy).

— The Generic FICO Score
— The FICO Mortgage Score
— The FICO Auto Score
— The FICO Bankcard Score
— The FICO Installment Loan Score
— The FICO Personal Finance Score

And then THOSE scores have 40 variations of *themselves* depending on if they are being generated against info obtained from just one of the 3 major credit bureaus or all three of the major credit bureaus.

But then again, that's just FICO (Fair Isaac Corporation)… shall we talk about the others?

There are 3 main *providers* of credit scores:

1. The 'FICO score': the dominant score used in 90 percent of lending decisions generated by the Fair Isaac Corporation using data from the three major credit bureaus' credit reports. Each credit reporting bureau keeps its own data on consumers and a FICO score uses this data to generate a score unique to that report.

2. The 'Vantage score': a joint venture by the big three credit bureaus – Experian, Equifax and TransUnion – in hopes of dethroning the FICO score. Used in about 10% of lending decisions, it is the newcomer in the field.

3. Credit bureau specific scores: not only did they team up to create the Vantage score, each bureau provides their own individually branded score as well.

"FICO scores are used in 90% of lending decisions in America."

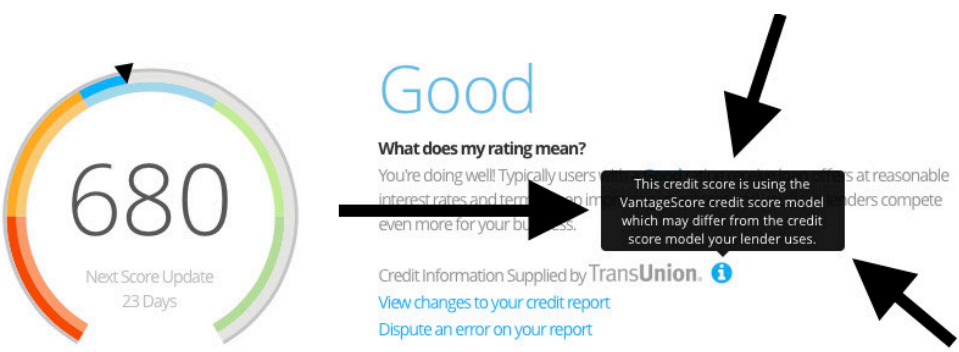
Now while this is true however, there are literally *dozens* of versions of credit scores attached to each individual.

For instance: a mortgage lender will use an older version of the '*base* FICO score' but then incorporate that score into their own lending software which is unique to that specific mortgage lender.

Car dealers on the other hand will use what's called a 'FICO Auto Score' unique to their industry while a credit card company will use a 'FICO Bankcard score'.

This is why the idea of fixing "your credit score" is just a myth. ***You have many scores,*** especially online, where faux scores run rampant.

And what you *do* see online is normally a generic "consumer FICO score" or a completely useless Vantage Score from a third party seller like Credit Karma.



Moral of the story: the entire idea of having "a credit score" where you monitor and maintain some magical number each month is **foolish.** ***You have thousands.*** And each score takes different finessing, if this is indeed your plan. If you're trying to stay in debt, figure out ***which*** score you're going to need for that specific type of debt and then do the specific things to try to raise ***that one.***

Otherwise, what you're likely basing all of your hopes and dreams on is a generic/base FICO score that is not used in anything besides entertainment and horoscope predictions.

It literally will **get you nothing.**

Here is how you need to think:

Are you trying to take out a mortgage? Then stop messing around with any debt that isn't installment debt.

Credit cards are not installment debt. You do not need a credit card account to obtain any mortgage on earth.

Items like student loans, which have a set payment each month along with a specific payment term are installment debt and are the only things you need to qualify for the lowest mortgage rates (if you pay them on time and stop deferring).

If you've already jacked yourself up with credit cards and repos and whatever-thef*, it will take **time** and **patience** for those items to fall off your report LEGALLY. Then once you get one mortgage, its easier to get the second and third etc.

You know...since you refuse to be patient and save/invest for things you want.

Are you trying to take out an auto loan? (which also isn't smart) Then the first one is going be expensive but you buy the car with 90% in cash and then pay off the last 10% quickly.

A general/base credit score will not help you if you've never taken out a car loan before, dude.

[lil Jamal sits in the finance office at the local car dealership as he tries to buy his first car]

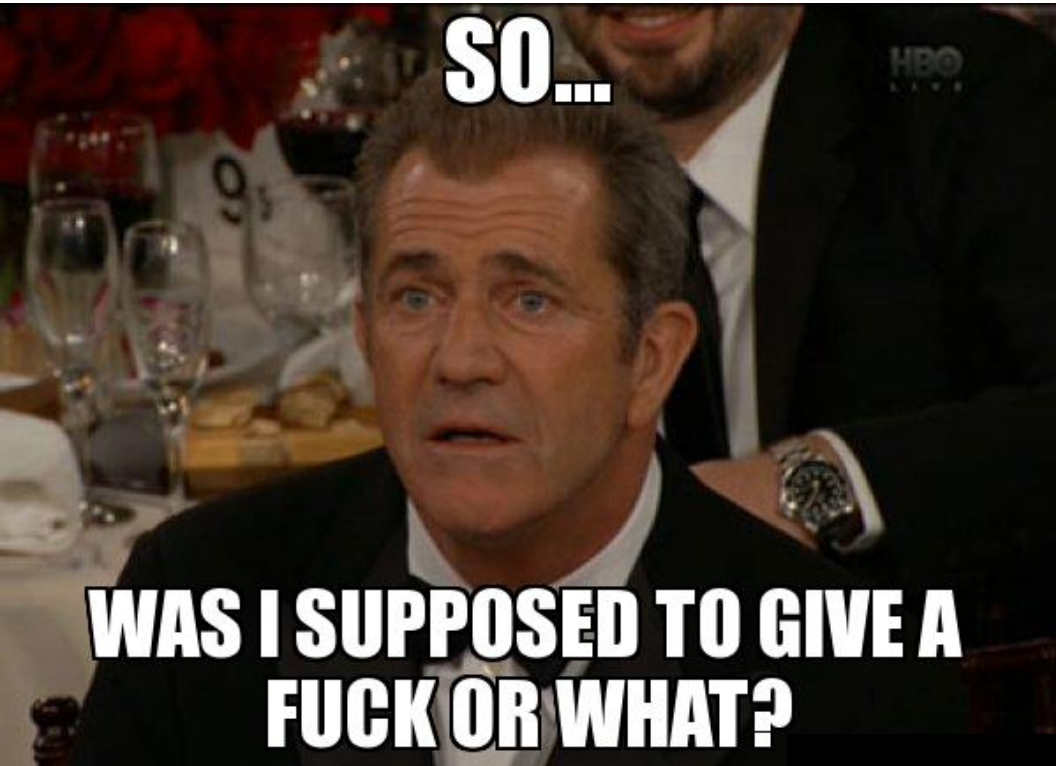
Lil Jamal: "so I've been paying my credit cards off each month since I turned 18 (3) years ago. My credit score is like 9000 or something.."

[Finance manager looks at credit report]

Manager: "hmm...looks here like you've never taken out an installment loan before....and specifically not a car loan. So yeah…your rate is going to be high. Don't worry though, you should be able to refinance in 3,800 years."

Lil Jamal: "but I just told you I've been SUPER responsible only keeping my cards at below 33% of their limit and paying them off each month! I should qualify for your best rates!!"

Finance manager:



Or are you trying to get a job? There is no job that relies on or is able to legally use credit SCORES in hiring decisions.

You're confusing credit scores with information on credit REPORTS (delinquent balances, bankruptcies etc). You are not taking out a loan to get a a job. Its a job.

But what you don't ever ever ever want to do is make the mistake that using a credit card will help you build "your credit score".

Again, you don't have one, you have thousands.

All credit cards do is make you that much less likely to have the

score you thought you would because *now* you have credit card collections on your report and/or over limit balances floating around.

- **84% of Blacks with credit cards are in credit card debt.**
- **79% of Hispanics with credit cards are in credit card debt.**

"A credit card is what you use when something costs too much and you want to pay more for it."

Listen. If you want to make stupid credit decisions so you can stay in debt forever, at least know what you're trying to do.

Choose your dumb as we say in BKF.

The **two least stupid** forms of debt are small student loan balances (with the total balance below **33%** of your starting salary after college) and mortgages on houses who's **total real estate costs** are below **33%** of your monthly income. (keywords - TOTAL & costs. ie not just the *mortgage*)

The BKF List of *Most Stupid Credit Decisions:*

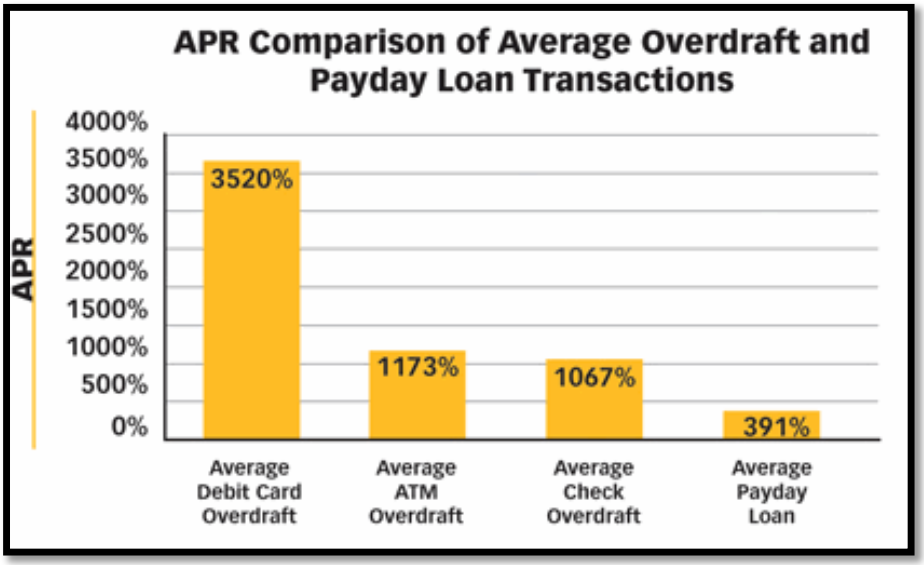
(From most stupid to least stupid.. ***but still stupid***.)

1. Overdraft protection
2. Payday loans & cash advances
3. Renting to own furniture/ rims/houses
4. Credit cards & charge cards
5. Borrowing from or against retirement
6. Personal/friend/family loans
7. Car loans (new or old)
8. Home equity loans/lines of credit
9. Debt consolidation loans
10. **Mortgages**
11. **Student loans**

Note**: small mortgage & student loan balances are the **only debts** you may actively pursue in **BKF.

1. Using Overdraft "Protection".

Tell me what you see when you look at the chart below?



A 3,520% APR for not having enough money in your checking account?

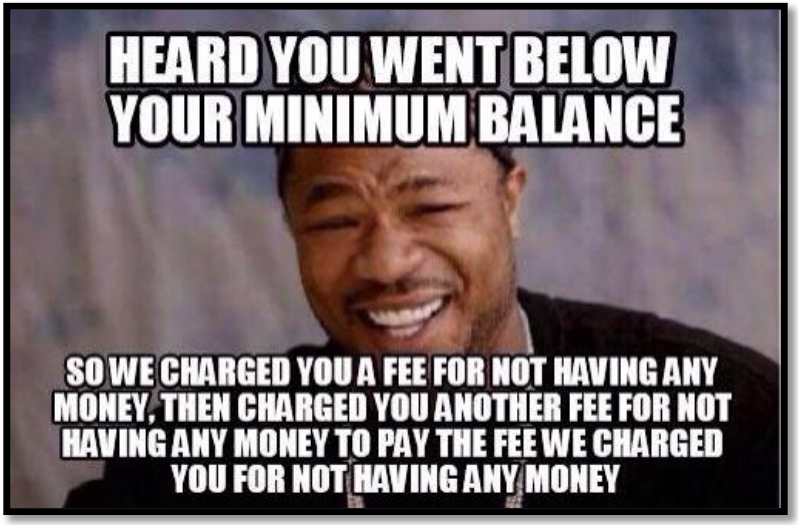
A 3,520% APR just to allow that "kind" bank to bail you out and "protect" your purchase?

Warren Buffett barely even makes a 20% rate of return on his investments and he's the greatest investor in the world. Can you imagine if he made 3,520% per YEAR on his money?

But even besides the ridiculous interest rate, this comes in at #1 because it.has.no.functional.benefit.

Student loans have a functional benefit. Overdraft "pro-theft-tion" has **none.**

Because if you *really* wanted to spend $300 on a cup of coffee you would have used a less stupid form of debt!



Overdraft protection: the credit card you DIDN'T sign up for.

Here's what to do: CALL YOUR BANK TODAY AND REMOVE EVERY ACCOUNT YOU HAVE FROM OVERDRAFT PROTECTION!! (yes-all forms of overdraft products, overdraft transfers as well.)

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2. Payday Loans/Cash Advances/Auto Title Loans

Next to using overdraft products on a bank account, taking out a **Payday loan, a cash advance or an auto title loan** has to be the dumbest decision ever to do with your money. There's a reason why certain state governments like that in Georgia have officially banned Payday lenders for the next 100years. It's called a near 400% APR on the money you are borrowing. And that interest rate is a major reason when people start down the process

of taking out payday loans, they find it so hard to get ahead and ever escape.

You were never meant to.

What we are teaching in this book, and specifically in this course, is to never allow yourself to be in remotely close of a position to take a payday loan for ANYTHING. Think about it- if you are taking out a "payday" loan it's because you have some sort of income. If you have an income, then you make waaay too much money to be broke each month. Period. Its about reducing your expenses, ***not borrowing in order to cover them.***

Furthermore, there is no excuse *not* to have an emergency fund. I'll be damn if your car breaks down. You're on the bus until you figure out how to get enough cash together to get it fixed.

This has a lot to do with **sacrifice.**

If you are afraid of sacrifice, then you might want to close this book now and never return.

3. Renting-to-own anything

Renting to own any piece of property is one of thee most effective things you can ever do to mess up your life financially.

Here's a typical "Rent to Own" real estate scenario I see so many fall into, for instance:

Couple enters RTO contract, a down payment was made, a portion of the payments are to be applied to down payment so at the end of the contract, the couple can obtain a 20% down conventional loan.

Landlord seems a bit picky after awhile, doing monthly home inspections and such.

But tenants stick it out, maintaining the property, making timely payments and ignoring landlords antics.

A tree branch is rubbing on the roof, tenant trims the branch that is rubbing.

Landlord comes to the house for his monthly inspection, whips out the contract stating that no landscaping can be altered without his consent and starts the eviction, keeping their down payment and down payment contributions.

Later, it is discovered this is the landlord's MO, he obligates his RTO tenants to an almost impossible contract, keeps their money, and finds someone else to RTO, starts the process again.

It was never designed for you to win dude!

You know...like rent to own rims and tires or like that Gucci couch with the delinquent balance currently sitting on your credit report?

Remember – no one can hustle us in life before we first hustle ourselves.

Either rent or own. Never both on the same item concurrently.

But alas, not everyone wants to stop struggling; a lot of people just want to look like they have. If this is you, then by all means, ignore everything you've just read and you be about that rent to own life, playa.

Btw, if you ***do*** actually think renting to own anything in life is smart, I also have a map to where Tupac is hiding.

I'm letting it go for $6,400 cash.
I'll also let you rent the map for a week.
$6,400 cash.

4. Credit Cards/Charge Cards

Ahh yes..."the rich man's payday loan". Also known as your *everyday credit card*.

3,520% APR? Nope. 400% APR? Not quite. So then in comparison, a 29.99% is a pretty good interest rate right? **Not on your life.**

The one good thing about a payday loan...and I use the term "good" very loosely, is that those companies to some extent aim to try and market those products as temporary solutions.

Credit cards on the other hand? The entire purpose for the company behind your favorite credit card to exist is to figure out a way for you to keep as high a balance as possible and for as long as possible.

Normally this is in heavy marketing and advertising to get you to believe that successful people don't leave home without them.

But the dirtiest trick? The minimum payment.

According to a study by the University of Warwick and psychologist Dr. Neil Stewart:

"Mr. Stewart presented 413 people with mock credit-card bills of $650 that were identical — except that only half mentioned a minimum payment of $7.62. Participants were asked how much they would pay.

Among those inclined to pay the bill in full, the presence of the minimum payment hardly made any difference. However, those who wanted to pay just part of it handed over 43 percent less on average when presented with a minimum payment.

In the real world, this would roughly double interest charges."

"So that low minimum payment isn't to help me after all?"

Well yes and no.

The typical credit card company of course makes most of its profit if you carry a balance at the end of each month. This is because all of the interest you're charged on that debt. And this is typically a *lot* of interest.

For a credit card company, the longer your card holder carries debt, the more money you make.

But if that cardholder can no longer keep up with those payments and their debt gets out of control, and the card holder defaults, you lose everything.

So the most profitable option for the company is to keep you in between a rock and a hard place - a "middle ground" if you will.

This way they can keep your debt "manageable" but also entice you to stretch out repayment for as far into the future as possible, thus maximizing their profits.

No no, it doesn't stop there. See, once they can get you paying some sort of balance each month, the probability of you messing up on one of these payments *substantially* increases.

When you separate the actual amount of interest they make off the person already holding the balance, you are left with the second most profitable aspect of pushing credit cards - the penalty fees.

The credit card industry refers to the roughly 50% of Americans who don't pay off their balances each month as "revolvers".

Annually, revolvers pay about $18 billion in penalty fees to credit card companies. This figure is up more than 50% since 2003 and accounts for approximately half of the industry's $40.7 billion in profits.

But viva la reward points, eh?

Don't be stupid, folks.

5. Borrowing from or against your retirement accounts.

You will save yourself from a ton of grief in life if you simply do not touch your retirement accounts - not even in emergencies. Especially retirement accounts that aren't able to be included in a bankruptcy IF you decide to file.

Did you know that it‘s not even mandatory for companies to offer a loan feature with their 401k retirement plans? Yet most of them in fact do. Eighty-three percent of American employees with 401k plans can borrow against their accounts,

Ever ask yourself why an employer would provide you a loan against something they've gone through the trouble to set up and then

you with interest payments back into your own account?

ITS CALLED ***RETENTION.***

Ever consult with someone who would love to leave their job but can't?

THATS CALLED ***DEPRESSION.***

When you take out a 401k loan you have to stay AT the job while repaying it or the entire balance is due all at once -immediately. So you can bet your butt is staying on the job (what they want) while you struggle, stress and cry everyday in your cubicle.

And lol at threatening to leave if you aren't given a raise too...

You will also pay taxes twice on the amount you took out for a loan. Your

401k loan payments are deducted after taxes have been taken out of your paycheck. However, since pre-tax money is usually used to fund a loan, the payments are put back into your 401(k) as pre-tax funds.

This means that when you take the money out later, you will have to pay taxes on it again.

Moral of the story? Leave your retirement funds alone and keep them for retirement.

Playing games with your money is how you ended up with none in the first place.

6. Personal Loans

The reason these are so high on the list is not so much because of the personal loans you obtain from your local bank (though those are still

stupid with high interest rates though) but because of the ones you obtain from your local *friend or family member*.

Most people know how stupid this is as they've been burnt in the past. Probably from the giving side and the receiving side. The main thing to understand here is that there is no real friendship or family connection on earth that is worth losing because of a dispute on money. And for damn sure not on the catastrophe soon to happen when you co-sign a loan for one of them. Stay as far away as possible.

7. Auto Loans

Another item we will be discussing shortly. You need to be aware that you're paying 8%-22% interest on an item that loses on average 65%

of its value in the first five years. You're over there paying high interest to lose money!! Always use cash, folks.

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8. Home Equity Loans/Lines of Credit

Eww…these are just nasty. Home equity loans/HELOCs would have actually been higher on the list if it weren't for the often lower interest rates these products offer. Remember, these products were one of the *main causes* of the 2008-2009 financial collapse.

A home equity loan is basically like a car loan but instead of the loan being secured by a car that is depreciating in value, it's secured by the borrower's house that is

supposedly *increasing* in value. But therein lies the problem.

If you fall behind...and more than likely you will, the bank has the ability to foreclose on "your" house.

A home equity line of credit (often called a HELOC) is similar only it's also like a credit card. You have the ability of withdrawing a specific amount of funds when you choose and this is even more dangerous.

I mean really? You're out there risking what's supposed to be "your house" just to go on a vacation? And you're going to pay real estate closing costs just to take these types of loans out? Just don't.

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9. Debt Consolidation Loans and Refinances

These are almost as sneaky as credit

cards due to the fact that they make you believe you're not in as much debt as you truly are.

Because when you wake up in 15 years still paying on these things, only at this point will you realize that by taking out that loan refinance some years back, you may have reduced your interest rate/monthly payment, but you effectively extended the term of your loan to an ungodly number of years!

The reason these aren't actually higher on the list is because the person who takes these out isn't normally trying to use them to buy depreciating items such as cars, clothes and other items.

They basically just *thought* they were getting themselves out of debt.

But getting out of debt is the thing that magically never ends up happening unfortunately.

10. Mortgages

We have a whole section on this coming up. There are far too many other ways to obtain property than with a loan!

These would have been higher on the list if it weren't for the fact that in a minute possibility in some far off alternate reality that you could actually be provided one to buy a foreclosure at a steep discount.

Still a mortgage is the 2nd to least stupid form of debt you can take it for the sheer expensive savings account aspect of it which offers something nowhere near as bad as other debt.

11. Student Loans

Ahh yes…the permanent tattoo of the lending industry. What do you mean I was supposed to be aware at the ripe age of 17 that I would never be able to discharge my student loans in bankruptcy?

This is **only** at the bottom of the list due to the insane costs to go to medical school or law school or if a person is taking out a balance no more than 33% of their starting gross salary in any field. If it wasn't for these three reasons, this would be the **absolute number** one on the debt stupidity hierarchy.

But even in regards to medical school loans and law school loans, why would you want to tattoo a loan that large to your forehead for the rest of your life? What if you decide

at the end that being a doctor is too much pressure? Good luck paying $300k in medical debt from your $12/hour call center job.

And that's *if* you're not "overqualified"...

So now we know how stupid many of the typical debt vehicles people give themselves excuses to take out are.

And by now, this book should have separated the complainers from the doers.

So the question for those who *really* want to get out of debt becomes…

HOW BAD DO YOU WANT IT?

Getting out of Debt!

For those who have made the right choice and are ready to kick debt where the sun doesn't shine, let's look at the BKF 7 proven steps to Zero Debt.

This is the method we use in **Brass Knuckle Finance** to eliminate debt once and for all.

Because right now, *its time to get….*

Getting out of debt requires 100% dedication to the M.A.F.

Momentum
+ Accountability
+ FOCUS
= Debt Freedom

Momentum: this comes from using the debt snowball method and other mental hacking/ psychological triggers.

Accountability: having an accountability partner, social media following or other audience to keep you honest and on track is crucial!

Focus: what happens when you use the 7 Steps with tunnel vision and don't get side tracked!

7 Steps to Zero Debt

1. Stop acquiring **any new debt.**

2. Begin **minimizing** your monthly expenses while **maximizing** your monthly income.

3. Save **$2,000** as a ***starter emergency fund.***

4. Start paying off your ***current*** **consumer debt** from **smallest balance to largest** using the **debt snowball.**

5. When you have just student loans and/or mortgages left, pause your debt snowball & build up a ***full*** **emergency fund** with 3-6 months of household expenses.

6. Go back and settle any **collections accounts** that are still owe-able within your state's statute of limitations.

7. Finally, eliminate your **student loans** and/or **mortgage.**

www.BKFUniversity.com

Step 1: **Stop acquiring new debt of any kind.** This is self explanatory and yes, this also means destroying any credit cards in your possession if you want to stop being a debt slave.

Step 2: **Buckle Down.** During this step, you (and your significant other) want to pull each other's credit reports, look at bank statements, Mint.com etc. to put everything on the table. Look at your typical spending each month by plugging in monthly expenses into a budget doc.

After looking at the totality of your situation, search around the house for items you can sell on craigslist, take on additional part time work, and temporarily halt your retirement contributions while also cutting back in every spending area possible.

This will allow you to find extra money to complete Step 3 and Step 4.

Remember…

BROKE PEOPLE SHOULDN'T **TURN UP,** THEY SHOULD **SAVE UP.**

BKFuniverity.com

Step 3: **Save a $2,000 emergency fund.** Remember this is for emergencies. This money goes into an online savings account that is out of your immediate sight.

Step 4: **Start paying off your current debt from smallest balance to largest.** Once your emergency fund is funded, use the amount you were saving to now add onto what's called a **debt snowball**.

A debt snowball is a process of paying down debt in order from smallest balance to largest. This builds momentum and helps keep you tremendously focused.

Write down all of your ***current debt*** balances with interest rates and minimum payments next to them, and then order those debts from smallest balance to largest. Begin plugging away at your debt snowball with a vengeance.

Remember, though you're writing down the interest rate, its just for tracking purposes. Your interest rate is not your primary concern here; creating momentum is.

This step should take you no more than 24 months to complete. If you believe this step will take you longer than 24 months, then you may be a strong candidate for Chapter 7 bankruptcy (discussed later).

Debt Snowball Example

Personal Debt Snowball Calculator

BRASS KNUCKLE FINANCE

http://www.vertex42.com/Calculators/debt-reduction-calculator.html

© 2007 Ve

Balance Date: 5/1/14

Creditor Information Table

Row	Creditor	Balance	Rate	Payment	Custom
1	Car note	12,500.00	8.00%	375.00	
2	Macy's Card	4,800.00	21.00%	84.00	
3	Capital One	3,400.00	14.00%	58.00	
4	Personal Loan	800.00	0.00%	50.00	
5	Student Loan 1	19,000.00	6.00%	175.00	
6	Student Loan 2	34,000.00	7.00%	380.00	
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
	Total:	74,500.00	Total:	1,122.00	

Total Monthly Payment 1,600.00

Initial Snowball $ 478.00

This is an example of how to fill out the debt snowball calculator that came in your BKF Toolkit. Once you fill out the columns and put in the minimum balance due under 'Payment', you'll notice your minimum payments have been added together to get the 'Total' minimum you are required to pay on all debt.

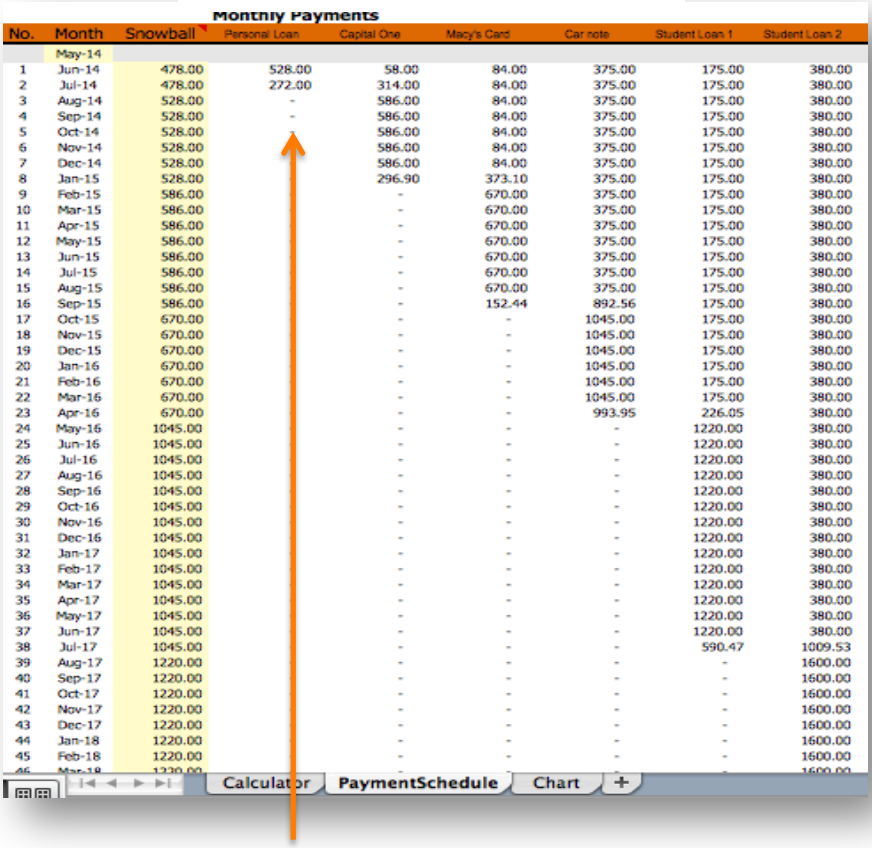
Then under 'Total Monthly Payment', this is what you will do the budgeting exercise to figure out how much more you could ***add on top of* that minimum monthly payment *total*** so that you can pay this debt off quicker.

Strategy: Snowball (Lowest Balance

Creditors in Pay-Off Order	Original Balance	Total Interest Paid	Months to Pay Off	Month Paid Off
Personal Loan	800.00	-	2	Jul-14
Capital One	3,400.00	198.90	8	Jan-15
Macy's Card	4,800.00	1,003.54	16	Sep-15
Car note	12,500.00	1,281.51	23	Apr-16
Student Loan 1	19,000.00	2,746.52	38	Jul-17
Student Loan 2	34,000.00	8,097.27	55	Dec-18
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
Total Interest Paid:		**13,327.74**	(Lower is Better)	

This is the bottom of your debt snowball calculator. You will notice three important things here:

A. Which debts to pay off first while paying the minimums payments on all other debt
B. How long it will take you to knock out your consumer debt portion along with your remaining debt (student loans)
C. The total interest you're going to pay.



Monthly Payments

No.	Month	Snowball	Personal Loan	Capital One	Macy's Card	Car note	Student Loan 1	Student Loan 2
	May-14							
1	Jun-14	478.00	528.00	58.00	84.00	375.00	175.00	380.00
2	Jul-14	478.00	272.00	314.00	84.00	375.00	175.00	380.00
3	Aug-14	528.00	-	586.00	84.00	375.00	175.00	380.00
4	Sep-14	528.00	-	586.00	84.00	375.00	175.00	380.00
5	Oct-14	528.00	-	586.00	84.00	375.00	175.00	380.00
6	Nov-14	528.00	-	586.00	84.00	375.00	175.00	380.00
7	Dec-14	528.00	-	586.00	84.00	375.00	175.00	380.00
8	Jan-15	528.00	-	296.90	373.10	375.00	175.00	380.00
9	Feb-15	586.00	-	-	670.00	375.00	175.00	380.00
10	Mar-15	586.00	-	-	670.00	375.00	175.00	380.00
11	Apr-15	586.00	-	-	670.00	375.00	175.00	380.00
12	May-15	586.00	-	-	670.00	375.00	175.00	380.00
13	Jun-15	586.00	-	-	670.00	375.00	175.00	380.00
14	Jul-15	586.00	-	-	670.00	375.00	175.00	380.00
15	Aug-15	586.00	-	-	670.00	375.00	175.00	380.00
16	Sep-15	586.00	-	-	152.44	892.56	175.00	380.00
17	Oct-15	670.00	-	-	-	1045.00	175.00	380.00
18	Nov-15	670.00	-	-	-	1045.00	175.00	380.00
19	Dec-15	670.00	-	-	-	1045.00	175.00	380.00
20	Jan-16	670.00	-	-	-	1045.00	175.00	380.00
21	Feb-16	670.00	-	-	-	1045.00	175.00	380.00
22	Mar-16	670.00	-	-	-	1045.00	175.00	380.00
23	Apr-16	670.00	-	-	-	993.95	226.05	380.00
24	May-16	1045.00	-	-	-	-	1220.00	380.00
25	Jun-16	1045.00	-	-	-	-	1220.00	380.00
26	Jul-16	1045.00	-	-	-	-	1220.00	380.00
27	Aug-16	1045.00	-	-	-	-	1220.00	380.00
28	Sep-16	1045.00	-	-	-	-	1220.00	380.00
29	Oct-16	1045.00	-	-	-	-	1220.00	380.00
30	Nov-16	1045.00	-	-	-	-	1220.00	380.00
31	Dec-16	1045.00	-	-	-	-	1220.00	380.00
32	Jan-17	1045.00	-	-	-	-	1220.00	380.00
33	Feb-17	1045.00	-	-	-	-	1220.00	380.00
34	Mar-17	1045.00	-	-	-	-	1220.00	380.00
35	Apr-17	1045.00	-	-	-	-	1220.00	380.00
36	May-17	1045.00	-	-	-	-	1220.00	380.00
37	Jun-17	1045.00	-	-	-	-	1220.00	380.00
38	Jul-17	1045.00	-	-	-	-	590.47	1009.53
39	Aug-17	1220.00	-	-	-	-	-	1600.00
40	Sep-17	1220.00	-	-	-	-	-	1600.00
41	Oct-17	1220.00	-	-	-	-	-	1600.00
42	Nov-17	1220.00	-	-	-	-	-	1600.00
43	Dec-17	1220.00	-	-	-	-	-	1600.00
44	Jan-18	1220.00	-	-	-	-	-	1600.00
45	Feb-18	1220.00	-	-	-	-	-	1600.00
46	Mar-18	1220.00	-	-	-	-	-	1600.00

Calculator | PaymentSchedule | Chart | +

If you click on the "Payment Schedule" tab at the bottom of your sheet, you'll find information on exactly how much to pay each debt on each month.

Remember, your target debt (smallest debt at the time) gets the most money, with all other debts in the snowball only getting their respective minimum payments. Once one debt is paid off, the next one by size becomes the target debt for that month.

Step 5: **Pause your debt snowball to build up a full, 3-6 month emergency fund.** After you've paid off all of your consumer debt (everything besides student loans and mortgages), you'll want to pause your debt snowball while you build up a *true* emergency fund.

This means between 3-6 months worth of total household expenses, depending on what you're comfortable with.

As well, it's a good idea to begin contributing to your retirement plan again during this step since you've taken about 24 months off from doing so.

Step 6: **Go back through and decide on if you want to settle your collection accounts.** Remember that previously, while

paying down debt in step 4, you were tackling your current debts. During this step, you'll decide if you want to tackle your collection accounts.

Why not pay off your collection/ delinquent accounts with the rest? Because typically, **what's done is done.** You will not be able to legally remove an *accurate delinquent item* from your report. And if your plan was to improve whatever credit score you've been mislead into improving, its not going to happen.

And while its true that FICO 9 (which will take years to implement) will give more positive weight to collections that have been paid, at the end of the day, your credit report will show the delinquency. Only now it will be a paid delinquency (but still a previous delinquency).

Also, the longer an account stays delinquent, the higher the chance that it is no longer legally owed by you under your state's specific statute of limitations. So even if you feel you must pay the debt for moral reasons, you will get that much more of a discount if the collector knows that they can not legally pursue you under state law.

Step 7: **Pay off the remainder of your current debt.** By continuing that momentum, you will now have just eliminated the very last of your debt (normally student loans and mortgages).And *for good*.

Remember, your student loans should always be on a 10 year or less payment plan. If you have a mortgage, many times its best to take the 30 year option and pay it off in 15. But at the end of the day, its up to you.

After this process, its important that you celebrate…

Note: you should actually throw yourself *two* parties:

(1) after you knock out your consumer debt in **Step 4** and

(*1*) after you're **100% debt free.**

How long each step should take:

1. Stop acquiring **new debt of *any kind.*** *(today)*

2. Begin **minimizing** your monthly expenses while **maximizing** your monthly income. (this week)

3. Save **$2,000** as a ***starter emergency fund.*** (3 months)

4. Start paying off your ***current*** **consumer debt** from **smallest balance to largest** using the **debt snowball.** (24 months)

5. When you have just student loans and/or mortgages left, pause your debt snowball & build up a ***full*** **emergency fund** with 3-6 months of household expenses. (3 months)

6. Go back and settle any **collections accounts** that are still owe-able within your state's statute of limitations. (2 months)

7. Finally, eliminate your **student loans** and/or **mortgage.** (student loans should take less than 10 years max from start)

How to Save a 3-6 Month Emergency Fund

Step 1: reduce your total monthly expenses

Step 2: tally up what those newly reduced expenses are

Step 3: figure out how many months of those expenses you want in the bank

Step 4: *save that sh*t.*

Note: a *3-6 month* emergency fund should only be saved ***after*** you're out of all consumer debt.

The Statute of Limitations

You know those delinquent accounts that have made their home on your credit report? Well most of them will become legally **null & void after 4-6 years** due to the Statute of Limitations on debt in your specific state. (For California, its 4 years from date of default.)

You can Google the most up to date "statute of limitations on debt" for your state and on the next page I've also provided them here as of this writing.

Remember that the Statute of limitations on credit card debt is considered by many states an "open ended contract" though it could also fall under "written contracts". Also, items like car loans and medical debts are normally "written contracts."

Statute of Limitations on Debt by State

State	Oral	Written	Promissory	Open-ended Accounts	State Statute: Open Accounts
AL	6	6	6	3	§6-2-37
AR	3	5	5	3	§16-56-105
AK	6	6	3	3	§09.10.053
AZ	3	6	6	3	§12-543
CA	2	4	4	4	§337
CO	6	6	6	3	§13-80-101
CT	3	6	6	3	§52-581
DE	3	3	3	4	§2-725
DC	3	3	3	3	§12-301
FL	4	5	5	4	§95.11
GA	4	6	6	6 **	§9-3-25
HI	6	6	6	6	HRS 657-1(4)
IA	5	10	5	5	§614.5
ID	4	5	5	4	§5-222
IL	5	10	10	5	735 ILCS 5/13-205
IN	6	10	10	6	§34-11-2
KS	3	6	5	3	§84-3-118
KY	5	15	15	5	§413.120
LA	10	10	10	3	§3-118
ME	6	6	6	6	§14-205-752

Statute of Limitations on Debt by State (cont.)

MD	3	3	6	3	§5-101
MA	6	6	6	6	c.260, §2
MI	6	6	6	6	§600.5807
MN	6	6	6	6	§541.05
MO	5	10	10	5	§516.120
MS	3	3	3	3	§15-1-29
MT	5	8	8	8	27-2-202
NC	3	3	5	3	§1-52(1)
ND	6	6	6	6	28-01-16
NE	4	5	5	4	§25-206
NH	3	3	6	3	382-A:3-118
NJ	6	6	6	6	2A:14-1
NM	4	6	6	4	§37-1-4
NV	4	6	3	4	NRS 11.190

Statute of Limitations on Debt by State (cont.)

NY	6	6	6	6	§2-213
OH	6	15	15	6	§2305.07
OK	3	5	5	3	§12-95
OR	6	6	6	6	§12.080
PA	4	4	4	4	§5525
RI	10	5	6	4	§6A-2-725
SC	3	3	3	3	SEC 15-3-530
SD	6	6	6	6	§15-2-13
TN	6	6	6	6	28-3-109
TX	4	4	4	4	§16.004
UT	4	6	6	4	78B-2-307
VA	3	5	6	3	8.01-246
VT	6	6	5	3	§3-118
WA	3	6	6	3	RCW 4.16.080
WI	6	6	10	6	893.43
WV	5	10	6	5	§55-2-6
WY	8	10	10	8	§1-3-105

Something to keep in mind: Tax debts, alimony, child support, student loans and tickets issued by police officers or parking attendants are generally not applicable to the statute of limitations.

Federal taxes *do* expire after 10 years of being uncollectable but many states do not have a statute of limitations applicable on ***state*** tax debt.

Will debt collectors abuse the S.O.L.? Most definitely. Even though the S.O.L. limits a creditor/collector from filing a law suit on debt that is too old, these creditors will file suits anyways. Their hope is that you do not respond at all or show up to court - that way they can win a default judgment against you.

It doesn't matter how old the debt, you must respond to lawsuits and show up to court. As always it's smart to keep proof of the age of the debt as well: old credit card statements, payment due in full letters; you should be saving copies of these by scanning them in as .PDFs on

your computer. As well, its extremely important to save a copy of your credit report in PDF form from at least one bureaus each year so you can show when things originally appear. As a U.S. citizen, you are able to obtain one copy of your credit report for free from each of the three bureaus from the government mandated website: www.annualcreditreport.com

Can the statute of limitations be restarted? Some state laws will allow the statute of limitations clock to "reset" or restart when a payment is made on it. That means if you are already safe because the statute has expired but you decide to start paying a collection agency in installments on an old debt, then they could turn around and sue you for the full amount! Even if it's old.

What's worse is you could also reset the S.O.L. clock by even acknowledging that you owe the debt or making an oral promise to pay when a debt collector

calls you. This is why you always always only pay collection accounts in lump sum payments and never pay a debt that's outside the SOL unless you are feeling charitable. Remember, it's only technically a debt if it's legally or morally enforceable!

Luckily for Californians and those with similar state laws however, making a payment toward a credit card debt, acknowledging the debt or making an oral promise to pay do NOT restart the clock.

Only a new written **promise to pay** can restart the clock on the statute of limitations in CA. What that means is that YOU actually make a new written agreement with the original creditor and/or collection agency.

If a collector calls you once the statute has expired in CA, all you need to say to the collector is, "I have an absolute defense--the Statute of Limitations has expired." then hang up.

Here are the states where the statute of limitations is only extended by a new written promise to pay:

Arizona, California, Florida, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New York, Texas, Virginia, West Virginia, Wisconsin.

In all other states you run the risk of restarting the S.O.L. clock. If you are in fact wanting to stay under the protection of the S.O.L., you should think twice before having a conversation with a debt collector on an old debt as you could easily slip up and acknowledge you know about the debt or make a promise to pay.

Anything said more than "that person doesn't live here" or ”I am not aware of the debt in question" is a potential liability for you to get recorded and sued.

Once again, it only counts as an official debt if either it’s enforceable by law or you feel morally compelled to pay it.

Otherwise in the BKF world of finance, it's what we call "charity". Its imperative that you know your state's Statute of Limitations and the length of time a creditor has until they can no longer collect!

What state should you use in figuring out the Statute of Limitations? The state statute can be either where you live or where you lived when the contract was entered into. The creditor does have the right to choose the state with the longer statute but the creditors or collectors location is not important.

Now if you are receiving calls/letters from an attorneys office, or are trying to take out a mortgage or simply want to pay these negative items for personal reasons, follow these next steps…

Dealing with Collection Accounts

When you're ready to tackle your collection accounts, you will have already completed **steps 1 – 5 in the 7 Steps to Zero Debt** and have a nice full sized emergency fund.

But why do collection accounts come *after* current accounts? And why is paying collections optional?

For these main reasons:

- ***What's done is done -*** many people think they will be raising their credit scores by paying off collection accounts. **This is *false*.***
- ***The Statute of Limitations -*** most delinquent collection accounts will become null & void after **4 years** due to the **Statute of Limitations** on debt in California and other states. You may already be past this timeframe once you start your 7 Steps.

BKF Steps for Settling Collection Accounts:

1. When contacting a debt collector to pay off a debt, you must always request **validation of the debt** first.

2. Check to see if the debt is within the **statute of limitations** for your state

3. Start off with **settlement negotiation at 25%** of the quoted balance. (prepare to go as high as 65%). The older the account, the lower the settlement generally.

4. If the collector counters back at a higher percentage and suggests monthly installments, **refuse.** (only pay collections in lump sums due to known behavior and re-aging loan practices)

5. **Play hardball.** Negotiations will take multiple calls and possibly even settling on a higher lump sum.

BKF Steps for Settling Collection Accounts:

6. After you reach an agreement, request the terms be sent to you **in writing** and signed by an **employee or supervisor** at the company. If you are making a settlement for less than the full amount, ensure the collector provides you documentation stating the account is settled in full and will not be sold to a third party for additional collection efforts. Include in your negotiations an update of your credit report to either show "paid" or "settled" and get that in writing.

7. Send only a **money order** or **cashier's check** as payment.

8. Keep **excellent records** and don't forget about the IRS! (remember - you are charged income taxes on any amount forgiven. If you are insolvent and can prove it, then you can apply to have those taxes waved)

Fin.

Disputing Items on Your Credit Report

Remember: your credit **report** *is* important and is what may allow you to obtain employment, apartments and even turn on utilities. Your ***credit score*** is what gets you into debt. Therefore, those aiming to stay out of debt would do best to keep their credit reports **clean** with **no entries.**

But even if you have delinquent items on your report, the sting from these items becomes less and less as soon as 3-4 years pass.

Officially, negative items fall off of your credit report in 7 years due to the fair credit reporting act (FCRA), though some shady collection agencies re-age your accounts.

3 Steps for Disputing Old or Inaccurate Items on your Credit Report

Step 1

You must first dispute that the debt is either inaccurate or time-barred/ obsolete (older than 7 years) with each of the **three credit bureaus.**

Step 2

Then you can dispute with the **collections agency** or **original creditor.**

Step 3

If no progress is made here, you can:

- ❑ Report the debt collector for violation of the Fair Debt Collections Practices Act (FDCPA) to the state attorney generals office.
- ❑ File for an investigation with the Consumer Financial Protection Bureau (consumerfinance.gov/complaint).
- ❑ Contact an attorney (should cost you nothing) and in court, obtain a $1,000 judgment for the violation.

www.BrassKnuckleFinance.com

Something to understand:

When people talk about "fixing credit" normally they're technically speaking of two different things at once.

Your credit REPORT is not the same as a credit SCORE.

The latter is only useful in struggling. Its what we call a "broke masker". You may think you're getting wealthy but you're just shuffling other people's money around until you realize you've become other people's property.

Your credit REPORT on the other hand (read: <u>not</u> your score) along with the cash you save because you refuse to pay interest to scam a$$ banks is useful in what you're trying to do.

The difference between credit reports and credit scores:

CREDIT REPORTS = JOBS, APARTMENTS & INSURANCE

CREDIT SCORES = LOANS & DEBT

WE MUST UNDERSTAND THE DIFFERENCE BETWEEN CREDIT SCORES AND CREDIT REPORTS.

WWW.BKFUNIVERSITY.COM

Trying to get an apartment? A clean credit report with no entries (positive or negative) plus your cash deposit.

Trying to get car insurance? A clean driving record, credit report and if you're smart, paying the year in advance and in full (its refundable).

Trying to get a car? If you can not afford to pay cash for a car, you can not afford that car. Period.

But when you ***do*** stop playing around with debt, you'd be surprised at how powerful your cash flow becomes allowing you to save for one.

Trying to get a job? There is no employer in America who A. checks "your credit score" and B. has the legal authority to check or use that credit score in hiring decisions. By law, only your credit REPORT can be used.

How do you get a credit report that will allow you to get hired anywhere? Stop playing around with debt and constantly finding yourself paying a myriad of bills with past due balances and 6 month delinquencies.

Its the largest source of misinformation on credit scores and reports there is in America. You are not applying for a loan, no one cares about a credit score in hiring. They're looking

at whether or not you're ALREADY in financial trouble which, to them, will put you at risk of doing illegal or immoral things at work. (according to some employers)

Keeping a clean credit report is super simple yet we keep letting these internet credit repair clowns convince us that we need to pay them $500-$5,000 to "fix our credit" (ie boost your credit score).

These scam artists do this by temporarily clogged the dispute process system until one or more of your negative accounts are removed for a small amount of time.

Then your credit score will go up

temporarily allowing you to sign up for some more debt bullsh*t that you shouldn't have been signing up for in the first place.

However, since the scammer's credit fixing method is fraudulent, in about 60 days, those negative items pop back up on your credit report and now you owe twice as much – the old debt and the new debt.

Because if you're trying to "fix your credit report" more specifically, you need to understand that *there is no legal way to do so for accurate negative items.* By law, only time (7 years) can remove **accurate negative items** from your credit report.

You can not “pay-for-delete” to any company, debt collector or otherwise and think your argument will stand in court once you find they’ve taken your money.

NOTE: ITS ILLEGAL TO TRY TO REMOVE ACCURATE NEGATIVE INFORMATION FROM YOUR CREDIT REPORT THAT ACTUALLY HAPPENED.

The only thing you can do legally is change the designation from “unpaid charge off” to “paid charge off”.

But its still delinquent. Its STILL a charge off whether you paid it or not.

When accurate info is listed (ie. sh*t you actually did), your credit can only "repair" itself through time. There is nothing you can physically do to change that.

It takes 7 years from the date of initial default for most negative items to fall off your credit report.

If you are not paying these items for mental relief, there is nothing that will come of it for you.

The only thing you can do is change the designation from "unpaid charge off" to "paid charge off". But yes, its still delinquent. Its STILL a charge off whether you paid it or not.

But if you focus on building wealth, not credit, you won’t even realize the time passing.

But if you keep playing credit score tricks and signing up for new debt, that 7 year time frame will keep resetting and resetting and resetting.

Now of course everything previously mentioned is assuming you are already past the statute of limitations to be SUED which is also different from credit reporting negative items – something that doesn't have legal consequence.

Don’t be dumb. Keep cash, investments and a clean credit

report and you can do anything on earth. If you feel you must take out a mortgage, use your student loan or car payments to build your mortgage score.

But net-net, understand that you only use credit SCOREs to fall further into debt.

Still, even after everything that has been explained on previous pages, there will be some knuckleheads who insist on having someone illegally "fix their credit score".

And these people will undoubtedly **become a statistic.** I'll show you how it happens over the next few pages.

The "Credit Repair" Scam

Also known as *"The Jamming Scam"*

How disputing everything rips off consumers, slows credit system

1

Consumers with bad credit are lured by credit repair clinics, usually online.

2

The clinic disputes everything on the consumer's report – legitimate or not.

3

A huge volume of disputes jam the credit system.

4

By law, credit bureaus have 30 days to verify disputes.

5 If not verified in time, disputed items are removed – temporarily.

6 Consumers pay big sums for their spotless new credit reports.

7

Uh-oh: Once verified, legitimate bad marks reappear.

8

The consumer is poorer – and still has bad credit.

Credit repair clinics: What to look out for

* **Upfront fees:** By law, credit repair companies are not allowed to ask for payment before any services have been completed.

* **Fishy promises:** Credit repair clinics cannot force credit bureaus to permanently remove legitimate bad marks from your reports.

* **Vague information:** Under the Credit Repair Organizations Act, a credit repair company must provide you with a written contract upfront and clearly disclose your consumer rights. The company must also tell you ahead of time what you can do without the clinic's help. And it must give you at least three days after you sign a contract to decide whether or not to go ahead with the service.

* **Unethical requests:** If a credit repair company asks you to lie to a credit bureau or lender or use false identification, run. They're not just scamming you; they're asking you to break the law.

Source: CreditCards.com research

Fin.

Here's actually how so many people get hustled out of the last $500 – $3500 to their name consistently…

….EVEN THOUGH THEY ARE ALREADY STRUGGLING.

Step 1: You hear your homie's cousin's pimp surrogate grandfather named Tyrone or some sht talking about how they can clear your credit report and boost your credit score for the low price of $1,000.

Step 2: You sell yourself. In your mind you'd rather spend money to appear credit worthy for sh*t you don't need so you can do the same loan & credit

games that got you delinquent and in debt in the first place. You think you can get a $40k whip, an apartment you can't afford, some new cell phone service, maybe even a mortgage if your pimpin is tight.

**Step 3:* $1k is paid to Macaroni Tyrone for the work to begin immediately. Tyrone begins sending a barrage of mail disputes and electronic disputes to each of the three credit bureaus on all of the delinquent items on your report.

**Step 4:* Since the credit bureaus have to send everything to the original creditor you owe for verification, and since the

amount of verifications are overwhelming the system causing the original creditor not to respond in time, the credit bureau must remove those items from your report on the 30th day.

Step 5: Macaroni then sends you an updated copy of your credit report with a bunch of delinquent items removed.

He uses your 1 free credit report for this which is available on www.annualcreditreport.com

You're ecstatic and tell your homies to do the same. (mind you by this point Macaroni Tyrone has allll of you guys sensitive information at his disposal.)

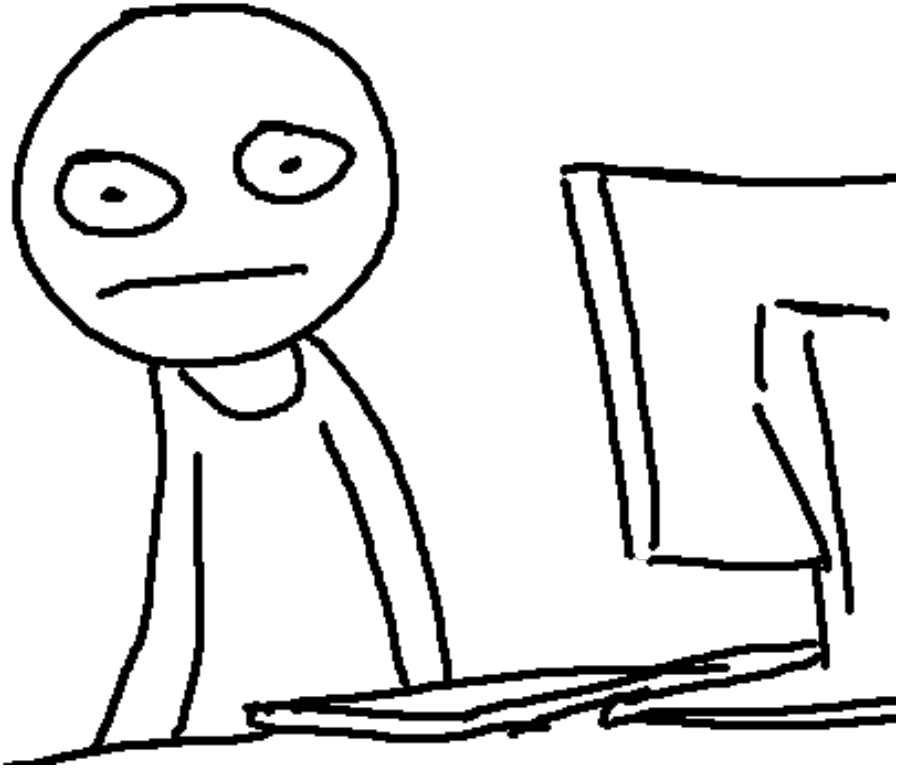
Step 6: On day 31, once the original creditor has gotten time to process the request, all of the items pop back up on 2 of the credit reporting bureaus (if not all three) and you not only are back to where you started but hiiiighly more likely to find yourself in identity theft as well from Macaroni's real hustle – selling your personal information to the highest bidder.

Step 7: You're also flagged by the Credit bureaus as someone who runs fraudulent disputes and they have the right to deny your requests to dispute the legitimate identity theft you SHOULD be removing.

Step 7: Alt 1 – if you were able to do the negrorific ballin out with that credit report in time before those items show back up, you're now a shit ton deeper in debt with the same credit report and no money.

Step 7: Alt 2 – even if the bureaus never reported those items again on your credit report and you went on spending like you currently became a millionaire, your credit report is not a legal document and all of those creditors can sue you before the statute of limitations runs out in your state and gain judgments that can be renewed indefinitely.

Step 8: I end up just sittin there lookin at you googly eyed when you come asking me for help.



Fin.

Regarding Bankruptcy

BKF Chapter 7 Bankruptcy Guidelines:

- If you owe **more than your current annual salary** in non-student loan, non-child support or non-mortgage debt, then you should definitely take the necessary steps to file Chapter 7 bankruptcy.
- If you owe ***half*** of your current annual salary in the same type of debt mentioned above, then you can start having the discussion with yourself/ significant other on whether or not you want to file Chapter 7. Though, remember, you can definitely knock this type of debt out in 24 months when you're completely fed up.
- You shouldn't spend anywhere over $1,200 - $1,800 to file Chapter 7, and thats with a good attorney.

A GOOD PORTION OF WEALTHY PEOPLE HAVE FILED BANKRUPTCY BEFORE

LARRY KING

HENRY FORD

WALT DISNEY

KIM BASINGER

MOZART

HENRY HEINZ (KETCHUP)

THOMAS JEFFERSON

ELTON JOHN

P.T. BARNUM (CIRCUS)

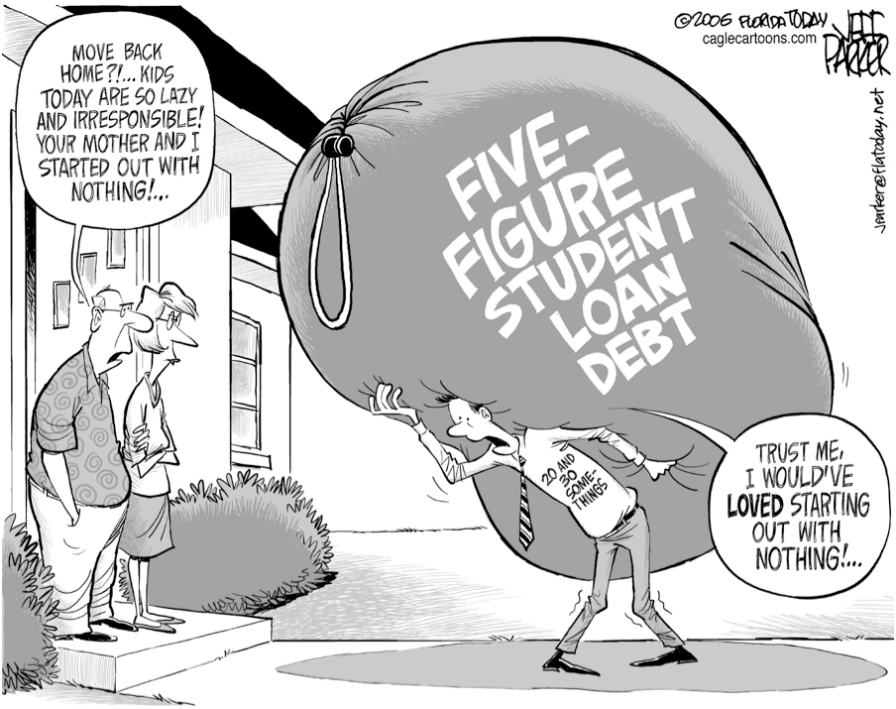
JUST ABOUT ALL OF THE JACKSONS

FRANCIS FORD COPPOLA

BUT YOU'RE STILL WORRIED ABOUT WHAT TINA FROM UP THE BLOCK WILL THINK??

BKF RULE: IF YOUR TOTAL NON STUDENT LOAN/MORTGAGE DEBT IS EQUAL TO YOUR ANNUAL SALARY, THEN YOU ARE A CANDIDATE FOR CHAPTER 7 BK.

Re-habilitating your Student Loans



The amount of delinquent student loan balances in this country is at an all-time high. I've personally seen these loans sneak up on more than just a few clients once that six-month grace period is over.

And almost everyone I've dealt with who've taken these loans

out, admit that they never fully considered the financial implications of doing so in the long run when they were just 17-18 years old.

But now that you've made these permanent life decisions, it’s time to right these wrongs.

And since it’s extremely likely you're not going to be discharging student loans in bankruptcy, it’s time to buckle down, educate yourself and knock out these debts, delinquent or non delinquent.

After all, dodging them is futile – in general, they will always be there no matter *what* you do.

Do you know what type of student loans you have?

Understand: If you have a student loan that was provided by or guaranteed by the federal government, your loan likely falls into one of two categories: **direct loans** or **indirect loans.**

- **Direct loans:** loans provided to you directly by the U.S. Department of Education.

- **Indirect loans/FFEL loans:** loans that are provided by private institutions, but ***guaranteed*** by the federal government. These loans are often called Federal Family Education Loans, or FFEL loans.

  But FFEL loans are a bit more complex than how they initially appear. In reality, the government does not directly insure FFEL loans, but rather acts through a guarantor. If you default on your loan, the guarantor will pay the lender (BofA, Wells Fargo etc) for your loan. The government in turn reimburses the *guarantor*.

  Then there are the entities that service/collect on your loan like Navient, Great Lakes etc. These entities you will likely be most in contact regarding your indirect loan. In 2010, the government eliminated the guarantors and other middlemen by passing legislation ending the FFEL program. After June 30, 2010, borrowers can only get direct loans.

But if you still do have an indirect/FFEL loan, you will almost always deal directly with the lender, guarantor, servicer or collection agency —not the federal government.

- **Subsidized/unsubsidized:** in short, Direct subsidized Loans have better terms than direct unsubsidized loans. The U.S. Department of Education pays the interest on a Direct Subsidized Loan while you're (A) in school at least half-time, (B) in the first six months after you leave school and/or during a period of deferment (postponement) of loan payments.

- **Stafford Loans:** renamed after the senator Robert T. Stafford for his work on higher education, these loans are the most common type of student loan in the U.S. Stafford loans have a fixed interest rate and can be subsidized or unsubsidized. Subsidized loans are need-based, whereas unsubsidized Stafford loans are not. The Budget Control Act of 2011 eliminated subsidized Stafford loans for graduate and professional students effective July 1, 2012.

- **PLUS Loans:** usually used if a student's Stafford loan is not large enough to pay for the student's education. These are the only kinds of federal loans that require a credit check. Often, parents will obtain a Parent PLUS loan

on behalf of their child. This in addition to having to take out a PLUS loan of any type in the first place, is the quickest way to know that you're borrowing too much for college.

- **Perkins Loans:** Perkins Loans are need based loans, and generally are smaller in amount than the other types. Perkins loans are given out by your school, with money provided to it by the Department of Education. Certain default rules and repayment options are slightly different with Perkins loans.

- **Consolidation loans:** a new/separate loan that pays off a your existing loans and combines them into one larger loan. Generally, consolidating your ***federal*** loans will not do a great deal for you, outside of limiting the number of entities you have to make separate payments to each month. If you have older federal loans with higher interest rates, it may be beneficial to consolidate to lower rates. Consolidating your private loans to lower interest rates only work if you (A) have a low or no origination fee and (B) do not extend repayment terms. Also, you can't consolidate private student loans into a Direct Consolidation Loan, but most private lenders will allow you to consolidate federal and private loans. (which rarely benefits you).

BKF Steps for Settling & *Rehabilitating* Student Loans:

Note: after nine months of missed payments, your student loan will go into default, forcing you to have to deal with rehabilitation to get it out. One thing you do NOT want to do is let a student loan go into default. You should drop everything and bring that student loan current if you are about to be in situation. Prior to that, when you are simply delinquent on your loans, you can call up your lenders and catch up on your payments. They may be willing to accept a payment and reduce payments for some period of time.

1. **Settling student loans:** once your loans have officially gone into default (vs just delinquent), you'll start to get even more frequent phone calls and letters. That correspondence may be in regard to the option of **settling** your delinquent student loans. If your student loan is guaranteed by the government, the best settlement the collection agency usually accepts is principal balance + 1\2 the interest that has accrued – possibly waving the collection fee. Never include your 401k or IRAs within your asset disclosure while in negotiations. Lenders can't deplete money held in qualified retirement plans.

   But again, this is ***settlement*** - meaning that you have the money to pay the settlement's balance that you negotiate in total. Most people reading this won't have $20k - $60k in a lump sum available to do this or you likely wouldn't have gone into default to begin. This means

that most people reading this should focus on *rehabilitating their student loans instead.*

2. **Rehabilitating your loans:** when you speak to your lender (likely via their collection agency), you'll want to request details on a rehabilitation plan. For Direct or FFEL loans, they will inform you will have to make nine monthly payments within 20 days of the due date during a period of 10 consecutive months. (For Perkins loans, it must be 9 out of 9 months). They'll also let you know that you are entitled to get out of default through rehabilitation only once per loan.

   If you are still in school, you can regain eligibility for federal assistance before on your 6th payment prior to rehabilitation.

3. There will normally be **interest** & **collection costs** added to new indirect loans coming out of rehabilitation. The collection costs can be no more than 18.5% of the unpaid principal not including accrued interest.

   For example, a defaulted loan of $8,500 plus $1,500 of accrued interest = $10,000. Fees of $1,850 can be added to the $10,000, which means the new loan balance will be set at $11,850. Can you get some of these

fees reduced without settling in full? Few people have, but you can try. Note that no collection costs are currently being charged for Direct Loans but this can change at any point.

4. Unless you object, the collector will use the 15% IBR formula to determine your reasonable & affordable rehab payment.

   The collection agencies earn their full commission if your monthly payment after consolidation is at least 1.29% for balances under $7,500, 1.14% for balances between $7,500 and $10,000, 1.00% for balances between $10,000 and $20,000, 0.87% for balances between $20,000 and $40,000, and 0.76% for balances over $40,000. So the collection agencies will pressure borrowers more when the monthly payment is below these thresholds. The collection agencies will also pressure borrowers when the payment is more than $25 less than the monthly payment under income-contingent repayment.

   The collector may tell you that you have to make a "good faith" payment while they are waiting for you to submit documentation of your income. Know that this is completely optional, though it normally won't hurt.

If you are having your wages garnished, you have a one time right to have the garnishment suspended if you make five required rehabilitation payments. But know that the rehabilitation payments are in ***addition*** to the amounts being garnished.

5. Within 15 days of the determination of the reasonable and affordable payment amount, the collector must give you a written rehabilitation agreement which includes the payment amount and other required information. For FFEL loans, know that behind the scenes, the loan guarantor will begin searching for a lender to purchase your loan or assign the loan to the government after you have made the required payments.

6. Once rehabilitation is complete, the loan is removed from default status and you are eligible for new loans and grants. Your credit report has the **rare** legal ability to be updated to show the collection account removed & original default status of your loans changed. However, the negative history of your actual late payments will remain.

Note: private loans made after June 30th, 2010 are not federally guaranteed and can be included within a bankruptcy.

Note 2: if you are not sure of how much in federal student loans you owe, or who you owe them to, please visit **www.nslds.ed.gov**

Fin.

All About Student Loan "Forgiveness"

Remember - only select federal (not private) student loans are forgiven under forgiven programs & its generally when the borrower's situation is dire for 10-25 years that these forgiveness programs ever make sense. **The vast majority of borrowers will not find any benefit from federal forgiveness programs.**

Federal Student Loan Forgiveness (FSLF)

If you're broke and you enroll into either the Income Contingent, Income Based or Pay as You Earn repayment plans, any remaining loan balance will be forgiven at the end of the pre-defined term, depending on the repayment plan you choose.

For most borrowers, IBR/PAYE payments total 10-15 percent of your discretionary income or less and then the loan is forgiven after 20-25 years depending on when the loan was taken out. So what's the problem? YOU'RE PAYING ON A LOAN AND HOPING TO BE BROKE FOR 20-25 YEARS!!

Oh, and did I mention that the above types of student loan forgiveness programs leave you exposed, like almost all debt that is forgiven, to a big tax bill by the government?

Public Service Loan Forgiveness (PSLF)

If you are employed by a government or non-profit you may be eligible to receive loan forgiveness that is not taxable as income under the PSLF program. It's a program that forgives the remaining balance on your Direct Loans after you have made 120 (10 yrs) qualifying monthly payments while working full-time for a qualifying employer. These qualifying employers are normally:

- ✓ Government orgs at any level (federal, state or local).
- ✓ Non-profit orgs that are tax-exempt.
- ✓ The AmeriCorps or Peace Corps.

If you have a $75k student loan balance, you make $35k/yr and you know damn well you're going to be struggling to pay it back with little hope of advancement at your non profit position at work, then yes this program can work out for you.

Teacher Student Loan Forgiveness

For teachers with Perkins Loans, you can get up to $27,500 cancelled after 5 years of teaching special education, math, science, foreign languages, bilingual education, teaching at a low-income school or teaching a field that has a shortage of qualified teachers in that state. For teachers with Direct loans, you may get up to $17,500 cancelled if you do the same. (but only $5k is forgiven if you're "just" a full time elementary teacher).

Top 3 Ways to get rid of Federal Student Loan Debt without Paying it Directly

#1. Tuition Reimbursement - See if your employer offers tuition reimbursement (there aren't many that pay previous debts, most employers pay for education you're *about* to do).

#2. Chapter 7 Bankruptcy - File for chapter 7 bankruptcy with a special exception for "undue hardship". Only problem is that undue hardship is harder to prove than if there is a God. The cases that fall under this exception are likely well beyond anything the typical person has experienced or could even imagine. Imagine that you got into a car accident and needed both legs amputated. Well, a double amputation would not be bad enough to qualify if you could still work without your legs in a field of study that you had used the loan to pursue. A chemical engineer, for example, could still work from a wheel chair.

#3. Unsecured Credit: - Utilize every line of credit and debt you have access to known to man. Buy out ALL of your student loan debts by placing them on unsecured credit related accounts/take out cash advances. Then file for traditional Chapter 7 bankruptcy.

Yes this is called bankruptcy fraud.

Yes you will fail.

Moral of the story: you are not getting rid of your federal student loans without doing the hard work to increase income, reduce expenses, sacrifice and pay them off.

(Note about private student loans: loans made prior to June 2010 follow the same rules as above. Loans afterwards are not backed by the government and follow normal bankruptcy rules. However no creditor will let you get to that point if you're trying to do this after a period of delinquencies because they'll sue quickly. You have to file *before* you go delinquent.)

#DoCollegeSmarter

HOW TO *STAY* OUT OF DEBT

1. Aim to keep the *same* habits you developed while ***getting out of debt.***
   - Continue budgeting, planning and practicing frugality.
   - The BKF rule for rent is *optional* once you're out of debt. (but recommended)
   - Continue refusing to sign up for new debt.
2. Keep **liabilities low** by paying as many bills as possible up front for the year.
   - This forces you to only spend what you can afford.
   - You can often command great discounts by doing this as well.
   - Remember, bills aren't debt but they can quickly become debt.
3. Always stay properly insured: *Auto, Medical, Long term care, proper business insurance, business entities etc.*
4. Invest **like your financial future depends on it.** ***Because it does.***

Keeping the same habits:

- Turn off the TV and the radio for significant portions of the day. Change your media intake to a balance of educational talks, podcasts, documentaries and ratchetness.
- Use a strong financial goal to stay on track and to ignore all of the daily distracting messages.
- Use the "one in, one out" method for sizeable purchases as well as the "dual account method".
- Refuse to touch credit or debt in your personal life. (use a business if necessary)
- If you don't have the cash, right now you've gotta pass. **Be patient.**
- Pay as many monthly bills in advance and for the year as possible. Buying cars/ leasing cars in cash, prepaying insurance and even rent will command you sizable discounts.
- Remember, your goal isn't to pay all of your bills on time, **its not to have (m)any in the first place.**

Staying properly insured:

- **Child birth insurance -** also known as condoms and birth control and keeping it in your pants. This can save you over $240k over a 17 year period.

- **Gold digger insurance (male or female) -** also known as prenups, trusts and avoiding legal marriage altogether

- **Car insurance:**

  - ☑ Bodily injury: $100k per person/ $300k per accident
  - ☑ Property damage liability: $100k
  - ☑ Uninsured/Underinsured bodily injury: 100k per person/ $300k per accident

Staying properly insured:

(cont)

- **Renters/Homeowner's Insurance** - enough to cover all potential damages to rebuild or replace the covered items.

- **Personal Umbrella Policy** - $1million dollars in additional/ supplemental coverage. Normally used as protection in a lawsuit.

  - Umbrella insurance provides additional liability coverage above the limits of homeowner's, auto, and boat insurance policies. It can also provide coverage for claims that may be excluded by the primary policies. These may include, but are not limited to False arrest, Libel, Slander, Invasion of privacy

Staying properly insured

(cont)

- **Life Insurance:**
  - Renewable 20-30 year TERM insurance only.
  - Stay the unholy hell away from Whole Life or annuities of any type.
  - The purpose of this insurance is to hold you over until you can become self-insured by your assets. The renewable clause in a term life insurance policy means that the insuring company will allow you to renew your policy at a set rate without undergoing a medical. This means that if an insured person is diagnosed with a fatal disease just as the term runs out, he or she will be able to renew the policy at a competitive rate despite the fact that the insurance company is certain to have to pay out.
  - Look to obtain 8-10 times your annual income as an insurance payout.

Staying properly insured (cont)

- **Medical Insurance –** though there are a ton of variables with medical insurance, the main thing to know is that most medical insurance in the U.S. sucks hot lava balls. With that being said, it still beats being uninsured any day of the week. As well, you need to avoid all of the hoopla on high deductible insurance – it doesn't work for those who need it the most.
  - A good rule of thumb is to keep a low deductible ($500 or below)
  - Keep at least 20/80 co-insurance
  - Keep your co-pays for regular doctors visits around $20-$30 and below
  - You'll also need a policy with a max out of pocket clause
  - Supplemental health insurance (Aflac) and dental insurance are good bets as well.

Staying properly insured (cont)

- **Long term care insurance** – a nursing home can cost about $74,208 a year per person. If you and your spouse go into an assisted living facility with $300,000 in life savings, you'll have it used up so fast you won't believe it.
  - You can save yourself a good portion of that liability by purchasing a long term care insurance policy though it could run you about $4,000+ a year. If you are approaching 60, start looking at long-term care insurance.
  - Don't buy it before then (it's not necessary enough at that point) or after (it can get away too expensive). Remember, rich people and poor people don't need long-term-care insurance. Poor people can turn to Medicaid. Rich people can self-insure. So the question comes down to those in the middle.

Oh, and did I mention "child birth insurance" already??

Also known as:

- *condoms*
- *birth control*
- *keeping it in your pants* ***until you can afford to take it out***

Did I mention that this can save you over ***$240k over a 17 year period??***

Investing for your future:

Why Investing is Important

Most people know that their **incomes** are **important.** When you have an **income,** *regardless* of what that income is, you are miles ahead than if you did not.

Now, as we've discussed so far, the **absolute best use** of that income, outside of for the purchasing of food/shelter & basic necessities, is to help us *get out* and *stay out* of **debt.**

Once we are out of debt and no longer paying interest to banks, we can then use this income to set money aside for the **type of future we want** (for ourselves and our families).

However, *even when we have a life without debt*, many of us also know that the **average income** can only take us so far, that the average **savings account** can only take us *so far.*

At a certain point, our paychecks may not keep up with inflation. And over long periods of time, the balances in our savings accounts will *definitely* not keep up **with inflation.**

Therefore…

We must each find our specific *multiplier.*

A **multiplier** is something that allows you to take your income and multiply it, ***significantly.***

Its a type of investment that leverages an adequate amount of risk to produce outsized returns.

But all too often, we call expensive consumer purchases "investments" ***when they are not.***

You can not invest in **new clothes.**

You can not invest in a **new car.**

You can not invest in a **new couch.**

You can not invest in a **new weave.**

An investment *should be* **diversified** and must have the ability to **increase in *value*** *with* or *without* your involvement.

"Negro Index Fund" example: $7k invested in *2002*

Note: The discretionary income of a millennial household is $13,514/year. For Black millennial households its a little less. Lets take a look at what would have happened if just $7k of our discretionary income was used to invest in the companies we buy products from.

The Negro Index Fund | Create | Modify | Views | Tools | Alerts | Help NEW

Tracking | My View | My Performance | X-Ray

2002

Snapshot | News & Opinions | Intraday | Gain/Loss | Fundamental | Insights

Name	Shares Held	$ Cost Per Share	$ Total Cost	$ Market Value	$ Unrealized Gain/Loss Since Purch	% Unrealized Gain/Loss
Yum Brands Inc	22.00	11.27	247.94	1,829.96	1,572.78	634.34
Wingstop Inc	8.00	30.50	244.00	211.28	-32.80	-13.44
Target Corp	9.00	28.60	257.40	702.00	445.14	172.94
Starbucks Corp	48.00	5.17	248.16	2,816.16	2,567.52	1,034.62
Sprint Corp	27.00	9.30	251.10	119.48	-131.49	-52.37
SLM Corp	20.00	12.24	244.80	145.60	-97.60	-39.87
Ross Stores Inc	47.00	5.23	245.81	2,241.90	1,996.09	812.05
Restaurant Brands Intern...	7.00	35.05	245.35	249.55	4.55	1.85
Popeyes Louisiana Kitche...	13.00	18.52	240.76	724.10	483.47	200.81
Nike Inc Class B	21.00	11.80	247.80	2,586.36	2,336.25	942.80
Netflix Inc	390.00	0.64	249.60	42,299.40	41,905.11	16,788.91
McDonald's Corp	15.00	16.08	241.20	1,527.75	1,286.85	533.52
LVMH Moet Hennessy Lou...	13.00	18.40	239.20	465.79	226.59	94.73
Herbalife Ltd	35.00	8.13	284.55	2,034.20	1,762.25	619.31
General Motors Co	7.00	33.80	236.60	225.26	-11.06	-4.67
Ford Motor Co	30.00	8.32	249.60	429.60	180.30	72.24
Foot Locker Inc	23.00	10.50	241.50	1,626.10	1,386.44	574.10
Finish Line Inc	55.00	4.50	247.50	1,071.40	820.60	331.56
Dollar Tree Stores Inc	28.00	8.76	245.28	1,827.56	1,580.88	644.52
Del Taco Restaurants Inc	26.00	9.60	249.60	362.18	110.76	44.38
Darden Restaurants Inc	13.00	18.98	246.74	882.44	636.74	258.06
Comcast Corp Class A	16.00	15.63	250.08	942.88	692.80	277.03
Coca-Cola Co	11.00	21.92	241.12	451.33	210.32	87.23
Chipotle Mexican Grill Inc...	5.00	47.52	237.60	3,561.75	3,327.25	1,400.36
Cash America Internation...	61.00	4.06	247.66	1,739.11	1,491.45	602.22
Apple Inc	240.00	1.02	244.80	26,714.40	26,472.00	10,813.73
Amazon.com Inc	15.00	16.43	246.45	8,050.50	7,778.55	3,156.24
Alphabet Inc Class A	5.00	50.05	250.25	3,361.10	3,090.15	1,234.83
The Negro Index Fund			**6,922.45**	**109,199.14**	**102,091.89**	**1,474.79**

Total Spent in 2002

Current price of the portfolio in 2015

Now, just imagine if you added $7k to the NIF *every year* *since then...*

www.BKFInvestingSchool.com

The BKF Millionaire Roadmap

The Mark

Once you've reached the millionaire mark.
(10 years after "Tank Mode")

"Can't tell me nothin"

When you have $100k liquid in the bank and no debt.
(Assuming $2k/month in debt free cash flow, this would take a max of 25 months from The 50s.)

100% *Debt Free*

w/ a beginner retirement account and a 3-6 month emergency fund in the bank.
(all student loan debt should be paid in 10 years or less)

All consumer debt is paid w/only student loan debt left.
(24 months after emergency fund)

Start Here

Massive amounts of debt.
(but with a job making at least your age in annual income)

"Tank Mode"

$250k in cash & investments + no debt.
(Assuming $2k/month in debt free cash flow and $100k in the bank, this would take a max of 4 years investing from CTMN.)

"The 50s"

(Not an age group)
When you're debt free, you have **$50k** in the bank, make **$50k/year** at min. and you *don't* have **50 million kids.**

Full **3-6 month emergency fund** is saved with just a few years of student loan payments left.
Employer 401k investing to the match begins.
(3 months after consumer debt)

$2,000 emergency fund is saved by reducing excess liabilities.
(3 months after start)

www.BrassKnuckleFinance.com

THE BKF 15 YEAR PLAN

Note: there is no reason that anyone practicing the info found in this book shouldn't be technically retired 15 years from the date you become consumer debt free.

Below is how to achieve it:

- ***Step 0:*** ***Eliminate debt.*** Using the BKF 7 Steps to Zero Debt, to build an emergency fund and pay off all debt *aside* from student loans. *(note: in this plan you will be investing while paying down std. loans)*

- ***Step 1:*** ***Calculate your needs.*** Ask yourself how much you (or you & your significant other) need from annual investment income in order to not to "*have to*" work in 15 years. To find out what produces the type of income you're looking for, take any number and use 5% as the interest rate.

- ***Step 2:*** ***Choose your investment strategy.*** Before you can get the appropriate sized nest egg needed to produce income for you, you'll need to find your "multiplier" (aka *investment choice*). Once you choose the investment you're going with by reading BKF Investing School, you'll want to calculate how much your household needs to contribute from your income each month to grow those investments. Use 9.7% as the minimum rate of return when making this calculation. You can use any compound interest calculator online you choose.

- ***Step 3:*** ***Work the plan.*** Over the next 15 years, keep incredibly disciplined in your monthly contributions to your investments and overall strategy.

- ***Step 4:*** ***Transition your holdings.*** In order to produce income that's pretty consistent, generally you'll want to move your money out of the risky investments that built your nest egg into less risky investments set up to produce income. This can be a group of high yield bonds, blue chip dividend paying stocks etc.

- ***Step 5:*** ***Teach others.*** Oh no…work isn't done, my friend! ***Having*** to work is done. But now you get to choose what you want to do each day while you experiment with a variety of things you're passionate about… which may also end up generating lots of income.

15 Year Plan Example:

- ☑ Become debt free with a $10k emergency fund.
- ☑ Determine that in 15 years, you'll need $60k/year to live on.
- ☑ Calculate that to produce $60k/year in income from your portfolio, you'll need $1.2 million in the bank earning 5% in interest annually.
- ☑ Use the investment calculator to determine with a $1.2 million investment portfolio, you and your significant other would need to save and invest $3k/month.
- ☑ Begin setting aside $3k/month into a personal brokerage account using the BKF Investment Strategy of your choice.
- ☑ Reach your goal in 15 years.
- ☑ Transition your holdings to a portfolio of high yield bonds or medium yield dividend stocks.
- ☑ **Retire.**
- ☑ **Teach others.**

BKF 15 Year Plan 'Investment Cheat Sheet'

Amount you hope to generate* annually from your nest egg	Amount you need to save & invest each month to do so *(15 yrs)*
$40k/year	$2k/month
$60k/year	$3k/month
$80k/year	$4k/month
$100k/year	$5k/month
$120k/year	$6k/month
$140k/year	$7k/month
$160k/year	$8k/month
$180k/year	$9k/month
$200k/year	$10k/month

***Note:** generally anything your money earns is taxable as income.

Where to put your money now:

- ❑ As soon as you're out of consumer debt, start a retirement account at work and **invest to the match.** For anything over the offered match, consider a Roth IRA. **Employer sponsored plans are expensive.**

- ❑ For purchases you want to make or things you want to accomplish ***before*** 5 years from now, that money should be **saved in an ordinary savings account or CD.**

- ❑ For things you want to obtain/ accomplish 5 years and beyond from now, that money should be **invested in a pre-retirement brokerage account described in**

Or….

www.BKFInvestingSchool.com

Once you're out of debt, you can also consider just stacking your money for some time and being ***patient.***

Why?
WHY?

BECAUSE THE BUBBLE ALWAYS *BURSTS.*

THERE IS *ALWAYS* A *COLLAPSE.*

Wait for ***your* pitch.**

Warren Buffet

www.BKFInvestingSchool.com

What you should always aim to avoid buying *at full price:*

- ❑ **Real estate**
- ❑ **Individual stocks***
- ❑ **Automobiles**
- ❑ **Clothing**
- ❑ **Food/Groceries**
- ❑ **All other big ticket items**
- ❑ **Children**
- ❑ **Hookers**

One individual stock bought during a normal market under the gambling portion of your BKF portfolio is permitted as long as you understand that its just that – *gambling.

=

FOOL PRICE

J.P. LYNN

www.BKFInvestingSchool.com

" THE STOCK MARKET IS A NO-CALLED-STRIKE GAME. YOU DON'T HAVE TO SWING AT EVERYTHING - YOU CAN WAIT FOR YOUR PITCH."

Warren Buffett

www.BKFInvestingSchool.com

But know that this is *not* a one sized fits all approach.

Many people will not have the discipline to be able to take advantage of market collapses and crashes at full capacity.

And that's ok.

You have to ask yourself:

"Do I trust me to pull the trigger when its time?"

If you *do:*

-Wait for market pullbacks.
(5% from most recent high in the S&P)

-Wait for market crashes.
(40% - 50% drop in the S&P)

-Locate an extremely favorable deal on a *foreclosure.*
(20% - 50% below market)

-Wait until an area's local business economy softens (20% discount)

-Grab a reliable car from an auto action. (30% below market)

But if you *don't* trust yourself to pull the trigger in a crash, you should instead keep investing quarterly. However, this does not mean buying individual stocks or chasing home prices. You have to…

FIND YOUR

=

PARACHUTE

J.P. LYNN

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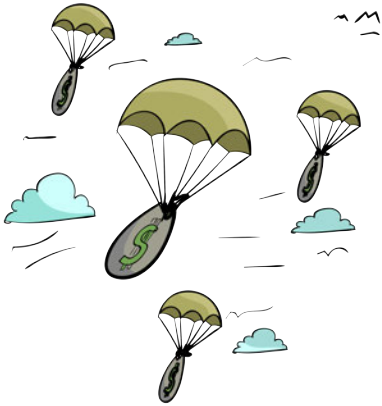
A *parachute* allows you (and your money) to land softer once a market collapses.

It provides you options to take advantage of once the panic starts, once jobs are lost and incomes stall.



A diversified portfolio of *ETFs* is a *great parachute.*

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Renting while buying rentals is a great parachute.

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Staying *debt free* is a great parachute.

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Having no bills and a great monthly cash flow is a great parachute.

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But staying debt free with a great cash flow *and* money in the bank is the *best parachute.*

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STOP CHASING HOT STOCK TIPS.

STOP CHASING GROSSLY OVERPRICED HOUSES.

J.P. LYNN

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KEEP CALM AND STACK MONEY

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Learn the art of patience. Apply discipline to your thoughts when they become anxious over the outcome of a goal. Impatience breeds anxiety, fear, discouragement and failure. Patience creates confidence, decisiveness, and a rational outlook, which eventually leads to success.

Bryan Adams

www.BKFInvestingSchool.com

PATIENCE IS THE ART OF CARING **SLOWLY.**

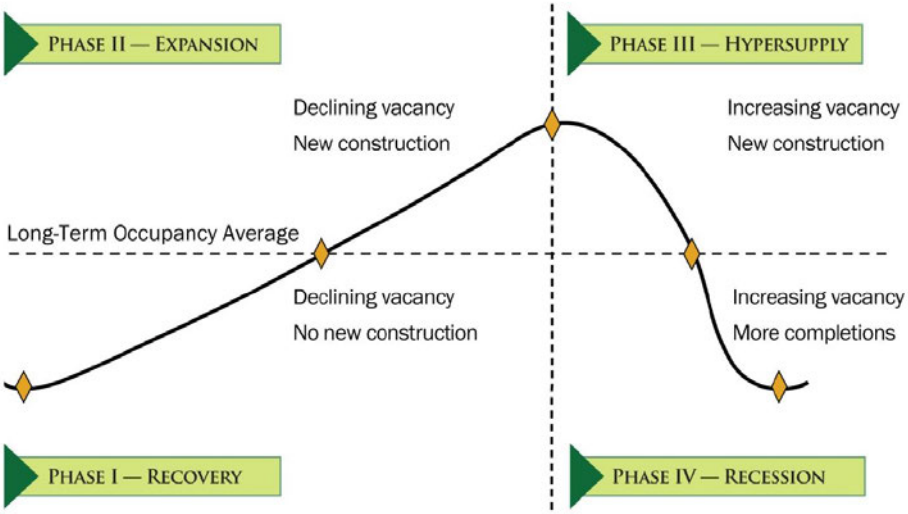
JOHN CIARDI

www.BKFInvestingSchool.com

“Be fearful when others are greedy. **Be greedy when others are fearful.”**

-Warren Buffett

The Real Estate Cycle



Source: Mueller, Real Estate Finance

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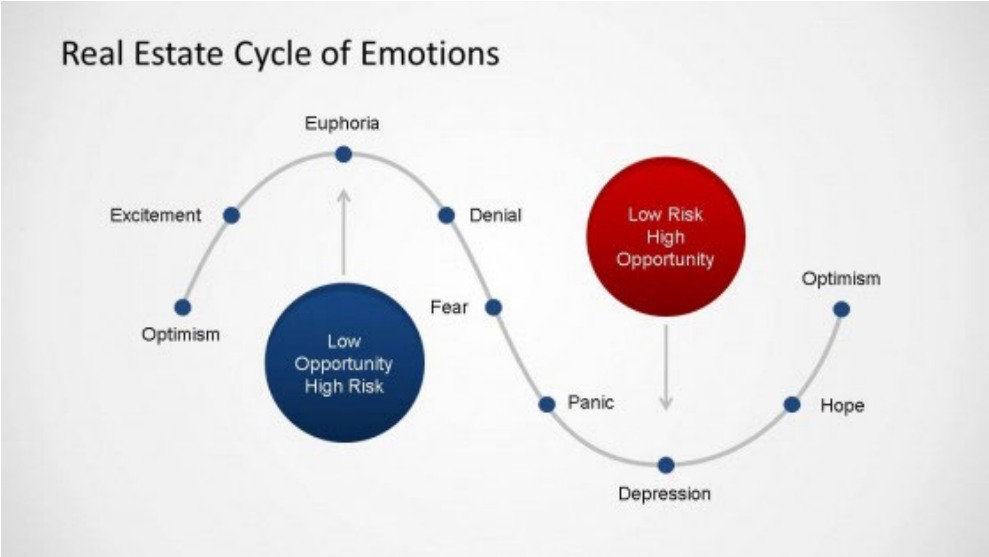

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California Earthquake Timeline

Table 6-1: Southern California Region Earthquakes with a Magnitude 5.0 or Greater			
1769	Los Angeles Basin	1916	Tejon Pass Region
1800	San Diego Region	1918	San Jacinto
1812	Wrightwood	1923	San Bernardino Region
1812	Santa Barbara Channel	1925	Santa Barbara
1827	Los Angeles Region	1933	Long Beach
1855	Los Angeles Region	1941	Carpenteria
1857	Great Fort Tejon Earthquake	1952	Kern County
1858	San Bernardino Region	1954	W. of Wheeler Ridge
1862	San Diego Region	1971	San Fernando
1892	San Jacinto or Elsinore Fault	1973	Point Mugu
1893	Pico Canyon	1986	North Palm Springs
1894	Lytle Creek Region	1987	Whittier Narrows
1894	E. of San Diego	1992	Landers
1899	Lytle Creek Region	1992	Big Bear
1899	San Jacinto and Hemet	1994	Northridge
1907	San Bernardino Region	1999	Hector Mine
1910	Glen Ivy Hot Springs	???	

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10 WORST US STOCK MARKET CRASHES

	When	Length	Total loss
1	1901-1903	875 days	46.1pc
2	1906-1907	665 days	48.5pc
3	1916-1917	393 days	40.1pc
4	1919-1921	660 days	46.6pc
5	1929	71 days	47.9pc
6	1932	813 days	86pc
7	1937-1938	386 days	49.1pc
8	1939-1942	959 days	40.4pc
9	1973-1974	694 days	45.1pc
10	2000-2002	999 days	37.8pc
	And....		
11	2007-2008	182 days	50%

Source: About.com

www.BKFInvestingSchool.com

ONCE YOU
STOP CHASING
THE WRONG THINGS,
THE RIGHT ONES
CATCH YOU.

-Unknown

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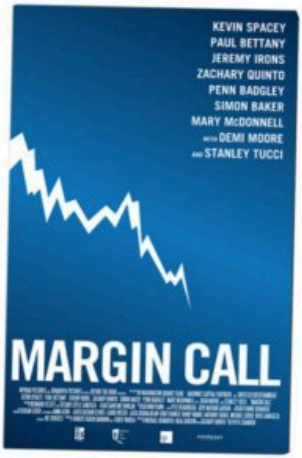
THE SECRET TO OBTAINING WEALTH IN AMERICA IS IN WAITING FOR THOSE WHO USE **DEBT** TO ***DEFAULT*** AND THEN GOING IN TO BUY ALL OF "THEIR" ASSETS IN ***CASH***.



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Build wealth, not *credit.*

Jarim Person-Lynn

www.BKFUniversity.com

Fin.

Course 3:

THE ART OF BUDGETING

Brass Knuckle Finance™

“Financial planning doesn’t start with a budget. **It starts with a plan** and ends with a budget.”

Michael Martin

www.BKFUniversity.com

A budget is simply a **tool** individuals use in hopes of gaining better control over the **cash-flow** needed to fund their ***financial goals.***

However, before we can devise an effective budget to do so, we must clearly lay out these financial goals in the most attainable order possible.

This is so we know why we're doing what we're doing and how we're going to go about doing any of it all in the first place.

The actual process we use is called Goal Based Budgeting. It essentially creates the driving desire to **adhere to the very budgets we create & with adequate deadlines.**

Here are some examples of larger financial goals many of my clients use to build their budgets around:

- ☑ *Getting out of debt*
- ☑ *Buying a house*
- ☑ *Starting a business*
- ☑ *Getting married*
- ☑ *Buying your child a car*
- ☑ *Sending your kids to college*
- ☑ *Taking a vacation*
- ☑ *Retirement*

"A **goal** is a **DREAM** with a **DEADLINE.**"

—Napoleon Hill

Setting your Financial Goals

1) The first thing you'll want to do is to take out a piece of paper & pencil and then think long and hard about ***all*** of the things you want to accomplish in life. Jot ***all*** of these goals down in no particular order.

2) Next, out of the goals you want to accomplish, go ahead and circle which ones you believe will require sizeable amounts of money to do so.

3) Now, transfer all of those newly circled goals to the templates shown on the upcoming pages and add the amount it will take to achieve each. You'll want to organize the goals chronologically - first with **current year** goals, then **5 year**, **10 year** and finally any goals being achieved ***after*** 10 years from now. Feel free to print these pages out.

2016 Financial goals

- ☐ When:
- ☐ When:
- ☐ When:
- ☐ When:
- ☐ When:
- ☐ When:
- ☐ When:
- ☐ When:
- ☐ When:
- ☐ When:

5 YEAR FINANCIAL GOALS

- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____

10 YEAR FINANCIAL GOALS

- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____
- [ ] _____ When: _____

LONG TERM FINANCIAL GOALS

- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____
- ☐ _____ When: _____

4) Now that you know what your financial goals are, its time to create a budget that will allow you the appropriate cash flow needed to achieve them.

And what exactly is cash flow?

Borrowed from the business world - "cash flow" basically tracks how income is moving in and out of something.

If you think of your household as a business, your most important short term objective, regardless of how much debt you have to pay off, would be to generate a "positive cash flow" at the end of the month.

In other words, a positive cash flow is when you either have more cash coming in than you do going out or you have the exact amount coming in as you have going out.

However, there is an inherent problem here for most people.

Since your household likely has an overwhelming amount of debt payments compared to take home income, its highly likely that debt is constricting your cash flow.

Without the proper cash flow, you can't invest or save properly. Without investing or saving significant amounts, **it will always be extremely difficult to meet your *financial goals.***

Therefore the primary 5 year financial goal for most people reading this book will be ***to get out of debt.***

The BKF Budgeting Method is designed specifically to allow you to do so.

The Math is Simple.

WEALTH BUILDING IS SIMPLE.

MONTHLY INCOME

+ FEWER LIABILITIES

= POSITIVE CASH FLOW

POSITIVE CASH FLOW

+ TIME

+ INVESTING

= WEALTH BUILDING

LET'S BE HONEST.

We both know how you currently do it during the month.

..First you spend until there's no money left.

..Then you spend until you've reach your credit card limits.

..Then you start dipping into overdraft.

And once they shut off your cards and your overdraft is exhausted, you high-tail it into the nearest **payday loan shop.**

But that all ends today. So lets get straight to it, shall we?

Introducing the BKF Budgeting Method – a proven method to help save yourself from yourself.

What you'll need to create a BKF Budget:

Pen
& Paper

A computer
with Excel

A mint.com
account

A list of your
financial goals

Step 1: List out all of your *current monthly expenses* on a blank piece of paper (or your BKF Budgeting Doc).

- ❑ Make sure to also include the expenses that happen infrequently during the year. I.e. car repairs, Christmas gifts, birthday gifts, vacation fund etc.
- ❑ Take the **total yearly amount** for each of these infrequent expenses and divide by **12 months** to get the **monthly average.**
  - ➢ In an upcoming step, you'll open up a buffer savings account where the monthly amounts you just calculated will be transferred to and then tapped when needed.
- ❑ Remember that **expenses** = your **bills** + your **spending**.
- ❑ Don't forget to note both your take home income and your gross monthly income on the sheet of paper.

Step 1 - Example

(using the BKF Budgeting Doc found in Your Toolkit)

BRASS KNUCKLE FINANCE

Personal Budget Worksheet - Current vs.

	Current
INCOME	
Take-home	2500
Misc	
Gross Income	33000
Take-home Income Totals	**$2500**
EXPENSES	
Mortgage/rent	1200
Utilities	100
Home repairs (buffer)	
Home improvement	
Home security system	
PMI	
HOA	
Home Warranty	
Garden supplies	
Laundry	10
Cellular telephone	110
Groceries	150
Dining out	200
Animal Expenses	
Gas/fuel	200
Auto Insurance	125
Repairs (buffer)	83
Maintenance (buffer)	25
Public transportation	
Cable TV	110

Internet connection	0
Netflix/Hulu/Amazon	0
Video/DVD rentals	
Music (CDs, iTunes etc.)	
Amusement	125
Health Insurance	
Prescriptions	30
Over-the-counter drugs	
Co-payments/out-of-pocket	
Life insurance	110
Vacations (buffer)	150
Clothing	200
Salon/barber	250
Gym fees	75
Child care	
Toys/child gear	
Misc child costs	
Religious organizations	100
Charity	
Gifts (buffer)	100
Incidentals (Target/Walmart)	75
Emergency Fund	
Retirement (401k, Roth IRA)	200
Family	100
Misc	50
Personal totals	**$3,878**

Debt Obligations	
Car payment	375
Credit card payments	150
Personal loan payments	100
Payday loans	
Student loan payments	
Debt Snowball	
Debt Obligation totals	**$625**
Total expenses	$4503
Cash short/extra	-$2003

(Your Budgeting Doc will automatically calculate how much you are over/under each month at the bottom)

Step 2: On your sheet of paper, create a new, **"Goal"** column next to where your *current expenses* are written. **Note:** these aren't financial goals, per se, but rather budget reduction goals.

Personal Budget Worksheet - Current vs. Goal		
	Current	Goal
INCOME		
Take-home	2500	
Misc		
Gross Income	33000	
Take-home Income Totals	**$2500**	
EXPENSES		

Step 3: *Cut back. Cut back. Cut back.*

- ❑ Go through your current expenses and cut back so you can find money to apply to your financial goals: getting out of debt, buying a house etc.

- ❑ Write the lower, revised numbers in your **goal column** while keeping the numbers in your *current column* in tact so you know where you came from. (you may want to highlight the areas you change as well)

- ❑ Only after you've matched your goal expenses with your current income should you aim to find ways to increase your income. This may help you pay off debt even quicker.

Example

(using the BKF Budgeting Doc found in your Digital Toolkit)

BRASS KNUCKLE FINANCE

Personal Budget Worksheet - Current vs. Goal

	Current	Goal
INCOME		
Take-home	2500	2500
Misc		600
Gross Income	33000	3925
Take-home Income Totals	**$2500**	**$3100**
EXPENSES		
Mortgage/rent	1200	650
Utilities	100	100
Home repairs (buffer)		
Home improvement		
Home security system		
PMI		
HOA		
Home Warranty		
Garden supplies		
Laundry	10	10
Cellular telephone	110	75
Groceries	150	150
Dining out	200	50
Animal Expenses		
Gas/fuel	200	200
Auto Insurance	125	85
Repairs (buffer)	83	83
Maintenance (buffer)	25	25
Public transportation		
Cable TV	110	

Continued

Internet connection	0	40
Netflix/Hulu/Amazon	0	14
Video/DVD rentals		
Music (CDs, iTunes etc.)		
Amusement	125	50
Health Insurance		
Prescriptions	30	30
Over-the-counter drugs		
Co-payments/out-of-pocket		
Life insurance	110	40
Vacations (buffer)	150	50
Clothing	200	100
Salon/barber	250	100
Gym fees	75	40
Child care		
Toys/child gear		
Misc child costs		
Religious organizations	100	0
Charity		
Gifts (buffer)	100	50
Incidentals (Target/Walmart)	75	25
Emergency Fund		
Retirement (401k, Roth IRA)	200	
Family	100	50
Misc	50	50
Personal totals	**$3,878**	**$2,067**

Continued

Debt Obligations		
Car payment	375	
Credit card payments	150	
Personal loan payments	100	
Payday loans		
Student loan payments		
Debt Snowball		1000
Debt Obligation totals	**$625**	**$1000**
Total expenses	$4503	$3067
Cash short/extra	-$2003	$33

(Where you previously had a deficit, your goal column should now be in the green. Your aim for this column is to always break even at bare minimum.)

Now, about your income…

To make any progress with the BKF Budgeting Process, or the 6 Steps to Getting out of Debt, you have to at **bare minimum** be making **your age in annual income.**

ie. If you are 30 years old, you should bare minimum be making ***$30k/year.***

If you have kids, you'll need to add **their ages** to your age and make that amount at minimum.

ie. if you are 30 years old and have a 5 and a 3 year old, you should be making at bare minimum $38k to do anything progressive with your money.

Note: Only after you've reduced expenses as much as possible, (ie. the bare minimum you need is to break even with your current income) should you then go back and consider *increasing* your income.

More money in and of itself will not solve your problems.

You have to know what to do with it and how to live within your means.

“Most people make waaaay too much money each month already to be in debt.”

Jarim Person-Lynn

www.BKFUniversity.com

Step 4: Open up a second checking account for spending and keep your primary checking account for bills.

- ❑ This 'Dual Account Method' helps force you to budget better and lowers the risk of fraud.
- ❑ Your full paycheck can be direct deposited in your primary checking account each pay period or you can have your employer split your check into both checking accounts.
- ❑ Only keep your **spending account's** **debit card** on you while in the streets.
- ❑ Remember to remove overdraft protection from every account!

Here's a partial list of items that should be paid for using your spending account's debit card each month:

- Fast food
- Restaurants
- Groceries
- Drinks at the bar
- Gas/Fuel
- Red Box DVD rentals
- Clothing purchases
- Concert tickets
- Electronics/accessories at Best Buy
- ***All*** Internet Purchases

And here's a list of BKF recommended checking accounts for *spending*:

- Black owned community banks
- Credit unions
- Bank of America (Core checking)
- Allybank.com
- USAA.com
- Unionbank.com
- Schwab.com
- Wellsfargo.com
- USBank.com

Note: Checking Accounts must have "free" checking or the ability to avoid account maintenance fees using direct deposit. No mandatory transferring of money between accounts to avoid fees. **Must have all overdraft "protection" removed.**

These are the last 24 Black-owned banks in the America:

- Alamerica Bank (Birmingham, AL)
- Broadway Federal Bank (L.A.)
- Commonwealth National Bank (Mobile, AL)
- Industrial Bank (Washington, D.C.)
- Axiom Bank (Maitland, FL)
- Carver State Bank (Savannah, GA)
- Citizens Trust Bank (Atlanta, GA)
- Illinois Service Federal (Chi)
- Seaway Bank (Chi)
- Metro Bank (Louisville, KC)
- Liberty Bank (New Orleans)
- Harbor Bank of Maryland (Baltimore)
- OneUnited Bank (Boston)
- First Independence Bank (Detroit)
- City National Bank of New Jersey
- Mechanics & Farmers Bank (Durham, NC)
- United Bank of Philadelphia
- South Carolina Community Bank
- Citizens Savings Bank (Nashvile, TN)
- Tri-State Bank of Memphis
- Unity National Bank of Houston
- First State Bank, (Danville, VA)
- Columbia Savings & Loan (Milwaukee)
- North Milwaukee State Bank (Milwaukee)

Step 5: Open up a second savings account online for your *buffer expenses*.

- ❑ **Your buffer savings account** along with your **primary savings account** (emergency fund) should both be online and have a 3 day transfer wait so you are discouraged to abuse it.

- ❑ Capitalone360 is excellent for these accounts. USAA.com, Allybank, FNBODirect.com & Everbank are good choices as well.

Here's how individual savings & investment accounts work.

Ordinary savings accounts – where your emergency fund should live (preferably in an online savings account).

Buffer savings accounts – a type of savings account for expenses that aren't monthly but that you know will come up at some point over the next year (i.e. Christmas gifts, car registration, new brake pads etc.)

CDs – for planned purchases between 1 and 5 years from now.

Brokerage accounts – investment accounts for things you want to do/buy/accomplish no SOONER than 5 years from now.

Retirement accounts – accounts for use during the traditional government mandated retirement phase of your life: 59 & ½ years old – 67 years old.

Step 6: Open a Mint.com account to let it whip you into shape.

- ❑ The Mint.com website is where you want to start. Load all of your checking, savings and loan accounts into your mint account.
- ❑ Download the app so you can both check where you are within your budget and get alerts when you've gone over specific spending categories.
- ❑ Every week you should set aside 30 minutes to go through your Mint.com transactions to re-categorize them. Understand that Mint only works if you put in the work to manage it.

mint

Oh and just…

Just sayin.

Now often times when trying to get our lives and our finances together, there exists a straight up mess we need to fix prior to even starting the main getting out of debt process even begins.

Sometimes this can include paying car registration, overdrafted checking accounts, delinquent family loans etc.

For this reason, we've created the BKF Battle Plan template shown on the next page along with an example of how to use it.

THE BKF Battle Plan

DEBTS

Fires

What do I need to do?

- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____
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- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____
- ☐ _____ _____

EXAMPLE

DEBTS

CURRENT:

Car loan - $14,950

Personal Loan - $4,000

Medical debt - $8,000

Payday loan - $1,240

PAST DUE:

Credit card- $450 (in collections)

Overdraft - $125 (not in collections

Student Loans - $44,850 (not in collections)

Fires

Overdraft due immediately - $125

Payday loan ($680) due 3/28

Rent ($1,450) is due on 4/3

Need to replace alternator on BMW within the next two weeks- $600

Need to start making payments on loan from my aunt - $200/month

Car registration ($275) due 4/15

What do I need to do?

☑	Sell $250 worth of items around the house	by 3/26
☑	Bring checking account balance positive with $250	by 3/27
☐	Renew payday loan	by 3/28
☐	Find roommate willing to sublease my living room	by 3/30
☐	Interview for part time/ after hours/weekend jobs	by 3/30
☑	See if I can postpone first payment on loan to aunt	by 4/1
☐	File 2015 tax return	by 4/1
☐	Use $750 from tax refund to pay off payday loan	by 4/14
☐	Use $600 from tax refund to replace alternator	by 4/15
☐	Get BMW appraised at CarMax for future sale	by 4/16
☐	With last $400 from ref, bring student loans current	by 4/20
☐	Begin paying aunt $200/month	by 5/1
☐	Using roommate rent, save $500/month for 6 months	by 10/30
☐	Use $3k to pay difference on car value & sell to CarMax	by 10/30
☐	Plan to take public trans for 12 months	through 10/30/17
☐	Save $10,000 for car replacement fund	by 11/1/17
☐	Save $2,000 emergency fund	by 2/1/18
☐	Begin debt snowball payments	by 2/2/18
☐	Pay off $4,000 personal loan from aunt	by 5/1/18
☐	Ask for hardship and settle medical debt for $3,500	by 7/1/18

Other BKF Tips & Tricks

The One in/One out Method

For those who are trying to manage both their bottom line and household clutter, one thing you can do to manage spending is practice the BKF One in/One out Method.

This works just how it sounds. Before you buy anything new of substantial value, look around the house and try to find one item (or even two items) that you can sell in order to gather enough money to purchase that new item.

The main thing to know is that someone does in fact want to buy your crap. Sell it to them and replace it with that new shiny thing you've been eyeing if it's a must have.

Cheap vs Frugal

"Without frugality none can be rich, and with it very few would be poor." -Samuel Johnson

"Buying cheap is expensive." - My friend's grandmother

What is the difference between being *Frugal* and *Cheap*?

A frugal person will buy a brand new MacBook laptop from the Apple store with a warranty and AppleCare then proceed to use it for 6 years. A cheap person makes it a point to buy a new Acer pc ever 2 years...because it costs less upfront.

A frugal person will get a quality slightly used Honda Accord or Civic that will hold up for 10+ years.

A cheap person will end up throwing away money in a Chrysler every time it breaks down because...it costs less upfront when they purchased it from the dealer.

Frugal people buy well-made clothing at a fair price while cheap people buy flimsy, low quality clothing on clearance.

The focus for frugal people is on quality, desire and length of use.

The frugal also opt for simplicity and the elimination of excess. They do so while surrounding themselves only with high quality, sturdy items they can essentially rock until the wheels fall off.

The BKF Rule for Rent

Remember - when trying to get out of debt, always keep your rent at ***no more than:***

…of your ***gross*** monthly income.

"But there's nothing we can do about that right? Paying rent that's 50-85% of your monthly income is just the norm. I mean that's just how it is in a major city…."

And you'd actually be correct if your aim was to struggle for **the rest of your life.**

But if your aim is to strive for and eventually live the life you want to live without stressing over robbing Peter to pay Paul each month, then listen up….

Understand that:

You ***do not*** have to rent a room in someone else's 2 bedroom apartment *forever*.

You ***do not*** have to move into your parent's house to escape rent *forever*.

You ***do not*** have to work 2 jobs *forever*.

Your aim should be to do whatever financially you have to **today** so that you can do whatever you want to **tomorrow**.

Another way to think of it…

You currently pay $1,250/ month in rent on a $2,000 gross monthly income.

Over 5 years, this becomes

$75,000

in total rent paid to *someone else.*

What if you temporarily paid only a fraction of that amount?

And what if you decided to use the remainder to pay off your own debt instead of helping the landlord pay of theirs?

How to find/rent a residence when you're a single mother and have "jacked up" credit:

- ❑ Pay the extra security deposit required
- ❑ Find someone who is renting a house with two rooms available
- ❑ Find a guest house
- ❑ Find low income housing (for a veeeery short period of time. This is not a long term gift.)
- ❑ Move into a cohab situation with another mother (www.coabode.org).
- ❑ Move in with friends or family temporarily until you save up 3 times the deposit for an apt.

But never use an online co-signer service! Like ever…

How to get the equivalent of an $1,100 check deposited into your bank account *each month:*

1. Lower your **rent** by $400 by moving & sacrificing.
2. Pay $200 less for a **car lease.** (or $600 less for no car)
3. Pay $60 less on **car insurance** by shopping around.
4. Cut back $200 on **food spending** by planning.
5. Cancel your **cable TV** but keep internet/Hulu/Netflix (save $50)
6. Chop your **cell phone bill** in half by moving to a discount service provider (cricket, straight talk – save $50)
7. Cancel your $30 **gym membership.**
8. Cancel your **iPhone insurance** and get a good case + Applecare (save $10)
9. Smoke $50 less in **weed** each month.
10. Smoke $50 less on **drinks at the bar** each month.

Bonus 1: move closer to retired parents for help with daycare.
Bonus 2: change your withholdings at work.

www.BrassKnuckleFinance.com

Money & Relationships

One of the most important and effective things we can ever do to build wealth and change the financial trajectory of our communities is to reinforce the spirit of teamwork between partners.

While we'll dive further into how to build the appropriate financial life between to partners within the ***'BKF Relationship Goals'*** book, right now we still need to discuss the financial implications of ***budgeting the wrong way*** within a marriage or long term relationship.

The 3 Main Ways to Budget in a Relationship

- **Budgeting like roommates:** the couple generally hold multiple checking and savings accounts each in their own names. An agreement is made that some bills are handled by one partner and remaining bills by the other. Outside of the lights and water staying turned on, no one really has any idea of what the other is doing. This approach generally doesn't work.

- **The delegation method:** when one person handles all of the financial duties and decision making in the marriage. Normally the one person who feels they have a strong enough financial understanding to handle the responsibility. Generally doesn't work either.

- **The Hybrid Budgeting Method:** Consists of both partners playing as equal a role in the budgeting, spending and saving process within their marriage as possible. This is the only method that

Note: For married or MWS couples, the best way to manage your checking and savings accounts is to use the "BKF Hybrid Method".

The BKF Hybrid method:

- ☑ Keep **2 spending accounts.** (1 for each spouse. Each should be funded with the same amounts.)
- ☑ Keep one household **bills account.**
- ☑ Keep one household **buffer savings account.**
- ☑ Keep the appropriate number of **savings/investment accounts** once your household is out of consumer debt.

But if you're married, remember - there is no such thing as financial solitude *in a marriage.*

You are <u>one.</u>

“Dual income with combined expenses is one of the most powerful forces on earth.”

-Jarim Person-Lynn

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Children and Money

Now what jumps out at you when reading the words: "Planned+Parenthood"?

Go on…break it down...say it phonetically if you must.

But if after reading these words, you're still intent on having babies just because your body can produce them or because you have chicks all over town willing to give them to you, **YOU** are the reason we as a people will stay broke.

And this is as real as I can get right now too.

Before our community will ever get anywhere economically, each of us will need to answer this very important question for ourselves:

*"What reason do I have for breeding them if I know **damn** well I'm not capable of feeding them?"*

ACTUALLY, LET ME HELP YOU.
YOU HAVE NO LEGITIMATE REASON.

IF YOU CAN'T FEED EM,
DON'T BREED EM.

STOP.

HAVING.

KIDS.

BROKE.

-Jarim Person-Lynn

www.BKFUniversity.com

Now should there be a procreation limit based on income?

Should there be a procreation limit in this country in general?

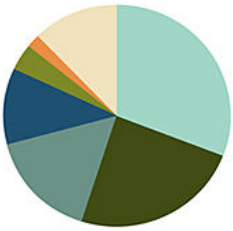
Or should we as a society never question another human's right to bear kids and be ok with overpopulation and the continuous cycle of poverty in low income, high number of offspring households?

I am not here to answer those questions. What I am here to do is to first, make you think before continuing to contribute to this never ending cycle of poverty.

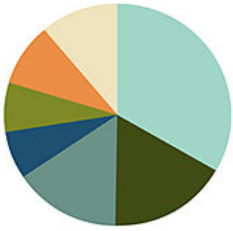
And if you *do* truly believe that you have the resources and capabilities to provide for your offspring, my job is to now show you how to do so in the most effective way possible.

The cost of raising a child from birth through the age of 17 has risen over the past 50 years, and the breakdown in spending has shifted. Here's the estimated cost of raising a child for a middle-income couple.

1960	INFLATION ADJUSTED $191,723
Housing	31%
Food	24%
Transportation	16%
Clothing	11%
Health care	4%
Day care/education	2%
Miscellaneous	12%



1996	INFLATION ADJUSTED $218,577
Housing	33%
Food	17%
Transportation	15%
Clothing	7%
Health care	7%
Day care/education	9%
Miscellaneous	11%



2011	$234,900
Housing	30%
Food	16%
Transportation	14%
Clothing	6%
Health care	8%
Day care/education	17%
Miscellaneous	8%

Here's how to do better *prior* to having kids:

- ☑ Aim to have **all non-student loan and mortgage debt paid**.
- ☑ Aim to have at least **9 months** worth of **monthly expenses** in the bank.
- ☑ Aim to have a job making at least **your age in income** (with upward mobility).
- ☑ Have appropriate **health insurance** *in general* and to cover the pregnancy/delivery costs.
- ☑ Have the appropriate **supplemental disability insurance** (like AFLAC)
- ☑ Take out a **renewable term life insurance policy** that is 5-8 times your annual salary in potential proceeds.

Here's how to do better if you *already* have kids:

Income: In general, regardless of whether you have kids, you should at minimum be making the amount of your age annually.

- ❑ A 35 year old should be making $35k minimum.
- ❑ But due to **having kids**, a 35 year old with a 5 year old should be making $40k minimum. You are responsible for *both ages*.
- ❑ If you share financial responsibility with the father or mother then you take your age plus half the ages of your dependents.

Spending:

- ❑ Housing – remember this needs to be under 25% of your gross household income.
  - ➢ There are services such as Coabode.org which match single mothers up with other single mothers to create affordable housing.
- ❑ Food/Healthcare – actively audit your kid's food intake. This will decrease both the cost of food and the cost of future medical costs.
- ❑ Transportation – contrary to popular belief, a family of 3 (or even 5) do not need a gas guzzling, $250/tire SUV. Nor do you need a luxury car to impress other parents at the PTA meeting.
- ❑ Day care/education – utilize a combination of flex spending accounts, government programs and flex hours at work.

And that's really all in regards to finance.

Why?

Because more important than money, you should be asking how developed your ***mind*** needs to be before/while having kids…

Course 4:

Home (loaner)ship

Brass Knuckle Finance™

Ahh yes…the ultimate dream in life, right?

A nice big house with a yard?

A happy little upper income Huxtable type family?

Maybe even a dog you can fit in a Gucci bag and walk around the mall with his little head popping out..

Oh and I'm sure you're gonna make it rain credit cards when it comes to interior design too.

You'll remodel it how you want… entertain and have gatherings three-four times a week.

You'll finally be seen as equal in America's eyes, as 5/5ths human. No longer just another basic negro with a paycheck and nothing to show for it.

…that's your dream right?

But you see, you believe in this idea of the American fairy tale lifestyle so much, that even though you know good and well you currently cant afford it, you're also currently in motion do anything it takes to sign on the dotted line.

And why not? Its an "investment" after all, right? And since you believe this to be true, why would there be waiting needed on an investment?! Stretch yourself on the monthly payment. Borrow from friends for the down & closing costs. Raid your 401k. Whatever you have to do!

And then 12 – 24 months in, you start to realize that not only is juggling all of the bills associated with buying more house than you can afford now damaging your relationship(s), but that there are actually things you'd like to do outside of ***mowing lawns*** and ***repairing roofs*** on the weekends..

You know…like actually experience life outside of your four walls? Like exist to do more than simply go to work 5 days a week and put up facades at home entertaining people who are just as broke as you are?

"We work to pay off the house, and when we're not working we're thinking of other ways we can work to earn more money to pay off the house... The time has come for a dramatic change."

You see, even if your house *was* an investment (its not), there is no amount of money on earth that can get you back the time spent working to catch up on bills while being house poor.

No amount of money you can make that will buy back those years you spent working overtime at the office instead of experiencing your kids growth spurts and formative years.

And if you're under 30, there is certainly no amount of money that could bring back the best years of your life where you should be out exploring your passions and experiencing life.

But never mind all that…you can't wait to go fool speed ahead into being…

"I
WAS
PUT
HERE
TO DO
MORE
IN LIFE
THAN
JUST
EAT.
SLEEP.
WORK."

You have your entire life to settle down and be normal if that is what you truly desire. Right now, the world is sitting there ripe for the taking and all you're worried about is how aggressively you can compete with others for the job of "top cubicle monkey".

-Jarim Person-Lynn

www.BKFUniversity.com

Nothing will ruin your 20s more than thinking you should have your life "together" already.

-Unknown

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Still, for those of you who are hell bent on buying a house as quickly as possible, and you can actually afford one, understand that taking out a mortgage on a house is one of the **least stupid credit decisions you can make.**

(Unless of course you've fooled yourself into believing that a house actually is an investment.)

Because therein lies the problem.

There are an unprecedented amount of people in the Black community who are currently under the impression that they are going to get rich by simply buying a house.

You **will not** get rich by **buying a house.**

-every Forbes list, ever.

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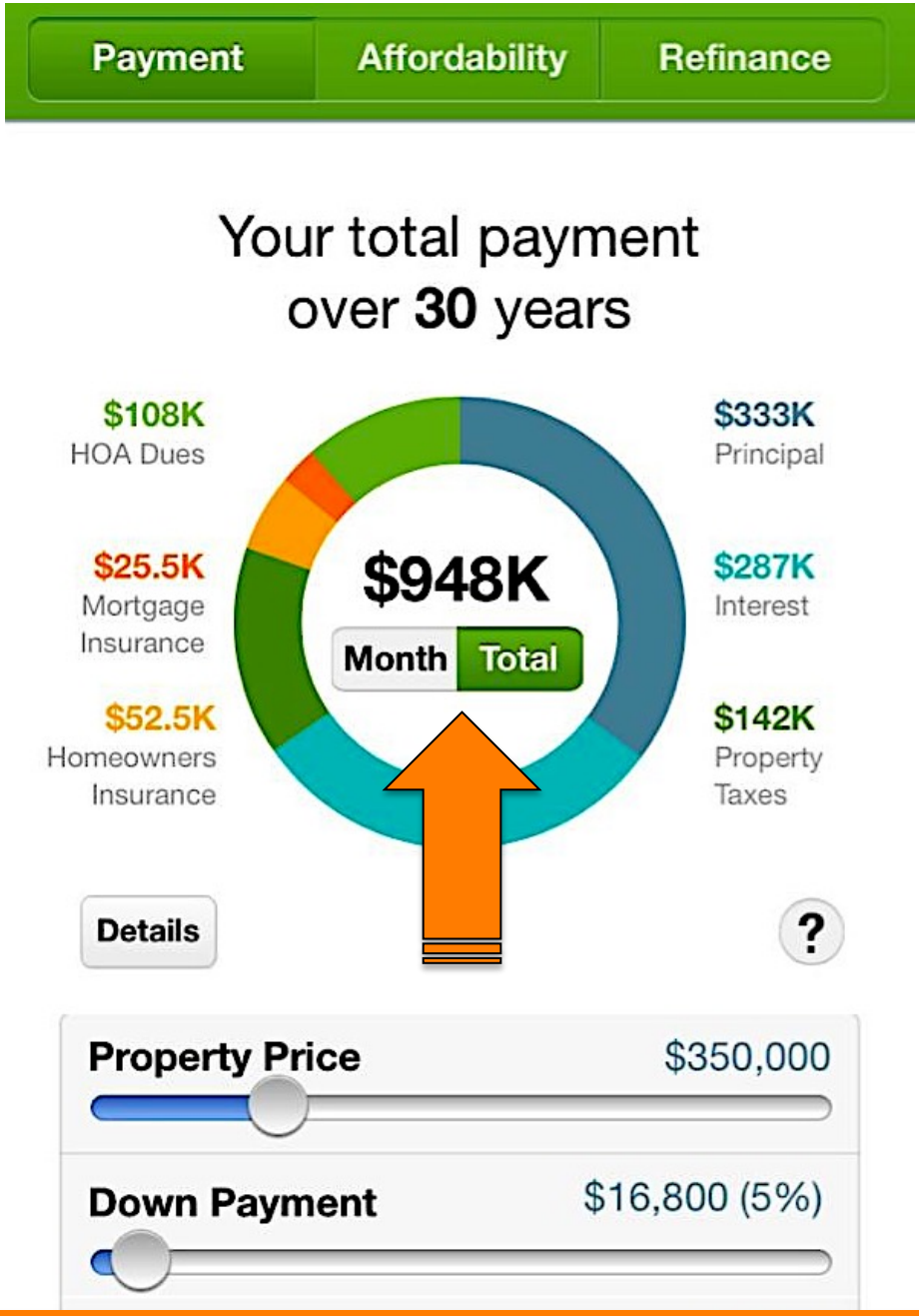
The true cost to "own" a $350k house over 30 years:



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Here are the typical differences in costs between renting and "owning":

RENTAL	vs	HOME-*LOANERSHIP*
RENT: $1,080.00	vs	**MORTGAGE:** $1,315.00
DEPOSIT: $1,080.00	vs	**DOWNPAYMENT:** $14,500
CLOSING COSTS: $0	vs	**CLOSING COSTS:** $8,700
MAINT. & UTILITIES: $120	vs	**MAINT. & UTILITIES:** $541
REPAIRS: $0	vs	**REPAIRS:** $241
PROPERTY TAXES: $0	vs	**PROPERTY TAXES:** $3,480
RENTER'S INSURANCE: $12	vs	**INSURANCE:** $200
COMMUTE: $110	vs	**COMMUTE:** $280
APPRECIATION: $0	vs	**APPRECIATION:** $8,700
TAX DEDUCTION: $6,300	vs	**TAX DEDUCTION:** $17,160
YEARLY: $14,544	vs	**YEARLY:** $34,404

Things to note:

1. The home-loaner had to come up with nearly **$20k total** to initially get *into* the property which the renter did not have to.
2. The first 8 years of any mortgage is generally **all interest payments.**
3. Every working citizen in America gets a a $6,300 standard deduction. If you're deducting real estate expenses from your taxes as a "home owner", you must itemize your deductions. This means you can not take the $6,300 standard deduction everyone else (ie renters) get.
4. The net tax savings from the mortgage interest deduction for the home-loaner vs the renter is about $2,715/year for those initial years (and it drops from there.)
5. The annual difference in out of pocket costs between the renter and home-loaner, even with tax savings factored in is, **$15,570**
6. Should the renter invest the **$23k** they didn't have to come up with for down payment and closing costs, in addition to **$10k per year** of that **$15,570 annual cost savings,** the renter would have a portfolio of **$2,026,609** over 30 years. Home-loaner would have a $800k house.
7. The overall example is based on a $290k property in the suburbs vs a centrally located apartment near work.
8. If the renter decided to forgo their car altogether since they are centrally located, an additional **$500/month +** in savings would have to be factored in.

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Understand that a house is ***not***:

-An investment
-A necessity in wealth building
-A maintenance light or repair light endeavor
-A **smart** way to save on taxes
-A way to live closer to work or school (for most people)

A house *is:*

-A place to reside
-A way to maintain sentimental value
-One of the many ways to place down roots in a community
-A way to better customize your residence (comes with cost$$)
-A ***small*** tax deduction (mortgage interest, PMI & property taxes)
-An expensive way to build equity

Financially speaking, the average house is an ***expensive savings account*** ***you*** **pay the bank to maintain.**

If you find yourself with a sizeable amount of money after selling a house, its because 9 times out of 10, you were already 'rich' *before you bought it.*

Here's the economic truth: the price of the average house technically **does not change.** Due to long term appreciation running the same amount as inflation (3% annually), the price of your house in 30 years will be the same exact price in terms of 'real dollars' as it is ***today.***

So if you ***are*** going to go into mortgage debt, don't do so under the guise of a house being an investment that will **make you rich.** You have to go into things as *educated as possible.*

Because by not knowing the truth, you'll likely find yourself using impatience, being dumb with your money and over-extending yourself to buy things **before you're financially ready.**

-Jarim Person-Lynn

But understand…

"Your house is not an investment."

does not

"You should not buy a house."

It means…

STOP BUYING HOUSES YOU CAN NOT AFFORD.

(N*&@a!)

“There are no stupid purchases; **only stupid ways that we make them.**”

-Jarim Person-Lynn

www.BKFUniversity.com

How to buy a house *without* ruining your life.

Here are the **top four things** you should ask yourself before buying a house:

A. Who do I want to buy property with? (teamwork)

B. What type of property should we buy? (condo, TH, SFH)

C. How much can we both afford to pay currently in total real estate costs? (because current affordability is all you know when going into debt)

D. What do we need to do if we can't currently afford or qualify for the property we want?

A. "Who do I want to buy property with?"

Note: houses are best bought ***in pairs.***

When you try to stretch yourself thin for things that are not investments to begin, you normally lose.

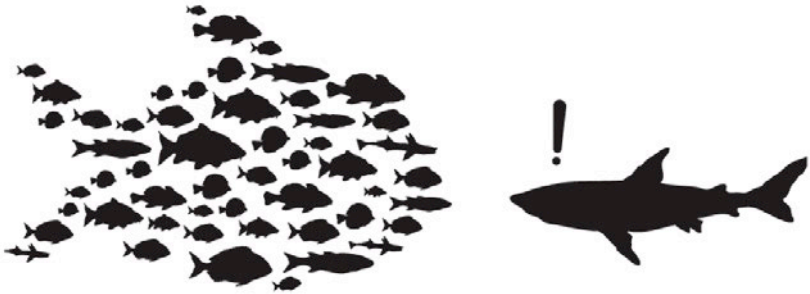
When you are smart about utilizing teamwork with the correct people, you normally don't.

Who's best:

- Your partner or spouse
- Your immediate siblings
- Your parents
- Your best friend
- Your cousin or extended family
- Other friends on the same page as you

Understand: the person(s) you buy a house with must be business oriented and responsible. If they are not, you can love them, but you must not do any business with that person. *Period.*

Because without ***teamwork***, neither you nor **any of the rest of us** will get **anywhere** we think we are trying to get as a people.



“We will team up to make babies but not team up to give these babies the economic conditions in which to grow and thrive.”

-Jarim Person-Lynn

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But remember:

Teamwork must be a ***mentality*** before it is a **reality**.

Questions to ask your co-borrower when deciding on a house:

1. Where will it be located?
2. How much are you *willing* to pay?
   - Will each person pay an equal amount? By proportion to their income? By proportion to use?
3. How long is the plan to keep this property?
4. How will profits or losses be split in the event of a sale? (regardless of marriage)
   - Split by initial contribution? Split 50/50? Joint tenancy? Tenancy in common?
5. How will maintenance responsibilities be handled or split?
6. How will real estate related bills be paid and maintained?
   - Each person take an equal number of bills? One person take the mortgage and the other take all remaining other bills? A combination?

B. "What type of property should we buy?"

The type of property you buy can be the difference between being house poor, time poor or none of the above, depending on your personality and skills.

What to consider:

- Single family homes have a higher chance of keeping up with inflation over long periods of time. They are also the most expensive and time consuming to maintain.
- Condos generally perform worse than inflation, have high HOA fees that may increase mandatorily without your consent.
- **Townhouses can often times be the best of both worlds** with almost the same space as as a SFH, no neighbors above or below you and have relatively less maintenance like a condo.
- Each of you should fill out a Top 5 "Like to

Top 5 *"Like to Haves"*:

Her:

1. _____
2. _____
3. _____
4. _____
5. _____

Him:

1. _____
2. _____
3. _____
4. _____
5. _____

Note: there are no "needs" with a house. Frivolously using the word need when making purchase decisions clouds your judgment and encourages you to chase things or make stupid decisions. Your goal here is to make sure whatever property you find has as many items on both lists as possible. But do not use this worksheet to argue. They are all "like to haves" at the end of the day!

Example:

Her:

1. Washer/dryer hook up
2. Attached garage
3. Patio if a condo (front or back)
4. 2 bathrooms
5. Decent sized kitchen

Him:

1. Located near work
2. Less than $3k/month in total real estate costs.
3. Less than $10k worth of immediate repairs/upgrades needed.
4. Decent sized rooms
5. Washer/dryer hook up

C. "How much can we both afford to pay currently?"

One of the things many people get confused is the idea of "I can afford it".

Affordability means you have the cash to purchase something outright.

Otherwise, the only one that "can afford" anything is BofA, Capital One finance or whoever else is giving you the loan.

When making plans with debt, you can only be borderline sure of one thing: ***how much you can afford to pay monthly, over the next year.***

For this reason, and because you're not psychic its imperative to only take out mortgages on properties with ***total*** real estate expenses below **a third of your gross household income.**

BKF Real Estate Rules

1. **You should be out of all non student loan debt.** (including zero credit card accounts open. No mortgage or low mortgage rate on earth requires a revolving CC account.)

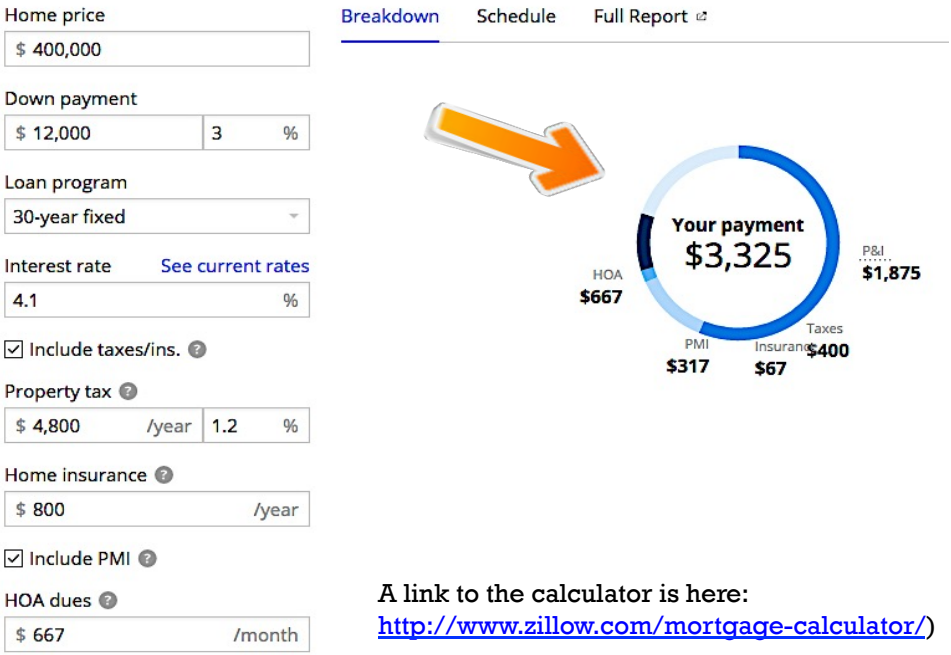
2. **Your emergency fund should be 6 months minimum** of your new **SOON TO BE monthly expenses** with real estate included.

3. **Your down payment is very important** however, more importantly than that, you should get your **TOTAL monthly real estate costs below 33% of your gross monthly income.**

   - ❑ **Total real estate costs** equal the monthly average for annualized repair totals, HOA, PMI, hazard insurance, home warranty, property taxes, annualized maintenance, [maintenance is different from repairs], increased amount for utilities, mortgage payment and everything else expense wise specific to your land type. **Or you can add a general 60-70% more to what you've calculated your mortgage to be.**

4. **Our criteria is more stringent than a bank's, which it should be.** For those who want to have a general rule of thumb to see if a bank will lend to you on a property, make sure your annual income (or your household combined income) is 1/3rd the amount of the mortgage you're taking out. **If you're taking out a $300k mortgage, your household should be making $100k annually!**

How to use the *Zillow Mortgage Calculator*



A link to the calculator is here:
http://www.zillow.com/mortgage-calculator/)

1. Home price: pretty self explanatory

2. Down payment: only put the down payment you would LIKE or PLANNED to put down (vs all that you have available in life to put down). You can avoid PMI (private mortgage insurance) if you put at least 20% of the price of the home down, however PMI is the least of your worries if you're later bankrupt do to not having appropriate reserves.

Make sure that in addition to your down payment, you have an emergency fund with no less than 6 months minimum of your new SOON TO BE monthly expenses (new monthly real estate expenses included from the results of this calculator).

And how are you going to get 6 months worth of monthly expenses saved? You're going to rent for below 25% of your gross monthly income for a few years, (or find a place like a parent's residence where you can pay near nothing), pay off your consumer debt, sacrifice & maybe even invest. This is how you'll also save up your 3% closing costs that will not be included in the ZM calculator.

How to use the *Zillow Mortgage Calculator* (continued)

3. Loan program: taking out any loan is stupid but if you're going to take out a loan, stick to 30 year fixed. No need to take out a 15 year loan, you can create the equivalent yourself. And stay he unholy hell away from adjustable rate mortgages (ARMs). You've been warned.

4. Interest rate: use 3.6% or whatever is prepopulated if you've followed the BKF student loan method, have a great MORTGAGE score and you're using FHA. Use 4.1 – 4.5% if you've followed BKF and you're going with a conventional loan (calendar year 2016).

5. Advanced: ALWAYS click on "advanced". Always.

6. Include taxes/ins: Always check this box.

7. Property tax: you can check your local county registrars office for the current property tax or google what it is in your specific city/area. Leave it pre-populated at 1.2% if you need to come back and add actuals later.

8. Home insurance: Commonly known as hazard insurance, most lenders require insurance to provide damage protection for your home and personal property from a variety of events, including fire, lightning, burglary, vandalism, storms, explosions, and more. Common rule of thumb is to take the price of the house and multiply it by .0025 to get the annual insurance amount.
Place that annual insurance amount into this field.

9. Include PMI: ALWAYS check this box even if you are contemplatively using 20% down.

If you do put 20% into the calculator, PMI will disappear from the final calculation anyways. (PMI = private mortgage insurance – which is different than home owners/hazard insurance discussed in step 7)

10. HOA dues: this is where the magic happens. Since most online calculators either don't have appropriate fields in which to include your maintenance and repairs or they do but the calculator is incredibly user unfriendly, this is the section where we place in what I like to call "the bankruptables".

These are part of the overall group of numbers most dummies who say "why rent when you can just go buy something and pay the same??" always seem to magically omit. Since people forget to add these costs into their calculations as soon as they get hit with them, they start going on credit cards. Once the credit cards are maxed out, a 2nd mortgage/line of credit is taken out on the house to help manage them. Pretty soon, costs to pay the HELOC and the credit cards are eating so far into your cash-flow you have no choice but to try to file chapter 13 or 7 depending.

Rule of thumb: take 1-2% of the home's price and set that aside for yearly maintenance (maintenance includes utilities which are much higher in a single family home, gardening, air filters, re-glazing wood floors, actual HOA payments if you have them etc). Then take another 1-2% for REPAIRS which include fixing water heaters, repairing roofs, toilets, garage doors, plumbing and on and on.

Eg. A $500k house at the LOW end will have 1% ($5,000) for maintenance that needs to be set aside as well as 1% ($5,000) for repairs. Combine them ($10k) and divide by 12 months to = $833. No you will not have these exact costs every month but this is the number you need to place in your buffer fund so when these expenses DO come, you're prepared.

11. Bonus: once the calculator gives you the final monthly tally of costs, you can take that final monthly total and subtract what you show for property taxes each month. The mortgage insurance tax deduction normally roughly equates to the amount of property taxes paid monthly so those two normally cancel out.

Example of the cost breakdown on a single family home.

Out of pocket costs:

- Purchase price: $400k
- Down payment: $12,000
- Closing costs: $12,000
- Interest rate: 4.1%
- Total monthly holding costs: $3,325
  - Includes: Mortgage ($1,875), PMI ($317), Property taxes ($400), Hazard/home insurance ($67), HOA + Maintenance + Repairs ($667)
- Total out of pocket costs (15 yrs): $622k

Proceeds from a sale in 15 years:

- Property sale price: $623k
- Real estate agent commission: -$37k
- Principal still owed to bank: -$251,751
- Net proceeds received: $334,249
- Taxes saved over 15 years: +$72k

Summary: you will have spent $622k to obtain $406,249 in "profit" over 15 years.

D. "What do we need to do if we can't currently afford or qualify for the property we want?"

While it can be frustrating being denied for a mortgage or realizing you do not earn enough on top of all your debts to afford the payments on a house (even with a partner), I must implore you to take a step back and consider how great a gift you may have just been handed.

Consider the couple who was spared approval on a mortgage in February 2007, were able to rent and save money then took advantage of all of the low prices, mortgage rates and government incentives being provided in 2009?

The 27 year old who got denied right before he were laid off without severance?

The same 27 year old who then was able to use that timing to explore another career and work his way up from the ground level? Something he would have never been able to do with a a brand new mortgage?

Sometimes being forced to be patient is one of the universe's greatest gifts.

Again…I must remind you…you don't have to buy a house right now.

You can wait.

Sometimes its better to take a step back and consider moving in with family or friends while you get out of consumer debt (or all debt). This may allow you to save for a down payment or maybe even allow you and your teammate to buy a foreclosure for cash!

All about mortgages

He said: *"but if I close my credit card account, how will I ever get approved for a mortgage?"*

I said: *"aren't you $80k in student loan debt right now?"*

Him: *" yeah.."*

Me: *"are you paying on those student loans?"*

Him: *"well no.."*

Me: *"if you're so broke you have to defer your student loans, why would you even think about taking out a mortgage?"*

Him: *"but when I am ready I need to.."*

Me: *"when you're ready, and you've successfully been paying down your student loan balance, will a mortgage still be an installment loan or a revolving account?"*

Him: *"installment.."*

Me: *"then why in the world would you believe you need a revolving credit line such as a credit card, to qualify for a mortgage?"*

Him: *"well the guy at the bank told me…"*

Me: *"the guy at the bank's job is to sell credit cards!! This is a bank's second highest margin product. The only thing that would please them more is for you to overdraw your account at every ATM on the planet. The reason you don't know installment loans such as student loans, that you pay on monthly and build history with, are far more affective at building a mortgage score, is because A. you've been opening credit card accounts and keeping your student loans in deferment since Bush was in office and B. you've never applied for a mortgage while having only student loans paid on your report.*

You have to actually pay your student loans and stop thinking they are going somewhere."

Him: *"Oh yeah…that actually makes sense huh"*

Moral of the story:

Don't take financial advice from banks.

This should be on a f*cking shirt.

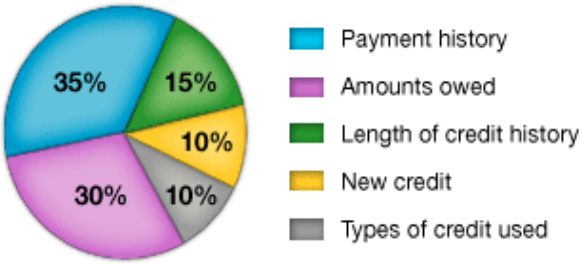
It may seem counter intuitive but there is a reason I left the banking industry cold turkey.

Smart people stay the f&^*k away from credit cards.

www.BKFUniversity.com

Here's how to get a mortgage by only using *Student Loans:*

This is what your consumer FICO score is made up of.



- **Payment history (35%):** pay your student loans early or on time
- **Amounts Owed (30%):** pay your student loan balance down by staying away from paying on other debt so capital to do so is available.
- **Length of Credit History (15%):** what you need to do if you can't afford the real estate costs on the property you want.
- **New Credit (10%):** the object here is to not apply for any new credit until you're ready to apply for a mortgage.
- **Types of Credit Used (10%):** this category represents having a mix of types of credit, ie- installment loans and revolving accounts. Simply by having your student loans in good standing you will have 5% of this category. Remember both your student loans and your mortgage are INSTALLMENT ACCOUNTS. No revolving accounts, ie. credit card accounts, are needed.

Doing the above will give you an 807 consumer FICO score and *THE HIGHEST MORTGAGE SCORE* allowing you the *lowest rates.*

You'll also have a great utilization percentage as you won't be knee deep in credit card debt. No you aren't going to pay your credit cards off each month. National statistics say otherwise. ***Shut up.*** If you don't have student loans, the next least stupid installment loan is your current car loan.

www.BrassKnuckleFinance.com

How to get a mortgage only using *Car Loans:*

- **Payment history (35%):** place 20% down on a car loan and pay the note on time for 24 months (likely a higher interest rate)
- **Amounts Owed (30%):** keep the car loan relatively small ($5k-$12k)
- **Length of Credit History (15%):** apply for your mortgage after your car loan is paid off in 24 months.
- **New Credit (10%):** the object here is to not apply for any new credit until you're ready to apply for a mortgage.
- **Types of Credit Used (10%):** This category represents having a mix of types of credit, ie- installment loans and revolving accounts. Simply by having your car loan in good standing you will have 5% of this category. Remember both your car loan is an INSTALLMENT ACCOUNT. No revolving accounts, ie. credit card accounts, are needed.

Doing the above will give you an 760 consumer FICO score
and a Tier 1+ Auto FICO score

What kind of mortgage loan programs are available?

Conventional:

- Traditional mortgages not insured by a government sponsored entity.
- Lenders who provide conventional mortgages do abide by rules set by Fannie Mae or Freddie Mac however.
- Lowest down payment is 3% for first time buyers and those with lower to moderate incomes. Must pay PMI for less than 20%

FHA:

- Mortgages are guaranteed by the Federal Housing Administration.
- 3.5% down payment available. PMI is required for the life of the loan. An upfront PMI payment is also required which may be added to the overall balance of the loan and paid over years.
- Lower closing costs

VA Loans:

- Mortgages guaranteed by the government and offered to veterans/surviving spouses
- Don't require a down payment or PMI but require a 2% funding fee

THESE ARE THE ***MINIMUM CREDIT SCORES*** YOU NEED FOR CERTAIN TYPES OF MORTGAGES:

1. **FHA Loans:**
   - 500 mortgage FICO for 10% down payments
   - 580 mortgage FICO for 3.5% down payments
2. **Conventional Loans:**
   - 620 mortgage FICO but will have with the highest PMI and rate
3. **Veteran Loans:**
   - 620 mortgage FICO
4. **Hard Money Loans:**
   - No credit score required but extremely high interest rates (9-15% or more)

AND HERE'S HOW LONG YOU HAVE TO WAIT IF YOU'VE ALREADY BEEN IN A **FORECLOSURE** OR **SHORT SALE:**

Event Type	Waiting Period	
	FHA Loan	**Conventional**
Short Sale:	3 years	4 years + 10% down or 2 years + 20% down or 2 years + 10% down w/extenuating circumstances
Foreclosure:	3 years	7 years or 3 years w/extenuating circumstances
Bankruptcy: (no foreclosure)	2 years for Chap. 7 and 1 year for Chapter 13	2 years

The mortgage interest deduction:

-**Note:** if you make **$75k/year** and buy a **$400k house** with **3% down,** you will spend **$3,325/month** in total real estate costs.

-**$1,875** of those costs will be made up of your mortgage (P&I). **$1,300** of that mortgage will be all interest payments (which is deductible on your taxes).

-At the end of the year, you will have to itemize your taxes to deduct the **$15,600** in mortgage interest you paid throughout the year. You will also be able to deduct your PMI payments and property taxes. This equates to about $4,800 in real dollars coming back to your pocket depending on the other items you itemize as well.

-Another person who instead rented at **$1,600/month** and took the standard $6,300 deduction (available to every citizen in America) would get **$1,575 back in their pocket**. (we can't take the standard deduction and itemize. We have to choose.)

Summary: you would have to pay **$39,900/year** to save **$4,800** in taxes vs the renter who only paid **$19,200,** got $1,575 back and has the opportunity to **invest the $20k difference.**

A tax deduction is not a good enough reason alone to buy a house.

BTW - do you know what you could do with an extra $20k/year?

- $20k/yr invested in a group of low cost index funds for 10 years is **$344,676.47**
- $20k/yr invested in a group of low cost index funds for 20 years is **$1,214,593.67**
- $20k/yr invested in a group of low cost index funds for 30 years is **$3,410,148.01**
- And if you saved that $20k for 5 years and used $100k to **start a business** that provides **$175k** in **additional income** each year is…

…$175k in additional income each year!

Other Real Estate Tips & Tricks

- Rocket Mortgage is one of the most revolutionary products to hit the mortgage industry and is the only mortgage product and company that is **100% BKF approved.**
- Understand that the "push button, get mortgage" is more closely aligned to the pre-approval process (which is extremely faster than most other companies) however, the actual mortgage process after getting pre approved still takes 30-45 days like most others.
- The mortgage brokers, underwriters and MYQL website which you will use to interact with them are all top notch.
- URL: rocket.quickenloans.com

Best tools to help you find the right property to purchase:

A. Redfin.com
B. MLS.com
C. Trulia.com
D. ww.com
E. Craigslist.org
F. Realtor.com
G. Your real estate agent's portal (usually pulls data from the MLS)

How to find the right real estate agent:

A. Word of mouth
B. Rocket mortgage referral
C. Local real estate club
D. Local ads (incl Trulia/Zillow etc)
E. Open houses
F. Google
G. Craigslist
H. Your real estate agent's portal
I. Realtor.com
J. Yelp

About NACA.

(Neighborhood Assistance Corporation of America)

- NACA is a consumer advocacy group of sorts who fights the standard lending methods enforced by big banks.
- Buyers must attend all morning workshop and then get appointment with a counselor.
- NACA offers a "no down payment, no closing costs, no fees, no income limit, no need for perfect credit" program.
- Getting approved can be a hassle.
- Strict non-renting of property rules or they will foreclose.
- Buyers will be called upon to participate in demonstrations and rallies.
- Info is available at www.naca.com

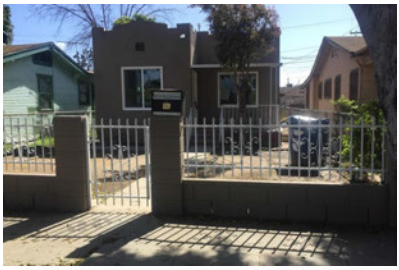
The 5 Main Ways to Obtain Property

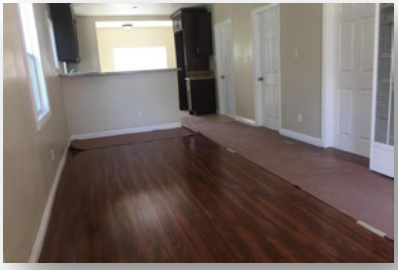
1. Personally using *cash*
2. Personally through a *mortgage*
3. Through a business using *cash*
4. Through a business using a *commercial mortgage*
5. Inherit the house from a relative

Note: one of the smartest things you can do to build wealth is rent while buying rentals under your business. And why buy rentals under your business? For the lawsuit protection, protection of your personal assets from debt default, and for the ability to rent and pay little out of pocket costs while starting out, instead of having the stress of juggling your own mortgage and a rental property.

Tenant Income Property Example

(multi-unit: 2/1 + 2/1)





Details:

- Listing price: $379,000
- Time on market: 2 days
- Location rating: 6-7
- Number of units: 2 units
  - 2 bed + 1 bath / 2bed + 1 bath
- Tenant occupied: vacant

Holding costs:

- Down payment: $75,800
- Closing costs: $11,370
- Interest rate: 5.1%
- Initial repairs needed: none
- Total monthly holding costs: $3,007
  - Includes: Mortgage ($1,646), PMI ($0), Property taxes ($379), Vacancy fund ($272), Hazard insurance ($79), HOA + Maintenance + Future repairs ($631)
- Initial rents expected: $1,400 + $1,400 ($2,800/monthly)
- Depreciation tax savings: $143/month
- Initial monthly cash flow: $64

10 year return:

- Projected property value: $509,344
- Real estate agent commissions on sale: -$30,560
- Principal still owed to bank: -$247,370
- Net proceeds received: $231,414
- Total 10 yr cash flow: ($274 avg. x 120 months) = $32,880

Initial investment: $87,170	**Initial investment: $87,170**
10yr return: $264,294	**20yr return: $794,229**
(7.5% compound annual return)	*(11% compound annual return)*

Where your business needs to be *before* attempting to take out a commercial mortgage:

A. Your business needs an asset worth **100% of the mortgage** its attempting to take out to use as collateral for the loan. This is why the best way to start a real estate business is to team up with others and buy a small property in the middle of nowhere outright in cash.

B. It needs a **Paydex score of over 90.**

C. It needs to show profit and growth of that profit over the last 2-3 years. (tax returns etc)

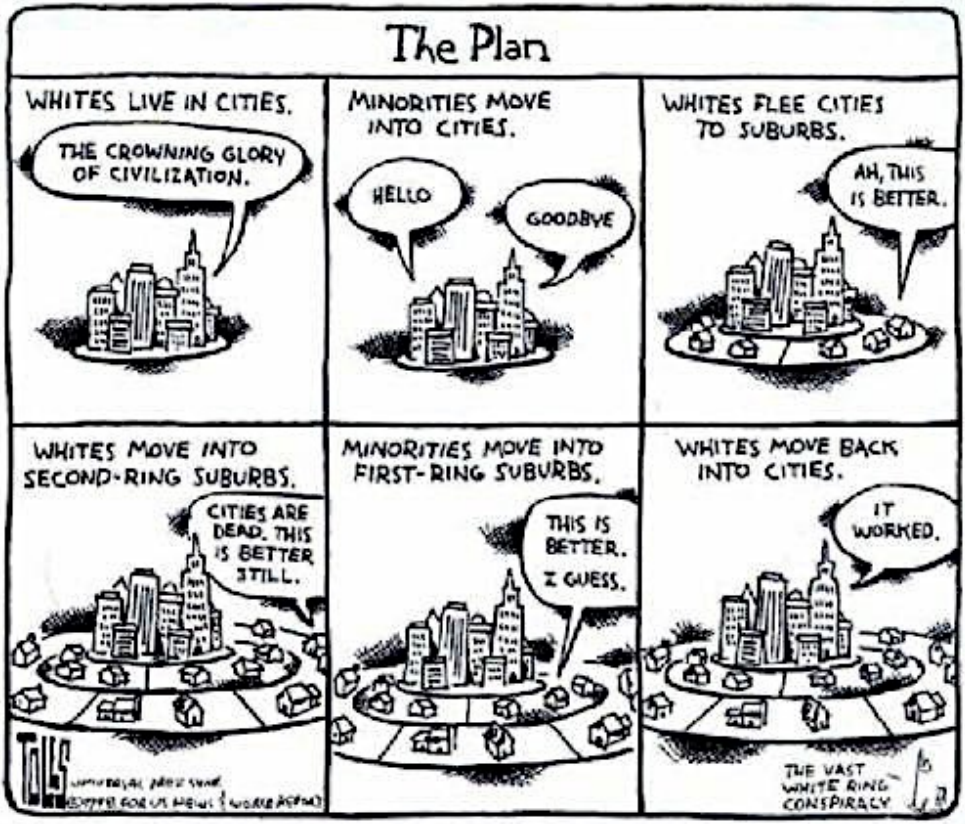
Note: Your business will likely not have any of these things until its actually been in business and with real income for 2-3 years. You can learn more by reading www.BKFBusinessSchool.com

Another option:

Buying a duplex personally, renting out one portion and living in the other.

- This is called "house hacking".
- This method crosses the line between business and personal.
- You will not get the same tax deductions as your full residence.
- May be best to pretend like the property is not yours when dealing with tenants.
- Follow the same guidelines as our residential rules unless you are buying it under your business and you'll have to follow our business rules.

The Facade of "Gentrification"



All throughout "black cities" such as South Los Angeles, Washington D.C., Oakland, Brooklyn etc, as a community, we've become involved in a passionate discussion about gentrification. Yet what we don't yet realize is that all along, our own affluence was a façade.

The truth is that you can't own houses within a neighborhood without owning the

businesses in that same neighborhood. And you can't own a location dependent business without owning everything in regard to that business. If you are leasing your storefront for 30 years, you do not own your business. Period.

The economics otherwise simply don't add up.

Think about this- if black middle class residents have to travel far and wide for their day jobs, because there arent enough viable businesses in their own community (no, a cashier or cook job at the local fish fry will not pay your mortgage), how can you really call it "their own community"?

Yes, it may be "their own houses" after 30-40 years, but owning a house or houses does not make a community. The economic self-sustained viability of a PEOPLE make up a community. You can not have economic self-sustained viability when others own your office buildings, commercial infrastructure, malls and land leases.

Its like providing a 40 year CD – someone gave you the land for 40 years, you paid

interest on it and now at the end of your self imposed term, you have to give it all back.

It (the community) *was never **yours.***

Moral of the story: If over the last 30-40 years, view park, Liemert park, south L.A., the Crenshaw district etc, had one of the highest black homeownership rates in the country, how in the sam hell can it ever be gentrified?

Oh thats right – someone has to "voluntarily" sell their houses before someone else can move in and gentrify it.

And why do all of these black and hispanic seniors who tied their entire nest eggs to what are now $500k-$600k houses decide to sell to whites and asians every month?

BECAUSE THEY NEED THE MONEY.

The local economy (the real economy) never was able to sustain the needs of these people. The jobs never paid enough. The businesses were never innovative and world reaching enough. The government jobs many were complacently dependent on

dried up whenever that local government funding or project funding dried up.

IT WAS ALL A FACADE.

DEBT does not equal **WEALTH.**

Most of the families I work with in South L.A. went into debt 4 times over on the "equity" in "their" houses to supplement an imaginary facade of affluence. It didn't exist.

Because of this, now you have the following:

- Seniors in over their heads with 1st mortgages
- Seniors in over their heads with 2nd mortgages
- Seniors with home equity lines of credit
- Seniors drowning in Credit card bills for living expenses
- Seniors drowning in credit card bills from medical expenses
- Chrysler 300 and Ford explorer car loans
- Parent plus student loans to supplement their children's student loans so their children can start off even more on the wrong foot.
- Its all just one big shuffling of other people's money around until it blows up in our faces.

We must understand: first the businesses, *THEN the houses.*

You haven't figured out the first thing they do when they return is redevelop the businesses before the community is even close to being "gentrified"?

You've got your beans above your franks, black people.

I hope you figure this out in Lancaster, Rialto, Palmdale, Moreno Valley and everywhere else near the edge of Mars that you're being "displaced" to.

Now not everyone has the inner workings of an entrepreneur of course. However, far more actually do than we realize. There are far too many entrepreneurs masquerading as employees because they lack the information, encouragement and resources to do what they were put here to do.

Blacks made up 15% of the US population 3 decades ago. We make up less than 15% today.

We won't survive another generation of this.

The top 3 ways to get *Rich* in America:

(in this order)

1. Start and run your **own successful business.**

2. Invest in the **successful businesses of others.**

3. Inherit the financial resources of someone who's done **one or a combination of the above.**

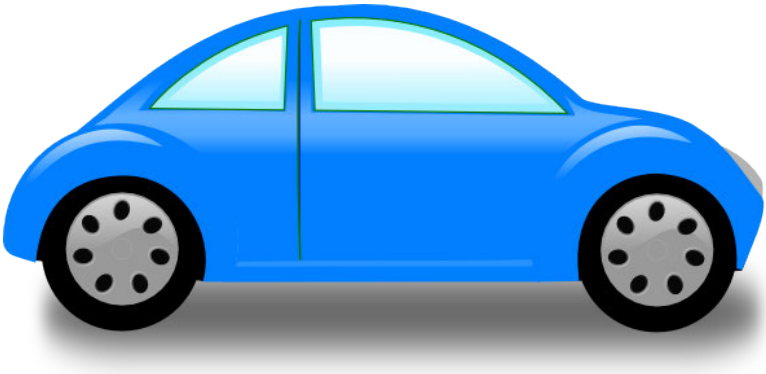
"How is your entire desire in life to own where you sleep but **rent where you work?**"

Jarim Person-Lynn

www.BKFUniversity.com

Course 5:

It's just a damn car.



Brass Knuckle Finance™

YOU PROBABLY HAVE NO IDEA HOW MUCH YOUR CAR IS REALLY COSTING YOU EACH MONTH.

The *true* cost to own a recent model sedan:

- **Car note:** $375/month
- **Insurance:** $115/month
- **Gas:** $175/month
- **Depreciation in value:** $83/month
  - Note: the typical $18k car will be worth $13k in 5 years.
- **Maintenance/upkeep:** $50/month
- **Repairs:** $40/month

Total: ***$838/month***

Note: the true cost to operate a luxury recent model sedan is even higher at $1,373/month.

And why don't we realize that we're paying so much each month?

Because we refuse to treat the most dangerous half of our auto expenses as **monthly expenses.**

When a car repair happens, instead of taking it from our car repair fund (aka our buffer fund), we either put it off until its more expensive, we take it from our most recent paycheck, or even worse – our credit card.

And we do this over and over and over again, always failing to plan and planning to fail until bankruptcy or repo when we can no longer pay the interest.

Each person who drives a car needs to have a buffer savings account that they contribute to monthly.

In addition to your Christmas gift purchases, vacation expenses and other spread out expenses that you know good and well are going to happen this year, your buffer savings account should include a monthly transfer of:

- ❑ **Your expected auto maintenance for the year.** (calculate how much you think you'll spend on oil changes, car washes, new tires, brake pads & car registration. Divide this number by 12 months and transfer that to your buffer)

- ❑ **Your expected auto repairs for the year.** (calculate how much you think you'll spend on actual repairs ie alternators, fuel pumps etc, or take how much you spent last year and divide by 12. Transfer that amount to your buffer.)

If you want to be successful with $$$, you can't keep doing the same sh* that got you here.

You have to do the *exact opposite* and then work your way forward.

HOW NOT TO GET SCREWED WHEN BUYING A CAR.

When purchasing a used vehicle, aim for:

- **Price:** keep it under $12k (with tax and license included) and pay for it in **cash.**
- **Reliability:** Honda, Toyota or Nissan (or Subaru if you have white people tendancies)
- **Car age:** 2 years and older.
- **Mileage:** 15k miles or under for every year the car is old. (a 6 year old car shouldn't have more than 90k miles)
- **Under the hood:** skip the warranty and always negotiate the car to be inspected prior to purchase.
- **Carfax:** a good place to start but never make a purchase decision solely based off of Carfax.

Pimping the Dealership

The number one thing to understand: your job is to ***always*** have the ***most*** power within the negotiation at ***all times.***

Do:

- Give yourself **plenty of time**. (if you have to rent, so be it.)
- Go after specific cars that the dealership is having a **hard time moving.** (do your research online)
- Reference the internet advertised price, national lease offer etc. (once you're at the dealership, its too late to ask the price.)
- Go into the car dealership towards the **end of a month**, **quarter, year end** or **beginning of holiday weekend.**
- Know your financial standing (aka available cash to spend).
- Know *the* ***max*** you are willing to spend and stick to it.
- Know the **current mechanical condition** of the vehicle.

Don't:

- EVER buy a car in the first trip to a dealership. Needing a car is the second worst thing you can do when shopping for a car. VISIBLY needing a car is #1.
- Ever buy a car without **renting/testing** a similar car to it for a few days – a week first. (turo.com)
- Ever go to a car dealership by **yourself.** (or with a dummy)
- **Ever trade in your car** at a dealership. Ever.
- Ever buy a used vehicle without getting a mechanical inspection at a **local mechanic** or pep boys.
- Ever buy a non-**Honda, Toyota, Nissan, Subaru** while in debt.
- Ever buy the **extended warranty** or **gap insurance** the finance office offers. (you can buy your own gap insurance from your insurance company)
- Ever sign any piece of paperwork **without reading it.**

Fin.

REMBER:

ITS EITHER

PIMP THE

DEALERSHIP OR

LET THE

DEALERSHIP

PIMP

YOU.

How to Eliminate your Car Note for Good:

- **Step 1:** The cash you currently have in savings: **$2,000.**
  - This is the amount you were originally going to put down on a car loan, but you took this course instead.
  - You may have gotten this $2,000 from a tax refund or from selling your current broken down car etc.
- **Step 2:** Instead of paying a car note, pay yourself $375 for 6 months and **purchase a $4k beater.** (Honda, Toyota or Nissan)
- **Step 3:** Continue paying yourself $375/month for 18 months and **replace your car with a $10k car.**
- **Step 4: You now typically have 2 choices-**

A. Continue paying $200/month into your savings acct. for future car purchases.
   - Every 5 years you will have **$12k** to use towards an updated model.

B. Invest that $200/month into a car fund.
   - Every 5 years you will have **$15,977** to use.
   - Every 8 years you will have **$29,782** to use.

Or the ultimate choice: save up and invest a **$30k lump sum.**

- Every 5 years* that amount will grow to **$47,660**, of which **$17,660** can be used to purchase a vehicle…

…without ever contributing another car payment *again.*

*unless you find that the country is in an economic slump – then you'll have to continue driving your car for a year or two!

All about car reliability:

Taking out car loans is ***STUPID.***

Taking out car loans on unreliable cars is ***DOUBLE STUPID.***

Taking out car loans on ***expensive*** *unreliable* cars is…*come on man.*

There are 4, real auto reliability types.

Cars generally require:

1. **Frequent repairs** that are ***expensive.***
   - BMW, Mercedes, Range Rover etc.
2. **Frequent repairs** that are ***inexpensive.***
   - Chrysler, Dodge, Volkswagen, Ford, Fiat etc.
3. **Infrequent repairs** that are ***expensive.***
   - Lexus, Audi, Jeep etc.
4. **Infrequent repairs** that are ***inexpensive.***
   - Honda, Toyota, Nissan, Subaru etc.

Taking out your last car loan:

You only get **one small car loan** to take out *before* starting our program, and only if you are struggling.

How to do it:

- Follow the same process as if you were buying the car in cash (under $12k, reliable etc)
- Apply with a credit union before you take your chances at a car dealership.
- Always pay below 6% APR for a loan against a car that's $12k or below.
  - If your credit report is jacked, you can put down half of the car's value and convince the financer to bring the apr down to 10-12% or below.
  - If all you are being offered is 21% and higher APR, then you must run, don't walk to the nearest bus stop. Under no circumstances are you ever to take out what many in the auto loan industry refer to as a "negro loan" at a credit union.
  - Aim to pay that car off as **soon as humanly possible.**

Leasing like a Pro:

- **Pro Tip #1:** You are not to ever pay anything monthly – especially not a lease. We lease by paying the lease in FULL.
- **Pro Tip #2:** You should filter out all cars you're contemplating leasing first by their residual value (must be over 60% residual for 36 months), by calling/visiting dealers or using sites like www.cars.com/go/alg/index.jsp. Then out of those cars, figure which you like, how costly it is to maintain (some luxury car dealers like Audi have no maintenance plans and you have to pay for this so your warranty doesnt void), the money factor that will be included in the lease deal and finally the overall price of the car. (I will slap you if you do not negotiate to a couple hundred over invoice. Yes you want dealers to make money).
- **Pro Tip #3:** Know what you came to do and do it. Don't you dare lease a car for over 36 months or buy it/plan to buy it at the end of a lease.

Leasing like a Pro (cont):

- **Pro Tip #4:** One of the smartest things you can ever do as a person who is about to buy or lease a car, is to use www.turo.com or Hertz used car sales and live with that car (or similar) for a week before signing on the dotted line. There is nothing a 7 minute test drive will teach you about any car. Always rent the car for a few days/a week BEFORE you lease, buy or anything related to this. You may think you're wasting money but trust me son, this will save you THOUSANDS.

- **Pro Tip #5:** Understand "true cost to lease". ANY time you see a $399 lease payment on a luxury vehicle, that is the direct equivalent to almost $1,000 in monthly costs. (ie tax, gas, insurance, registration, tires, brake pads, oil changes etc.)

Course 6:

YOUR FOOD SPENDING

...IS OUT OF CONTROL

Brass Knuckle Finance™

We have a **serious problem with "food"** in our community.

One side of that problem is *what* we actually eat. The second side is how we *pay* for what we eat.

By now, you should already understand the importance of eating healthier and not entertaining these high sodium, high sugar, faux foods that are pushed to your people.

You should already know these foods will put you in the grave before its time.

Understand: there is *no* sense in building **wealth** if you're going to be **too sick** or ***too dead*** **to enjoy it.**

EATING LIKE SH*T *IS* EXPENSIVE

The FINANCIAL damage:

1. The average **obese** ***woman*** in the U.S. will rack up **$3,613/year** in ***additional*** medical costs. (costs for diabetes medications, hypertension, heart problems and the surgeries accompanying them)
2. The average **obese** ***man*** **in the U.S.** will rack up **$1,152/year** in additional medical costs.
3. Even if you aren't obese, the cost of frivolous spending on food alone (estimated at an extra $200-$300/month for singles) can add up to over **$3,600/year.**
4. None of this includes the increase in **cost for gas** due to additional driver/passenger weight, **higher airline seat costs** and more expensive **customized clothing.**
5. As well, the cost of being lethargic and unmotivated because you're constantly being found throughout the day with a case of the "itis" has been estimated to cost the U.S. economy ***$600 billion/year.***

*****It can easily cost a person almost $700k over 30 years in missed opportunity costs from not investing the money they end up spending on poor health.*****

So how do most people budget for food?

They don't.

They just keep spending until an overdraft alert appears in their text messages.

Those who ***do*** budget for food, typically do this:

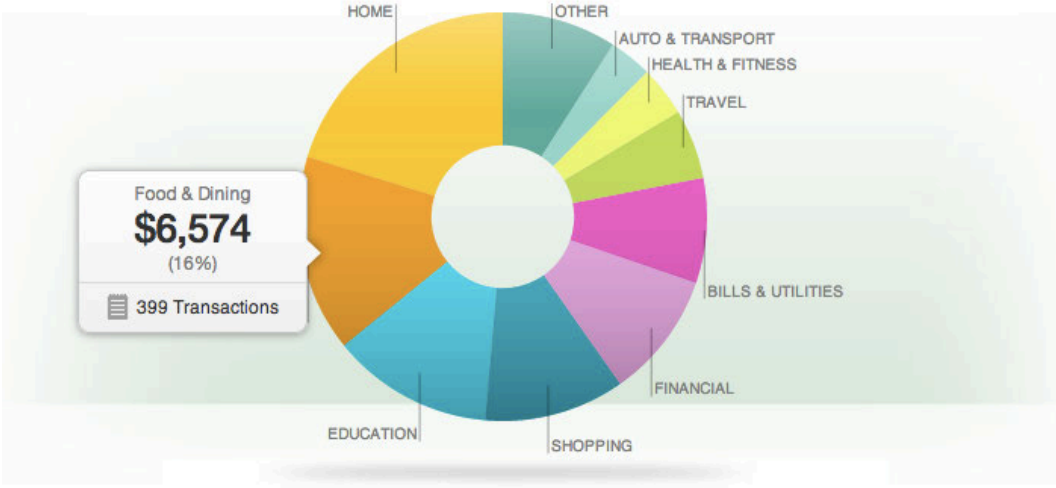
- **Single people:** $350 for the month (they normally go over upwards of $200)
- **Family with kids:** $600 for the month. (they normally go over upwards of $100-$200)
- **Couples with no kids:** $800 for the month (they normally go over and this can straight get astronomical)

HOW TO SUCCESSFULLY DEFEAT YOUR FOOD SPLURGING URGES:

1. **Know your current damage.** (document both your spending and its affect on your health)
2. **Know *why* you're eating like this.** (ie you're bored, feel you deserve it, no time to cook, unhealthy environment etc.)
3. **Create a game plan.** (based on budget goals, limiting your ability to spend and editing your environment.)
4. **Take on an accountability partner.**
5. **Become the accountability partner for others.**

1. Knowing your damage:

- **Track your food spending:**
  - Look back at your last 3 months of food spending to find an average. (use mint, bank statements etc.)
  - Begin tracking your *current* food spending.
  - Limit the cash you use to buy food so your spending is trackable in the first place.



▪ Document your health changes:

- What times of the day do I feel lethargic?
- Do I eat more during certain times of the day or followed by certain events?
- Do certain "foods" I eat make me feel worse than others?
- Do certain foods make or keep me feeling great?
- Is my overall health improving or declining year over year?

NOTE, YOUR *TOTAL* FOOD COSTS INCLUDE:

- ❑ Breakfast from home
- ❑ Lunches from home
- ❑ Dinners at home
- ❑ Coffee at home
- ❑ Coffee at Starbucks
- ❑ Vending machine
- ❑ Store bought snacks
- ❑ Ordering lunch in with coworkers
- ❑ Birthday meals
- ❑ Happy hour drinks
- ❑ Drinks bought for self at the club
- ❑ Drinks bought for ratchets at the club
- ❑ Concert food
- ❑ Cheesecake slices at the cheesecake factory
- ❑ School meal plans for your kids
- ❑ Food bought for their friends
- ❑ Food allowance for kids
- ❑ Etc.

BUT ONLY AFTER WE KNOW ***WHY*** WE SPEND HOW WE SPEND CAN WE FIGURE OUT HOW TO IMPLEMENT THE NECESSARY MOVES ***TO CHANGE COURSE.***

2. Knowing your 'why':

Examples of why you may be eating like this:

- You feel its your ***reward*** for working hard.
- You feel you don't have ***time*** to cook.
- You're too ***lazy*** to cook.
- Its too hard to find "***affordable"*** healthy food.
- Your friends/family/social situations pressure you into it.
- You eat as a pastime because you're **too broke** for anything else.
- You eat out of *depression.*
- You don't realize how much you spend until the ***end of the month.***
- You're married to or are in a relationship with a **hippo.**
- You gave birth to a couple hippos calling themselves **your kids.**
- You are allergic to planning basically ***anything*** in life.
- You're uninspired by **frozen** or **pre-packaged** foods.
- Your **snack game** is *lit.*
- **All or a combination of the above.**

Understand: you've got to get down to the ***actual issues.***

3. Creating your Game Plan:

Once you've gotten down to the actual issues you're facing, its time to create your goals. From there, you'll create the plan needed to defeat them.

What are my food budget goals?

- To afford healthier eating?
- To spend less on groceries?
- To stretch your groceries?
- To spend less eating out in social situations?
- To spend less dining out in general? (ie spend $100 more in groceries & $200 less in fast food)
- To help your child reduce spending on junk via allowance?
- To get to where you spend half the amount you normally spend on food? #spendhalf
- etc.

MY Game Plan FOR FOOD

Here's how to do better:

Understand that food spending normally crosses the following three categories:

A) Groceries

- Give yourself one monthly amount not to go over. (i.e.. $125)

B) Dining Out (non-grocery food)

- Give yourself a daily amount not to go over. (i.e. $5/weekday and $8/ week*end* day)

C) Amusement (food as amusement)

- Give yourself one monthly amount for food as entertainment , a sit down weekly restaurant for the family or other special occasions. (i.e. $75)

This method allows you to pace yourself daily & ***stay aware*** of your food spending.

BKF Food Budget Examples:

How food might be budgeted in a household with a single person:

A) Groceries: $150/month
B) Dining out:
Monday through Thursday - $9/day
Friday through Sunday - $15/day
C) Amusement: $100/month (This covers sit down restaurants or any other meal/special occasion that costs over your daily fast food amount for that day)
Total: $392

How food might be budgeted in a household with a single parent with 2 kids not old enough to receive allowance:

A) Groceries: $175/month
B) Dining out:
Monday through Thursday - $5/day
Friday through Sunday - $10/day
C) Amusement: $50/month
Total: $445

How food might be budgeted in a household with two parents and 3 kids not old enough to receive allowance:

A) Groceries: $225/month
B) Dining out (him):
Monday through Thursday - $5/day
Friday through Sunday - $7/day
B) Dining out (her):
Monday through Thursday - $5/day
Friday through Sunday - $7/day
C) Amusement (him): $25/month
C) Amusement (her): $25/month
Total: $637

How to shave off over $500 from your food spending *each month:*

1. **Bring your snacks to work.** (vending machines are deadly). Potential savings: $40-$60
2. **Buy $100 more in groceries.** This will allow you to spend $200 less in dining out/fast food. Potential savings: $200+
3. **Use coupon and coupon techniques.** Potential savings: $50-$70
4. **Don't watch certain T.V. shows.** Potential savings from misplaced cravings: $30-$40
5. **Don't go grocery shopping while hungry.** Potential savings from misplaced cravings: $50-$100
6. **Eat a bit before going out in social settings.** Potential savings from misplaced cravings: $75+
7. **Utilize surpluses (aka leftovers).** Potential savings from misplaced cravings: $50-$200
8. **Use apps** (varies)

<u>Mind hacking tricks</u>:

1. Edit your environment

- When aiming to change certain habits, such as *eating poorly,* we generally only ever win once we design our environments for **laziness** and our inherent **lack of discipline.** Strength alone will not save you from **poor habits.**
- The best way to do this is to create "friction".

2. Establish a routine

- This allows you to make less decisions when your willpower is low and make decisions ahead of time.
- Make sure to sprinkle the right amount of variety within it)

3. Keep the plan close

- Keep your planner close – on your fridge, in your photo gallery on your phone, in your office etc.

Where to apply <u>friction:</u>

Around the ease of accessing junk food: hide in places you can't easily access, use distance techniques etc

Around social situations: limit your likelihood of finding yourself in social situations with people who don't value your same nutrition habits

At work: if coworkers are always ordering in or going off site to lunch, make sure you have no money to do so | bring lunches | begin eating before coworker lunch time as to not be hungry

Around quantities: smaller plates, smaller portions, the perfect balance of filling and healthier foods

At the point of sale: (grocery store/fast food/restaurant/bar) utilize the BKF dual account strategy, w/ possible **pre-paid food card.**

For those with serious food spending problems, use a pre-paid debit card for food spending only.

But once the limit is done, *its done.*

The Best pre-paid debit cards:

	American Express Serve® or Blue Bird®	PayPal™ Prepaid MasterCard®	KAIKU Visa Prepaid Card	AccountNow® Prepaid Visa® Card	Western Union® NetSpend® Prepaid MasterCard®	NetSpend® Visa® Prepaid Card
Activation Fee	$0	$0	$0	$4.95	$0	$0
Max Monthly Fee	$1	$4.95	$3	$0	$9.95	$9.95
Purchase Fees	$0	$0	$0	$1 per transaction	$0	$0
ATM Fees	$0 at MoneyPass ATMs	$1.95	$0 with in-network ATMs	$2.50	$2.50	$2.50
Foreign Currency Fee	2.7%	2.5%	0%	3%	3.5%	3.5%
Max Balance	$5,000	$15,000	$25,000	$10,000	$5,000	$15,000

Note: using a pre-paid debit card is a great way to apply friction to otherwise very easy ways to spend on food. You have to make it hard mess up for your goals to work!

"My Week of Food"

Weekly example:

Monday

-$1 breakfast
(coffee + bagel)
-$3.50 lunch
(from home)
-$1 snacks
(fruit)
-$7 dinner
(Panera)
Total: $12.50

Tuesday

-$1 breakfast
(cereal)
-$3.50 lunch
(soup or salad)
-$1 snacks
(banana chips)
-$7 dinner
(home cooked meal)
Total: $12.50

Wednesday

-$1 breakfast
(oatmeal)
-$3.50 lunch
(soup or salad)
-$1 snacks
(wheat thins)
-$7 dinner
(home cooked meal)
Total: $12.50

Thursday

-$1 breakfast
(oatmeal)
-$3.50 lunch
(soup or salad)
-$1 snacks
(banana chips)
-$7 dinner
(home cooked meal)
Total: $12.50

Friday

-$1 breakfast
(oatmeal)
-$6 lunch
(coworkers)
-$5 drinks
(happy hour)
-$10 dinner
(happy hour)
Total: $20

Saturday

"Party Time"
-$5 breakfast
(coffee + omelet)
-$6 brunch
(drinks + appetizers)
-$15 dinner
(restaurant)
Total: $26

Sunday

"Party Time"
-$5 breakfast
(coffee + omelet)
-$6 brunch
(drinks + appetizers)
-$15 dinner
(restaurant)
Total: $26

This week's total: *$122*

Projected monthly total: *$488*

Note: the key is to use this template *before* the start of each week so you can create a custom plan that will keep you on a spending routine once the week begins. From there you can sprinkle in variety, but you want to keep the planned amounts the same.
And remember – when we fail to plan, we plan to *fail.*

4. Taking on an Accountability Partner:

Who's best:

- Your partner or spouse
- Your best friend who is willing to grab you from time to time and knock some sense into you
- Coworkers on the same or similar path to healthy eating
- Online communities and social media followings
- **Never ever ever let your parent become your accountability partner with food. It just doesn't work.**

5. Becoming an Accountability Partner:

Tips:

- Be honest yet respectful
- Aim to be as accessible as possible
- Don't nag
- Best in pairs for reciprocation

But remember: the only thing more expensive than eating healthy is the medical expenses from ***not*** eating healthy.

"I *CAN'T* KEEP **EATING** LIKE **SH*T.**"

-you

(one day)

Course #7:

Taxes & Side Hustles

Brass Knuckle Finance™

Understand:
The tax system in the U.S. is both a **progressive** tax system and a **pay as you earn** tax system.

Generally, you **must file a tax return** every year unless you earn less than $10,300 in net income as an employee or less than $400 as self-employed.

Progressive **Tax Rate Example:**

	2016 TAXABLE INCOME		
Rate	**Single filers**	**Married couples, filing jointly**	**Rate on long-term capital gains***
10%	$0–9,275	$0–18,550	0%
15	9,276–37,650	18,551–75,300	
25	37,651–91,150	75,301–151,900	15%
28	91,151–190,150	151,901–231,450	
33	190,151–413,350	231,451–413,350	
35	413,351–415,050	413,351–466,950	
39.6	415,051 and above	466,951 and above	20%

Source: Internal Revenue Service *and qualified dividends THE WALL STREET JOURNAL.

Most people get into tax trouble with the following offenses:

- **Not** paying taxes owed
- **Not** filing a tax return at all
- **Not** paying enough taxes throughout the year (through estimated taxes or employee withholdings)
- Making a **frivolous or inaccurate** return ($5,000 penalty)
- Withdrawing from retirement **early**
- These days: **not having health insurance**

A few IRS penalties:

- **Nonfiling penalty:** Delaying your filing past April 15th can result in a $100 fine or 5 percent per month of taxes owed. If you continue refusing to file, the IRS will charge you 100 percent of your taxes owed and will not allow you any deductions or credits. This can also lead to tax evasion and result in prison time in addition to a fine up to $25,000.

- **Nonpayment penalty:** The nonpayment penalty is in *addition to* the nonfiling penalty. Even if you file a return or an extension by April 15th but don't pay what you owe then, you'll face the nonpayment penalty. This penalty is 0.5% of the amount owed and is assessed every month or any part of a month that your tax bill is outstanding. Both penalties can grow until they reach 25% of your unpaid tax.

- **Underpayment penalty:** The IRS will charge daily interest on any taxes not paid on time, at an interest rate that is determined quarterly by the IRS. This interest rate is between 5-8% on an annual basis and is applied to the amount of underpayment.

Lets talk

"Estimated tax payments"

Know: Self employed people & freelancers who expect to owe at least *$1,000* in taxes for the year must make ***federal*** estimated tax payments **4 times a year.** *(Mid April, Mid June, Mid September and Mid January)*

They must also make estimated payments in certain ***states.*** In states such as CA for example, the percentages you must pay are spelled out:

- ✓ **30 percent** in the first quarter (by April 18th)
- ✓ **40 percent** in the second quarter (June 15th)
- ✓ **0 percent** in the third quarter (September 15th)
- ✓ **30 percent** in the fourth quarter (January 17th)

(the above California example is applicable to anyone who expects to owe at least **$500 in taxes for the year** or $250 if married filing separately. Taxes are payable on www.ftb.ca.gov)

If you fail to make estimated payments as a **self employed individual,** you may be charged a daily compounded rate that equals ***5-7% annually*** on the amount of under payment.

Similarly, if you fail to withhold enough income from your paychecks as an **employee,** you may be charged a daily compounded rate that equals ***5-7% annually*** on the amount of under payment.

Note: you can also be charged $500 for knowingly setting your # of withholdings too high.

How to avoid fees & penalties:

A. Make your estimated tax payments.
B. Owe less than **$1,000 in taxes** for the current year.
C. Get your estimated tax payments to **at least 90%** of your total tax liability for the ***current* year.**
D. Get your estimated tax payments to **100%** of your total tax liability for the ***prior* year.**
E. Have taxes **withheld and sent to the government from** payments made to you.
F. Owe no taxes the previous year.

Generally speaking, you have a **10% margin of error** in regard to the amount of tax you should have paid the government to avoid a penalty.

Also, if the difference of amount owed is less than **$1,000,** the penalty is normally waved.
(your state may have other requirements)

We must also understand the difference between ***earning*** *money* & MAKING money.

2016 *Personal* Tax Rates

Rate	2016 TAXABLE INCOME: Single filers	2016 TAXABLE INCOME: Married couples, filing jointly	Rate on long-term capital gains*
10%	$0–9,275	$0–18,550	0%
15	9,276–37,650	18,551–75,300	
25	37,651–91,150	75,301–151,900	15%
28	91,151–190,150	151,901–231,450	
33	190,151–413,350	231,451–413,350	
35	413,351–415,050	413,351–466,950	
39.6	415,051 and above	466,951 and above	20%

Earned income is taxed higher than investment & unearned income. Therefore smart tax planning is about making as much of the **right income** as possible while making as many **allowable deductions** as possible.

Popular tax deductions:

- **Standard deduction** (single, married or head of household)
- **401k or IRA contributions**
- **Mortgage interest & property tax deductions**
- **Contributions to Health Savings Accounts**
- **Energy efficient home improvements**
- **Electric vehicle tax credit ($7,500)**
- **Earned income tax credit** (this one is a credit and can be up to $6,242 depending on your kids and income)

DID YOU KNOW ?

In Massachusetts, residents can deduct up to 50% of their rent paid on their state tax return.

Commonly missed deductions:

- **State sales taxes** vs **state income taxes** on federal tax returns. (including sales taxes paid on big ticket items)
- **Charitable contributions under and over $250 –** those tithes and NPR pledges (for itemizers). Under $250 you're not deducting anything due to the $6,300 standard deduction. Over $250 you must have written acknowledgement from the recipient
- **Student loan interest paid by Mom and Dad –** a child not claimed as a dependent can qualify to deduct up to $2,500 of student loan interest paid by their parents.
- **Job hunting costs** – transportation expenses (current mileage deduction), food and lodging, cab fares, employment agency fees, printing resumes, business cards, postage & advertising. And if its for your first job, you can deduct moving expenses instead. (this can be claimed even if you don't itemize)
- **Child and dependent care tax credit –** you can qualify for a tax credit worth between 20% and 35% of what you pay for child care while you work (up to $6,000)
- **Medical expenses – total medical expenses that exceeds 7.5% of your adjusted gross income** (for itemizers)
- **Cost related to caring for a parent –** you can deduct the costs associated with care.
- **Refinancing mortgage points** – when you buy a mortgage, you get to deduct points paid to obtain the mortgage all at one time. When you refinance that mortgage however, you have to deduct the points over the life of the loan.
- **American Opportunity Credit –** based on 100% of the first $2,000 spent on qualifying college expenses and 25% of the next $2,000 for a max of $2,500.
- **Deduction of Medicare Premiums for the self-employed** (itemized or not)

Understand:

The best tax preparer will always be your **accountant.**

However most people in debt are **not** in financial position to pay for a **good accountant.**

So that leaves:

- ***Tax preparers*** *(and NOT your local hood homie promising to get you $3 million back)*
- ***Tax preparation software*** *(Turbotax etc.)*
- ***Old school filing out of forms*** *(self filed and managed)*

People who are running **side hustles** should *ideally* have an accountant & bookkeeping software.

But at at minimum, they should have **Turbotax** and bookeeping software.

<u>Side Hustle **bookkeeping software:**</u>

These services normally costs between $6 - $30/month

(Note: Wave Accounting is free and supported by ads)

Gross income vs Net Income

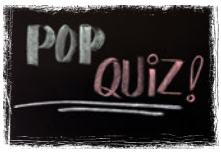
Once you're out of debt and in your wealth building phase, you'll be able to afford an accountant to assist you in tax planning. This will allow you to further benefit from budgeting against your **gross income** like affluent people do. How so? Well first lets be clear on what these terms actually mean.

Gross income: An individual's total personal income *before* taxes and other deductions are removed.

Net income: An individual's gross income *minus* taxes and other deductions. This is commonly called "take home pay".

Here are some common taxes & deductions that are subtracted to create a person's *net income:*

- Federal income taxes
- Medicare taxes
- Social security taxes
- State income taxes
- State disability taxes
- Health care contributions
- Retirement contributions
- Child support garnishments
- Misc. financial garnishments



Which of the above items are optionally taken out of your check each period?

ALL
OF THEM.

Always remember:

***YOU* control 100% of your income. No one else.**

Every single thing that comes *out* of your check is negotiable. **Everything.**

But perhaps even more important questions to ask yourself are:

-What *are* the items coming out of my check?
-Are they the right amounts?
-Should I adjust any of these amounts based on what I project my taxable income to be this year?
-Which items do I want to pay now vs later and what are the benefits of doing so?
-Should I no longer pay some of these items at all? (ex: non tax items)

Once you know the answers to these questions, with the help of an accountant, you can then adjust or flat out remove some of these items/hands from being in your pockets.

This is particularly useful if you currently receive a sizable tax refund each year (which is basically your own money returned to you without interest paid for holding it). Those refunds could amount to decades of lost opportunity cost from better uses for that money.

Because sizeable tax refunds are for fools.

Broke people budget using **net income.**

Wealthy people budget using **gross income.**

You've got to learn the difference.

10 random things you could spend your tax refund on this year, instead of your typical f*ckery.

1. Take your kids to the damn dentist! *No for real.* When's the last time your family has seen a dentist? No, not on TV – in real life 3-D. Or even a regular doctor? Medical procedures only get more expensive & painful for issues that were left unchecked. And we all know dental insurance policies suck – here's your chance at no excuses.
2. Finally create an emergency fund! No adult should be without a $2k emergency fund at bare minimum. Remember - an emergency fund is for what you *don't* know will happen in life. Your other savings accounts are for what you do. No, a stolen iPad being sold half price off Crenshaw and Slauson is not an emergency.
3. Pay down your credit card balances (or pay off if possible.) Remember to cut up and close every credit card account you have after paying them off. Only fools keep random credit card accounts around the house like pets. Did I hear someone say *fraud*?
4. Pay off those damn parking tickets and their forever compounding late fees.
5. Pay your mom back that money you owe her from like the 7th grade.
6. Pay down the $25k auto loan balance on that $9k Dodge Charger you bought because you were too hard headed to take your parents with you to the dealership.
7. Use it to pay for a math tutor so you stop getting hustled on big purchases that need calculations in life.
8. Use it to negotiate a settlement on a collection account. (only if the account is within your state's "statute of limitations on debt".
9. Use it to open up an individual brokerage account or add to a 401k/ Roth IRA. (only if you're out of consumer debt).
10. Use it to start an 'audit fund'. You and I both know half of that refund is going right back to the IRS once they start asking how a black woman birthed a black kid two states away named Hector.

Better start earning interest now to cover them penalties and fees, playa.

www.BrassKnuckleFinance.com

BRASS KNUCKLE FINANCE

30 BKF Approved SIDE HUSTLES

30 Few BKF Approved SIDE HUSTLES

1. Getting a part time job

- The **best side hustle you can start** is getting a **part time job.** Its consistent, its legal and while nothing is guaranteed, its for closer to being so than other non employment hustles.
- Many people try to get themselves involved in these off the wall side hustles only to get tricked (or trick themselves) into putting up money to get started. Then they put up more money to maintain it. All while interest and penalties on debt they haven't repaid continues to accumulate.
- Instead of going down that rabbit hole, for those who are in debt, consider spending your time hustling for *someone else* at a part time job with consistent income.

2. Becoming a freelancer

- Freelancing every now and then for some additional income is a great way to pay down debt. Monetizing a skill you possess is the second most surefire way to make money on the side.
- Understand that this is not classified as "running a business" unless you actually have a business entity, however.

3. Sell something of value *(other than your time… or ass. Or…other than your time **and** ass.)*

- **Etsy.com** – are you creative? Maybe selling your own creative products is the way to go. You could open a shop on Etsy and sell your crafts to others who are looking for unique products.

- **Craigslist & eBay.com** – eBay is a great place to sell stuff to earn money, especially if you have something collectible to sell.

4. Become a driver

While this is technically classified as being a freelancer, you actually do need specific material resources outside of a computer to freelance in this area. Namely a car. Be careful though – numerous studies have shown that after expenses, most drivers make somewhere around minimum wage, unless they're using extremely reliable and fuel efficient vehicles.

On top of your car's maintenance and repair expenses, you'll need to deduct for snacks, the appropriate insurances and taxes as well. Most of these items are tax deductible as a freelancer.

Other BKF sidehustles:

5. Use your home as a vacation rental (Airbnb)
6. Blogging
7. Online coaching/ consulting
8. Filling out online surveys
9. Tutoring
10. Catering
11. Computer repair
12. Recycling
13. Resume help
14. Dog walking
15. Estate sales
16. Housesitting
17. Pet sitting
18. Movie/TV extra work
19. Mystery shopping
20. Joining a research study or focus group
21. Garder services
22. Painting services
23. Pool cleaning services
24. Become someone's friend (rentafriend.com)
25. Become someone's date-males only (Rentagent.com)
26. Shoveling snow
27. Donating sperm or eggs
28. Donating Plasma
29. Participating in medical studies
30. Anything to do with *legal* marijuana accessory sales

#BKFApprovedSideHustles

Side Hustle Tools & Resources

Becoming a *freelancer :*

- Upwork.com
- Elance.com
- Guru.com
- Fiverr.com
- 99designs.com
- Write.com
- Taskrabbit.com
- Agentanything.com
- Zirtual.com
- Fancyhands.com
- Redbutler.com
- Mechanicalturk.com
- Urbansitter.com
- Care.com
- Sittercity.com
- Homejoy.com

Selling something of *value:*

- Etsy.com
- eBay.com
- Craigslist.org
- Amazon.com
- OfferUp (app)
- Wallapop (app)
- Carousell (app)
- 5 miles (app)
- Poshmark (app)
- Depop (app)
- Letgo (app)
- Grailed (app)
- The People's Market (app)
- iStockPhoto.com
- Lulu.com (or Amazon books)

Useing your car to become a **driver:**

- Uber.com
- Lyft.com
- Turo.com
- Amazon.com
- Grubhub
- Uber Eats (app)
- Doordash (app)
- Postmates (app)
- Munchery (app)
- Mytable (app)
- Shuddle (app)
- Owning/leasing a truck for hauling

#BKFApprovedSideHustles

Remember:

This is only a *temporary* **necessity.**

If you are currently struggling however, its time to get you a damn **phone,** a **Square card reader** and some **business cards and…**

FIGURE IT THE **F^%CK** OUT.

“Being lazy is disrespectful to the people that believe in you.”

-Unknown

www.BKFUniversity.com

7 Steps to Zero Debt

Step 1. Stop acquiring **new debt of *any kind.***

Step 2. Begin **minimizing** your monthly expenses while **maximizing** your monthly income.

Step 3. Save **$2,000** as a ***starter emergency fund.***

Step 4. Start paying off your ***current*** **consumer debt** from **smallest balance to largest** using the **debt snowball.**

Step 5. When you have just student loans and/or mortgages left, pause your debt snowball & build up a ***full*** **emergency fund** with 3-6 months of household expenses.

Step 6. Go back and settle any **collections accounts** that are still owe-able within your state's statute of limitations.

Step 7. Finally, eliminate your **student loans** and/or **mortgage.**

THIS is when you hustle:

Here.

through

Here.

The reality:
Far too many people claim they want to be one thing while they refuse to do the one thing that will get them there - ***sacrifice.***

And what is sacrifice?

Sacrifice is the thing that separates **where you are now** from **where you claim you're trying to go.**

But a lot of people mistake 'sacrifice' for simply *'hard living'.*

You see...just because you live a hard life filled with significant lack, **it doesn't mean you're sacrificing.**

Sacrificing is when you take pseudo-comforts you're used to having today and put them on the back-burner in exchange for the potential of being in a much better position than you can even *imagine* tomorrow.

A lot of times this can simply consist of sacrificing frivolous spending today in order to be in a much better place financially tomorrow.

Hard living on the other hand is just *high class struggling.*

There is no plan, no goal; *just survival.*

You are not sacrificing or setting aside anything today for a better tomorrow when you're struggling; you're just living hard without a plan.

And because you do this month in and month out, you find yourself always creating excuses to splurge what would have been your **house fund,** your **I want to start a business fund** or your **kid's college fund** that you conveniently manage to put off year after year.

All under the guise of ***"But…I deserve it".***

Here's the thing - what **you really deserve** is to have much better than yet another damn $2,000 trip to Vegas so you can blow your money on things you won't remember.

You deserve much more than the opportunity to fall right back into the daily struggle the night you get back home from that ATL trip.

And what your kids deserve is a much better future than dodging bill collectors and working at the front desk for years **with post graduate degrees.**

So if you truly want to be an **anomaly,** its time to **create a master plan** and **sacrifice like very few around you.**

Because the only thing you truly deserve, *as an anomaly,* is to end the cycle that has claimed so many others, **once and for all**.

At a certain point in your life, you have to begin to ask yourself…

"Who the f#% do I want to be?"

Do I want to be extraordinary? Or *extra-ordinary…*

	Poor	Normal	Affluent/Rich	Wealthy
Pros	Typically Receives: -Help with medical costs -Help with college tuition -Help with food & shelter -Help with staying poor -Stupid simple tax returns	-Most proven track for mediocrity (if this is your sort of thing) -Normal amount of time spent with loved ones (a few hours before bed time and some time on weekends) -A house to hide away from society in -Cable TV (for living your life on the couch vicariously through celebrities you watch on TV)	-Your own office -Higher up on the corporate ladder -Higher income than others -Bigger house with more rooms than average people -More toys -More Gucci -Looked up to by normal & considered "The Joneses"	-Having more than you need -Able to focus time & resources on living out what you were put here for -No financial stress -Greater amount of time with family and loved ones -Healthier w/less marital stress
Cons	-Stress over income & transportation (multiple part time jobs) -Stress from bills (even with help from programs) -Poor health -Higher incidents of substance abuse. -Higher incidents of prison & living near crime	-Stressing out over income -Stressing out over bills -Little/no help with medical costs or college tuition -Low job satisfaction -Soul sucking commute -Waking up at age 70 not remembering where your life went -Typical American health (not good) -Normal is often shorthand for "broke"	-Multiple job stresses -Lack of personal/family time (raising children through facetime) -Higher incidents of children with substance abuse & depression -Highly taxed -Higher incident of friends/family looking for handouts -Must constantly work to earn enough to float increasing lifestyle -Earns a lot of money and no time to spend it	-Being forced to see so many others led astray by society
Net worth:	**-$1,233** **(overdrafts, payday loans, car loans, loans from family)**	**-$0** **(incl mortgage, credit card bills, etc. About half of the U.S. pop. has a zero net worth)**	**+$429,000** **(The cash rich and time deficient)**	***(abundance)***

KNOW THAT YOU ARE *NOT* YOUR BANK ACCOUNT.

But you are the stress that you carry.

There are relative few benefits to being poor. However, constantly comparing yourself to those who make/earn less is not the definition of wealth either.

Rich is when you have more money than others.

Wealth is when you have more money than *you* need.

BEAT DEBT **MASTER *YOUR* MONEY**

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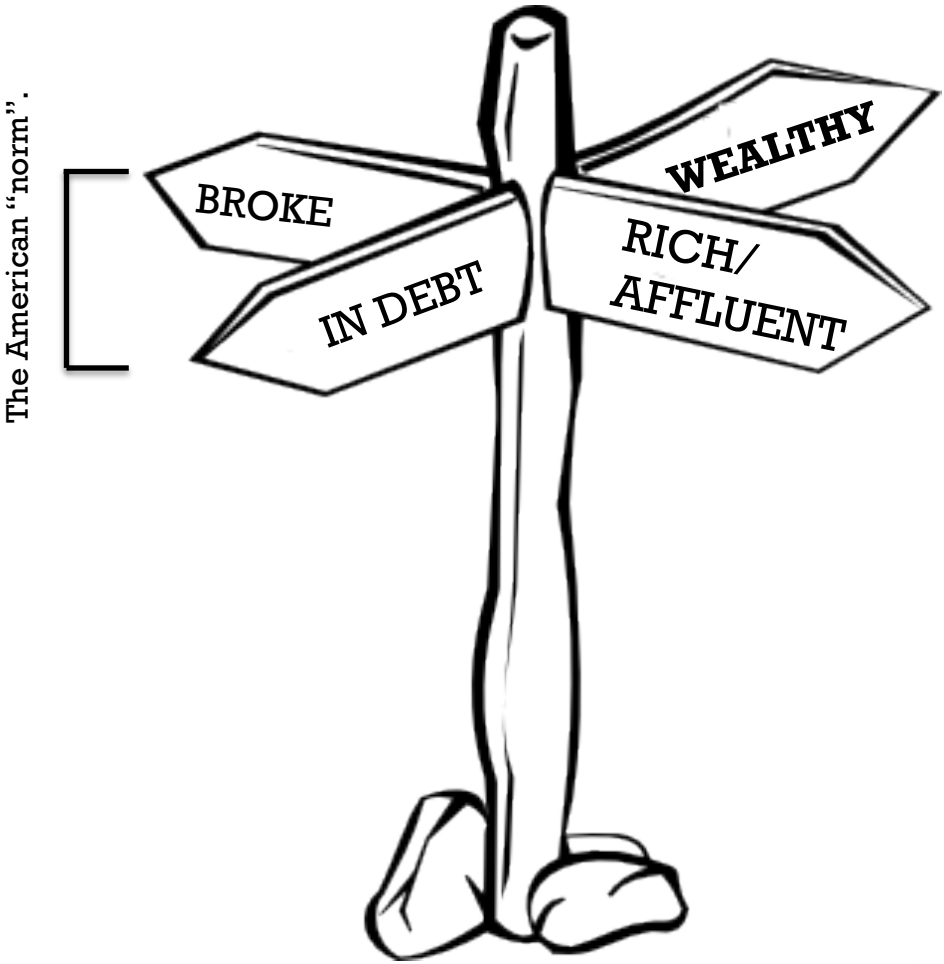
The BKF Financial Crossroads



*Which **path** will **you** choose?*

Note: each path leads directly to ***poverty*** if you constantly compare yourself to others. There is always someone "poorer" than someone else.

Comparison kills.

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“I want to change the world.”

"I want to change the world."

=

"I am willing to sacrifice being comfortable today for the creative and financial freedom it takes to leave ***my mark on the world*** *tomorrow."*

Not

→ Normal

“I want to be in position to never have to worry about **something as trivial in life as money.**”

"…never have to worry about **something as trivial as money."**

=

*"I want to be in a position where neither I nor my kids ever have daily worries about bills. I want us to be able to focus on doing the amazing things we were put here to do instead. Having to worry about money daily is not beneficial to one's life force. We've begun to realize that struggling is stressful. And **stress kills creativity."***

Not

→ Normal

"EAT. SLEEP. WORK."

I was put here to do ***more than this.***

“I was put here to do **more** than this.”

=

Exactly what the *f#*ck it says.*

Look…all I'm here to do is **save you time**.

Each of us will figure these things out about life one day.

The question is, at which point **will it *be too late?***

Far too many people around us simply aspire to be **slaves** with **fancy clothing.**

-Jarim Person-Lynn

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This is your mission should you choose to accept it...

Educate yourself
Become an asset
Stay away from credit
Owe no one
Find your purpose
Find your discipline
Teach others
Invest in your community
Invest in their communities
Create a family
Create a team
Invest as a team
Express your creativity
Express your feelings
Don't forget to live
Don't forget to ball*
Don't forget to **teach others**
Stay peaceful
Stay healthy
Stay black.

(Note: ballin means whatever it is you want it to mean. To the average American, having a paid off car and no debt is balling outta control)

Brass Knuckle Finance™

Disclaimer

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Additional Links & Resources

Brass Knuckle Finance:
www.BrassKnuckleFinance.com

BKF Business School:
www.BKFBusinessSchool.com

BKF – Investing School:
www.BKFInvestingSchool.com

This is Why You're Broke:
www.ThisisWhyYoureBroke.com

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