

9 Things Every College Student Should Know About Money

Thing 5 Presentation Transcript

Number 5 is, "If It Sounds Too Good To Be True..."

TOPICS

1. SCAMS

Scams.

SCAM ID

So, how do you identify a scam? Many times it's as simple as the wording. Actually a very simple word. Look for the word, "if". If you win, if it sounds too good to be true. If you get something, for nothing. If you can make \$50,000 a year for just stuffing envelopes. If I get lucky. In all cases, and in every scam, there is always a victim. Don't let it be you.

TYPES OF SCAMS

So, what are the different types of scams? Well, there's the affinity scam where a con artist will come in and prey on people with similar groups or interests. Many times it's within a trusted circle of friends that you know very well and think this could never be one of them or happen within this group.

Internet or cyber scams happen with hacking, theft, fraudulent offers where they want you to send money. A lot of them are done by e-mail and request for personal information. Once you give them that personal information, then they'll either steal your money or steal your identity. You know, the bank is not going to ask for your account number. The bank knows what your account number is. So never give someone your account number over e-mail, because it's a scam. Scams can also come through the mail. They usually come from very official looking letters. Sometimes they look like they're coming from corporations or even government entities. Always take a close look at the return address. If it's just a post office box, or if it just doesn't seem right, then avoid it.

Phishing is where you trick people into providing confidential personal data. Phishing is usually done by e-mail or other electronic means. And so, if somebody is asking you for your social security number, your bank account information, and they're making it sound

like you've just had money fall out of the sky--typically, that is a phishing scam. And they are going to take whatever information you give them and they're either going to steal from you or they're going to take your identity, which in essence is the same thing, they're going to steal from you as well and then along the way they're going to wreck your credit.

A pyramid scam is where you recruit others to pay for nonexistent services. Now, this is not to be confused with multi-level marketing. I mean, multi-level marketing is an actual business model. It's used by several industries, the cosmetics industry being one of the largest. Multi-level marketing is an actual business model, you have to be careful with it because typically people buy product up front and then sell it to a couple of friends or some family members and then their network sort of runs out because they're not salesmen. But it's not necessarily illegal or even a scam. A pyramid scam is actually where you recruit others to pay for things that don't exist. In other words, you are really actually scamming them by getting them to buy into whatever it is that you're selling.

In telephone or telemarketing scams they try to get you to donate money or offer up personal information. This happens a lot after natural disasters, like when something like the tornadoes come through and people will call posing as roofers. Or they'll come to your door posing as roofers. And they will say, we'll fix your roof just give us x dollars for a down payment or deposit and we'll be here tomorrow morning, you're going to go to the front of the line. And you give them the deposit and then you never see them again. So be careful when it comes to scams and if it sounds too good to be true.

RESEARCH & AVOID SCAMS

So where can you go when you are concerned or you think that something might be a scam? You can always do research with the Federal Trade Commission (FTC) or the Consumer Federal Protection Bureau (CFPB), who is tasked with trying to help the consumer to avoid being scammed. The Better Business Bureau or BBB, is also another good resource to see if they've had any reports of bad business going on with someone who's trying to do business with you. GuideStar, is where you can go to review a charity and how its run and Financial Aid and Scholarship scams are listed on finaid.org, which is a legitimate financial aid website where they've identified numerous scholarship scams. A scholarship scam is where students are promised large dollar amounts of scholarship money if they'll just send in, sometimes it's just a processing and handling fee, or sometimes it's an application fee, in exchange for getting a scholarship application or a promise of x number of scholarship hits- which is usually just a list of scholarships.

The bottom line with scholarships is *you should never have to pay* to get a scholarship. I mean, it seems like common sense but you know you don't make a student who needs money to go to college pay you for something. So typically if there's a payment involved from you, be very leery of that because most legitimate scholarship organizations out there do not charge the student to utilize their service. Be sure you do your research so you don't become a victim to a scam.

2. GET RICH QUICK

Get rich quick.

MORE SCAMS...

Get rich quick, I mean we talked about this in the video. **If it sounds too good to be true, it probably is.** But, be very leery of people who offer you big money for little work. I mean it just doesn't make sense. You know, people make big money by working hard, not by working easy or working less. So if you're hearing any kind of an advertisement you know, "Sit back, kick your feet up and the money will roll in." Chances are, it's a scam. One of the classics, not as big as it used to be, was the old stuffing envelopes scam. Make \$50,000 a year stuffing envelopes. Infomercials, you know some of your infomercials are legit, they're selling a product. You're going to buy that product, and many times it works out. But, a lot of times, when you get into the get rich infomercials, you've got to be very careful with that because many times you have to look at what they're selling. And they're basically selling, a lot of times, just a packet of information that says, "If you do this and if you do that, you'll get rich." Which you could go get any business book from the library and say here's how you build a business or here's how you sell things. Basically the only people getting rich are the people that you're sending your money to get whatever kit or whatever cd's it is that they're selling in order to help you quote/unquote, get rich really fast with not a lot of work.

The real deal on real estate, you know, real estate is a great investment. And I am still a firm believer in real estate. I've moved kind of away from housing and am looking more at land now. Housing, over the years, was very, very good to me and my family though during the housing increase to build up to 2008. We were able to flip several houses and were very successful at doing that. But in 2008 when the housing market crashed, that business became more difficult and if you were in parts of the country like Washington D.C., New York, or Las Vegas, those places took huge hits, including the entire state of California. So,

it's not as lucrative as it once was. You can still make money in real estate, but you need to be careful. And you don't have to pay somebody else to teach you how to get rich in real estate. Do the research on your own. Find out what undervalued properties are out there. Find out how long it'll take to turn them. And then, you make decisions based on that fact. You're going to have to follow the other concepts of this course, like building up credit, in order to have the assets or have the collateral to make those buying decisions.

I am not anti-real estate. I still think it is a great asset to own real estate. I like land now. The old saying, "they're not making any more of it." So, I'm trying to accumulate what I can at this point in my life. But, make sure you understand real estate. And a lot of people get taken on real estate. If you're going to build your own house, make sure that you understand what you're getting into. If you're buying a pre-existing home, make sure you have it inspected. So you can find out if there are fundamental flaws with that house that you just can't see by walking through it. Make sure that you know the real deal on real estate before you jump in because you don't want to get put into a situation where real estate hurts your bottom line.

3. GAMES OF CHANCE

Beware and be aware. Remember, anybody can be out to scam you.

You've got to do your homework and make sure the deal is real - before you act!

WANNA BET?

Games of probability and chance, i.e. gambling. We talk about gambling in this class because gambling exists in Oklahoma and in the U.S. I kind of uncovered a little bit of my past in the video, when it comes to gambling. I've got some other thoughts I'd like to share on some of the different types of gambling.

Playing the lottery, you know the thing I like most about playing the lottery is that, I can, and I don't play the lottery very often but when it hits the point that I think okay somebody's gotta win so I'll give them a couple of dollars and the best part about that is, you know, you hand somebody a couple of dollars and then they hand you a ticket, and there's about a thirty second moment in there where you just can't help it. You're going to go into a little bit of a fantasy world and go "WOO, what would I do if I won." Then you have that moment and about thirty seconds later, reality would set back in.

You're all smart people and so you know that statistically speaking, the chances are better

that you'll walk out of wherever you bought that ticket and get struck by lightning than it is that you will actually win the ticket or win the lottery. A couple of bucks for thirty seconds of euphoria, whew I don't know. But anyway, playing the lottery is not a substitute for good retirement planning that we're going to talk about later in the course.

Betting at the track and off-track betting, if you keep this in the realm of entertainment and you play from your budget so you don't go over what it is that you've already planned to spend. Then, that's fine. It's fun, we don't want to take all of the fun out of financial dealings! But, make sure you don't get hooked. They have ATM machines at the track, they have ways for you to take money off your credit card at the track. If you're spending like that, if you're betting your house payment on a horse--then you're in trouble and you need to get some help. If gambling, whether at the race track or not, goes beyond just a simple fun night out and is actually negatively impacting your bottom line then you need to get some help or you just need to quit.

Playing cards, you know playing cards with your friends can be fun. Again, it's just something that people do to get together. It's a social thing, and as long as it stays in that environment, you're going to be fine. Just make sure that you don't flip over and become so serious that you're betting money that you either don't have or would negatively impact your financial plan if you lose.

So what about Fantasy Football? Are any of you into that? If you are, is it for fun or are you getting pretty serious about this? And by this I mean in a negative way. Is it taking time away from your studies? Is it really just a fun social event or is it going to ruin your financial bottom line?

And finally, the best gambling move you can make is to flip a coin. You got a fifty-fifty shot to win. It's not as much fun as betting on a horse or getting four of a kind in Texas Hold'em. But when you look at the odds and when you look at the statistics, statistically speaking, that's about as good as you can get when it comes to gambling. The bottom line is, if you gamble long enough you are going to lose.

I don't know if any of you have ever seen the movie Casino, I think it came out back in the 80's. And there was a classic moment in that movie where the people running the casino, Robert De Niro's character, they knew that if they could keep someone gambling long enough that they could turn their fortune away basically. There was a gentleman who was

up on them a million dollars and he decided to quit and leave the casino. So, they got him a car and took him to the airport to his private plane. And then they called ahead to the airport and had them fake a mechanical problem with the plane and told him, "Hey, just come back to the casino. We'll comp you everything and then as soon as the plane is ready, we'll call you back." Well, he went back into the casino where he was a million dollars ahead and he couldn't help himself, he just kept playing. And I believe when he left the casino, he was three million dollars down, they walked over to him and said, "Oh, your planes ready."

So if you gamble long enough, you will lose. The odds are not in your favor, they're in the favor of the house. If you could see the books that a casino has, they can't lose. Especially if you're playing programmable slot machines, they know exactly how much money they're going to make. So, yes you can sit down and push a button and be that one person that's sitting there at the right time. But chances are, if you play long enough they're going to get you. Don't let gambling get you, okay?

MEGA MILLIONS JACKPOT

Let's watch a video from Khan Academy. You can find additional videos here on probability, cards, rolling the dice, etc.

Purpose: Explaining the odds (mathematically) to winning the mega-millions lottery.

WHO REALLY WINS?

So who really does win when it comes to games of chance? The lottery - the money goes to the state. Which some of that money goes back into scholarships and that's a good program. But, bottom line is, the lottery money goes to, especially the state lottery, the track. Whoever owns the track is making the money. That's why they offer you games of chance. And the same thing with the casinos. That's who really wins. Especially if you get to be a hardcore gambler and you're just basically saying, "Here, take my money."

I've always said if you'll give me \$20, I'll give you \$10 back and call you a winner. And people look at me like, "Nobody would do that." And I see it happen all the time. Somebody will go to the racetrack, they'll bet \$20 they'll come home with \$10 and you ask them how they did and they'll say, "I won \$10." Really?

Okay, enough on gambling. Let's move on.

SELF-ASSESSMENT M/C

What is a surefire way to get rich quick?

4. NOT YOUR BEST BET

Not Your Best Bet.

If you gamble long enough you will lose.

OTHER WAYS TO LOSE

So what are some other ways to lose your money really, really fast?

Rent to own. Rent to own typically has high interest rates on them. You're probably never going to end up owning them. The business model with rent to own is that they're going to get their item back. They basically offer it to people who are going to struggle with paying. As soon as they struggle with paying, they're going to take the item back and they're going to rent it out to somebody else and it just turns over.

Payday loans. Hopefully you never do a payday loan. Payday loan is basically a pay cut. Basically you're saying okay, I've got 100% of my salary and because I'm cash short this month I'm going to walk in and tell the payday loan people I only want to make 90% of my salary not 100%. Because the payday loan people are going to take 10% **or more** right off the top, or whatever their cut is, in order for you to get your money early. If you're taking out payday loans, you need to either talk to somebody that has taken this class or take this class and figure out a way that you can cash flow to the point where you can get to the end of the month. In other words, spend less than you make.

Pawn shops are a little different in that you pawn an item and then if you pay to get an item back out, basically what you've lost is just the commission or the fee that they charge. Pawn shops know though that most people that pawn items are not going to come and get them back out. Because basically within a short period of time, they're not going to be able to resolve their financial situation. So from the selling standpoint, again, learn how to manage your money better so that you don't have to go to pawn shops. On the other side of the coin, you can pick up some great deals at pawn shops. So, if you're a buyer, that's one place to go look and see if there's things there that you can get cheaper than you could buying them new or buying them through other mechanisms.

Be careful! Rent to own, payday loans, pawn shops, basically what you're saying is you've got a problem with managing your money and you need to figure out how you can get on a budget and spend less than you make.

"THE REAL DEAL"

Instructor Brad: Remember, if it sounds too good to be true, then it's probably a scam.

GLOSSARY REMINDER

Be sure to review all the terms in the glossary as they will be on the quiz and final exam.