

# The Truth about Debt

**By Richard Houston**

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# 1. WHY I AM ON A MISSION

It does not matter how much money you make it is about how much you can keep after paying your debts. We have become a society of consumers deliberately baited by our government and big business to spend like there is no tomorrow. Our luxury items like a LCD Television are now necessities rather than luxuries. Our young people have never seen a world where jobs are hard to get or a world that they could not have everything they wanted.

Well now it is all changing thanks to the economic meltdown that has made **DEBT = SLAVERY**. I know this because I have made millions and spent millions. I am someone from a solid home, private school education, was able to go to university and never had respect for money. In fact I use to tell my parents off for their old ways of saving for things rather than using debt to buy things. Some two generations ago people paid cash for things and had no finance. The current generation will go into debt for anything and now this generation has funded their lifestyles on debt.

Just take a moment and ponder on how scary this is for the current generation and for our next generation (by the way I have three children in this next generation).

I am frightened just thinking about this and about what might be around the next corner.

Not convinced? Just work out how many months you could go without earning any money and still pay your debts. What is your answer!

Let's get ready for battle....



**Richard Houston**

## 2. WHY LISTEN TO ME

My background is the banking industry. I have worked for a major bank, finance company and owned and operated Fintrack Financial Services from 1989 to today. I have achieved successes and failure in business and investment. I have coached football teams to premierships. I know what success is and how to get there, the good, the bad and the ugly. I continue to educate myself by immersing myself in books, CD's, DVD,s and courses.

I have seen business move from the old business model to the modern business practices and learned the real truths about making money. I have done the hard yards of real business and have found the secrets to making money that no one ever dares to teach you. In fact most people have no real clue of how the rich really make their money.

## 3. THE GREATEST SCAM IN HISTORY

***I am on a mission....you have been conned by your government, your banks, your advisors and the rich.....***

I am on a mission to help YOU:

- Understand how [THE SYSTEM](#) works and more importantly how it affects your life
- Get YOUR MIND right so as to FREE yourself from slavery
- To get a Financial Education that is not offered any where else

Yes I have said it, you have been **CONNED** from the day you went to school to this current day, **YOU ARE A SLAVE** to the **MONETARY SYSTEM**. You have two choices, ***stay a slave or get educated now***. Which way will you retire, a **SLAVE** or a **FREEDOM FIGHTER**?

Well hang on to your party hats, it looks like [THE SYSTEM](#) has caused the greatest crash since the **1929 Great Depression**. Your income has been smashed, shares are nearly worthless, property is a real problem, fixed income is at all time lows and rising unemployment worldwide has you worried about your job today and in the future. So how will you survive the coming years and start to rebuild your dreams.....I hope that what I have to say may help you in your quest for the holy grail.

## 4. UNDERSTAND THE SYSTEM

*Learn what the system is all about and how it affects you every day*

### 4.1 THE SYSTEM

So what is [THE SYSTEM](#) I talk about....well hang on to your hat because our current financial credit crisis flows from this exact system that feeds the rich and enslaves the poor? Whether you like it or not if you do not start paying attention to what I am talking about then you could well end up losing everything.

**DEBT = SLAVERY**

[THE SYSTEM](#) seems very complex yet is so simple. Often referred to as the [Monetary System](#) it is the backbone of our financial system today. It is a system built upon greed and manipulation of the masses by *enslaving people to debt* so that instead of working the fields for nothing like slaves in past days, we are made to go to work for someone so as to pay our bills and if we are lucky maybe get a couple weeks a year for a holiday.

[THE SYSTEM](#) runs so deep it starts at school, it attacks us when we leave school and get our first job, then it continues to enslave us until the day we stop work and look forward to retirement only to find that our so called retirement money has been destroyed or at least damaged so much by the so called financial guru's who wear the suits that we have little to enjoy in our retirement. I have watched people work so hard for their retirement only to find out that the financial expert put them into a product that made them money but lost money for the retiree, and then to top it off the government allowed it as it was apparently legal. Well I guess it is easier to steal with a pen than a gun nowadays. Just have a look at the property groups, banks and other financial experts in American, Europe and Australia today and see how many of them have made their money while others have lost their life savings...I would not even dare to put a list up as it would take too long to make the list.

I believe that around 1% of the world's population controls nearly 40% of the wealth, 50% of the world's population earn less than \$2 per day, there is something wrong with this!

## DO YOU HAVE A FEELING SOMETHING IS REALLY WRONG IN THE WORLD TODAY?

The funny thing is that I have always had a gut feeling that there was something wrong in our society. A society that rewards incompetence, crime or other bad things yet seldom seems to reward honest, hard working people like you and me. Do you know why this is?

### 4.2 THE LAW OF FEAR

Pretty simple really, FEAR, the [LAW OF FEAR](#). Fear has always been right up there for the Rich to get what they want, just use FEAR to scare everyone and then low and behold they can make laws to suit [THE SYSTEM](#). Have you every stopped to think how powerful the government has become under the auspices of **TERRORISM ATTACKS**.

Just go to an airport to see the Law of Fear at work with people stripping down to nothing for fear of a possible terrorist attack. Yet isn't it amazing that we can never catch these guys? Do they even exist? Who knows....I sure don't know if they do or not, but like YOU I am told they do exist and what evils things they do every day and how I should toe the line and give the Government even more power to **abuse YOU** and me with.

### 4.3 THE CONTROL OF THE INTERNET

The Internet is our saviour as we communicate via email, sms, websites and that is why our Masters will try and reduce its uses so as to control our communication. Even today in such an open country like Australia, the government is planning to make internet censorship compulsory for all Australians and could ban controversial websites on euthanasia or anorexia. Australia's level of net censorship will put it in the same league as countries including China, Cuba, Iran and North Korea, and the Government will not let users opt out of the proposed national internet filter when it is introduced.

Now I am not going to debate the merits of these sites BUT what will stop the Government from banning other websites that are not of their view or promoting websites that are of their view.

#### 4.4 THE MONETARY SYSTEM

Most people do not understand the Monetary System or

- What the Monetary system is
- How money is created
- How money is governed
- How it truly effects our lives

Money is the lifeblood of our institutions and our society. Therefore understanding Monetary Policy is critical to understand why our lives are the way they are. The Media seem to make it so intimidating to challenge the status quo that most people go along with the propaganda.

***“None are more hopelessly enslaved than those who falsely believe they are free”***

**- Johann Wolfgang von Goethe 1749-1832**

Money is created by Governments when they print money but most money is created by private corporations called banks. Now you and I may think that a Bank makes a loan or mortgage with someone else’s money on deposit in their vault.

#### 4.5 CHANGING THE RULES OF MONEY

In 1971, President Richard Nixon changed the rules of money: Without the approval of Congress, he severed the U.S. dollar's relationship with gold. He made this unilateral decision during a quietly held two-day meeting on Minot Island in Maine, without consulting his State Department or the international monetary system. President Nixon changed the rules because foreign countries being paid in U.S. dollars grew sceptical because the U.S. Treasury was printing more and more money to cover our debts, and they began exchanging their dollars directly for gold in earnest, depleting most of the U.S. gold reserves. The vault was being emptied because the government was importing more than it was exporting and because of the costly Vietnam War. As the US economy grew, they were also importing more and more oil.

The Banks create money not from their own earnings or by the money deposited but by giving out loans to people based on the borrowers promise to pay. Surely this cannot be true you say, well it surely is.

The process of creating money is called **Fractional-reserve banking**. **Fractional-reserve banking** is the banking practice in which banks keep only a **fraction** of their deposits in reserve (as cash and other highly liquid assets) with the choice of lending out the remainder, while maintaining the simultaneous obligation to redeem all deposits immediately upon demand. This practice is universal in modern banking.

The Government makes us by law accept paper based money as currency for exchange of goods or services. In the past the amount of money in the system was linked to the amount of gold held by people. Today however this has been changed and we no longer are on a Gold standard for the creation of money but rather the Banks under direct Government laws are allowed to lend out up to 9 times the amount of cash they have on hand in their vaults. Money today is literally created as debt (*e.g. money is created whenever YOU take out a loan*).

#### 4.6 CREATING MONEY FROM NOTHING – AND MAKING YOU A SLAVE IN THE PROCESS

*"If we American people ever allow monopoly banking to control the issue of currency, firstly inflation & then by deflation, these banks & bureaucracies that will grow up around them will deprive we, the people of all our property until our children will wake up homeless on the continent which God gave us for stewardship." - Thomas Jefferson former US President*

The Goldsmiths were the first bankers in early England. Primarily because people left their gold with the goldsmiths for safekeeping. The first paper money were "Receipts" for the gold deposits. These represented the gold in storage. These were easier to carry around, and safer, thus making paper money more popular.

The goldsmiths realized, after a while, that few people ever came back to trade in their "receipts" for the gold at any one time. It was at this time that Goldsmiths realized they could issue more paper than they had Gold to back it up, thus finding a way to cheat the system. Then they could loan out more money than they had, and collect interest on it, as well. This was the beginning of "Fractional Reserve Banking", or loaning out more money than there is in assets on deposit. This way nobody ever noticed their wealth accumulation. Fractional-reserve banking refers to the common banking practice of issuing more credit than the bank holds as reserves, when loaned money is used and then deposited in the same bank or a different bank. Through

this process, banks in modern economies typically loan their customers many times the sum of the credit reserves they hold. If the reserve requirement is 10%, for example, a bank that receives a \$100 deposit may lend out \$90 of that deposit. If the borrower then writes a check to someone who deposits the \$90, the bank receiving that deposit can lend out \$81. As the process continues, the banking system can expand the initial deposit of \$100 into a maximum of \$1,000 of money ( $\$100 + \$90 + 81 + \$72.90 + \dots = \$1,000$ ).

### **The Federal Reserve and the U.S. Dollar**

The Federal Reserve creates inflation when it issues US dollars backed by government debt. Since 1913, when the Federal Reserve was created by Congress, Americans have lost 96% of its purchasing power due to inflation. The more "money" the Federal Reserve creates - the less your Federal Reserve "money" will buy. From 1913 to 2001 the national debt grew to \$6 trillion in 88 years. In the next three years it climbed to \$7 trillion dollars in 2004. In just one year it climbed sharply to over \$8 trillion dollars. The acceleration of the national debt is alarming. The corresponding loss of your purchasing power may also accelerate in the near future. Today America's debt is over \$10 trillion dollars. The bailouts of 2008 are expected to push this debt to well **over \$14 trillion dollars and counting...**

#### **4.7 SO THE US GOVERNMENT OWNS THE FEDERAL RESERVE, RIGHT?**

*"It is well the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning." - Henry Ford*

The Federal Reserve is not a governmental agency and neither the Congress nor the President has CONTROL over its day-to-day operations. The chilling truth is that the Federal Reserve, **America's central bank**, is simply one component of an interlocking, international banking cartel that now controls the wealth of this planet. The ownership of the largest blocks of bank voting stock is in nominee accounts, numbered accounts or trust accounts. No names, so you are in the dark. What is being hidden? Why? Where does this private corporation get the money to loan to people? They get it from the people of the USA. **THEY PRINT THE MONEY THAT BELONGS TO AMERICANS AND THEN LOAN IT BACK TO THEM AND CHARGE INTEREST. They then buy back their assets at a fraction of the value. As it continues they own more and more and you and your children own less and less.**

## 5. WHAT ARE YOUR INVESTMENT CHOICES

Basically there are three main categories for investing.

### 5.1 STOCK MARKET

I have made money and lost money on the stock market. I don't believe what the financial experts tell me about how good the stock market is or that day trading or renting shares are good investments. The only thing I see is that I have no control over the investment. There are the CEO's on huge pay packets and bonuses linked to their goals and not mine, there is the lack of transparency of any real reporting to the public and I can go on and on. In a nutshell I think it is not much better than the casino. The events of 2008 show how risky this investment can be.

### 5.2 PROPERTY

Supposedly property has been a great investment and considered by most as safe as bricks and mortar. In most times you could buy a property and sell it years later for a possible profit. If you really know how to invest in the property market then you can still do well, but for most of us we are deluding ourselves that we can make money when the market is volatile. And the worst part of property investment is the huge debt created. Oh and by the way if you think you own the property then think again as if you have a debt then the bank owns the property.

Sometimes people can make a property generate surplus income but in most cases a property investment creates a cash flow loss. More on this later.

### 5.3 INVEST IN YOURSELF

In my opinion investing in yourself is the only real investment that you cannot lose on. I have spent thousands on my education and I am not talking about school. The money I have spent on myself has been repaid many fold. Even today I still spend money on my very own personal education including subscribing to numerous newsletters, magazines and other information services. The money you spend on this program will save you thousands of dollars in interest and debt if you apply my strategies as directed.

**SO NOW IS THE TIME TO START YOUR INVESTMENT IN YOU**

*I beg you to let me make a difference and teach you how to become debt free.....forever.*

## 6. HOW THE GOVERNMENT FAILS YOU

School fails to teach us how to make money, how to manage money and worst of all how to invest money. If you gave \$10,000 to 10 people I believe that the following would happen:

**80%** would spend the money at the mall or shopping centre

**15%** would invest and earn around 5% in a bank deposit or maybe shares or property

**BUT ONLY 5%** would invest in products that made them 20% to 30% with not a lot more risk

So school does not teach us how to make money with money or even the basics. That is the bad news, the good news is that it is not hard to actually teach yourself how to make money, how to manage money and best of all how to make even more money with money you make.

## 7. HOW THE PROFESSIONALS FAIL YOU

How many of you have been sold the big dream about property by the real estate salesman, or told how shares are best by your stockbroker or worst still you sought advice from a Financial Planner who received commissions from the investment companies they put you in.

Well I think most of us have been there and done that, and now with the global credit crisis the same people are saying that they are not to blame, but that it is a world problem. Well maybe there is some truth in this but the bottom line for most of these salespeople is that they have or are still receiving commissions for selling you the investments and now the investments have gone bad they accept no responsibility for their actions. Well maybe you need to think twice before accepting someone's advice in the future especially if they are being paid commission relative to the investment being made. I will add that NOT ALL professional people are like this.

## 8. GET EDUCATED FINANCIALLY

Now comes the basic education parts. For the purpose of this education I will be referring to SMART PERSON and DUMB PERSON. Please do not take it personally if you see yourself as being DUMB PERSON, you need to know where you are in life and then through education evolve to the SMART PERSON.

## 8.1 INCOME AND EXPENSE STATEMENT

The Income & Expense statement can be scary for some when they complete this statement as it shows you how little you earn and how much you spend. This is a fundamental basic tool that identifies what you earn and what you spend.

The poor focus on a JOB and earn income for their Income & Expenditure Statement. The Rich focus on buying Assets to generate income for their Income & Expenditure Statement. We all have choices to buy an Asset or an Expense. The key is to have money work for you and not have you work for money.

Oh and above all don't get sucked in to the old sayings like **JOB = SECURITY** or **GOVERNMENT = LOOKING AFTER ME** as being the cynical person I am I don't think your boss or the Government really care about you or your family. All income is generally good but let's look at the Expenses, some are Necessities and some are Luxuries.

### NECESSITY (Smart Person expenses)

Housing	Food	Utilities	Telephone
Transportation	Insurance		

### LUXURIES (Dumb Person expenses)

Multiple cars	Entertainment	Coffee	Mobile Phones
Internet	Computers	I-Pods	Eating out
Magazines	Storage units	Shopping	Fitness centres
Clothing	Cable TV	Gift giving	Other

You need to identify expenses that can be removed from the day to day bills and free up surplus cashflow so as to apply this to your debts as per my formula for becoming debt free. Remember your next holiday may be in your daily coffee or your financial independence may be in your closet. Don't let EGO get in the way of financial freedom.

**Most people with big EGO's have small bank balances.**

## 8.2 ASSET & LIABILITY STATEMENT

The Author of the world famous “Rich Dad, Poor Dad” Robert Kyiosaki sums it up so well when he said “*Assets feed me, Liabilities eat me* “. It is so true, every time you buy an asset that makes you money your bank balance goes up, and every time you get something on credit your interest and repayments eat you alive.

There is a difference between Income producing assets and non income producing assets. For example your home is an example of a NON-INCOME producing asset and in fact it costs you to hold this asset, whereas the Investment property would be INCOME producing and hence a better asset to purchase.

Now some of you are thinking, hang on Richard our adviser said we need debt to invest.....and sometimes they are right. You see there is **Good Debt** and **Bad Debt**. But remember only two generations ago people bought assets with cash and no debt.

### EMOTIONAL BUYING, IMPULSE SPENDING

Examples of bad debt is say when Dumb Person goes to the shops and buys some stuff (you know new LCD TV or brand new watch etc) and then Dumb Person places it on the credit card. Wow Dumb Person feels great and watches TV with pleasure and even wears the watch and shows people how good it looks. Then comes the next months credit card statement and hopefully Dumb Person can pay it off, if not then Dumb Person starts getting a high interest rate being applied to his credit card and the struggle to pay Dumb Person debts starts to mount. Often it gets so bad that Dumb Person needs to sell something to pay off the credit card or even worse has to borrow more, yep you guessed it, Dumb Person has to sell the TV or the Watch for 50% of the original value if Dumb Person is lucky. So here we have an example of Dumb Person going off and buying something for pleasure (and I know it is fun, I have been there and done it) but only to end up in crying and shame unlike the Smart Person.

**Good Debt = Debt used to buy an asset that feeds you**  
**Short term gratification Versus Long term rewards**

## 9. FORMULA FOR DEBT REDUCTION

### 9.1 FIND THE SURPLUS IN YOUR CASHFLOW

You need to find the **surplus money** that you have tied up in your cashflow so as to use this to reduce your debts. You must be honest with yourself and look at the money you waste on luxuries compared to necessities of life. We all do it so don't feel ashamed, society has conditioned you to the world of consumerism and lifestyle.

So remember the last chapter we looked at expenses and determined which are a NECESSITY and which are LUXURY, now remember any expense is subject to your interpretation of what you believe is a Necessity and a Luxury, the only difference between your definition and mine is whether you want to become debt free and escape slavery. Just because you have the money in your bank account does not mean you have to spend it or get more debt to spend more.

### 9.2 USE THE SURPLUS TO REDUCE DEBT

Ok now you know how much surplus you have per week or month to starting reducing your debts and finally end financial slavery to debt. What are you going to spend this surplus on? This is where we discuss GOOD spending and BAD spending.

#### **GOOD SPENDING**

Good spending WILL give you a return on your money today or in the future. Investing in an asset that makes money or investing in training for your future are examples of good spending.

#### **BAD SPENDING**

Bad spending WILL NOT a return on your money today or in the future. Buying a second pair of shoes or buying golf clubs may make you feel better or improve your golf handicap but it will not make you any money and will keep you a slave to debt.....

***Once you have mastered your debt and eradicated your debt slavery you can then if you have to buy the shoes or golf clubs with your surplus money without emotional guilt and know you have paid cash for the goods.***