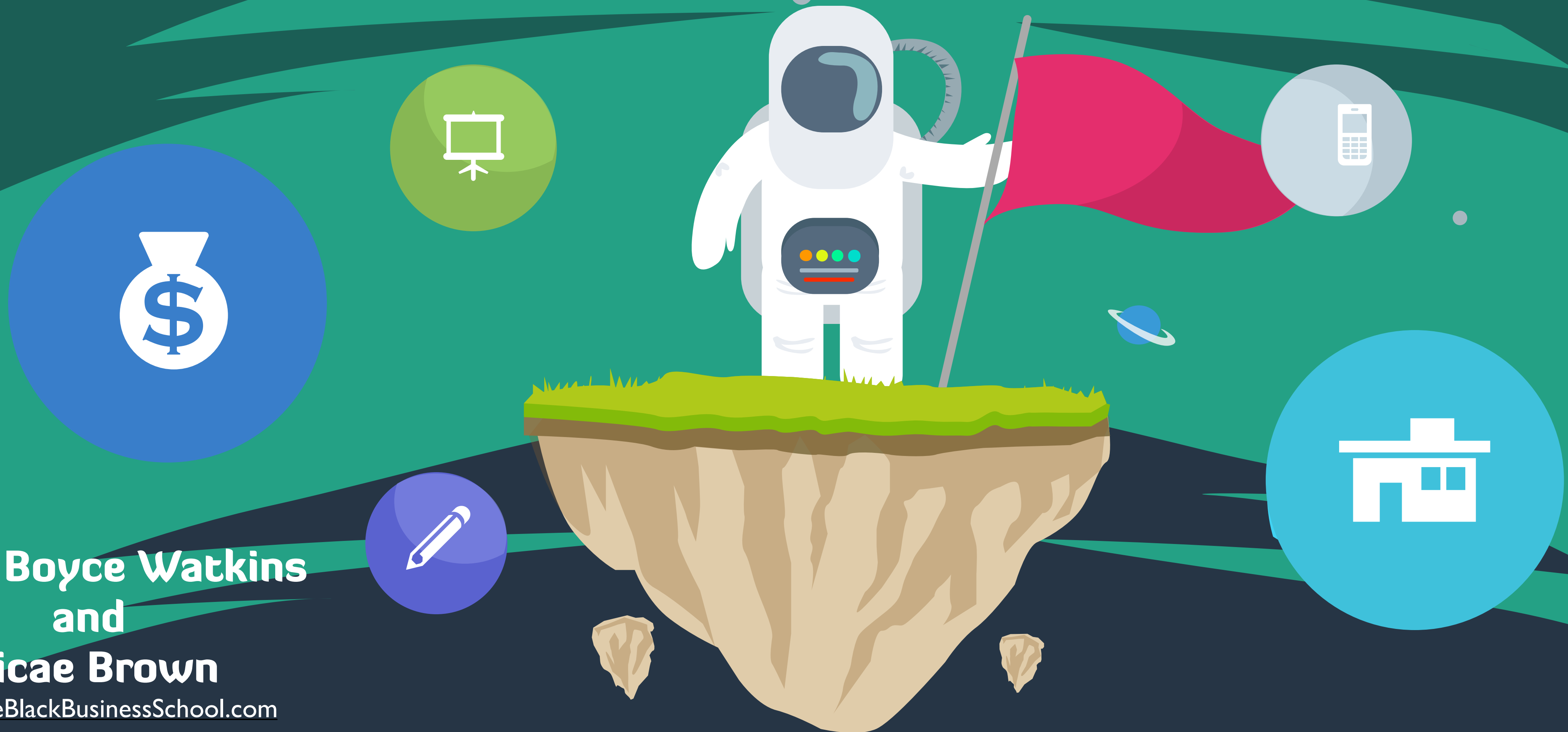


Black Financial Leadership Program Lesson #2



By: Dr Boyce Watkins
and
Micae Brown

www.TheBlackBusinessSchool.com

Quick Recap From Last Week

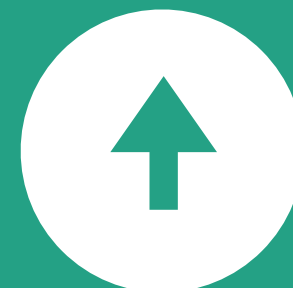
Income is the money you receive from someone that allows you to have cash



A loan is when you borrow money from another person



Interest is the money you pay to someone for allowing you to borrow money



Money can be used for either consumption or capital



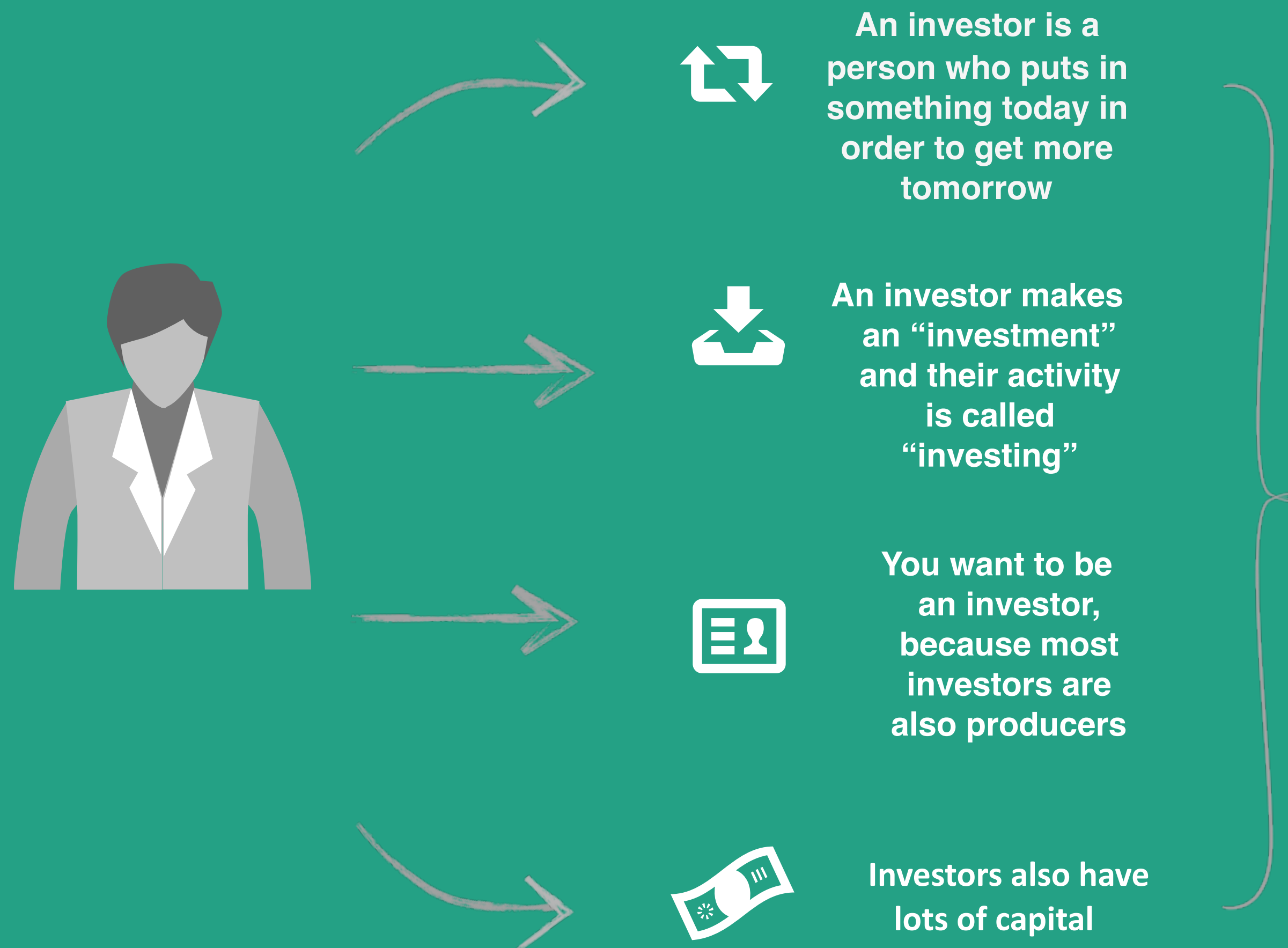
You want to be both a producer and a consumer



Did you do your homework?



What is an Investor?



What can you invest?

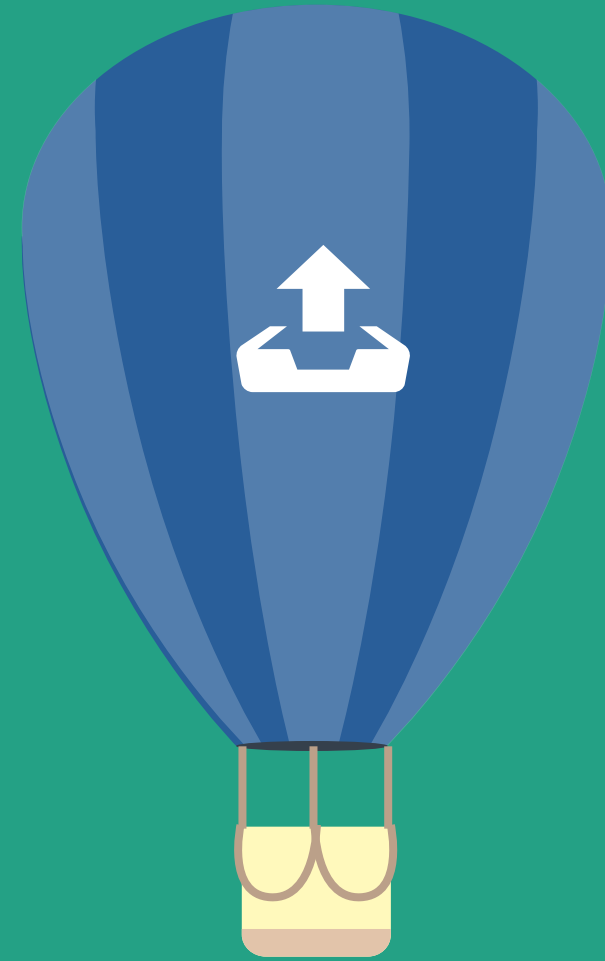
- You can invest money
- You can invest work
- You can invest time
- You can invest a lot of things

Here's an Example of Investing

I can either consume it
or
use it as capital



I have \$100 in cash



I spend \$20 on a new shirt
and put the other \$80 into
my candy-selling business



What have
I done?

I am an investor who invested \$80
of capital into my company,
which now allows me to
produce and sell candy



Notice the keywords: Invest, produce, capital

Where are some additional places you can invest MONEY?



- If I put money into the stock market, I am a stock market investor
- If I put money into my business, I have invested in my company
- If I buy a home, I am investing my money in a home
- If you make an investment, your goal is to have more money later than you have today

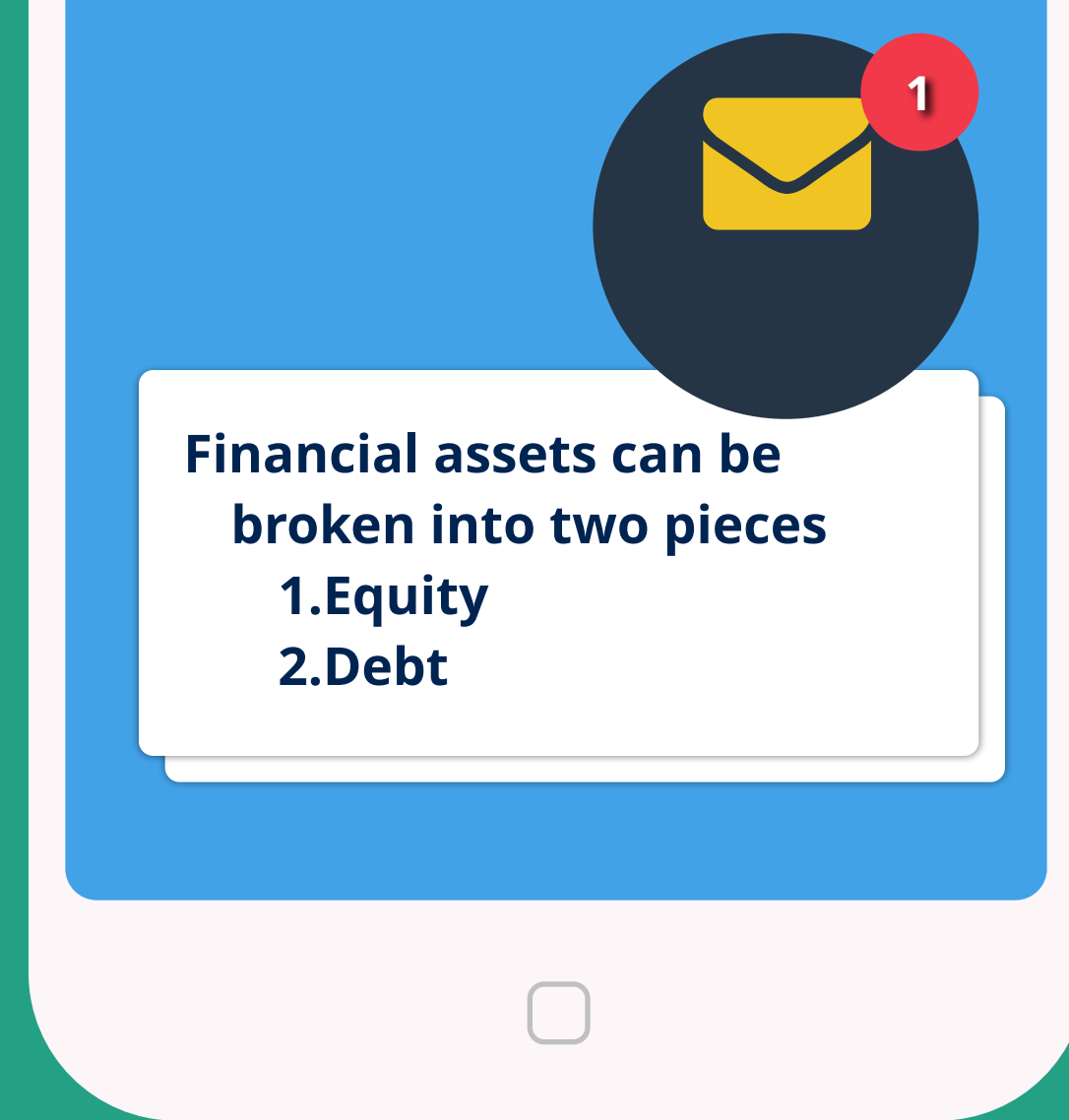
What is a FINANCIAL asset?

Financial Asset

A financial asset is something that has value and can be sold for cash

- A house
- A bank account
- A share of stock
- Even a car
- A company
- Your lemonade stand that makes money for you everyday after school





Equity

Equity is the part that you own yourself

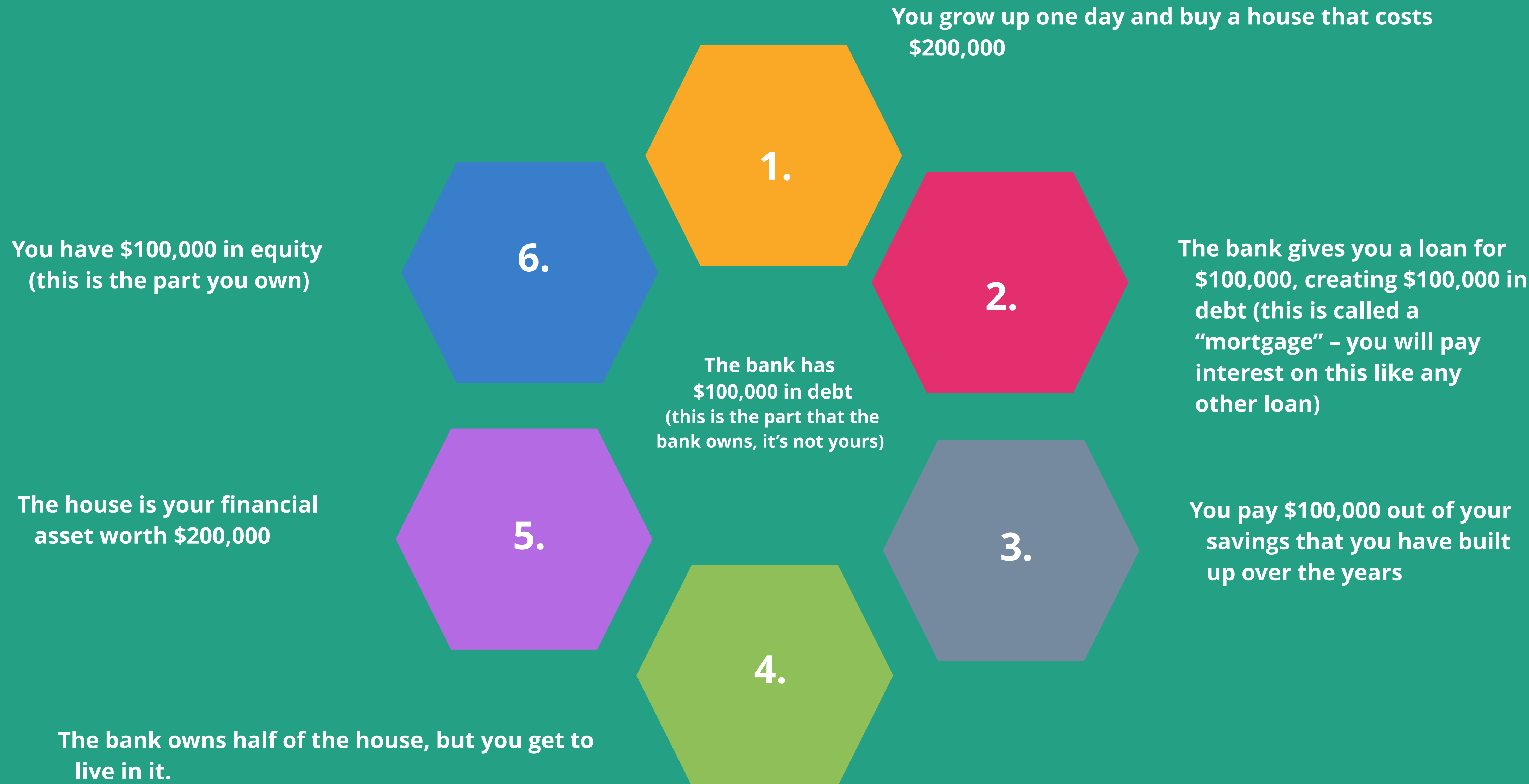
What else do we know about financial assets?



Debt

Debt is the part that is owned by the person who loaned you money

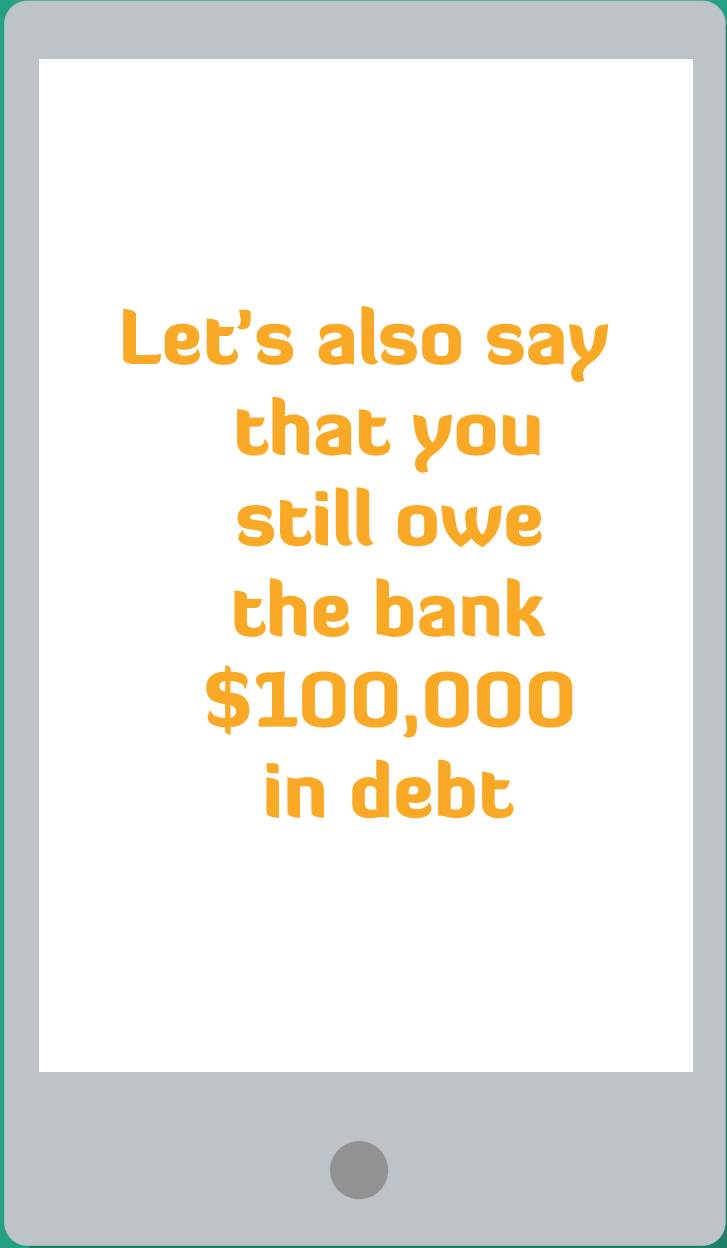
An Example of a Financial Asset



Let's keep going.....



Let's say that
the value of
the house goes
up from
\$200,000 to
\$300,000 over
the next year



Let's also say
that you
still owe
the bank
\$100,000
in debt



How
much is
your
equity?

So, your equity has increased to
 $\$300,000 - \$100,000 = \$200,000$



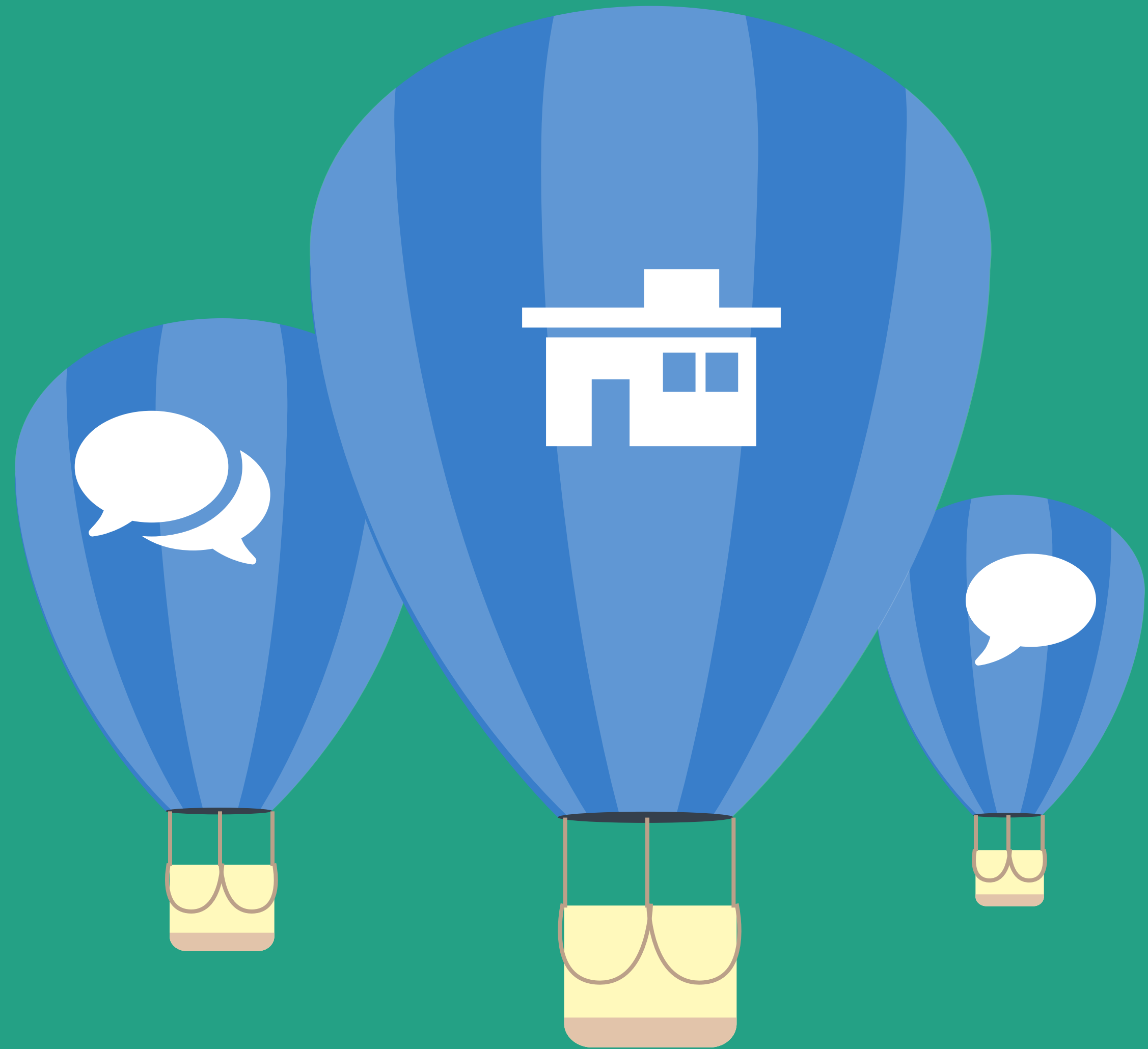
Equity
=
Value of the
financial asset
Minus
Debt
 $\text{Equity} = \text{Value} - \text{Debt}$

Let's think about this for a second

A final breakdown of your house

Your House:

- Because you are an investor and used your money to obtain capital by purchasing a home, your wealth has increased
 - This is the value of thinking like an investor and aiming for capital and not always going for consumption.
-
- The increase in the value of your home is called a CAPITAL GAIN
 - A capital gain is when the value of your financial asset goes up
 - A capital loss is when the value of your financial asset goes down



What are taxes and how do they work?

100K
Net Income

When you earn income, the government wants a piece of it
This is called "taxes"

IRS

The government group that collects taxes is called The Internal Revenue Service, or IRS

\$650

You must report ALL of the money you make to the government
Report all income
Report all capital gains



Your ACCOUNTANT is the person who keeps up with your income and taxes for you when you run a business



1.

Marketing for your business is when you tell people about your business and your product

2.

Without marketing, no one will know what you have produced, so no one is going to buy it



3.

Marketing leads to more sales for your company

4.

Examples of marketing

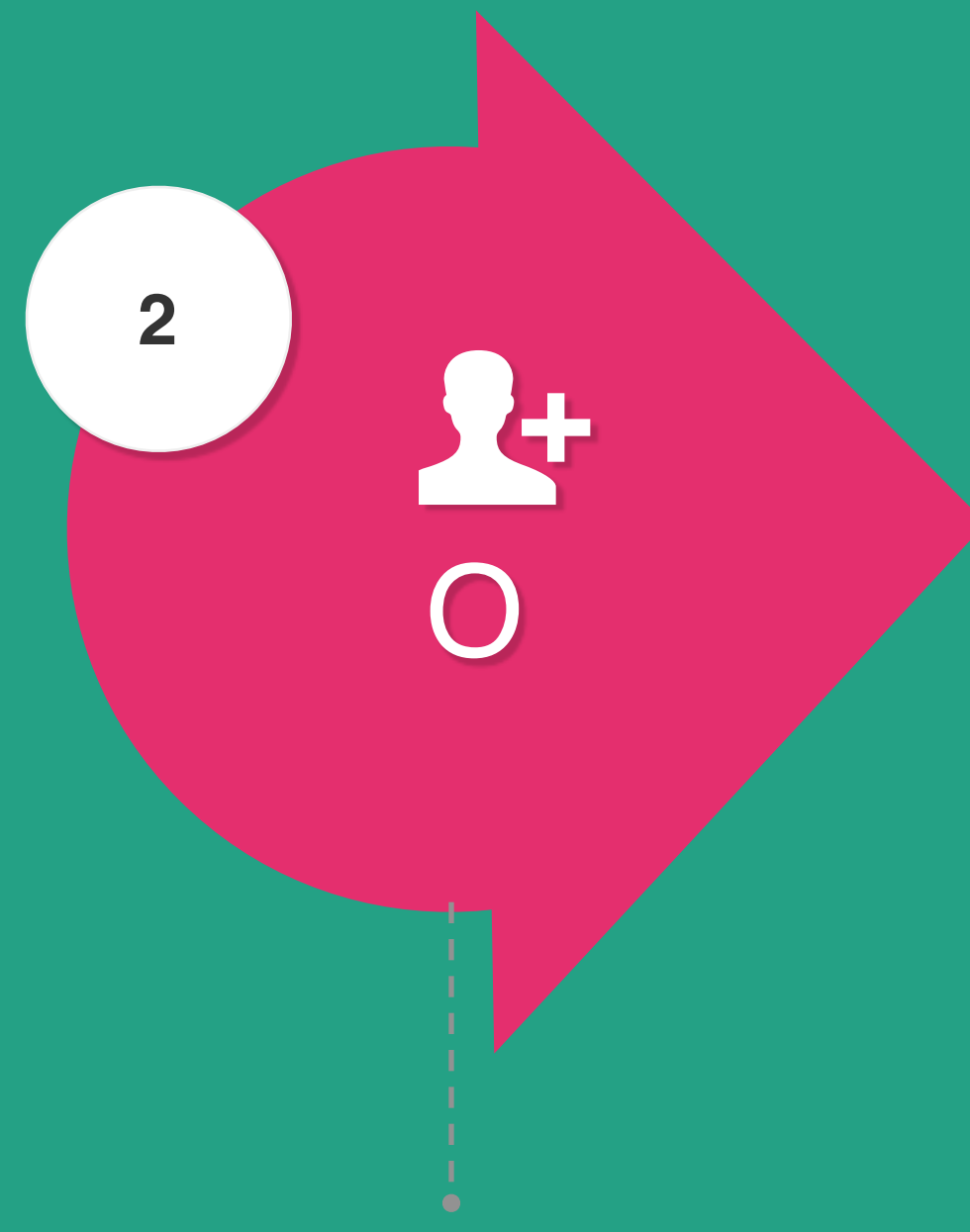
- Telling your friends and family about your business
- Putting up a sign to tell people where your business is located
- Advertising on TV, radio or the Internet

What is marketing?

What does it mean to keep your P.O.I.S.?



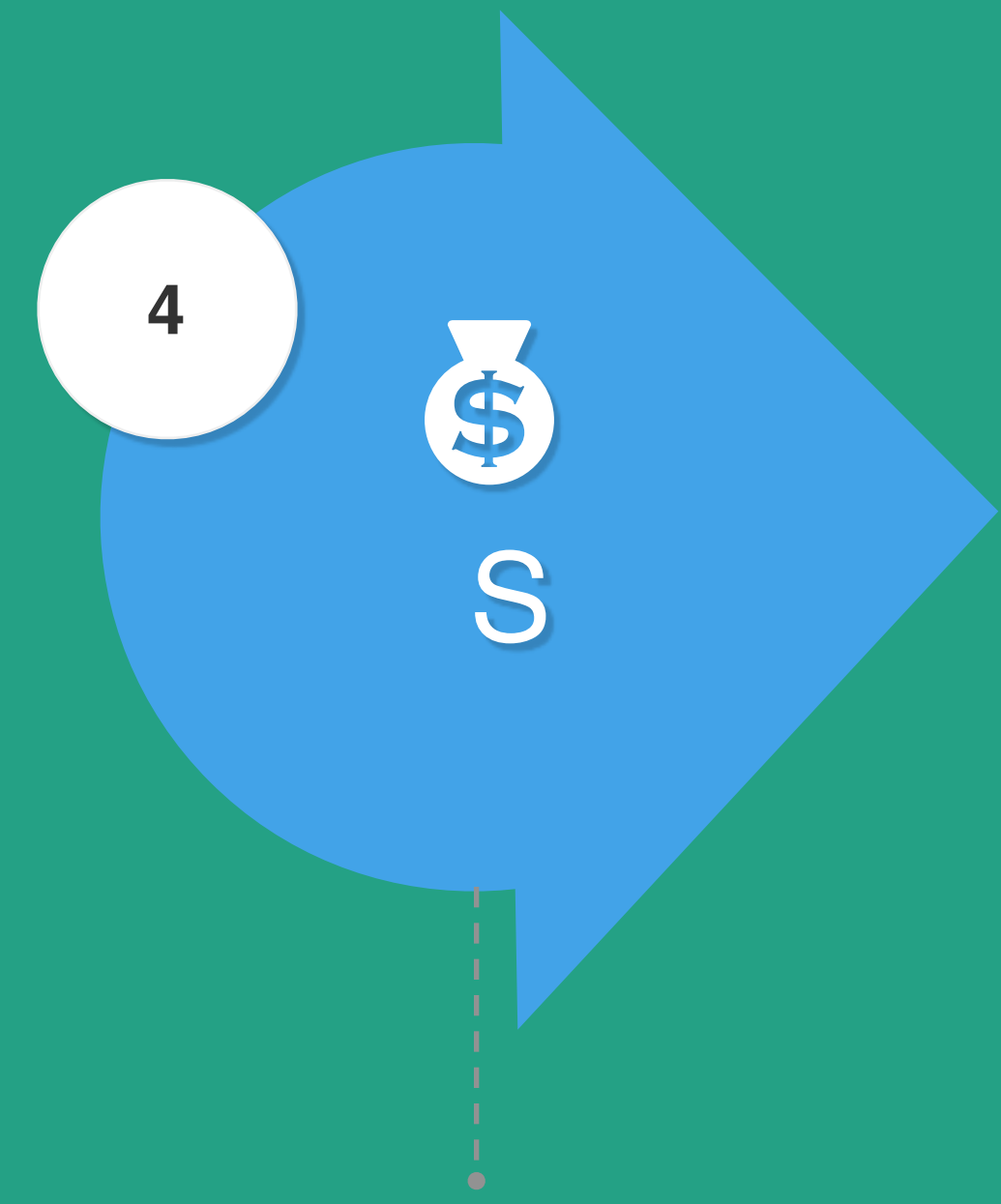
P stands for Producer



O stands for owner



I stands for investor



S stands for saver



What do you not want to be all the time?

- **A spender**
 - Spending all of your money leaves you broke
- **A borrower**
 - Borrowing too much money puts you deep in debt
- **A consumer**
 - Always consuming and never producing means you're giving all of your money away to other people



1. Start a business with an adult that you trust who can help you make it work
2. Try to see if you can make a dollar by selling your product to your friends and family
3. Tell us what happened

Homework #2