



# WHY YOU'RE NOT RICH

11 REASONS WHY AND  
WHAT TO DO ABOUT IT

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# A NOTE FROM THE FOUNDER



## ABOUT THE AUTHOR

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Mitch has been involved in over \$500-million worth of property transactions over the last 14 years. Multiple Property Real Estate Investor, Creative Mortgage Broker, Multiple business owner and **THE go to guy** for many famous property/wealth educators to personally handle their own financing. As Australia's leading property structuring finance strategist, Mitch specialises in helping people create wealth through property.

He is a Specialist Speaker on Creative Financing Techniques, Multiple Property Portfolio Building and Asset Protection strategies presentations at Seminars, and Live events Mitch is also been an advisor to many of this country's top experts in Adult Financial Education, including for several years working with The Wildly Wealthy Women, Dymphna Boholt, Martienne Angelique.

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# WHY YOU'RE NOT RICH (FREE)

## HERE'S 11 REASONS WHY AND WHAT TO DO ABOUT IT

I don't write this to be smug or aloof,  
I only write this to help.

I have witnessed many thousands of financial statements, tax returns and asset and liability statements. From people with no assets to very rich people, and people who were rich then poor and had to start again.

I have raised and or been involved in more than a half a billion dollars in transactions. I have analysed the differences between those with healthy and wealthy financial statements and those who do not.

I have built my own passive income and multiple property portfolio, as well as having been the adviser for hundreds of clients to do the same.

So why aren't you rich? When I say rich I really mean, "free".

Free from exchanging time for money, free to be able to do what you want with your day, in the end you may still decide to work, for a noble cause, or on a passion project, this article is one of mine, or because you love what you do (like I do), but at least having freedom, and being rich gives you those choices.





You don't have to work in a job you hate, you can work on your passion.

You can help people, spend time with your kids, yes it does take time and effort, but it is possible, I have done it, I didn't go to university, I don't come from a wealthy family, my mother was a teacher.

I have helped many people to do the same, and you can do it too.

There are a few reasons why you are not rich and here are the main ones.

1. Schools don't teach financial education.
2. You left school thinking you needed a job.
3. You pay too much in taxes.
4. You buy liabilities that you think are

assets. (Your house and your car are not assets.)

5. You think all debt is bad, and don't know the difference between good debt and bad.

6. You rely only on earned income and only one source of income.

7. You invest for capital growth instead of monthly cash flow.

8. You get advice from salespeople, seminar gurus and people who haven't done what you want to do.

9. You're acting as a single individual and your competition acts as a team, they have a network, friends, advisers, and mentors.

10. You don't exercise controls over your money and investments. You trust other people with your money, and therefore give up control of it.

11. You don't have your goals written down and readily available.

## 1. SCHOOLS DON'T TEACH FINANCIAL EDUCATION

I am not knocking education for scholastic attributes, or tertiary education for specialised fields to become a lawyer, engineer, teacher, etc.

Yes we need that form of education, and it's proven that your earning potential is very important all of your life, but don't think for a second that just because you went to school and university, that you are good with money, you may make a lot of earned income, but you are still exchanging time for money.

You have to learn about money and investments out of school, and most people stop learning when they leave school or university.



## 2. YOU LEFT SCHOOL THINKING YOU NEED A JOB

*“Nothing splendid has ever been achieved except by those who dared believe that something inside them was superior to circumstance.”*



You are conditioned to think that you should be an employee, yes it is possible to become rich being an employee, such as a director on a large wage, or a politician (funny how they go into politics broke, but come out very rich indeed?)

Some movie and sports stars are very rich as employees, but this part of the population is very small, and not

something I would be hedging my future on.

You also have no control over your time. If you can free your time you can do much more with your life.

When you have a job you have one customer – your employer, people with financial intelligence realise that it's risky to only have one customer.

***Which is why you see the average millionaire with more than 7 streams of income.***

When I refer to other streams of income that doesn't mean all those incomes are high, some maybe as little as a few hundred dollars a month, but if you add all those up, that's when freedom starts to happen.

You can achieve financial freedom on just two or three thousand dollars a month, as long as your expenses are under that figure, you may have to rewire your thinking to work towards this.

### 3. YOU PAY TOO MUCH IN TAXES

You have no control of your money when you pay tax, as this gets taken out of your pay before you see it.

The reason the government wants you to pay tax is because they need you to pay the interest bill on their mismanagement, but more on this later and in a longer talk on fractional reserve banking.

When you're an investor and an entrepreneur you have the control over what tax you pay and when.

Employees Earn, Tax, Spend	Investors and Entrepreneurs Earn, Spend, Tax
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Look at the above again; this one little difference can have a massive effect on your life.

We shall talk about investor controls later.

100 years ago or so we were all entrepreneurs, farmers etc. only when did the industrial revolution came about did we start exchanging time for money.

You pay too much tax, for more than 40 years governments around the world have been printing money.

Let's talk about gold and the printing of money, stay with me here, because this affects you, surely you noticed

how things always go up in price, and you're working harder and longer?

In 1971 the US dollar (70% of the world currency) was taken off the gold standard, you used to be able to exchange your USD for gold.

- In 1971 the gold price per ounce was \$44
- In 2000 the gold price per ounce was \$272
- In 2017 the gold price per ounce is \$1286  
(In 17 years this is 472% from 2000 prices)

It's important to note that the price of gold hasn't really gone up, but the value of the dollar has gone down, due to massive printing of money, and mismanagement by governments all over the world.

Below is the US example of how much money was printed during the last financial crisis, I use the US as an example because most of the money in the world is US dollars, don't worry most other governments followed suit, including Australia, and they have been doing it since 1971, this is not new.

#### QUANTITATIVE EASING

i.e. printing money. Let's look at the definition of it.

Quantitative easing (QE) is a

monetary policy in which a central bank creates new electronic money in order to buy government bonds or other financial assets to stimulate the economy.

An unconventional form of monetary policy, it is usually used when standard monetary policy has become ineffective at combating a falling money supply.

A central bank implements quantitative easing by buying specified amounts of financial assets from commercial banks and other financial institutions, thus raising the prices of those financial assets and lowering their yield, while simultaneously increasing the money supply.

**QE 1** – started in November 08 at the starting US debt at this time was \$700 billion to June 2010– US debt went to \$2.1 trillion

**QE2** – In November 2010, the Fed announced a second round of quantitative easing, buying \$600 billion of Treasury securities by the end of the second quarter of 2011.

**QE3** - A third round of quantitative easing, "QE3", was announced on 13 September 2012. The Federal Reserve decided to launch a new \$40 billion per month, open-ended bond purchasing program.

On 12 December 2012, they announced an increase in the amount of open-ended purchases from \$40

billion to \$85 billion per month.

On 19 June 2013, The Fed scaled back its bond purchases from \$85 billion to \$65 billion a month during the upcoming September 2013 policy meeting.

Purchases (printing) were halted on 29 October 2014 after accumulating \$4.5 trillion in debt.

Let's think about that they printed 3.8 trillion dollars in 5 years, anyone with half a brain will figure out you can't print that much money without it effecting inflation and prices.

Let's look at this way:

- 1 thousand millions is a billion, and one thousand billions is a trillion.
- That's 3,800,000,000,000 in US dollars into the market in 5 years.

Let's look at what we did in Australia; government debt in 2006 was \$59 billion as of April 2017 this debt has now reached \$551 billion. The interest bill on this loan is \$15 billion a year, that's 15 thousand million a year, every year.

Thank the government for all that spending because they are so efficient at it. (Not!)

As you know all debt has a monthly payment to it, so who pays that monthly payment? The taxpayer.

In a nutshell, the government sells bonds to the reserve banks that then create money, this money then has to



have an interest payment on it, and how the government pays that interest is through your taxes.

You are allowed to legally reduce your tax payable to the government, and as soon as you do so, you take back control of this expense that could be as much as 30% to 50% of your income.

Legally you start spending this money on business and investment outcomes, this will drastically enhance your ability to gain freedom, and shorten the length of time to gain assets. (More on the definition of an asset next.)

You can't change what the government will do, but you can change how you pay your taxes.

## 4. YOU BUY LIABILITIES YOU THINK ARE ASSETS



You don't know how an investor defines an asset versus a liability, it's not your fault, and you weren't taught this, or you were sold the idea that a liability is really an asset.

A true investor classifies an asset as something that puts money in your pocket every month, and a liability is something that takes money out of your pocket every month – simple.

Your house is not an asset; your car is not an asset, even if these things had no debt on them. Unless they produce a net monthly positive income they are not assets.

Your banker, your accountant, your financial planner and your taxman, will all say these items are assets. This is not true to an investor who wants to be financially free.

This is the main reason most people are not free, they buy liabilities they think are assets.

There is a minimum of 2 financial statements to every transaction, what turns up on your financial statement as a monthly expense (liability) turns up on another (someone else's) financial statement as an income (asset).

Your monthly pay TV or Netflix

subscription is an asset to someone else, although it may only be \$10 a month, if you had a million subscribers you have some serious money, I am sure you can do the math.

Think about this with everything in your life, yes we all have expenses, such as a mortgage and food bills etc. those things are unavoidable.

I am not saying don't have a car and a house etc., Just understand those items are not assets they are liabilities, and allow for it, but accumulate assets in other areas.

Money is a game and who he/she gets paid per month by the most amount of people, even a small amount wins back their freedom, if all you have is money going out you need to change this, and it's quite easy really once you understand how.

## 5. YOU THINK ALL DEBT IS BAD

There is good debt and there is bad debt, as with monthly expense. When buying a liability such as a house, this is what's called bad debt.

Now if you had that same mortgage and bought an investment property with it, and the rent from that property was more than the expenses on that property on a monthly cash flow basis then this debt is now classed as good debt.

Good debt is also quantified in Australia as investment debt, debt that you can claim a tax deduction on.

A true investor though would still classify an investment that didn't positive cash flow every month as a liability even though good debt was used to buy it.

This can be used in business as well. When you buy that new machine on credit and have a monthly payment

on it, unless that machine is making you more money than it costs to run, then that machine is a liability financed with bad debt.

If the machine makes more money than it costs per month then that machine is an asset financed with good debt. It's the same machine, it's just how you plan and run your life is different.

Now extrapolate that out into as many parts of your life as you can. As I have mentioned before there are more than two financial statements for every transaction, your liability is someone else's asset and vice versa,

start thinking how you can generate enough assets to pay for any liabilities in your life.



NB: Savers are losers, why would you save money when inflation (printing) is eating up the value of your money. Use good debt and taxes to leverage your way to wealth, you can't save your way to freedom.

## 6. YOU RELY ONLY ON EARNED INCOME AND ONLY ONE SOURCE OF INCOME

As we have discussed before, you rely on earned income because you have bought liabilities you think are assets and they have a monthly expense to them.

You have to find a way to turn that earned income into passive income.

Yes you can invest and start your way to freedom if you allocate that earned income into assets that generate passive income, even if it's only \$100 a month extra this is a great start, and the more you do this, practice and make mistakes the better you will get at it.

Just like going to university or a trade, to be an investor takes time, man-hours, guts and skill, and these things are learned the more you do them. You will need to look at it as an investment into your financial education.

Once you have a grip on getting a passive income, you realise how much better it is than exchanging time for money, and you want to do it over and over, thus generating multiple income streams, this is smart and a sure way to long-term wealth and freedom.

You don't need hundreds of thousands of dollars to be free there are some places in the world that you can live very well on just two or three thousand dollars a month.

Did you notice you were once young and single and one on income i.e. your job, you met a partner and moved in together, so therefore your incomes coming in to the household doubled, life was good, money was plentiful.

Sometime later you decide to have children, now your next few years of life are tough, you halved your income and added to your expenses, now you

need to earn more, get a promotion etc. just to pay for this life. Stress levels rise, arguments over money happen and a vicious circle keeps going.

If you take a little time to learn how to get multiple streams of income coming into your household early on, so you are not reliant on the one income, and even if you are self-employed, you still need to turn that earned income into a passive income through investments.

*Turn earned income into passive income.*

*Ordinary people think merely of spending time.  
Great people think of using it."*

## 7. YOU INVEST FOR CAPITAL GROWTH INSTEAD OF MONTHLY CASH FLOW

You think that to make money in investing you need to buy something and it needs to go up in price or value.

Yes you can make money this way; you can also lose money this way, and more often than not this is a hope-and-pray strategy proposed by salesmen and share market people. Your house goes up in value, that

share you bought has doubled, you're a genius. Sooner or later you will be caught and you will lose money.

An amateur investor invests for capital gain, a professional investor invests for monthly cash flow, any capital gains is a bonus (depreciation, amortisation, tax deductibility are also bonuses).

## 8. YOU GET ADVICE FROM SALESPEOPLE, SEMINAR GURUS AND PEOPLE WHO HAVEN'T DONE WHAT YOU WANT TO DO



“You invest for the long term in a well-diversified portfolio.” This is the mantra of the salespeople selling you this, it’s not their fault they are told to sell it this way, they don’t know any better, and they aren’t usually rich themselves, unless they got that way selling you stuff.

You listened to the seminar guru, who told you where to buy, and in some cases what to buy, which they just happen to have some of at the back of the room.

Or one of their team is willing to do a JV with you if you don’t know where to start.

This is not a smart strategy, I have seen the financial statements of some

of the largest seminar gurus in the country, and they make most of their money actively (earned), not passively by selling you stuff.

Read or watch my report on the “Scamming from the stage” to see how those techniques are being used on you.

You listen to people who haven’t done what you’re trying to do, advice from your friends and family, they mean well, but they just haven’t taken the plunge, made the mistakes that need to be made, making mistakes gives you a new set of skills.

Last of all, you take advice from your advisers your banker, your accountant and your financial planner.



Maybe they are educated and licensed but are they financially free?

They too may not understand the true definition of an asset, ask them before

you take their advice, or even better ask for their percentage of passive income as opposed to earned income.

## 9. YOU'RE ACTING AS A SINGLE INDIVIDUAL AND YOUR COMPETITION ACTS AS A TEAM, THEY HAVE A NETWORK, FRIENDS, ADVISERS, AND MENTORS



You think you can do it all yourself, and it's not your fault, school teaches you to work alone, not to cheat, but in the real world working together,

getting advice from specialists is the way to success.

You still make the final decision, but you rely on each team member's skill, in law, accounting, engineering etc. this also includes your friends circle, your mentors. It's been said before you are the sum of who your friend circle is.

## 10. YOU DON'T EXERCISE CONTROLS OVER YOUR MONEY AND INVESTMENTS

You trust other people with your money, and sometimes the decisions with your money and therefore give up control of it.

You trust a financial planner or a banker at the bank branch who is acting as a financial planner, you trust your broker or your accountant who tells says you need to lose money as you're paying too much tax.

***The biggest investor control is the control over self.***

Your motivation, gut feeling, and most of all your self-image, you will only grow to the level of your own self-image, this is the ceiling of your effectiveness. If your self-image doesn't think it's worthy, then you won't achieve it or keep it.

The next 3 biggest are; Entity, Timing and Character.

**Entity** - You must control the entity, i.e. the owner of the asset, the bank accounts, the financial statements, in Australia mostly this would be a corporate trust or an asset protected structure, when you buy a share in Telstra you don't have this control, simple, more on trusts in another article called 'The best form of asset protection'

**Timing** – You control the timing of the asset, when to buy and when to sell, decisions regarding the income and expenses on a monthly or yearly basis.

When to lodge your tax returns effectively, deciding how and when you pay tax is crucial to your success as an investor and an entrepreneur.

**Character** – You control the nature of the asset, is it a house? A unit? Commercial real estate, or a business? This is where you would rely on your knowledge and skillset.

When you buy managed funds you have no control over what that fund wants to invest in, or even direct shares, what can you do to affect the share price of BHP?

You hope that they decide to pay a dividend this quarter? Hope that the directors don't pay themselves such a large bonus this year?

You go to a financial planner and you are paying for this advice in the returns of this capital should there be any.

I have a friend who says he has invested \$250,000 in gold and silver. When I asked him how he managed to store this much precious metal, he remarked it wasn't that bad as he stored all the certificates in his safe.

This is a sales job, my friend doesn't really have the physical gold and silver he has certificates issued from an institution saying they are worth that much if redeemed.

Banks may issue gold certificates for gold that is allocated (non-fungible) or unallocated (fungible or pooled).



Unallocated gold certificates are a form of fractional-reserve banking (more on this in another article) and do not guarantee an equal exchange for metal in the event of a run on the issuing bank's gold on deposit.

Allocated gold certificates should be correlated with specific numbered bars, although it is difficult to determine whether a bank is improperly allocating a single bar to more than one party.

So if there is a run on the bank during a crash, the best idea is to get to the bank first.

My friend has bought a whole heap of certificates that may or may not be

redeemable for gold and silver, I hope he is the first one to the bank to cash it in, he may win.

This isn't control over the gold and silver to me. I like precious metals, but I like to control the physical gold and silver, simple.

I don't consider precious metals as an asset anyway, more an insurance policy. (Remember an asset must make a positive monthly cash flow).

## 11. YOU DON'T HAVE WRITTEN DOWN AND READILY AVAILABLE TO BE READ GOALS

It's amazing, if you actually write down your goals and look at them regularly, you achieve them.

I first used this process when I was 18, and over the years I haven't always been diligent, but I have found when I do; I regularly achieve those goals, or at least part way to those goals, which in itself is a win anyway.

The goals you set should be lofty, and if even only achieving 80% of them should still be a massive win.

There is something very powerful in seeing and reading your written-down goals often, as life gets in the way, and a reset is often needed to make sure you're on track and correcting your path.

This process also reminds you of how you should be spending your time. Once I was able to allocate a lot of my time to building my own portfolio my passive income increased tenfold, my life improved, I was able to positively affect the people in my life and help them achieve their goals.



# CONCLUSION

Helping people achieve their goals is the reason I write this article, I like to teach (just like my mother). We run regular seminars and information sessions such as “Wheels of Wealth” seminar series.


I hope this short piece helps you in some way, of course, there is more to getting free than this article, but I hope this starts you on a path, I hope to see you at a seminar one day, and we can compare war stories.







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