

Sometimes A Good Deal May Not Be Good For You

You may have heard people say that there are many investment and business opportunities in a downward moving market. The question is how to find them. Some experts have suggested buying foreclosed real estate. Others have suggest buying into “vulture funds” that invest in distress stocks or properties.

The main problem with these suggestions is that they are asking you to continue to do business in the same old way. Buying distressed properties while they are going down means that you will continue to lose money until the real estate market finally bottoms out and starts to rise again. It may take 3-8 years to recoup you investment so you better have a lot of money to throw at it. That was the old way of doing business that got the industry into trouble in the first place. Buying distress properties or investments now means that you are paying people to take over their problems and make it your own.

Just because it appears on the surface to be a good deal doesn't necessarily mean that it is a good deal for you. If it were such a good deal, why would the rich and powerful let an ordinary investor like you to get a chance to share in their real wealth? It's a good deal for them to have you take their problems off their hands and to pay them to boot. But how does it really benefit you? What they are selling you is the dream and hope of making big money, but what they are really trying to sell you is the opportunity to take the financial risk off their hands. The real money will be made long after you have taken most of the risks and suffered most of the losses.

For example, if someone were to offer to sell you a rare vintage Italian sports car for \$50,000 and the car was actually worth \$700,000, would you buy it? It's a great deal if you can truly afford it. The questions you have to ask yourself is (1) whether you have \$50,000 in spare cash to spend on such

a sports car, (2) whether you have the money to maintain the car after you have bought it (e.g., gas, insurance, repairs, parking, etc.), and (3) whether you will be able to use the car as part of your life style?

How will buying such a car affect your life? Fancy Italian sports cars are very expensive to keep and maintain. Do you have the discretionary income to pay for it or will you have to make sacrifices somewhere else? Other than having the reputation for having the most expensive and sexy car in the neighborhood, what other benefits will you be able to get out of owning such a car? Can you afford the insurance? Will you be able to drive it on a regular basis? This is the same with other purchases or investments. Do you have the financial resources to maintain the investment after you have bought it? Will you have to liquidate your investment if an emergency came up?

Whether it is a good deal for you depends on many factors, most importantly whether you have the financial foundation or financial strength to be able to keep the car after you have bought it. There will always be good deals in up-markets and down-markets. Good deals for you are not the ones that you have to chase after or where you have to overextend yourself to get.

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