

## Book Review

The Richest Man in Babylon, by Karen McCreddie, MPH Group Publishing Sdn Bhd, 2013, 117 pp.

The Richest Man in Babylon examines 52 brilliant ideas on how to generate income, pay off debts as well as build wealth capability which are as applicable today as they were over 8000 years ago in Babylon. This book adopts 52 most essential and interesting Babylonian ideas based on the author's pick and it is a simple and practical book that provides an essential tools and concept for everyone. The writing style is simple and the book highly readable. Specifically, this book uniquely discusses key to generating an extraordinary income, tips to acquire a financial fortune and wise investment ideas.

Income is the key to generating wealth because it gives everyone a starting point from which to multiply that wealth. However, if one is work hard and yet wonder where all the money has gone, then this book is a must-read. Examine the expenses incurred in the previous month and in that way, one can calculate how the salary was spent. This book highlights the importance of estimating what was spent on different things which provides a picture of the expenditure. In addition, it is advisable to keep a money journal for seven days which takes note what and how much was spent. When calculating the total expenses, look for the surprising 'leaks from the purse'. One may be surprised to find that 'certain accepted expenses' should be reduced or eliminated.

It is impossible to have everything one wishes for. Hence, writing out all the things one needs for that particular month. Then, select those that are necessary and others that may be bought if there is extra cash. If two-tenth isn't going far enough in clearing the debt quickly, one should get creative. A good fiscal discipline is vital. For instance, look into the wardrobe and count all the items that haven't been worn for more than a year. Take photos, write enticing descriptions and list them on e-Bay. Use the money made from E-bay to pay any outstanding loans quickly. Next, improving one's performance at work becomes vital if one is eager to make more money. For example, learn how to do assigned job better, faster and more efficiently. Employers recognize those who are willing to go the extra mile.

Interestingly, if one wants to alter one's financial fortune, one has to make it a priority and focus on that outcome. For instance, one should decide on the goal and be reminded of it every waking day. All effort must go into making that goal a reality to produce a desired outcome. Whatever we want to achieve,

it is essential for us to set SMART goals which are (specific), (measurable), (as of now), (realistic), (time-framed). It is not advisable to get involved in things one doesn't understand. Therefore, it is imperative to conduct research, verify details and assess risks. Invest some time in learning and the fastest way to learn anything is to learn from someone who has already mastered the skill. Nevertheless, the author emphasises on taking responsibility for one's situation, regardless of who is to be blamed; determination will help one find a solution. This is because nothing can be gained from whining.

Investing with a wise man is an important principle of sound investment which is highlighted in this book. Diversifying investment in order to spread risks is important. The warning sign one needs to look out: when friends and relatives eagerly enter such investments and urge us to follow suit. It is advisable to have a strategy whenever one is speculating on high-risk options. For instance, invest in high-risk investment only if you can afford to lose that money. Take profits regularly, add half to safer portfolio and start again without greed. Generally, high reward is equal to high risk. We can buy the right to control shares far more cheaply than the actual shares as it gives one an option to protect the shares against a drop in value. If the shares drop, we should pick up a bonus through the option to compensate for the loss.

It is also important to remember not to lend money to friends and family. Don't invest in any investment recommended by family and friends unless you have thoroughly vetted the opportunity and discussed all the possible outcomes - including losing that money. It has to be a viable and sensible investment. If one does not have a lot of money, let compound interest help. If one has children, set up a high-interest bank account in their name and deposit a lump sum. Find one that compounds more than once a year and watch it grow.

According to the author it is essential to save the difference between mortgage repayments and actual rent, if one can't raise a deposit to buy home. If you plan to buy a home, pay as much deposit as possible in order to avoid introductory loan rates and if the interest rate is reduced, pay the same amount so you reduce the debt faster. The author highlighted the only way to successfully use credit cards is to pay off all the balance every month.

Last but not least, when seeking financial advice, ask brokers what policies they have and seek independent advice from those without any vested interest. We should do our homework on past financial performance at pre-investment stage.

This book reveals exactly how to create opportunity and become lucky with money, find ways to use skills and talents which are financially rewarding, knowing how to balance risk and reward to keep finances healthy and secure, understand why radical action is often necessary to turn finances around and learn how to distinguish good debt from bad debt. Finally, this

book is recommended to all students, financial managers and those who want to learn more about finance management techniques because it breaks the 52 secrets of simple and powerful rules to attain the goals of successful financial management.

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