

Insider Trading, Ponzi Schemes, and Making the Most of Your Assets

By [Harrison Barnes](#)

One kind of story that probably will forever be a part of the news is the kind of story concerning various arrests and criminal prosecutions for insider trading, Ponzi schemes, and so forth.

When these arrests have occurred, whether we are talking about Ivan Boesky or Martha Stewart or Bernard Madoff, the people who get into tremendous trouble are, somehow, often amongst the most successful people out there. An extremely successful trader apparently worth \$1.4 billion or so, Raj Rajaratnam, was arrested recently for insider trading. He allegedly made around \$20 million from those dealings. If people like Boesky, Stewart, and Rajaratnam are already so successful, what drives them to commit these insider trading sorts of crimes?

I would argue that the reason these people were successful to begin with was that each of them has made the very most that they could out of their assets. Their assets include people, information, charisma, determination, and all sorts of other things. The problem with each of these people, however, is that they utilize too many assets, and they utilize these assets in the wrong way, pushing too far. Without the ability to tap assets in the first place, though, none of these people would ever have gotten to any heights of achievement. What makes the cases of insider traders, Ponzi scheme operators, and others so interesting is that in studying them you often see people who are absolute masters in making the most of their assets.

It does not take a good education to make the most of your assets. It does not require that you live in a big city. It does not require that you be from a certain social class. Anyone can make the most of his or her assets and everyone out there should. You absolutely need to make the most of every asset that you have. This is what the most successful people in the world do and what the most successful businesses do.

Back in the 1970s *Entrepreneur Magazine* was a small, struggling newsletter that came out once a month and featured a long write-up on one or two [good business opportunities](#). After these newsletters were published, the publishers did nothing with them. The newsletter was struggling and decided to hire a consultant to help them increase their revenue, so they could survive.

The consultant realized that the magazine had an incredible resource with all of these old issues. By adding some boilerplate introductions and some other readily available material to each newsletter they had already done, the consultant told the magazine they could produce various "how-to" manuals that would teach people how they could start various businesses. All the magazine needed to do was print and ship this information to people who would order it. Within a few years, the magazine turned the "start-up manual" business into a \$20 million a year business.

They did this simply by using their existing assets. You need to take an aggressive inventory of your assets and utilize all of them. What assets do you have?

Several years ago I went into contract on a house that had not been on the market for very long. While the house is probably worth less today than it was when I decided to purchase it, at the time it was a good buy; it was a foreclosure. It was a strange house in many respects. For instance, it was missing a heating and cooling system (apparently this had been ripped out and sold prior to the foreclosure) and needed a lot of work in general. However, despite the fact that the house was sold in the middle of a renovation, it was still nice, and it was a good deal.

I learned that the previous owner had apparently left in the middle of the night and fled to Aspen, Colorado, because the FBI, the Los Angeles County sheriff, and many others were after him.

The stairs in this house were all pockmarked and needed to be refinished because the man at one point dragged a safe down the stairs on his way out of the house. The safe was so heavy and it dented the stairs so badly that, I am told, we will never be able to get the marks completely off.

The guy who fled this house had somehow convinced hundreds of people to give him tens of millions of dollars--people like schoolteachers, business people, and others, who drained their savings. With the money he was given he did things like stay in \$10,000-a-night suites in the most expensive hotels in Paris (I know this because we receive lavish Christmas cards in the mail from these French hotels each year), rent charter jets, purchase Lamborghinis, invest in incredibly expensive ocean-front lots, and host lavish parties.

I have never understood Ponzi schemes and why people fall for them, but I have heard stories about these for as long as I can remember. There is not only one Bernard Madoff; there are people like this guy all over the world and probably in any decent-sized community anywhere.

The man who owned the house was only in his early 30s when he did all of this, and he had been running a giant Ponzi scheme for some time before he was caught. He was caught, incidentally, because a few extremely sophisticated businessmen he had fleeced for a few million dollars went after him and forced him to file bankruptcy. Once he filed bankruptcy, everyone wanted their money back and then the FBI and others got involved because he could not pay it back.

When I moved into this house, I got to know the financiers who foreclosed on the property, and they told me that the guy was one of the smartest people they ever met. In addition, one of them said that he had offered the homeowner a job because he was so impressed with him. All of this man's associates said that they had never been so impressed with anyone.

Another thing that really stood out to me was that everyone who knew the man seemed to believe that there was absolutely no reason that the man needed to commit the crimes that he did. Everyone seemed to believe that he could have accomplished anything he wanted to. *If this guy had so much potential, why did he feel the need to steal?*

While most people believe there are only lessons in *what to avoid* when you read about criminals like this, I'd argue *there are also lessons in what these people did right*. Obviously, the incredible fortunes and respect each of these people had prior to

their arrests came out of *something that they did right*. That is to say, these people were not "all criminal" and each of them was doing something right that enabled him or her to rise to some level of success. While these people eventually went too far in committing various crimes, they also did something right.

This may sound strange, but, in a sense, the operators of Ponzi schemes and insider traders are masters of making the most of their assets. They have maximized their relationships, maximized their contacts, made the most of their skills, and have gotten others to believe in them--enough to have faith in what they are doing and what they can accomplish.

Prior to getting arrested on insider trading charges, Martha Stewart had risen to become a household name and had launched her career by first starting a simple catering business out of the basement of her farmhouse. Going from a rural basement to an international celebrity is a huge leap and required her to use an incredible number of assets.

Bernard Madoff did not go to a good business school, for example, or have any of the qualifications that are important to the elite of Wall Street. I do not think the guy who used to live in my house ever went to college. Both Ivan Boesky and Raj Rajaratnam were considered "outsiders" on Wall Street. Nevertheless, these people all got thousands of people to invest billions of dollars. These people made the most of their assets. It is a shame they eventually took a dishonorable path; they probably could have achieved far greater success without cheating others.

My intention is not to glorify these criminals. What I am trying to show you, though, is that you can rise very high and very fast if you make the most of your assets. You should not, of course, commit crimes, but you do need to make the most of your assets. When I go to a party or meet people, I do not see that the people there could all hire me, or give me millions of dollars. However, if I had the mindset of a Ponzi scheme operator I probably would look at the world this way. I would see the world in terms of *assets*. If this sort of mindset works for people who are doing something dishonest, *imagine what it can do for you if you are honest*. Seeing the incredible assets the world offers could literally transform your life.

A fun and productive use of your time and your career is to make the most of all of your assets. When most people get right down to it, they have far more assets than they even realize or comprehend. In fact, your ability to achieve anything in life really has no limits because the more assets you use, the more you can achieve. The more assets you make use of, the better off you will be. The most successful people make the most of their assets.

What are your assets? They could be anything, including:

- Everyone you know.
- Your commitment.
- The extra room in your house, which you can work from.
- Your computer.
- Your ability to be organized.
- The skills you have picked up at every job you have held.
- Your ability to focus.
- Your ability to relate to people.
- Your love of learning new things.
- Your energy.
- Your flexibility on the job.
- The fact that you are a team player.
- Your determination.
- Your ability to prioritize.
- Your self-confidence.
- Your automobile.
- Your ability to speak in public.
- Your smile.
- Your ability to come up with new ideas.
- Your ability to talk on the phone.
- Your education.

Everyone has assets. The world is full of assets that are available to you, and you only need to grab them. You also need to develop a stable of assets that you can continually take advantage of. One of the challenges when you are switching jobs or trying something new is making sure that it caters to your existing assets.

I believe that the longer you do something, the more assets you will pick up. You learn various small details about your profession and how certain things work and do not work. You meet people and learn about how various organizations work. You come to understand a great deal about everything, and the more you understand the more assets you have.

It is generally pretty important in your career and in your life to be able to pick something and stick with it. Many people believe that if they try something and it does not work out easily, they should just try something else. The problem with this sort of thinking is that each time you do something new you need to build up a fresh set of assets to help you achieve it.

There is nothing wrong with copying others, or seeing what others are doing that works and does not work. When people start [looking for a job](#), or they go through any sort of change in their lives, they look at what others around them are doing. They observe who is successful and who is not, and grab on to different sorts of jobs that may or may not suit them.

- I have seen the serious and gifted lawyer become a salesperson.
- I have seen the successful and gifted salesperson try to get a job sorting numbers in an accounting office.
- I have seen the person gifted in the sciences take a job with the family construction firm.

I have watched a tremendous number of people in my life move from career to career and do various things that they are not good at, and then do something else they are not good at--again and again. I think that jumping between professions and jobs is something that can teach you a lot when you are young; however, once you get into your 30s and start moving through life, this is extraordinarily dangerous and generally counterproductive, unless these moves make the most of your existing assets.

The most successful people make the most of the assets that they have, and this one characteristic is what separates them from the crowd. *Make the most of your assets and the right opportunities will find you.*

THE LESSON

You have far more assets than you realize or comprehend, and you need to devote your career and life to making the most of them. The more assets you use, the more you can achieve, meaning that the potential for achievement in your life is limitless. Make the absolute most of all of the assets that you have, as do the most successful individuals and businesses.

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