The investment workbook from the #1 best-selling author of

"How to Own the World"

LIVE ON LESS INVEST THE REST

Sorting your finances out once and for all

ANDREW CRAIG

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A Plain English Guide to Thinking Globally
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and featured in:

"Harriman's New Book of Investing Rules:
The Do's and Don'ts of the World's Best Investors"

Available at Amazon (iii↗)

Andrew Craig

Author and founder of Plain English Finance

About the author

Andrew Craig is a best-selling finance author, entrepreneur, and the founder of personal finance website www.plainenglishfinance.co.uk established in 2011.

His stated mission with the company is "to improve the financial affairs of as many people as possible".

He believes that you owe it to yourself to learn about money and investment because doing so is life changing.

Since launching Plain English Finance, Andrew has been featured in numerous national and specialist financial publications, including The Telegraph, The Financial Times, The Mail on Sunday, CityAM, The Mirror, The Spectator, Shares, Investors' Chronicle, and MoneyWeek.

Andrew's first book, "How to Own the World", has been one of the top-selling personal finance titles in the UK for several years, earning thousands of positive reviews on Amazon, Audible, and Goodreads.

His latest book, "Our Future is Biotech" (published in August 2024), reflects his enthusiasm for the transformative potential of the biotechnology industry.

Andrew began his finance career in the late 1990s on the Eurobond desk at SBC Warburg (now UBS) before transitioning to equities, joining the smaller companies team. From 2015 to 2021, he was a partner at WG Partners LLP, a specialist life sciences and biotech investment bank. Throughout his career, Andrew has met with senior management teams of over 1,000 companies and engaged with hundreds of professional investors.

Andrew lives in Hampshire, England, with his wife, Rachel, and their two young children, Ella and Oscar.

Live On Less, Invest The Rest

A plain English investment workbook

Andrew Craig

PLAIN ENGLISH FINANCE

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A note before we begin...

Before you dive into this book, please note that what follows is aimed primarily at people who have yet to reach pensionable age.

If you are at or very near retirement, I would argue that you really should consider speaking to a professional about your own personal circumstances. This is just because most people's financial affairs as they hit retirement are relatively complicated – especially given how many changes have been made to the pension rules in recent years and given complicated considerations such as what to do about tax and inheritance planning.

The "set and forget" investment strategy for building wealth outlined in this book is intended to be as simple to follow as possible and very much aimed at growing your money. You should be able to use it no matter how complicated your various pension arrangements are *up* to retirement but *at* retirement, you will most likely want to deal with that complexity: You will need to think about switching your investments from accumulation to income, about whether you might take a lump sum out of your pot, about how much of your money to draw down going forwards and all sorts of other considerations such as what to do with any property you own and tax in particular.

If you are at or near retirement, then we would urge you to consider seeing a good quality financial adviser or financial planner. We would hope that you will be in a stronger position to choose a good one having read the workbook at least ...

An important introduction

Before you go any further with this workbook, it is important to understand that it is the evolution of a document that was previously called "The Complete Guide". We created the first version of our "Complete Guide" back in 2014. To explain a bit about how and why it came about: I had published the first edition of my book, "How to Own the World" (A↗, see page 164) in 2012. Within a reasonably short period of time, we had sold a few thousand copies. Lots of people started to get in touch with me to ask questions about what they should do with their money and investments.

Long term readers of my output will know by now that there are very strict rules around giving people any kind of investment advice, particularly anything that can be seen as *personal* investment advice.

Anyone seeking to give *specific*, *personalised* financial advice in the UK, is required by law (by the financial regulator, the Financial Conduct Authority) to conduct a detailed "fact find" process with someone before they are permitted to give such advice. (This is true for *regulated* investments such as shares, bonds and funds at least. Sadly, anyone can say anything they like in *unregulated* investments such as bitcoin or dodgy property schemes. I think this is an absolute scandal personally - and has been and will be hugely damaging for so many people's finances, but I digress...).

This "fact find" process can also be called a "Know Your Client" or "KYC" exercise. The idea is that any financial adviser must get to "know their client" to ensure that they give "appropriate" advice – that is to say advice that has very carefully taken account of the specific circumstances of that individual, including the full detail of things like their:

- …income and expenditure,
- mortgage or rent,

- other debts,
- current investments,
- existing pension arrangements,
- attitude to risk,
- long term financial goals…

…and so on. This legal obligation is obviously, quite rightly, aimed at protecting people from the risk of bad or inappropriate advice. The aim is to minimise the chance that people lose money, take on more risk than is appropriate for their personal circumstances or do something fundamentally silly like make investments whilst they still have significant expensive unsecured debt (such as credit card debt or a bank loan. I address this issue specifically in a few pages time).

I think it is important to note that conducting this "fact find" or "KYC" process involves a great deal of work. There will need to be a face-to-face meeting in someone's home or office, or a long phone call or series of phone calls in order for a financial adviser to get the full understanding of that person's entire financial picture that they are obliged to get by *law*. An adviser will then spend many more hours gathering paperwork from the client and preparing a formal investment report which provides appropriate, specific and personally tailored recommendations.

Although I have passed the requisite exams to give financial advice, I don't actually do this activity. I just don't have the bandwidth to be travelling around the country doing face-to-face meetings, fact-find questionnaires and the preparation of detailed personal investment recommendations for individuals. I am a financial educator and fund manager, not a financial adviser.

However, as a result of the success of 'How To Own The World' (A↗) - that didn't stop (and hasn't stopped) lots and lots of people from getting in touch with me to ask me for personal financial advice.

Since about 2012, hardly a week has gone by without me fielding an email or message on social media from at least one person asking me for personal financial advice. It is not uncommon for someone to get in touch, say something very kind about "How to Own the World" (which is very much appreciated of course) and then give me detailed chapter and verse on their personal financial situation and ask me specifically what they should do.

Questions will include things like:

- "Which fund should I buy?"
- "How much gold should I buy and what is the best way to buy it?"
- "Should I increase my mortgage to invest in the stock-market?"
- "Should I pay down my credit card before I start investing?"
- "Which accounts do I need to open and which stock-broker should I use?"
- "What should I do about my pension?"

We produced the "Complete Guide" and created our online "Plain English Finance Community" (B↗) in an attempt to help people with all these sorts of things as best we could within the boundaries of what was legally allowed.

It is against the law for me to give anyone *personal* financial advice or answer *specific* questions about their own personal circumstances without going through that detailed "KYC" process I have explained above. I can't do this. What I can do, however, is talk in *general terms* about things that people might do and that could be a sensible broad-brush approach to getting their financial affairs really nicely in order.

Advice versus Education

I suppose the fundamental difference here is between financial *advice* and financial *education*. The idea is that members of our Community get to the point where they can make their *own* decisions with real confidence and peace of mind.

I would also note that it is extremely difficult for me to keep up with all the inbound enquiries I get – as I'm sure you can imagine. Even today, several years after we created our website and put a tonne of information on there for free, lots of people continue to get in touch with me by email and via social media platforms like Facebook, X / Twitter and LinkedIn to ask me for personal financial advice.

To be clear – I am delighted about this. It is an incredible honour that people do it and even feel comfortable sharing very personal details with me about their income and net worth, but it is also a real headache keeping up with it and explaining the legality around what I can and can't do.

This is the other reason that we created the original "Complete Guide" document and, arguably even more importantly, the live and interactive "Plain English Finance Community" which accompanied it.

As I say: This is the best way I could think of to help the largest number of people with their finances within the bounds of what is legally permissible *and* logistically possible.

Solving the "Advice Gap"?

Another point I would make is that *proper* personalised financial advice from a financial adviser is necessarily reasonably expensive. As I have said, financial advisers will have to go to all the effort of travelling around the country and do a great deal of work in order to be able to give legally appropriate financial advice.

The costs of doing this business are significant - including the costs of regulation and compliance, ongoing compulsory education and training every year, liability insurance, premises and employing staff.

Bear in mind that they will also have to do all this work for people whether they become customers or not - so they have to price in a meaningful number of people who decide not to become clients in their business model - driving the costs up even further.

To make this work economically, and actually make a living, the cost of this sort of personally tailored investment advice is usually several thousand pounds. This is quite obviously too much for the vast majority of people.

As the Financial Times has put it, regulation of financial advice in the UK has:

> **...priced small investors out of the market by making it uneconomical for IFAs to advise anyone but the extremely wealthy.**

This fact has attracted a great deal of press coverage (i↗, see page 164) in recent years and is generally referred to as "the advice gap." In a nutshell: Good financial advice costs thousands of pounds. Most people really can't afford this but need it, nevertheless. This is the "gap".

Our original "Complete Guide" document, and our accompanying "Plain English Finance Community" were an attempt to help as much as we could for a fraction of those thousands of pounds that such financial advice usually costs.

And this brings me on to an important point of clarification: The original "Complete Guide" document from which this workbook has evolved, was really designed to go hand in hand with being a member of our online Community (B↗).

This new and significantly updated and improved version is available as a stand-alone workbook – and you may have acquired it on that basis. My belief is that it can certainly work as such and the reader is under no obligation to join our online group, but this is why you will find references to the accompanying Community at points throughout. Hopefully this makes sense!

Our Investment Fund

The other huge job we have done which we hope may be able to help here has been to create our very own investment fund: The snappily named "VT PEF GMAF". (This stands for "Valu-Trac, Plain English Finance, Global Multi-Asset Fund" by the way. We wanted to call it the "Own the World Fund", but that wasn't permitted – a long and incredibly boring story).

From almost the moment the first edition of my book was published way back in 2012, lots of people got in touch to ask if I might consider investing their money for them "like in your book". It was clear that the ideal solution to this would be to offer an investment fund that aims to do just that.

The only problem with this idea was that it is horribly difficult and expensive to launch an investment fund. There are very significant costs involved and a huge regulatory burden to deal with. There is also a massive "chicken and egg" problem: Very few investors will put money into a fund until it has at least a three-year track record, preferably five- or even seven-years, and you can't launch a fund and get a three- or five-year track record without any investors of course.

You also need to get to about £10 million in a fund before it will break-even and before big companies will work with you. So, you have to find several million from people who believe in you even though you have no track record – or be willing and able to fund many thousands of pounds a year of cost out of your own pocket whilst you get to £10 million.

Only a few years ago, the idea that we would ever be in a position to launch our own investment fund was a ludicrous and wildly unrealistic dream to me. How we then got there was a combination of some amazing luck and an unfeasible amount of hard work from a group of wonderfully committed individuals.

To cut a long story short, I met a gentleman called Roderick Collins in 2016 (now one of our board Directors) and he introduced me to his partners, Professors Andrew Clare and Steven Thomas from the Bayes Business School in London, and their colleague, Dr. James Seaton.

The combination of Roderick and the Professors' know-how and the demand that came as a result of the audience generated by "How to Own the World" (A↗), enabled us to "thread the needle" and look to get a fund launched.

The "VT PEF Global Multi-Asset Fund" is the result of several years of work since then. People wanted a way of investing in all main asset classes and all main geographical regions – as per the message in "How to Own the World" (A↗) – but in one place, as efficiently as possible and leaving the headache and administrative burden of working out how to do it to us. The Plain English Finance team and the Professors and their team, effectively started with a blank sheet of paper and designed an investment product which would aim to do just that.

The result is an investment fund which is based on many years of academic research. You can read all about it in more detail by downloading our Fund Overview (C↗) document from our website.

As you will see as you read on, our fund is only one possible component of how you might approach your finances. Like any investment fund, it is designed to do a specific job and is therefore only relevant and "appropriate" for people who want that job done. What I mean by this should be reasonably clear by the time you have finished engaging with this document.

A final note on this new edition

Anyone who has seen previous editions of this document will note that this new version is a big upgrade and change of emphasis in terms of the overall approach. I'm conscious that cynics might wonder whether my previous approach was "wrong". Why so many changes in this document, if the methodology in previous documents was supposed to be so good?

I would answer this by citing one of the great quotes from one of the most famous economists of the 20th century, Sir John Maynard Keynes, who famously said:

"When the facts change, I change my mind. What do you do, sir?"

The original version of this document is several years old now. Things change. There are new products, new rules, new things worth considering. To be fair, it isn't so much that "the facts have changed", more that we have come to a better understanding of what people want and need as time has gone by. Our Community group has been particularly good for this process. We have been able to see the sorts of questions and challenges that have come up for people time and time again.

This new, updated and significantly improved version of this document, embeds all that we have learned from you, our customers, and our "How to Own the World" (A↗) tribe in the last few years.

One of the drawbacks of this reality is that this document is a good deal longer than any of the previous editions. You will also quite possibly find that the document is rather repetitive – given that I have a habit of reminding readers about what we have just covered as we go along. As the classic old Roman saying has it: *"Repetitio mater studiorum est"* - repetition is the mother of learning.

As such, I make no apology for the length or for the repetition. The ultimate purpose of this document is to save you many thousands of pounds of fees in the short term, have a five, six or even seven figure impact on your wealth in the medium to very long term and give you real confidence and peace of mind about your finances along the way. I would hope, therefore, that the document is just as long and repetitive as it needs to be to maximise the chance that you get this tangible outcome.

What follows *will* more than likely take quite a few hours of your time but, as Theodore Roosevelt put it:

"Nothing in the world is worth having or worth doing unless it means effort, pain, difficulty…"

That having been said, I would hope that most people will find what follows more or less easy to follow, not least because you can ask any questions in the Community, should you get stuck. And it will still take significantly less time than all of us have spent watching rubbish films or devouring the latest box set of our favourite TV show. This is probably time well spent – given that the outcome you're looking to achieve here is nothing less than life-changing.

So - I hope you find it extremely useful and that it has a significant, positive impact on your finances, on your peace of mind and on your whole life as a result.

The final thing I would say is that I want this process of gradual improvement to continue. I hope this workbook and our Plain English Finance Community (B↗) will deliver for you in a huge way – but do please keep the questions and suggestions coming and we will ensure that any big improvements and changes needed in future will make it into future versions and into how we think about everything we do for you.

Happy investing,

Andrew Craig
Founder and Investment Manager
Plain English Finance Limited

A note on ISAs versus pensions

Before we get into the meat of this workbook, it is perhaps worth a few words on pensions and ISAs specifically. For people based in the UK these are two of the most important vehicles for getting your finances sorted.

It is important to get the mix of how you use pension and ISA accounts roughly right. The challenge with this, however, is that doing so can be fairly complicated. The "right" answer will be a function of a complex cocktail of considerations based on your own personal circumstances, including whether you are employed or self-employed, how much you earn, how close you are to retirement, your attitude to risk and so on.

The other problem is that the rules governing these accounts change fairly often. In the time since I wrote the first edition of this document there have been a number of significant changes to the pension rules for example.

One of the most challenging elements of publishing a workbook like this one is the extent to which such changes can happen. In what follows I have tried to make our approach to investment as "evergreen" as possible. Many of the fundamental ideas that work for building wealth which we're going to be looking at – such as making regular investments over many years into a big stock market index fund, or getting the right mix of assets based on your age – are more or less timeless.

That said, what often does change are the rules governing key investment accounts such as pensions and ISAs, retirement age and other tax considerations such as capital gains tax. Given this reality and given that the "right" answer will be a function of your own personal circumstances, it is hard to be prescriptive about precisely how someone might use their pension versus ISA accounts in a document like this. What I can do, however, is paint with a reasonably broad brush.

When working out how to use your pension versus ISA accounts, there are a number of key things to think about:

First – tax: With a pension, you get a tax benefit "on the way in" (as you invest money into that pension account) in that you are basically able to invest in your pension out of your gross (pre-tax) income. This is essentially some extra free money from the government – clearly a good thing. Anything you are able to allocate to an ISA, however, comes out of your net (post-tax) income. This is a key advantage of investing into a pension over an ISA.

Set against that however, you will be taxed on most of the money you take out of your pension when the time comes. By contrast, any money you take out of your ISA accounts will not be taxed – a key advantage of an ISA.

Secondly – access to your money: The other thing that is important to bear in mind here is that you will not be able to access any money that goes into your pension until you turn 55 – the "normal minimum pension age". This number is also increasing from April 2028 – to 57 - and could well increase still further in the years ahead given the state of the UK economy and pension system.

This aspect of pension investment is clearly good news for maximising the chance that you will actually have enough to live on by the time you wish to retire, because you can't raid the piggy bank along the way, but it is important to bear this in mind as you decide how to allocate whatever you can afford to save and invest each month, nevertheless. You need to be happy that any money you allocate will be locked up until you hit retirement age which could be many years in the future of course.

Thirdly – contributions from your employer: If you are employed, the other advantage pension investment has over ISAs is that you should receive some sort of contribution from your employer. Between 2012 and 2019, the government implemented something called "auto-enrolment" forcing all employers to arrange and contribute to a pension of some kind for any employee aged 22 or over earning a minimum of £10,000 a year. Since April 2019, this policy has mandated that employees contribute at least 5% of their salary and employers at least 3% (for a total of 8% of your salary going into a pension).

Many employers, particularly larger companies, have pension schemes which contribute more than that minimum 3%. If you have a generous employer who is willing to match your contributions to a pension it is probably a good idea to take advantage of that given that this is free money – as long as you are mindful of the points made above about not being able to access your money until you're in your mid or even late fifties.

Arguably the key consideration overall is deciding how much of the monthly income you are able to save and invest you decide to allocate to a pension account each month versus an ISA account, having taken account of all these various points. As might be clear, this isn't particularly straight forward given how complicated and personal these various considerations can be.

If you are employed it will be a good idea to speak to the relevant person at your company to make sure you understand what your options are with regard to your pension. You will also want to ensure your pension money is doing the best it can for you in terms of how it is being invested – something you will hopefully be better placed to do once you've read this workbook.

If you are self-employed, it is probably a good idea to speak to a financial adviser about such things. We have already looked at the fact that such personalised investment advice is necessarily quite expensive but if you're self-employed and want to maximise your chances of getting your mix of pension and ISA investment roughly right, you may want to bite the bullet at some point and seek professional advice. The alternative is to learn enough about such things so that you can work it all out yourself, which will of course save you the cost of getting advice, but this will take a fair bit of effort. What you decide to do will be a personal choice.

As a general comment on all of the above, I think it is worth highlighting that getting this stuff right is a marathon, not a sprint. The key thing is to get to grips with the basics and aim to get things set up and roughly right. You have the whole of your working life to tweak, hone and improve such things as you go along but the key thing is to do something to ensure you are building wealth – and as soon as possible.

The final point I will make is that, although these considerations are relatively complicated, what follows in the rest of this workbook should help formulate your thoughts. This book provides a framework for thinking about investment overall. Once you've read it, you will hopefully have a better idea of how to get things roughly right – big-picture - and that should get you a fair way down the road to optimising such things over time.

A note on links

You will find links throughout the workbook and gathered together in an Appendix at the back. If you have the digital version of the book – these will obviously work in the normal way but we have also annotated these where relevant for readers of the print version using a reference letter in brackets, e.g. (A↗) or (i↗), in case you would like to find the relevant websites as you are going along.

Workbook "tick-list"

Before we get started, please find below a ten-step tick-list to help you keep track of the tasks you might complete to get your finances humming as you go through this workbook. We wish you the best of luck getting through each one in turn!

☐	1.	Work out how to find money to save and invest each month. Ideally at least 10% of your income.
☐	2.	Pay off any expensive debt.
☐	3.	Build up a "rainy-day" pot of cash.
☐	4.	Use the idea of "100 minus your age" to work out the proportion of your money you might choose to allocate to "defensive" versus "aggressive" assets.
☐	5.	Work out which "defensive" and "aggressive" assets you are going to use.
☐	6.	Choose which stockbroker or investment company to use and set up the investment accounts you need (ISA, GIA, pension and so on).
☐	7.	Set up monthly direct debits into whichever assets you have chosen.
☐	8.	Work out what to do with any lump sum you might have.
☐	9.	Re-balance roughly once a year.
☐	10.	Use the idea of "100 minus your age" to tweak your investments gradually over time – perhaps only every five years or so…

PART ONE

First things first...

In this section of the workbook, we are going to cover a number of key things you need to think about before you actually start to put your hard earned money to work.

- Pay off any expensive debt.
- Build up a "rainy-day" pot of cash.
- Finding the money.

1
Pay off any expensive debt

The first thing to say explicitly is that you really must make sure you pay off any credit card or other expensive debt before you do any investment. This is very simply because the interest rate your credit card or loan provider will be charging you on any outstanding balances you may have, will almost certainly exceed the return you can make on your investments - unless you are very lucky, very clever, or both.

This might seem obvious to you, but you'd be surprised how often people get in touch with me excited about starting off with investment, but who still have significant credit card or other debts with high interest rates.

I see this a lot in the crypto space in particular, where it is not uncommon to see people even taking on credit card debt to make investments in crypto. Right at the beginning of this workbook I wanted to be very clear that this is a really bad thing to do.

Putting money into any kind of investment whilst you still have any kind of costly debt outstanding is like filling a bath with the plug hole open – where the speed that the water disappears down the plughole exceeds the speed at which the tap is filling the bath!

Please note, this may not apply to cheap debt, however, which might include student debt or mortgage debt on your house, for example. If the interest rate on your debt is lower than the return you can make on your investments, then there is a chance that the proverbial bath might fill faster than it empties – if you get my drift.

The most obvious potential example of this is mortgage debt. Most people will look to build wealth in their pension at the same time as having a mortgage. For many, it may also be perfectly sensible to allocate something to a stocks and shares ISA account each month whilst you still have mortgage debt too.

It is important to think reasonably deeply about this, however, particularly with interest rates being much higher today than they were in the recent past. When interest rates were, say, 2% - it was something of a no-brainer to prioritise stock market investment over paying down your mortgage, given that the return you were likely to make over long periods of time was likely to be higher than the cost of servicing your mortgage so you would be making real forward progress financially by doing that.

With interest rates so much higher today this is no longer as clear cut. The key thing is to get the mix right over time.

My own belief is that it is probably worth allocating at least some money to long-run stock market investment over and above paying down your mortgage, given your returns over time will hopefully exceed the interest rate you're paying, but there is no clear answer here given that the "right" approach, such as there is one - will be based on your own very personal circumstances.

In the meantime, however, what is very clear is that you really must pay down any expensive debt – such as credit card debt or bank loans before making any kind of investment.

If you don't do this, there is a high chance you won't make any forward progress financially and investing will be a waste of time at best, and really quite damaging for you financially, worst case scenario.

As boring as this might sound, particularly if you're excited about getting started with investment, you should allocate any spare cash that you've managed to find to paying down any expensive debt first until that is done.

By the way, you might consider reading a classic book on all of this stuff and on the subject of getting rid of debt in particular: "The Richest Man in Babylon" by George S. Clason. (ii↗)

2
Build up a “rainy-day” pot of cash

The next thing to consider is that you should not begin to invest any money into the sorts of financial assets we will be looking at here, until you have first paid off any expensive debt *and* saved at least a month's salary as cash, ideally more...

Most experts in personal finance suggest that when you start saving, you should keep 100% of those savings in cash until you have built up a "rainy-day" pot which can cover you and any family you might have for a certain amount of time if you were to lose your job. Different commentators advocate different sums of money, but the convention seems to be anywhere from one to six months of salary. What you decide to do in this respect is entirely up to you. I would suggest that if you feel safe in your job or if you are reasonably skilled, you might consider one or two months sufficient but by all means consider keeping more than this by, particularly if you have children.

To be clear, I am suggesting that you do not begin to *invest* any money into the sort of *financial assets* we are looking at here, until you have first saved at least a month of salary that you keep in cash, ideally more. Only once you have done this should you start allocating some of your monthly savings to investment.

3
Finding the money

There is a simple formula for becoming wealthy that is well understood by the rich and unchanged since humans invented money:

Live on less than you earn and invest the rest...

In an ideal world, you are going to want to be saving and investing at least 10% of your monthly income. If this seems unrealistic, there are two tricks which can help you get there. The first is a psychological one: Simply work out how you can best *spend* 90% of your income each month, rather than how you can save 10% of it. This is obviously a simple case of glass half full versus glass half empty, but the weird thing is that it actually works. Psychologists refer to this kind of phenomenon as "reframing" – a very powerful technique for change in any area of your life.

If you say to yourself "I am going to spend 90% of my money on x, y and z" and then automate what happens with the remaining 10%, you might find it easier than you thought to have 10% of your income available for investment.

The best way to do this is by making a detailed budget. These days there are plenty of really good apps that can help you with this – some of which are even free of charge. Below are links to three articles which should give you a good idea of what is out there:

1. Money To The Masses article (xxvii↗)
2. The Times article (xxviii↗)
3. ClearScore article (xxix↗)

If you have a copy of my first book, "How to Own the World" (A↗), you might also re-visit "Mapping Your Route" from page 221 onwards. That chapter is all about budgeting and includes a detailed table to help you calculate your outgoings.

If you still can't find money for investment a few weeks after having drawn up a budget or of using a budgeting tool, then you might consider the second and slightly more radical of the two tricks I mentioned above: To move house!

If you can't save money given your current living arrangements, change them. This will put you in a position to save money far more quickly than trying to spend less in the pub or drink fewer cappuccinos every week.

If you are renting, move, go and rent somewhere at least 10% cheaper and invest that difference. Although if you are making the change, why not consider somewhere 20% cheaper, invest 15% and have 5% more disposable income?

If you own a house, and your mortgage payments are eating up so much of your monthly income that you can't find 10% of your money to invest then it may make sense to sell the house and downsize. I appreciate this may seem like a fairly dramatic course of action, but it can help you ensure your finances are more balanced and you have investments other than just your primary residence.

Negative Equity

I do appreciate that some people reading this may be suffering from negative equity. For those who don't know the term, this means that if you were to sell your house you would end up with less than you need to pay your mortgage back. This can be a stressful situation to be in. If you are in negative equity, it may not be immediately obvious that you can benefit from moving home. What you decide to do will be an intensely personal decision, based on your own specific circumstances.

Being completely honest, however, if I found myself in that position today, I would be worried about two things:

1. The very real risk that interest rates are likely to increase in the years ahead. Remember, they were at a 300-year low and this was not sustainable. (NB - in the time since I wrote the last edition of this workbook, interest rates have increased significantly).

2. Obviously linked to this, the risk that the value of my property will fall further.

There is a chance that if you hang on, things might get better and the value of your property might bounce, depending on where you are. But the future is unknown, and what if it doesn't? There is also a chance that your property may fall further in value at the same time as your mortgage payments rise along with interest rates. Given the state of the British and global economies, certainly there is a chance of the latter scenario. Confronted with this reality, wouldn't it be better to bite the bullet, downsize as much as possible – and as soon as possible – and use the money you free up to pay back the rest of that loan?

Having come this far, you will hopefully now have worked out how to find at least 10% of your income for saving and investment, paid off any relevant debt and built up a "rainy-day" pot of cash sufficient for your own personal circumstances.

This done, you should now be ready to give consideration to investment specifically – the subject of our next section…

PART TWO

Q: What now?
A: Investing

- Investing versus trading.
- Investing: how to invest so that crashes don't matter.
- Introducing the idea of "100 minus your age".
- How to approach "defensive" assets.
- How to approach "aggressive" assets.

4
Investing versus trading

Once you have eradicated any expensive debt and saved a decent amount of cash in your "rainy-day" pot, you are ready to start *investing*.

To be clear, we are talking about *investing* here, *not trading*. These are two very different things.

One of the most important things to understand when it comes to your finances, your money and maximising the chance that you become wealthy is the crucial difference between investing and trading.

This is a topic that is incredibly poorly understood, and never more so than today with the rise of social media, the crypto and trading markets, and far too many Instagram and Tik-Tok influencers who have never passed a finance exam.

It is really important to understand the extent to which trading and investing are two completely different things. Failing to understand this difference is one of the key reasons so many people fail with their finances.

This is an incredibly important distinction to understand, so it is worth taking a moment to clarify this key point.

The first thing to say is that *investing* is for absolutely *everyone* – and almost no matter how much you earn. It is something everyone should do as soon as they are able to, and even with tiny amounts of money and should continue to do for their entire working life – no matter what is going on with the news or the economy too by the way, a topic to which we will return.

The same cannot be said about *trading*. At the most basic level the reason this is so important is quite simply because for the significant majority of people:

…You have a high chance of making money and becoming wealthy if you *invest*.

…You have a high chance of losing money if you *trade*.

This is true for most people. To be clear, I have nothing against trading as an activity overall. Done well and done at the right time in your life, and under the right conditions, it can be powerful, and potentially a good way to grow your wealth.

It is just really important to understand the difference between these two activities, and the fact that getting investing right should be a much higher priority than learning how to trade for the vast majority of people. Investing really should be everyone's first priority.

In this section of the workbook we look in some detail at why this is: First - investing is about *gradually building wealth* over a *long period of time*, ideally a very long period of time. You invest whatever you can afford into something sensible every month for many years. If you do this reasonably well over long periods of time, you have a solid chance of becoming wealthy – no matter what your income, background, or education level by the way.

There is more than a century of evidence that this is the case. It is also how the majority of millionaires became millionaires, particularly when this is done over several generations.

Ultimately the reason investing works is quite simply because by doing it you give yourself financial exposure to human progress. This is something very real and tangible.

Trading is something completely different. It involves attempting to time financial markets in some shape or form, often over relatively short periods of time and requires a great deal more skill than investing.

Investing is about human progress and global growth. It helps to provide capital for real businesses that are doing real things in the real economy: Developing new software, or trying to cure cancer or build a factory, ship, or building for example.

Trading is much more of a zero-sum game. It is financial speculation which doesn't really create anything. If you win, it is generally because someone else has lost. As a result, in the main, investing is fundamentally good for the world and for human flourishing. This is much less the case for trading.

To be clear, some people *can* make a great deal of money through trading, but it is really important to understand that most people don't, and why this is. It is well established that 70-80% of people lose money when trading.

The reason for this is actually quite simple: Becoming a good trader is hard and time consuming.

1. If you are going to trade – of course you really must learn the skills required to do it well. I would say that the work required to become a half-decent trader, and do it properly so that you have enough skill to stay safe when you do it, is at least an A-Level's worth of study, at best. In fact, it is actually probably more like a degree's worth before you will get properly comfortable and consistently good and have the deep understanding of financial markets and the key trading techniques you will need. Even then, there is no guarantee you will get there, even if you are willing to do the work.

   It is worth thinking about the fact that to be good enough, you will need to understand the subject matter really well. Ideally you will need to be an "A" grade student or close to it. If you have a poor understanding of what is certainly a complicated subject there is a real risk that you will lose money. Just as you wouldn't want an airline pilot or brain-surgeon who had only a mediocre understanding of their subject matter, you really don't want to be a trader unless you have a very firm grasp of what you're doing. This idea should come sharply into focus when you consider that you will be competing with some of the smartest and best-resourced people in the world if you do decide to start trading.
2. Secondly: Even once you have put in that initial work to learn about it at a fundamental level, the amount of time and effort required to actually do any kind of trading and succeed at it on an ongoing basis is also significant, and prohibitively so for many people. This is certainly the case for busy parents for example, or if you're just starting out in your career and have a tonne of work and study to do. Be careful about anyone who tells you it "only takes five minutes a day". It might take them five minutes a day after years of practice, but that will absolutely not be true for any beginner, not

to do it properly and actually acquire sufficient skill to protect yourself from the risk of losing money.

As another general comment, if you're going to take the very real risk of losing the money that you've worked so hard to save, don't you think this is something that you should be spending more than five minutes a day on anyway? This is pretty important stuff after all.

3. Thirdly: Another really important point that is poorly understood is the fact that unless you have *significant net worth* in terms of liquid assets and cash, trading is actually highly likely to be something of a waste of your time in *absolute* terms. The financial return you might make on the time you need to spend on it will be fairly small compared to lots of other things you might be doing with that time. Unless you have quite a lot of money already, I would say ideally a chunky five- or even six figure sum, you are not going to be able to deploy enough capital at a *low enough risk* to make all that extra work and time spent staring at screens worthwhile in *absolute* terms.

   The best trading educators will show you that you should only ever risk a relatively small amount of your money on each trade, ideally not more than 1%. If you only have a few hundred or even a few thousand pounds, then if you take that advice, as you almost certainly should, you'll only be able to make relatively small amounts of money from trading.

   If you think about this in terms of the optimal return on your *time* (which is by far your most valuable resource), this is likely to be pretty poor compared to many other things you could be doing with that time.

   Say for example, you have even as much as £10,000. Even if you have a fantastic year and make a 30% or 40% return in a year, you will have made £3,000 or £4,000 in *absolute terms* over the course of a year. Although this might sound great, for a beginner this will likely have required many, many hours of your time to achieve.

   I think it is important to think quite deeply about whether that time might have been spent better doing something else. If you'd spent those hours on getting better at your job, or even on getting a new job, might you have managed to increase your salary by a great deal more than that for example? For many people this is possible, in time at least. An increase in your skill level and / or salary also has the advantage that you're very likely to benefit from that increase for many years to come, possibly forever after. In contrast, for many new traders a 30% or 40% year will so often be followed by a year where you may then lose money, which is nowhere near as good an outcome, clearly.

Put another way - the return on trading is far less *reliable* than the return on becoming more skilled and better paid. Without wanting to sound too boring: Truly the hours you might spend trying to learn how to trade currencies or glued to crypto groups on social media would almost certainly be better spent becoming better and more valuable at your day job, and getting paid more as a result. Or, if you hate your day-job, on spending the time to figure out what else you could do with your life, acquiring the skills to do it and making that move.

I believe that this is a really important point to make. Far too often people who have very little money go straight to things like crypto and currency trading, completely bypassing doing the best with the far more fundamental things like savings, ISAs, and pension arrangements. To me, this is certainly doing things in the wrong order, and like someone with a white belt in karate or judo fighting black belts on day one of their martial arts journey; very likely to result in you getting hurt.

4. Fourthly: Trading and crypto services are also invariably expensive on the basis that they promise "life-changing returns". To me, there is no worse a rookie mistake than someone with e.g. £3,000 of savings paying some un-regulated "guru" £1,000 of that to "learn trading". It is my firm belief, borne out by the evidence, that most people will be better off spending their time on things that earn them money and saving and *investing* (not trading) 10% or more of those earnings for many years until they have much, much more than a few thousand pounds.

It is for these reasons that so many people fail at trading and it is a completely inappropriate activity for the vast majority of people. Many trading educators, whilst sometimes teaching viable skills (the best of them at least), often don't actually help people improve their finances in the real world. Simple, regular investing by direct debit into a sensible mix of funds is a vastly better idea, in my opinion.

This is also a set and forget approach to succeeding which only really needs to be looked at again every five or even ten years to have a massively positive impact on your chances of becoming wealthy. This approach to *investing* is the focus of the rest of this document.

To be clear, I am categorically not saying that all trading is bad or that everyone working in that field is unethical or dodgy. If you have the time and the money and are ready to do the work, then learning how to trade is something to consider and can be fairly powerful.

I'm just saying that this is only something you should do *after* you have put the more fundamental financial building blocks in place, after you have built up enough of a capital base to make it worthwhile, and only if you are willing to commit a great deal of time and effort to it.

Sadly, far too many people are trading when they really would be far better off investing. If this sounds horribly boring, it is probably worth bearing in mind that the best investors and the most successful people think in terms of decades not months or years.

On the road to becoming wealthy if you want to maximise the probability that you succeed, two of your greatest allies are *time* and *patience*. When you then become sufficiently wealthy, let's say in your thirties, forties, or fifties realistically, depending on how early you start and how much you earn, that is the time that you might deploy some (not all!) of that wealth into trading strategies, single stock investment or crypto.

To really jam this point home, it is probably worth my flagging that I have had several years in the last two decades where I was 100% focused on entrepreneurial stuff and wasn't working full time in a conventional job, and before Rachel and I got married and we had our children. Back then, I traded fairly often and I had some pretty solid success at it; because I had a decent amount of capital, I'd worked in financial markets for an investment bank for many years, read a tonne about it and had many hours a day to commit to it. Nowadays, however, I basically don't do it at all. Almost never.

Although I consider myself to have the skill set, nowadays I have a family and a very demanding job which I love and am very excited about and committed to. I just don't have the time to trade at the moment, so I don't do it at all. I am sure I will get back to it in the future, but my honest belief is that the ROI (Return On Investment) of every hour I spend on Plain English Finance is much higher (and more than likely lower risk too), than if I spent that hour on trading. I think this is actually true for many, possibly even most people.

I believe that one of the most important ideas for succeeding in life generally is deploying the 80/20 (or 90/10) rule to all that you do. That is to say that you should focus 90% of your effort on the 10% of actions that bring you 90% of your success. I do this as best I can and that doesn't currently leave room for trading, even though I have the experience and the capital.

For most people, perhaps the best time to become a trader is actually once you are retired. If you have a fair bit of money, a decent amount of time on your hands and an interest in financial markets – this could be a great activity for you.

For much of the rest of the population, however, it really isn't. Another one of the tragedies for so many people not understanding the difference between investing and trading is the fact that a good number of people try *trading* and lose money and then give up on *investment* – because they fail to understand that these are two completely different things.

I have seen this time and time again in more than 25 years of being involved with financial markets.

Single stocks vs entire markets

The other key thing worth covering right out of the gate here is the difference between investing in single stocks as against entire markets.

Along with trading, rather than investing, another of the rookie mistakes so many people make is to invest in single shares (individual companies) without understanding in any meaningful way how to do that.

The evidence shows that a lot of investors only own a handful of shares, quite often only one or two household names that they are particularly enthusiastic about. Nowadays this might be something like one or two of Apple, Tesla, Facebook, Amazon or Google, for example. Another thing that people often do is choose to buy a "hot", high-risk share because a friend has given them a share tip.

All too often, buying a small number of shares of any kind like this is a dangerous approach to stock-market investment, unless you have a deep understanding of how to do that.

To give you an idea of how much you need to know before you should even think about investing in a single share – below is a list that I have posted several times over the years when someone has suggested to me that they want to buy a single asset - because it has fallen a great deal in price or because someone at work has given them a share tip. I hope this will give you an idea of just how much you need to learn before you engage in this activity.

If you're going to think about "punting" on single stocks (or single commodities for that matter), at the very least you should produce a detailed investment checklist to work through every single time you think about doing this before you buy a single share.

For shares, this should include (off the top of my head):

1. Valuation metrics such as P/E and EV/EBITDA ratios, Return On Capital Employed, Earnings Yield, Dividend Yield and DCF (Discounted Cash Flow). In more complicated sectors like banks or oil and gas, there are a whole raft of other specialist ratios you will need to consider.

2. Balance sheet metrics: Gearing ratios such as Net Debt to EBITDA, tangible and intangible assets and what you think about how they have been valued.
3. Revenue, profit and earnings growth numbers (historical and forecast).
4. Likely / potential company specific news flow coming in the next year at least, preferably more than that.
5. Macro factors which might affect the company: Geopolitics, government changes, tax changes, currency risk.
6. Other exogenous factors. What are competing companies doing? Is there a new technology or trend which could threaten (or help) the company?
7. How good are management and how committed? Do they own lots of shares or not? How much do they pay themselves and how is this calculated?
8. What about index considerations. Is the company part of an index? Might it fall out of that index? If it is not in an index, might it be included in one any time soon? (This will create buyers or sellers from index investors).
9. What does the current shareholder register look like? How smart are the other shareholders? How long have they been involved? What sort of investors are they?
10. What is the current "short interest" on the company? What are the hedge funds doing?
11. What are various technical indicators for the company looking like? (E.g. RSI, MACD, Bollinger bands etc...).
12. What are forecasts doing across most of the above?

Very importantly, you should also have an *exit* plan. Consideration of the laundry list of things I've just given above might give you confidence to *buy* something. How are you going to decide when to *sell* it though? Most amateur investors literally never even think about this when they buy a share, yet deciding when to sell is arguably even more important than when to buy.

In my experience very few people understand this stuff or do this work prior to buying and selling shares, and this is one of the reasons stock market investment can be so dangerous.

Make no bones about it, if you don't understand *everything* given in the list above in real detail, and quite a lot more besides actually, you really do have no business at all making investments in individual shares. At the very least, if you do decide to do this anyway, you should realise that what you are doing is very risky indeed and much more akin to gambling than investing. This is true even if you're investing in big, famous household name shares by the way. Plenty of big companies have fallen 80-90% or more, or even all the way to zero over the years.

The fact that a company is a "good company", doesn't tell you much about whether the shares are a good investment or not. Arguably the more important considerations are then what you are paying for those shares and what may or may not happen in the future – all of which is pretty complex stuff.

If you have a detailed understanding of the list given above, and an exit plan too, then you can look yourself in the mirror and know that you're not just rolling the dice / putting your money on black. If not, you have very little of the information you need to buy a single stock and there lies great danger.

Crucially, however, this need not matter and should not prevent you from getting involved in stock market investment, for the simple reason that you can *buy the entire market*, rather than trying to learn all the stuff given in the list above so that you can choose single stocks safely.

For most investors, investing in an entire stock market is likely to be a far better option than learning the huge amount that you need to learn before you can invest in single shares with any level of confidence and sufficient skill.

Buying the entire market has a number of advantages over investing in single stocks:

- It does not require you to spend a huge amount of time learning about all this complex stuff.
- It ensures that you are diversified across a large number of companies and industries.
- It takes far less time and effort generally.

- It is also very cheap to do – and tax efficient if you're using your pension and ISA accounts.

The evidence shows that the majority of investors underperform the market as a whole – so why not just buy it? This will increase the chance that you do better than most investors - by definition.

As veteran American investor John Bogle has put it:

"Don't look for the needle in the haystack. Just buy the haystack."

To buy entire markets, all you need to do is understand what an index is and then how you get exposure to that index by using something called a tracker or Exchange Traded Fund (ETF). We will look at this in more detail later in the book.

If you have read "How to Own the World" (A↗), you will know that the last two chapters of that book are called "Keeping it simple" and "Taking things further". The first of these explains a set and forget, low stress/sleep at night approach to investing that should grind out high enough returns and protect the downside enough such that you will have a good chance of getting properly wealthy over time. Explaining this approach in more detail is the focus of most of the rest of this workbook.

The chapter, "Taking things further", gives you a number of ideas, tools and resources to use to start on the road to becoming more of a "trader" – that is to say, making more regular purchases and sales of financial products and giving consideration to investing in *individual* shares or other assets such as Exchange Traded Funds (ETFs) on a commodity, index or currency – or using something called spread betting, for example.

The further down the road I have gone on this journey, the more I have realised that the "Keeping it simple" approach is very likely the best approach for the *vast majority* of people. I explicitly made this point at the beginning of the "Taking things further" chapter in the most recent edition of "How to Own the World" (A↗) - under the header "Automation best for most?" (page 274) and I've expanded on these important themes here in this workbook over the last few pages.

My whole point here, particularly for younger readers, and for those who don't yet have a decent amount of capital, is that you most certainly should do as much as you can to become more financially literate.

Please realise, however, that the long game, and using automated direct debits into sensible funds, is likely to be your best bet for a long time to come and be very careful of anything that looks like trading or even thinking about investing in a single company (or any crypto stuff for that matter) - until you're a long way further down the road.

In the next section, we will turn our attention to *investing*.

Research shows that as many as 75% of people in the UK worry about their financial situation.

Source: The Independent

In America, 25% of people say they worry about money "all the time".

Source: CNBC

It need not be like this! We created this plain English guide to address the problem head on.

Best-selling author Andrew Craig takes you through the steps needed to get your finances humming, including:

— Paying off any debt.
— Setting up the right investment accounts such as ISAs and pensions.
— Simple investment strategies you might consider.
— Annual housekeeping and Further Resources.

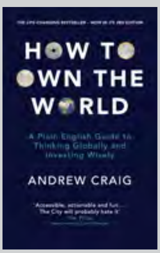
In this book, you will learn a common-sense approach to investment and the vital importance of ignoring the news.

If you "own the world", automate your investments and stick to it, you could make high single-digit to low double-digit returns through the economic cycle.

Over a lifetime of investment, these returns can make you a millionaire.

Investment need not be that complicated – it is just that most people never learn anything about it.

This approach will give you the confidence to sort your finances out once and for all. For most people, this is a huge relief and one of life's great problems solved...



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