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“How to Own the World”

ANDREW CRAIG

LIVE ON LESS
INVEST THE REST

A Plain English investment workbook. Sorting your finances out once and for all.

New Updated Edition
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ABOUT THE AUTHOR

Andrew Craig believes that you owe it to yourself to learn about money and investment because doing so is life changing. He has worked in the City of London for over twenty years and in 2011, he founded personal finance website, www.plainenglishfinance.co.uk.

Andrew is a director of Plain English Finance Limited and has run PEF’s global investment fund (the VT PEF Global Multi Asset fund) since launching it in September 2017.

In addition to his responsibilities at Plain English Finance, Andrew is also a partner at leading boutique life sciences investment bank, WG Partners.

Since founding Plain English Finance, Andrew has appeared in numerous national and specialist financial publications including: The Mail on Sunday, The Mirror, CityAM, The Spectator, Shares and MoneyWeek magazines, YourMoney, This Is Money and Money Observer. He has been interviewed on Bloomberg and Shares Radio and on IG TV, was featured in Russell Brand and Michael Winterbottom’s 2015 film The Emperor’s New Clothes and interviewed by Eamonn Holmes for the Channel 5 programme How the Other Half Live.

Andrew lives in South West London with his wife, Rachel and their two small children, Ella and Oscar.
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A Plain English investment workbook.

Andrew Craig
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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 strongly urge you to consider seeing a good quality financial adviser or financial planner. I would hope that you will be in a stronger position to choose a good one having read the book at least ...
Before you go any further with this book, 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” (link 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 an investment banker and fund manager, not a financial adviser.
...but – as a result of the success of the book - 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 “How to Own the World Community” (A ↗) 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, 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 “How to Own the World 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 the 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 FT 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 (link 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”.

The original “Complete Guide” document, and our accompanying “How to Own the World Community” were an attempt to help as much as we could for a tiny 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 book has evolved, was really designed to go hand in hand with being a member of our online Community (B i).
This new and very significantly updated and improved version is available as a stand-alone book – 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 and 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 offer to an investment fund that aims to do just that.

The only problem with this idea was that it is incredibly, exceptionally, horribly, ludicrously 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 no less a sum than £10m 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 £10m.

As recently as four 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 Cass 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”, 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” – 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 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 Facebook 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” 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 massive 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 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,

ANDY CRAIG
Founder and Investment Manager
Plain English Finance Limited
A NOTE ON ISAS VERSUS PENSIONS

Before we get into the meat of this document, I am going to make what might seem to be quite a controversial suggestion. That is that if you don’t already have a pension and if, like most people, you have less than £1,666.66 a month to save and invest (the current ISA allowance of £20,000, divided by twelve), you might actually consider not organising a pension at all.

Although you get a tax break on any money you put into a pension, you are essentially not able to access it until your retirement – i.e. the age of fifty-five at the earliest. This may be many years from now. Given the parlous state of government finances, I see a high risk that future generations of politicians will find your pension pot simply too hard to resist as a source of funding. If you are in your forties or younger, for example, I think it is a significant gamble to assume that the pension system will exist in anything like its present form by the time you wish to retire.

Remember that the government is essentially bankrupt. To me, there is too much uncertainty about what may or may not happen to any money you commit to a pension account if there is a long time between now and when you are intending to retire. I would much rather you have immediate access to your money.

There are many examples throughout history of governments passing laws that permit them to take control of pension assets. If you think this is something that hasn’t happened for decades, think again. One relatively recent example was in late 2008, when the Argentinian government passed a law to nationalise $30 billion of private pension money. Thousands of middle-class Argentinians who had been saving and investing diligently lost control of their own money. Using Argentina as an example might seem like a crazy comparison but it really isn’t. By some measures, Argentina in 2008 was actually in a better position financially than the UK is in today.
My view is that there is potentially quite a high risk that tomorrow’s politicians find our pension pots an attractive alternative source of funding for their various schemes. The extraordinary events as I write this in 2020 have almost certainly increased this risk.

Even before taking consideration of the current coronavirus disaster, there is a great deal of evidence from the last decade or so that pensions could be at risk. Few people remember that former Labour Prime Minister, Gordon Brown, changed the tax treatment of dividends in pension accounts in 1997. This resulted in £5 billion less per year for holders of pension accounts. More recently, in March of 2015, former Conservative Chancellor, George Osborne reduced the lifetime pension allowance in his budget speech, moving an estimated £600 million from pensioners to the public coffers. This ‘lifetime allowance’ was reduced from £1.8m in 2012 to £1m from 2016 onwards having come down via £1.5m and £1.25m.

From the 2019-2020 tax year, it is now £1.055m and indexed to inflation. High earners can also only put £10,000 a year into a pension at the moment. By reducing these thresholds, the government is effectively taking money from people who have the self-discipline to save and invest wisely.

I would stress that I have no political axe to grind here: In the same month that Mr. Osborne reduced the allowance again back in 2015, Ed Miliband, the former Labour leader, announced his intention to use pension assets to fund a reduction in student fees and underwrite his “compulsory jobs guarantee” policy.

Tom McPhail who used to head up pensions research at leading UK financial services company, Hargreaves Lansdown, reacted to that news by saying:

“We need our politicians to take a long-term view rather than raid the pensions piggy bank to pay for other policies.”
This is why it may be a better plan for you to focus on building your wealth in an ISA than in a pension. Some might argue that ISA accounts are no safer than pension accounts in this respect, in that any future government may raid ISA assets as well as pensions. I would suggest that ISA funds are less likely to suffer this fate for one main reason: The aggregate sum invested in ISA accounts is a fraction of what is held in pension funds. If a future government is going to undertake the significant administrative burden of getting new legislation through parliament to get their hands on our savings in one form or another, it would be vastly more effective to do this vis-à-vis pensions than ISAs. A cynic might also argue that ISAs tend to be owned, in the main, by Britain’s elite – including those who might be legislatimg any such changes in the future!

That said, I would like to stress that if you work for a big company that will match any contributions you make to your occupational pension account then it is highly likely to be a good idea that you maximise your contributions to this account. That is to say that for you, your pension should be prioritised over the ISA. Investment is all about risk versus reward and it seems highly likely that the fact that you are getting an automatic 100% return (reward) from your employer matching your contributions will more than make up for the risk from future governments moving the pension goal posts.

If you have a defined contribution occupational pension and a generous employer, then by all means max out your pension contributions to max out their matched contribution. Just make sure that all that money is going into assets with a good spread by asset, risk category and geography – i.e. that you “own the world”. You should have a better idea about how you might do this once you’ve got through this document.

As such, this book focuses on ISAs in the first instance, but there is more information on pensions later. Please do also consider using the “How to Own the World Community” (A 🌍) group if you feel
that you need help in this area.

So now let us turn our attention to the specific actions you might take to get your financial house in order.

A NOTE ON LINKS
I would also note that you will find links throughout the book and gathered together in an Appendix at the back of the book. 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. (Aüp) or (iüp), in case you would like to find the relevant websites as you are going along.

UPDATES
For those of you who have the Kindle version of this book, any future edits will of course be automatically uploaded to your device when we make them - and if you’re a member of our email list (you can sign-up from the homepage of our website (Aüp)) - you will also know when we’ve made them. I hope that makes sense.
WORKBOOK “TICK-LIST”

Please find below a ten-step tick-list to help you keep track of the tasks you might complete to get your finances humming. 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

• Pay off any expensive debt.
• Build up a “rainy-day” pot of cash.
• Finding the money.
1. PAY OFF ANY EXPENSIVE DEBT

Although this may be obvious to you, I think it is worth saying explicitly that you must make sure you pay off any credit card or indeed any other expensive debt before you do anything else. This is very simply because the interest rate your credit card provider charges 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).

Investing in ISA products or other investments before you have paid off any costly debt you have outstanding is usually like filling a bath with the plug hole open – where the speed that the water disappears down the plug hole exceeds the speed at which the tap is filling the bath!

Please note, this may not apply to cheap debt (i.e. where the interest rate is lower than the return you can make on your investments. This time the bath fills faster than it empties – if you get my drift).

This might include student debt or mortgage debt on your house, for example.

You might consider reading a classic book on the subject of getting rid of debt: “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 are 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 you can start allocating some of your monthly savings to investment.

“Do not begin to invest any money into the financial assets we are looking at here, until you have first paid off any expensive debt and saved at least a month’s salary as cash, ideally more...”
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 (xxix)
2. Virgin Money article (xxx)
3. TechRadar article (xxxi)
If you have a copy of my other book, “How to Own the World”, you might also re-visit “Mapping Your Route” from page 221 onwards. The 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 is the one course of action which can get you rapid results and set you up for life.

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. I can imagine that this is a horribly 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 very worried about two things:

1. The very real risk that interest rates are likely to increase in the years ahead. Remember, they are at a 300-year low and this is not sustainable.
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 an equal chance that your property will 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, I am strongly of the opinion that there is a much higher 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.
Once you have eradicated any expensive debt and saved a decent amount of cash in your “rainy-day” fund, you are ready to start investing.

To be clear, we are talking about investing here, NOT trading. These are two very different things. This is an incredibly important distinction to understand, so it is worth taking a moment to clarify this key point. Failing to understand the difference between investing and trading is one of the key reasons so many people fail with their finances and also why people so often get taken to the cleaners by con-artists - particularly in the last few years with the explosion of interest in the crypto space. To explain:

### 4. INVESTING VERSUS TRADING

If you have read “How to Own the World”, you will hopefully recall that the last two chapters 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 very good chance of getting properly wealthy over time. Explaining this approach in more detail is the focus of most of the rest of this book.

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” - under the header “Automation best for most?” (page 274).

The main reason for this is actually quite simple. Becoming a good trader and / or investing in individual companies, currencies, indices or ETFs, is incredibly hard and incredibly time consuming.

1. First: You need to 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, is at least an A-Level's worth of study, at best. It is actually probably more like a degree's worth before you will get properly comfortable and consistently good - and, even then, there is no guarantee you will ever get there.

2. Secondly: Even once you have put in that initial work - the amount of time and effort required to actually do any kind of trading and succeed at it on an ongoing basis is also very significant - prohibitively so for most people - particularly busy parents for example. Don't believe 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 not be true for any beginner – not to do it properly and actually acquire sufficient skill to protect yourself from the risk of losing a lot of money at least.

3. Thirdly: Unless you have significant net worth in terms of liquid assets and cash, you are not going to be able to deploy enough capital at a low enough risk to make all this extra work and time spent staring at screens worthwhile in absolute terms. Far too often
people who have very little money go straight to things like crypto and currency trading, completely bypassing doing the best with things like their savings, ISA and pension arrangements. To me, this is a bit 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 very 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 very firm belief that you will be far better off spending your time on things that earn you money and saving and investing (not trading) 10% or more of those earnings for many years until you have much, much more than a few thousand pounds.

It is for these reasons that SO many people fail at this, it is a completely inappropriate activity for the vast majority of the population and so many trading educators, whilst sometimes teaching viable skills (the best of them at least), don’t actually help people improve their finances in the real world.

Simple, regular investing by direct debit into a fund or funds that are sensible is a vastly better idea. 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 is the focus of the rest of this document.

When you then become sufficiently wealthy - let’s say in your thirties, forties or fifties realistically, depending on how early you start - that is the time that you might deploy some 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 and before Rachel and I got married and we had our children. Back then, I traded most days and I had some pretty awesome success at it - because 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 two full time jobs 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.

So, my whole point here - particularly for younger members of the group - 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 - 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. (Please see example on the
following pages for more on what you might need to consider before you should invest in a single company!).

Without wanting to sound too boring: Truly the hours you might spend trying to learn how to trade currencies or glued to crypto trading groups and so on 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, figuring out what else you could do with your life, acquiring the skills to do it and making that move...

In the next section, we will turn our attention to *investment*. 
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 this problem head on.

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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