

# 6 (FINANCIAL) LESSONS I WISH I COULD HAVE TAUGHT MY YOUNGER SELF

2019 is a big year in the Andrew household.



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Our eldest daughter is off to boarding school and amongst all the excitement, is the realisation that I might be the one who struggles the most with separation anxiety.

Suddenly, I find myself counting the days, wondering frantically if I have given enough fatherly advice and I feel the need to share my worldly wisdom at every opportunity. The topics range from making the most of opportunities and pursuing your passions, through to the dangers of teenage boys and alcohol. Most of my "advice" is humoured with a shake of the head and raised eyebrow.

If there is one thing my years in this industry have taught me, it's that one of the most important lessons I can share is how to act responsibly and confidently with respect to money.

Whilst a few are not completely relevant now, here are some of the practical investing insights that I have shared with my daughter as she heads off into young adulthood. Hopefully, she can benefit from what age, experience and making some mistakes has taught me.

## 1. HAVE A PLAN

It is very unlikely you will achieve a goal if you are not clear on what it is. Write it down, be specific, be visual (so you can feel what success will be like) and include timelines. It is worth explicitly acknowledging in writing that it will not be a smooth ride and that you intend to stick it out through the inevitable ups and downs. Being able to refer to this plan when times are tough is a powerful tool as it will help you remain committed and ultimately achieve your goal.

## 2. SPEND LESS THAN YOU EARN AND INVEST REGULARLY

This is an extremely powerful habit to establish as early in life as possible. A critical aspect to being financially successful is overcoming the desire for immediate gratification such as the latest mobile phone, meal at a trendy restaurant or overseas holiday. Try to keep a monthly budget, but the most practical way is to pay yourself first via a monthly debit order invested into a unit trust.



Tick the box on the application form that automatically increases the debit order by at least inflation each year, as it is always easier to commit your future self. Then, whenever you receive a windfall (such as a bonus), allocate a portion to spoil yourself and a portion to your long-term investments.

### 3. PAY DOWN YOUR DEBT

This is almost certainly your best risk-adjusted after-tax return, especially in the case of expensive debt (credit cards, personal loans etc.) which should ideally be avoided. If you learn one thing in your maths classes, learn the powerful magic of compounding and how important it is to have time on your side. Just as compounding works in your favour when investing, so it destroys and traps you on the downside. You have time on your side so use it to your advantage. Don't procrastinate. Start investing early.

### 4. MAKE AS MUCH OF YOUR MONEY WORK FOR YOU AS POSSIBLE

Take advantage of all the tax breaks (let the government help you save) and be very aware of costs. These include tax-free savings, using the annual interest and CGT allowances and considering whether retirement annuities, pension fund allocations and endowments are appropriate. Make a conscious effort to stay informed of all the costs you are paying, what the alternatives are and make sure that you are receiving good value.

### 5. INVEST IN GROWTH ASSETS AND DIVERSIFY

Make sure you invest sufficiently in growth assets (equities) and diversify appropriately across stocks, asset classes, countries and managers. As a young adult, your biggest risk is not volatility or losing money in the short-term, but that inflation erodes your earning power. As you will be constantly adding to your investments, think of any downward movement as a great opportunity to buy good companies on sale.

### 6. IF IT SEEMS TOO GOOD TO BE TRUE, IT NORMALLY IS

You will come across lots of wonderful get-rich-quickly schemes where your friends have made fortunes in no time, such as crypto-currencies in 2017. These are incredibly appealing - but almost always disastrous. It takes time and patience to generate wealth. Be patient, be sensible and think for yourself.

As I come to grips with a slightly less chaotic household, I hope that by starting the conversation early with my daughter, these concepts will be deeply ingrained by the time she starts earning. I hope too that some of these insights have practical value for you or your children.

All the best for 2019 and here's wishing you a successful long-term investing journey to achieving your goals.

*Nic Andrew*

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