

THE AUSTRALIAN

The secrets of bulletproof investing

By **JAMES FITZGERALD**,

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I'm determined to start an important but at times uncomfortable conversation as we enter this post-pandemic economic frontier.

I've had the great fortune of learning what you need to do to never have to worry about money.

The best news is you can start with nothing. I don't have all the answers, but I have valuable insight from my own unique journey, which has been both fortunate and fraught.

Today, I'm in complete control of my personal finances. I sleep like a baby and I'm optimistic about the future. By sharing my experiences and the knowledge and skills I've gained, I hope I can help you learn how to find and keep financial control too.

I'm not a theorist. I'm in my early 30s and my wife and I own our own home and five investment properties, putting us in the top fraction of all Australians. However, I started with nothing – in fact, less than nothing.

My parents went broke three times. Perhaps more importantly, 10 years ago my personal finances were out of control. I had to learn how to build my wealth and, before that, get my finances under control – discovering a way to do it when I'm naturally conservative and cautious, and saw “debt” and “risk” as four-letter words.

Where there's a money shortage, there's very often anxiety. Most of us have experienced anxiety – for some it's fleeting, passing in the space of a few hours; for others it's more persistent, if not permanent. Perhaps you can't get to sleep or back to sleep.

Or it arrives courtesy of a school or university exam, a meeting at work, an unexpected bill or an awkward social encounter. Very few of us are immune to those anxious feelings, which can be overwhelming, all-consuming and exhausting. Personal finance is the single biggest cause of stress for one in two Australians.

In 2018, CBA released a study that revealed one in three Australians spent more than they earned each month, one in two had insufficient savings to handle a temporary loss of income and one in three would not be able to find \$500 for an emergency.

MLC also produced data in 2016 suggesting half of all working Australians live payday to payday.

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These numbers are cause for concern and, no doubt, have been exacerbated by the pandemic that sent Australia into recession.

Additionally, the 2017-18 Australian National Health Survey by the Bureau of Statistics concluded that one in five Australians – about 4.8 million people – experience some form of mental illness in their lifetime. That number has increased from 17.5 per cent in 2014-15.

Other research has made a clear link between debt and suicide. Our online lives don't help matters. Of the 54 per cent of Australians experiencing anxiety, a significant number also have some form of gambling habit, a trend accentuated by smartphone applications and the easy access to online gambling. Other people turn to alcohol, or prescription or illicit drugs, in a bid to self-medicate and ease the pain of their financial ailments.

That's why now, more than ever, we need to have awkward but honest conversations about money. Lives depend on it.

My own father, my best mate, endured a 30-plus-year battle with anxiety, fuelled by the oft parlous state of his personal finances.

I've witnessed first-hand the vicious cycle – the coping mechanism cocktail – of gambling, drugs and alcohol and experienced the tragic, senseless consequences.

My dad's financial angst was exacerbated by the fact that his sense of self-worth was heavily linked to (if not driven by) his financial success.

From my story I want to share with you the takeaways and action items I deem to be essential. Here's a summary of my Bulletproof Investing tips:

Before you invest:

Define your why: What motivates you to grow your wealth? It's important it benefits others as well as yourself. This selflessness will generate a lasting sense of satisfaction.

Pay yourself first: Set up an automatic transfer to put 10 per cent of your take home pay into a separate account at a different bank. This is for your future self to invest.

Spend on what you need not what you want: If your expenses exceed your income it's time to get rid of some of your wants. If you are struggling, cancel all your credit cards and automatic payments and order new ones; this will help kick start the process. We have 100 per cent control over what we spend.

Cash is king: While difficult during Covid, it is not impossible. Withdraw your spending money at the start of the week and once this is gone, you can't take out more until the next pay.

Streamline your bank accounts: Have an everyday account for all your needs and wants; a future account with a different bank without internet or card access for future investment; and a one-off account for big yearly bills like car registration – this should normally be about 10 to 20 per cent of your take home pay.

When you are ready

Find a mentor: Find someone successful and ask them to mentor you. Catch up occasionally to speak with them about how they succeeded. It could be a family member, friend, work colleague or neighbour.

Buy land: Land in fast-growing areas in capital cities is the safest and best-performing asset you can invest in. As the population grows so too will the value of your land.

Use other people's money: Borrow from the bank, ask family for help with a deposit or pool your resources with someone you trust. Just make sure it is properly documented and understood by all parties.

Cashflow is your oxygen: Invest in assets that pay for themselves. Don't let the holding of your investment exceed 10 per cent of your take home pay.

Compound growth is the secret sauce of investing: Invest in an asset that will grow in value over time and be disciplined enough to reinvest that growth into acquiring further assets.

Investing is a team sport: You'll need a good accountant, mortgage broker, property manager and mentor. Don't be afraid to pay a little extra for a good team.

Build positive habits: Focus on eliminating bad habits and introducing positive ones.

Commit to 21 successive days of new habits and you will find yourself on the right path.

Play the long game: Set yourself small goals and take it one step at a time. No one gets success overnight.

This is an edited extract of Bulletproof Investing by James Fitzgerald, newly published by Wiley Ltd. All proceeds from this book will go The Financial Basics Foundation, a non-profit financial literacy organisation.