# Asha's Money Masterclass

## *17 powerful money concepts, principles, tips & strategies to help you transform your financial future!*

*"Investment in knowledge followed by intelligent action, pays the best interest ☺"*

*Luv Asha x*


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## Masterclass Index

## Introduction ~ Who Am I and Why Should You Listen to Me?

In the Beer Garden!

You're probably wondering how a friendly cocker spaniel could possibly be qualified to teach you financial education, **right?**

I'm not technically qualified as dogs aren't allowed to take the financial exams (not that I wanted to 😉) but I have an abundance of financial knowledge that will make a significant difference to your future if you master it and apply it.

**Here's how I became so knowledgeable…**

My mum worked as an office manager for a financial service company in Lincoln, UK and she was given permission to take me to work with her, as the boss (David) loved dogs 😊.

So, I started out as a 'meeter and greeter' in the office as clients walked through the door. My job was to give them a warm welcome, which is the most natural and easiest job in the world for a friendly dog!

After the initial hello and fuss, they would take a seat in the meeting room where I would continue getting to know them over a cup of tea as they waited for their adviser to join them. If they were agreeable and the virtually everyone was, I was allowed to stay in the meeting room as long as I sat quietly on the floor, happy days 😊.

So, (and this is the important bit), being a cocker spaniel with huge ears, I couldn't help but take in all this valuable financial information.

Anyway, through sheer repetition, I started to become very well versed in all aspects of financial planning and picked up lots of valuable strategies along with important concepts and principles that can help everybody enhance their financial position.

In a nutshell, as the information wasn't much use to me, my instincts told me there was only one thing to do, create my own masterclass so I can share this powerful information with the world so everybody can benefit.

Please be aware that I use the British system (£) for easy reference as I'm British, but the information is pretty much universal. I sincerely hope you find all the information very useful and inspiring 😊.

**Here's a little Q & A if you want to know more about me (feel free to skip)…**

**Favourite Food** ~ sausages

**Favourite Hobby** ~ running on the beach

**Perfect Day** ~ loads of walks (on the beach and in the park), meeting other dogs, having my belly rubbed, go to beer garden, eat lots of sausages 😊

**Favourite Film** ~ 101 Dalmatians

**Favourite TV Programme** ~ Lassie & Waffle Doggy

**Favourite Song** ~ Brimful of Asha by Cornershop (1998)

**Favourite Singer** ~ Jarvis Cocker (Pulp)

**Favourite Place** ~ Any Beer Garden (I always get loads of fuss and snacks 😊)

**Right, let's get started….**

Financial Literacy Section Number 1 of 17

## *The basic foundation of money mastery starts with:*

# 'Understanding the Cashflow Quadrant'

*Unless you plan to work forever, it's crucial you fully understand this concept!*

***Luv Asha x***


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## Understanding the Cashflow Quadrant

Unfortunately, our education system, whether we like it or not, teaches us to be 'good employees,' and goes something like this ~ Go to school, Get decent grades, Get a good job, Work your way up the ladder for 40 odd years, Retire! **Sound familiar?**

For most people, 'JOB' stands for '**J**ust **O**ver **B**roke' as the system moulds the vast majority of the population into consumers who have a reasonable lifestyle and just about keep their heads above water to maintain it, this is more commonly known as the 'rat race.'

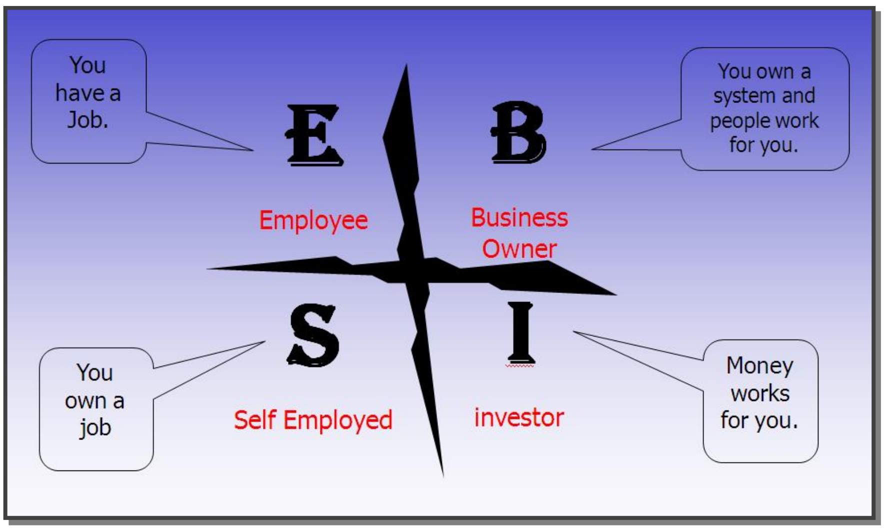

Whether you agree or not, that is the stark reality of the system and it takes a certain amount of financial intelligence and a concerted effort to break free from the 'rat race.' Unfortunately, the system doesn't teach us how to become wealthy or how to achieve financial independence, we either discover it by accident or must go and find the education and the means to do it!

### The Cashflow Quadrant

This is a simple financial educational concept developed by Robert Kiyosaki of Rich Dad fame *(n.b. a lot of this Section is from the excellent educational material of Rich Dad)* as a visual representation from which to teach the difference and interaction between the 4 standard methods of earning money.

Its main purpose is to help educate people who are looking to get ahead financially (i.e. achieve financial independence or a decent level of wealth) and move beyond the illusion of job security and begin to achieve financial security. It is not necessary an easy path (will take some effort on your part) but the financial prize at the end of the journey is worth it!

### Here is the Cashflow Quadrant illustrated:




The 4 quadrants depict the 4 different ways we can all earn money, and we all reside in at least 1 of them. The quadrants are defined as:

**E ~ Employed...**You have a job. Someone else is the boss. Security is generally more important to you than money.

**S ~ Self Employed...**You own a job. Want to be your own boss. You tend to be a perfectionist with a small business. Independence is generally more important to you than money.

**B** ~ **Business Owner…**You own a system that others operate. You are the Coordinator, Delegator or Franchiser. You use other people's time and money.

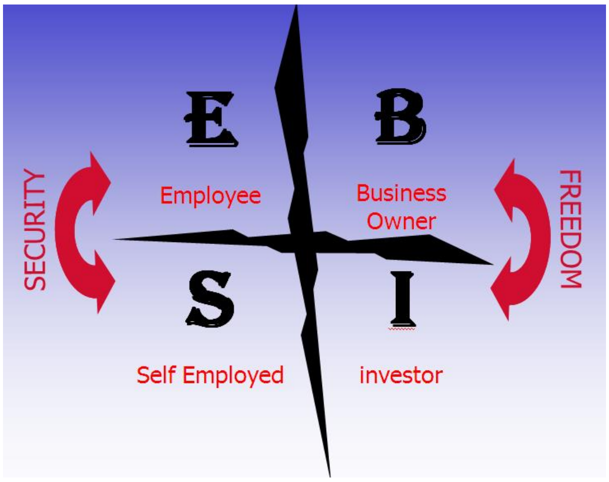
**I** ~ **Investor…**Your money works for you. You make money with money. Other people's liabilities are your assets.

***Note****: Self-employed people often make the mistake of confusing themselves as business owners when their business relies on them personally to operate it. For example, if you're self-employed and you go on holiday and the business can't operate fully without you, then you come under the self-employed quadrant. The business owner is defined as someone who has a business that can function fully if they're involved or not.*

## How many quadrants are you in?

It's not just about identifying which quadrant you fit into as you can successfully operate simultaneously in all 4 quadrants. It's all about identifying which quadrant(s) you are in and then establishing **which other quadrant(s) you also need to be in**, to create the future prosperity you desire.

**Let's take sides…** as you read the description of each quadrant above and study the illustration below, you'll clearly see that if we split the quadrant down the middle as shown on the following graphic:




- **Left side** (most of the population) is all about working to earn money and **Security**.
- **Right side** is all about having your money working for you and financial **Freedom**.

**Important question…**which side of the quadrant, left or right would you prefer to be on?

We can sum the whole thing up as follows:

- **Left Side (E & S) = Working for Money.**
- **Right Side (B & I) = Money Working for You.**

Whilst it's possible to get out of the 'rat race' and achieve financial freedom independently in all 4 quadrants, it's much easier and quicker if you operate in at least 1 of the 2 quadrants on the **right side**.

Owning a business offers the most income potential but also comes with a fair requirement of time, skills and risk in setting it up and developing it. Being an investor is far simpler and easier to get into, but it's all about taking action and doing one or both and developing the skills and knowledge as you go.

### Sickness & Redundancy Test....

If you were off long-term sick starting tomorrow or were made redundant, how long could you continue your current standard of living? If you currently operate on the left-hand side of the quadrant, the chances are you would only be able to survive a number of months.

However, if you're income came from the right-hand side of the quadrant and covered your living expenses each month, you would be able to continue your standard of living indefinitely, **now there's a thought!**

### Have you signed up for the government's 40+ year plan?

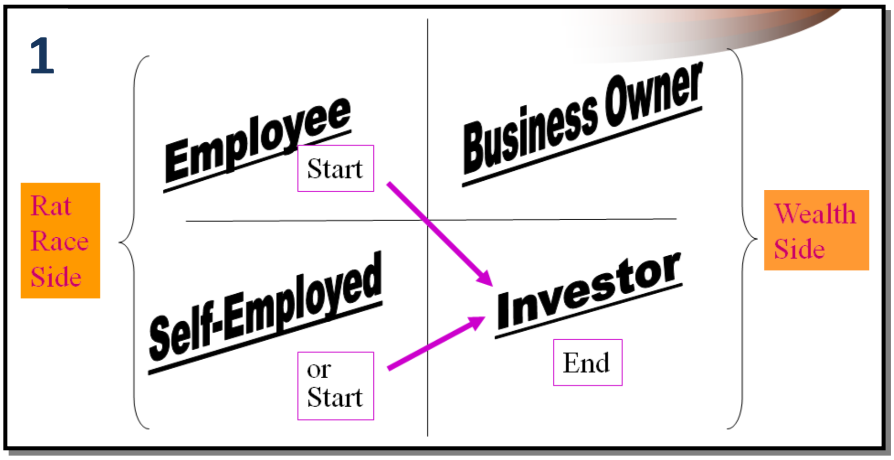
Most people already have a footing on the right side (the **I** quadrant) in terms of their pension fund, unfortunately, most of them will be contributing for around 40 years or so and then hoping it will provide a decent income in retirement.

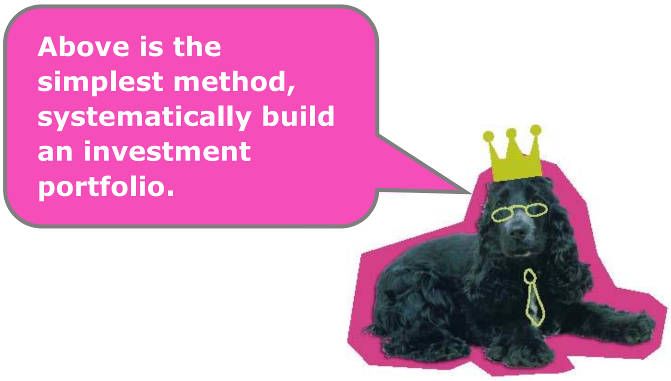
Let's assume the average annuity (i.e. what you buy with pension fund to create the income in retirement) pays 5% and you wanted a £24,000 annual income in retirement, you would need to have a fund of £480,000 with which to create the required income.

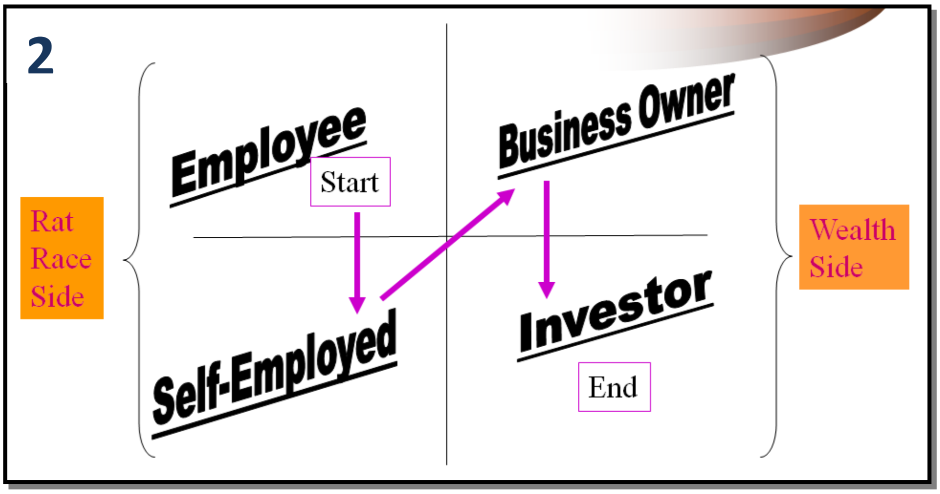
Pensions are a very good way to invest for the future and an important part of financial planning, but I suggest you implement additional ways (i.e. acquire income producing assets) starting as soon as you can, if you really want to escape the 'rat race and achieve financial freedom.

So, let's now talk about practical solutions for escaping the 'rat race' early…

The following 2 illustrations highlight just 2 possible paths to creating financial freedom:




When money works for you, every pound is effectively an employee of yours. Each pound works to bring you even more pounds while you're asleep in the form of growing assets or passive income, such as:

**Interest, dividends, property income, royalties, residuals, annuities.**

The key question is: "What investments/assets do/can you own that will bring you passive income now or in the future?"

**Start today**….it doesn't really matter how you do it, what matters most is you understand this concept and you develop your financial intelligence and the associated actions to engage in the right-hand side of the cashflow quadrant.

Don't worry if this seems brief as I'm going to explain everything in very simple terms in upcoming sections and give you all the action steps. Also, this isn't about trying to do it all one your own, I want you to fully understand…

**Wealth creation is a team sport!**

Throughout these masterclass sections you will see me preaching this mantra. I highly recommend you surround yourself with right professional experts and specialists who have the experience and knowledge to help you move in the direction you wish to go.

We'll talk more about professional advice and expertise in later sections.

## Section 1 Summary

**Remember**, job security is one big illusion; you have to keep doing it year after year in the 'rat race' to keep the illusion alive. Financial security on the other hand from investments and business interests, takes a lot more effort and discipline, especially in the short term, but is real security.

It is not your boss's job to make you wealthy or secure. It's their job to give you a 'paycheck' and nothing more.

If you want to take control of your financial destiny and escape the 'rat race,' make the decision, read all 17 sections of this masterclass and **take action!**

### Final Thought:

Practice "delayed gratification." Buy assets first, luxuries last. Ask "how can I afford it?" This stimulates your creativity.

***Wishing you all the best,***

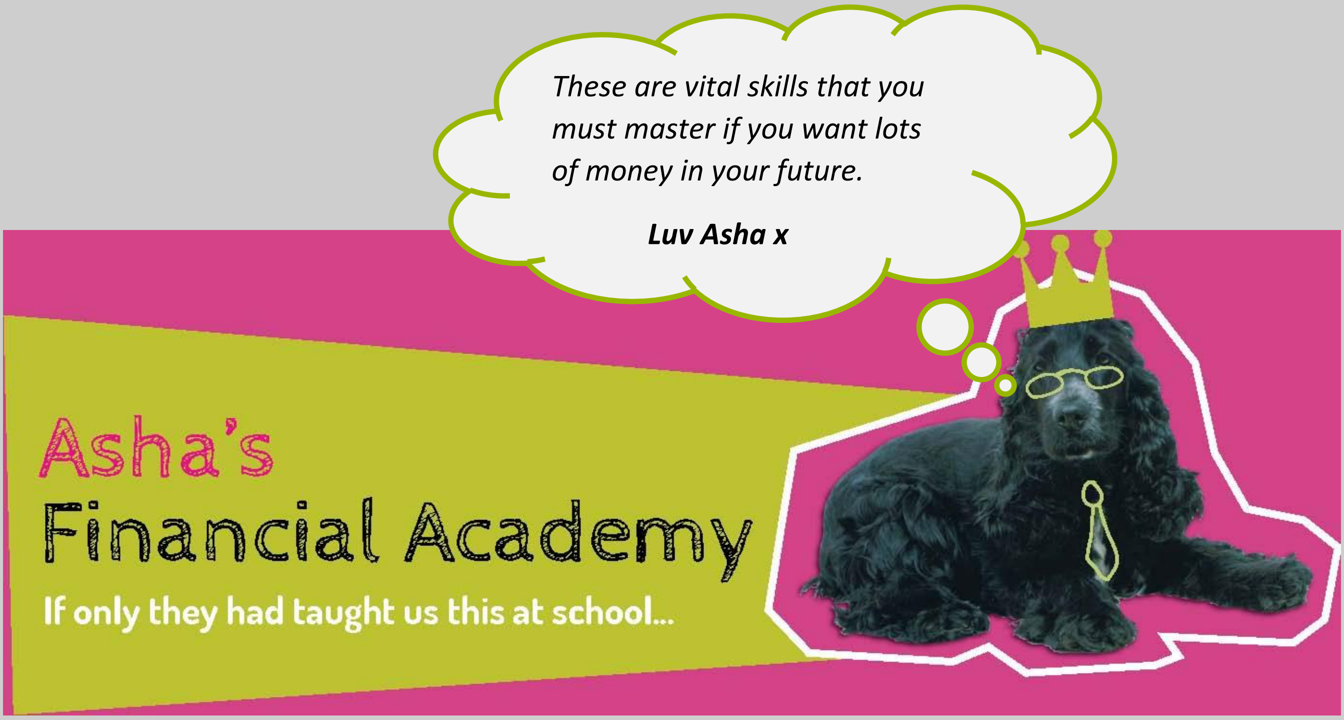
Asha x


***Final Word:***

***"Financial Success is neither magical nor mysterious. Financial Success is the natural consequence of consistently applying basic fundamentals."***

*The basic foundation of money mastery requires:*

# ‘The 4 Essential Money Skills’




*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## The 4 Essential Money Skills

### First the Good News:

If you're an average citizen who is earning at least £25,000 a year, then you'll earn over a million pounds in your lifetime.

That means: **YOU'RE A LIFETIME MILLIONAIRE!** Congratulations!

### Here's the Bad News:

If you're like most people, your million pounds of lifetime earnings will evaporate as fast as you earn it, day by day. And…after a lifetime of earning, statistically you'll end up with very little left and a fairly basic existence. Now, that is bad news, a lifetime of work and no money left to show for it.

**This is another way**.... become skilled at managing and controlling it all as you go!

## The 4 Essential Money Skills

If you study wealthy people, you will find they virtually all, without exception, think and act in a certain way when it comes to money, and a good philosophy for learning anything in life is to learn from the experts, from people who are already successful and have a proven track record at what you are trying to achieve.

You can spend weeks, months or even years trying to figure it all out for yourself if you have the time and the inclination; I recommend you simply copy the fundamental skills of the experts.

By studying the financial methods of the experts, there are certain common elements used in accumulating and managing wealth, these elements can be categorised into the following 4 essential skills:

### Essential Money Skill No 1 ~ Value it

**Valuing it, is the least recognised but by far the most important skill of them all.**

Improving your financial standing and achieving financial freedom begins with valuing each and every pound that flows into your life. Because you can achieve **Financial Freedom** on just a pound a Day! That's right. Just a Pound a day!

Dig one out of your pocket or wallet/purse and examine it.
This simple coin doesn't appear to be worth much. Maybe it buys you a chocolate bar or a small drink. So, what if you waste one, or lose one or throw one away? It's just a Pound. Losing value every second. Use it or lose it!

Or is it? Is this ordinary Pound coin more than what it appears to be? Could it be a magic ticket to a fuller more abundant life of anywhere/time/thing you want? If you fully digest this information, you'll never think of a pound in the same way ever again.

You see, prosperous people don't think a pound "is just a pound". They imagine it is a seed.... **a money seed**...that has the power to grow into a huge money tree, giving off fruit to fulfil every one of their dreams.

**How long will it take for this ONE SINGLE POUND to grow into a MILLION POUNDS?**


Impossible you say?

No, it simply depends on what interest rate the account pays. Let's assume it's an ordinary savings accounts.... paying 3% interest (ignoring any taxes/fees etc) .... then it's going to take a long, long time.

**At 3% it will take 468 years for a single Pound to grow into a million pounds.**

What? You're not planning on living 468 years? Relax. We're not done with that pound yet.

Rather than just planting one money seed, could you plant them more often? Could you afford to put away a pound a day? Just a pound a day. £30 pounds a month! Could you it?

Well, **a pound a day at 3% grows into a million pounds in only 147 years**. That's still not fast enough, is it?

What if we raised the interest rate from 3% to 5%? That cuts the time down to about 100 years. Still not fast enough. How about 10% interest? Now only 56 years!

Not bad. **A pound a day becomes a million pounds in only 56 years**. Let that sink in for a minute. A measly pound a day can grow into A MILLION POUNDS in the span of a normal lifetime.

If you put just a pound a day away for each of your children or grandchildren on the day they were born, they could all be lifetime millionaires even if they earned very little throughout their lifetimes, ***now there's a thought!***

## How much could you make over a lifetime from a pound a day?

Suppose someone had put a pound a day away for you...stuck it under the mattress...the day you were born and every day thereafter. By the time you were to reach retirement age.... there would be around £25,000 waiting for you.

Now, what if they stuck it in a bank at **3%**. There would be about **£75,000** for you!

At **5%** there would be just under **£200,000**.

At **10%** interest, there would be **£2.7 million**.

At **15%** there would be **£50,000,000**. That's right. Fifty million pounds.

And at **20%** there would be......**One Billion Pounds**! That's one thousand million pounds.

*All from just one pound a day.*

I hope that sinks in deep. Most of us waste dozens of pounds a day without even thinking. No big deal. It's just a pound. But financially astute people know the real truth about money.

**Each pound is a money seed.**

**It only takes a pound a day.......JUST A POUND....to grow into a fortune.**

Consistently getting 20% isn't exactly easy (very hard in fact) but it's not impossible. For now, I want you to just become aware that a single pound has incredible power.

You could be a millionaire in about 30 years on JUST A POUND A DAY with the right plan and advice!

What if 30 years isn't fast enough for you? OK, there's a way to speed things up. With a little more discipline, you could plant 2 or 3 seeds a day? What about 5 or even 10?

The magic that makes a few pounds a day grow into such huge amounts of money is the awesome power of compound interest. We'll cover this in detail is section 5 ~ ***'The Magic Money Multiplier ~ Compounding'***

## Essential Money Skill No 2 ~ Manage & Control it

**The Rockerfeller Rules**
The name Rockerfeller is synonymous with vast wealth and a name most of us are familiar with. J D Rockerfeller who created a fortune through his oil empire, was regarded as one of the shrewdest businessmen ever as he became a billionaire in the early part of the 20th century.

**Managing it, simple in theory, it's all about the right plan, discipline and habit.**

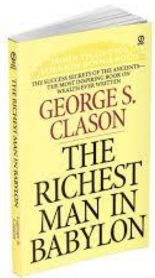
With his understanding of the importance of learning to control and manage every single penny and what a huge impact it has on future wealth, he made his five sons follow strict regimes with money to teach them the value and importance of managing it properly. Here's what he did according to his son Nelson Rockerfeller, the one-time Vice President of the United States.

*"We got 25 cents a week and had to earn the rest of the money we got." To earn part of that extra money we raised vegetables and rabbits........ We always worked".*

All the boys were required to keep personal daily account books. They were required to give 10 percent of their income to charity, to save 10 percent, and to account for all the rest. They had to balance their account books every month and to be able to tell what happened to every penny they earned.

The Rockerfeller kids were taught a specific pattern for dealing with their money:

- **Work for all you get**
- **Give away the first 10%.**
- **Pay yourself the next 10%.**
- **Live on the rest.**
- **Account for every penny.**




In his classic book, **"The Richest Man in Babylon,"** George S. Clason tells the story of the wise investor whose primary rule was, *"A part of all you earn is yours to keep."* And then, when this has been set aside to work for you, live on the rest.

Make the decision that, starting today, you will no longer go into debt to support your lifestyle. You're going to live below your means....no matter what.

It may take you months to turn your spending patterns around (for an oil tanker to change course 180 degrees takes many, many hours, and tens of miles to accomplish) ...you're like that tanker, it will take time to turn your financial bad habits into good ones....so please be patient and stay disciplined.

**Account for every penny.**

This is the part that all of us seem to hate so much yet we all know we should do it as it makes us face up to all that money we just fritter away (don't worry, we all do it!).

Now, I know that the subjects of budgeting, saving and penny pinching seem tedious to most people, but these skills or habits must become part of your life if you ever hope to achieve any measure of financial success.

**No excuses**! Don't you dare tell me you're not good at maths, or that you hate to balance your cheque book, or that you don't know how to work a calculator, or that your spouse takes care of that stuff, or that you don't have the time, or that life is short and that you'd better enjoy it while you can.

Odds are, you're going to live to a hundred years old, that's thirty or so years past retirement, and you must plan for it by taking charge of your finances NOW. You can't delegate this to anyone. You've got to do it. Truth is, nobody can watch over your money like you can. (Farmers have a saying that the best fertilizer is the farmer's own shadow!)

Strangely enough, when you make the commitment to watch every penny, the pounds start to add up much quicker (I think there's a saying to that effect 😊).

**Control It.**

I want to teach you a simple, easy and extremely powerful way to think about your money.

What Rockerfeller was teaching his kids was how to control their money. It's about controlling every penny that flows through your life. Let me show you how to control your money by showing you a theory referred to as the Bathtub Theory of Economics.

**Bathtub Theory of Economics**....Most people have one main source of income...their job.

This income flows into the bathtub of their life and flows out through the drains at the bottom. Most people spend every penny they earn....and then some. They never retain any money in savings. They spend it all.

Obviously, the only way to have an overflowing prosperity in our life is to plug up those holes and to turn on more incomes...have Multiple Streams of Income if you can, preferably other sources of income that don't require you to be there.

**How many leaks are there?** I have simplified the many ways you can spend money into seven categories. It's easy to remember the categories. Each one flows in order of their priority.

**Category 1** in order of priority is called **self**. Take at least the first 10% (start at 1% if you have to) of your money and put it into the Self category this is the portion that will create your wealth through saving/investment. *Make sure you do this!*

**Category 2** is your **shelter**....in the form of mortgage payments or rent payments.

**Category 3** is for **household** expenses such as food, clothing, bills, normal living expenses attributed to living in your place of residence. This will amount to your largest category (most likely).

**Category 4** is your or your **travel** expenses. This includes petrol, transportation, repairs to any vehicles, car payments, maintenance and related taxes.

**Category 5** for **fun** or entertainment. Usually, whenever you spend money out of the home on movies, restaurants, fast food, drinks, events or fun activities.

**Category 6** is for all forms of **insurance**; health, life, disability, unemployment, house, etc.

**Category 7** is for **miscellaneous/debt expenditure**, this includes payments toward any debts and anything else that doesn't fit under categories 1 – 6.

Every pound you spend should fit into one of these 7 categories. I've kept the categories simple and broad because if it gets too complicated, you'll be less inclined to do it.

So, let's examine a money transaction.... we will call this a Money event. How many times a day do you spend money? Once? 5 times? Ten times?  You only actually spend money a few times a day at most.

**Yet, those few spending decisions make all of the difference between poverty and wealth.**

Actually, research tells us that wealthy people spend approximately one minute more per money event than the poor person. And that one minute makes a huge difference. Let's examine a typical money event.

When most of us go to the shop to buy something, we are often in a rush, running late, quickly snatch up the desired item without comparing prices. While waiting in the checkout queue we might see a few impulse items, pay for them but don't record the event because other people are waiting in line and besides, we haven't the time.

What wealthy people tend to do on the other hand, is take a few extra steps which take less than a minute. First of all, before they enter the store, they decide only to buy the planned item and nothing else. Life is full of things to buy (and don't we know it!).

They don't allow their impulses to derail their decisions or to control their life. Then, they spend a few extra seconds to compare prices and to pick the best value. They make a quick mental calculation of their savings as this makes them feel good.

Then, they make the most important step...they record the event by writing down the purchase, determining which category of spending it was made in, and file the receipt in a well organised manner for easy retrieval.

From now on, every time you spend money, why not take an extra minute to do these simple things:

- Plan your needs and procrastinate your wants
- Shop for value
- Ask for and expect a discount (us British allegedly aren't so good at this!)
- Examine your receipt
- Categorize your receipt. Actually, write a number from one to seven (or devise your own numbering system) on the receipt....so that you mentally decide which area of your life you are spending money on
- Balance your accounts.... whether it's cash, cheque or credit card.  File your receipt when you get home

**Suggestion...**

You could get 7 folders and number them from 1 - 7. Don't throw your loose receipts into a shoe box. File them daily in the folders. This will get you in control of your finances in a few short weeks (n.b. we'll cover all this in much more detail in section 9).


*N.b. The following paragraph on page 16 and the 4 accompanying bullet points  more or less summarise the process of acquiring wealth, if you simply followed the next few lines as best as you could, you wouldn't go far wrong.*

**The key to financial planning is cash flow management**

You've not only got to get the cash to flow into your life, you also have to manage the 'leaks' so that there is money left over at the end of the month (profit). With this profit you buy stuff.... assets. The object of the money game is to accumulate enough assets so that eventually the income from your personal assets will support you instead of your personal skills.

- **Are you good at turning on income streams? Look to get multiple streams of income flowing into your bathtub, start small and build them.**
- **Are you good at plugging leaks? Got to plug those leaks by managing and controlling every penny.**
- **Are you good at accumulating assets (not liabilities)?**
- **Are you good at repaying debts? Got to keep debt to the minimum.**

The better you are at managing and controlling these four activities, the wealthier you'll become.


**Psychological Pay off**

The main reason why so many people feel out of control with their finances is simply because they have no control or management over them whatsoever. As soon as you take control you not only start to benefit from having more money as you plug those 'unnecessary' leaks you also will feel an increase in your well-being and self-esteem for doing it.

Simply taking complete control of your finances, regardless of what state they're in, will give you a rewarding psychological boost. A lot of anxiety with money stems from not knowing how you stand or being too scared to really look.

Essential Money Skill No 2 is Manage & Control your money. Start today to gain a greater control over your money by accounting for every single penny…. we all know it makes sense, but how many of us actually DO IT?

*As mentioned, I'll get very specific in the details of how to do all this in section 9 ~ **'How to Put Your Finances on Autopilot Towards Financial Freedom.'***

## Essential Money Skill No 3 ~ Save it


Essential Money Skill No 3 is to save money.

Everybody likes to save money on a purchase….to buy things at wholesale or by simply getting a discount.

You see, anyone can save money by buying at a discount.... but do they actually save the money that they save?

**Let me demonstrate** ~ a human friend of mine quit smoking and was bragging about the £120 a month she was saving by not smoking. I asked, ***"Where is the £120?"*** She didn't know. She had saved the money, but she hadn't saved it (i.e. put it away).

When you save money by changing your buying habits, take the money out of your purse or wallet and get it out of your spending grasp. Put it into a savings jar, and frequently deposit this money into your savings account. That's when you've truly saved it.

And here's another tip. Here's how you can cut your living expenses by up to 20% in 30 seconds!

Take out your credit cards, put one away for emergencies (put it in some water and freeze it to deter impulse spending, defrost only in an emergency), and cut up the rest.

Statistics have proven that this simple exercise will automatically and almost effortlessly cut your general spending by an average of 20% over the next 12 months.

This section is short and sweet as there isn't too much to say about saving. The bottom line is, when you save money in any way shape or form, get it out of your spending grasp and let it work for you (you'll also feel good!).

*Once again, have a look at Section No: 9 ~ **'How to Put Your Finances on Autopilot Towards Financial Freedom'** for tips on how to shake up your finances and make savings on your everyday expenditure.*

## Essential Money Skill No 4 ~ Invest it

**Invest it, is all about making your money work hard so one day you don't have to, unless you want to!**

We have all heard the saying "Money makes money", this skill is all about making your hard earned money, make more money for you.

First of all, identify any money saved by taking control of your current finances and eliminating unnecessary spending.

**Add this amount to the 10%** (or whatever percentage you can afford) of the money you're going to pay yourself off the top of your regular income each month.

Now take all this money and put it into gainful employment in the form of investments.

Anyone can park their money at 3%. The trick is to get it to grow at 8% - 10% or more. There are many good investments that will return 8% - 10% or more, if you know where to look.

At the low end of the interest scale are bank and building society savings accounts. Then, you have government investments and bonds.

Up the ladder are property investment, corporate bonds......then the stock market....and some of the most popular investments these days..... mutual (collective) funds and alternative asset classes (e.g. development projects).

It's not a bad idea to have money in all of these areas to suit your long term objectives.

**Basic Financial/Investment Planning Strategy**

Imagine a series of buckets where money is siphoned off from your bathtub. The first bucket should be your emergency bucket.

A good idea would be to let your 10% (i.e. regular investment amount) flow there first until you have at least three - six months' worth of living expenses saved.

You'd be surprised how many people are only one or two months' salary away from bankruptcy. Don't let that be you. This money should be in the safest place possible, ideally in an insured bank account....at the highest interest rate you can find where you can access your money immediately.

Once this first bucket is filled up, the stream of 10% will overflow into one of three additional buckets…. labelled, conservative investments, moderate risky investments and risky investments.

If you are older, you should have more of your money in the conservative bucket. The younger you are the more risk you can take.

The best way to invest for most people who don't want to choose the actual investments is to use a collective wrapper known as a mutual Fund. These are a collection of individual stocks/assets purchased by a major company and managed by professionals. You give them a small amount of money, they add it to that of thousands of other investors and they watch over it for you.

**Here are a few rules about investing:**

- The longer you invest (leave your money in the market) the lower your risk
- Don't invest unless you're willing to leave it for 5 years or more (unless a fixed return). Its sole purpose is to grow and compound. Anything shorter than a year is gambling
- Remember, it's almost impossible to buy low and sell high in the short run. So don't play the market
- The key is long term pound cost averaging

**Pound cost averaging** simply means, you should invest every single month, regardless of where the market is heading. Don't even read the newspapers.... just buy month in and month out, by doing this you will be buying across all the market highs and lows (averaging your investment).

This way, market fluctuations aren't going to have a major impact on your money long term as opposed to investing a lump sum where you certainly don't want to get your timing wrong.

Over the long run, this is the best strategy. Do it automatically by direct debit or standing order. If you have to decide each month, eventually you're likely to stop your investment program and your future will suffer. Do it every month.

Before you start an investment programme there are many other factors to be taken into consideration to decide where and what to invest in.

*For further related information, also see the Section No: 8 ~* ***'The 3 Cornerstones of Intelligent Financial Planning.'***

**Need professional advice?**

I always strongly recommend you seek the advice and guidance of a suitably qualified professional adviser/specialist for any financial advice and expertise you require. They will take you through a set process to establish your requirements and make suitable recommendations, you then decide if you wish to take their advice.

Pretty much all professional advisers will offer you a free consultation to explain how they work and can help you. Simply view these initial consultations as an interview process. You can then decide if the advice is right for your needs (remember, you're the boss) as nobody cares as much as you do about your finances that why you

## Section 2 Summary

**Essential skill No 1 ~ Value it**
Is understanding the long-term value potential of money and how small amounts invested wisely can turn into a large amount with the right plan and enough time.

**Essential skill No 2 ~ Manage & Control it**
It is very important to set up your personal finances systematically to help you manage and control them in a way that is conducive to your financial dreams and goals.

**Essential skill No 3 ~ Save it**
Change your everyday habits and thought processes around purchases to save additional money which can then be invested for your financial future.

**Essential skill No 4 ~ Invest it**
Taking a percentage of your regular income (as much as you can practically afford) and put it into a regular investment plan towards future prosperity.

### Final Thought:

Remember every pound is a money seed with the potential to grow into a big money tree, don't waste any unless you're thinking of spending it on me ☺

***Wishing you all the best,***

**Asha x**

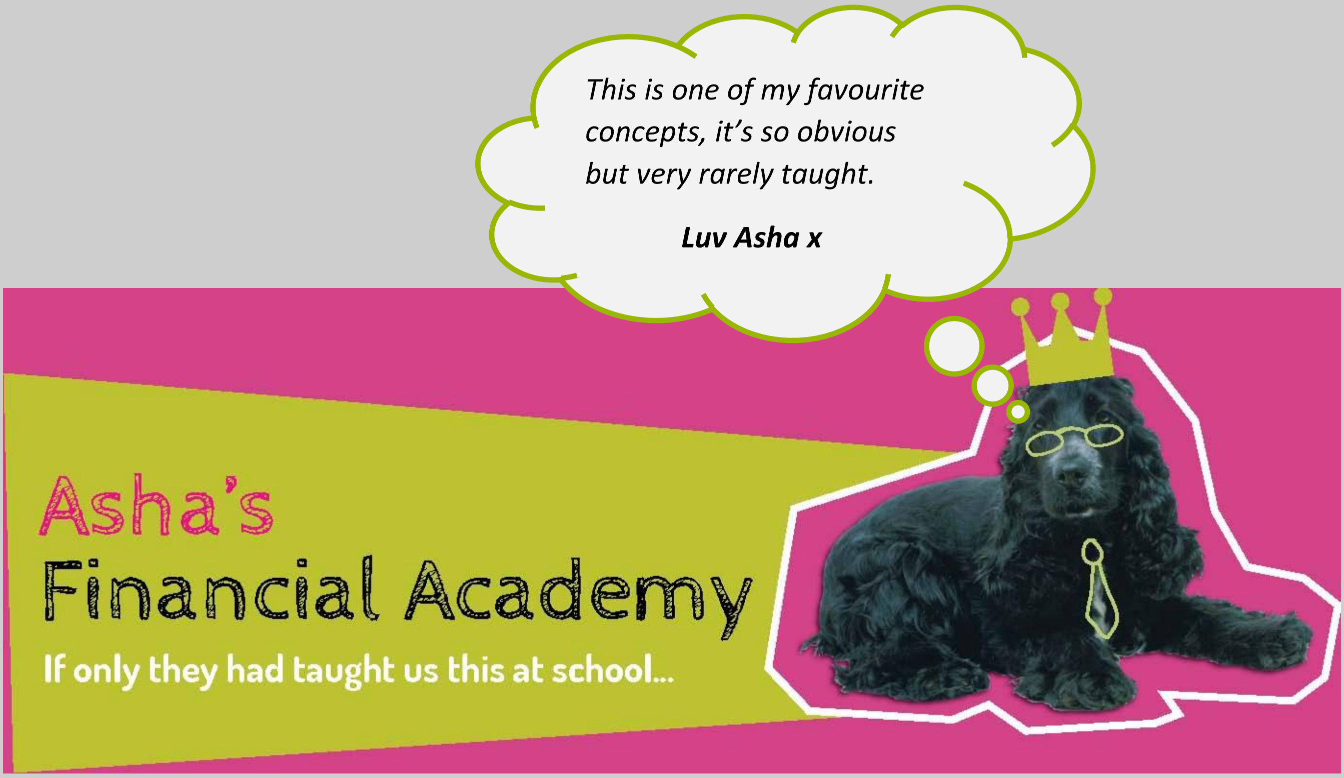

### *Final Word:*

***"Philosophy of the Rich versus the Poor is this: The rich invest their money and spend what's left; the poor spend their money and invest what's left (usually nothing)."***

Financial Literacy Section Number 3 of 17

*A key concept of wealth creation:*

# Why You Should Focus on ‘Building Pipelines’




*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## Why You Should Focus on Building Pipelines

### Buckets or Pipelines?


Everyone loves a story and to help illustrate the key to building wealth, we'll use a story that acts as a very clever metaphor for creating wealth and financial independence:

***Once upon a time*** *there was a quaint primitive little village in middle earth. It was a popular place to live except for one problem; the village had no water unless it rained. To solve this problem once for all, the village elders decided to put out to bid the contract to have water delivered to the village on a daily basis.*

*Two people volunteered to take on the task and the village elders awarded the contract to both of them as they felt a little competition would keep prices low and insure a backup supply of water.*

*The first of the two people who won the contract was Jim, he immediately went out and bought two steel buckets and began running back and forth along the trail to the lake which was just over a mile away. He immediately began to make money as he laboured all hauling water from the lake to the village holding tank.*

*Each morning he had to get up before the rest of the village to make sure there was enough water for the village when it wanted it. It was hard work, but he was very happy to be making money and for having one of the two exclusive contracts.*

*The other winning contractor, Bob, disappeared for a while. He was not seen for months, which made Jim very happy since he had no competition and was making all the money.*

*Instead of buying two buckets to compete with Jim, Bob had written a business plan, created a company, found some investors, employed a president to oversee the work, and returned six months later with a construction crew. Within a year his crew had built a large volume stainless steel pipeline that connected the village to the lake.*

*At the grand opening celebration, Bob announced that his water was cleaner than Jim's (as he knew there had been complaints about dirt in Jim's water) and he could supply it 24 hours a day, seven days a week. Jim could only supply it on weekdays, he did not work weekends. Bob then declared he would charge 75% less than Jim per bucket. The village cheered and ran immediately for the faucet at the end of Bob's pipeline.*

*In order for Jim to compete, he immediately lowered his rates by 75%, bought two more buckets, added covers to stop any dirt and began hauling four buckets each trip. In order to provide better service, he hired his two sons to give him a hand to cover night shifts and weekends. When his boys went off to college, he said to them, "Hurry back because someday this business will belong to you!"*

*For some reason, after college, his two sons never returned. Eventually Jim encountered employee and union problems, the union demanded higher wages, better benefits and insisted on only hauling one bucket at a time.*


*Bob, on the other hand, realised that if this village needed water, then other villages must need water too. He rewrote his business plan and went off to sell his high speed, high volume, low cost clean water delivery system to villages throughout the world.*

*Bob only makes a penny per bucket of water delivered, but he delivers billions of buckets of water every day. Regardless of whether he works or not, billions of buckets of water are being consumed and all the money pours into his bank account. Bob had developed a pipeline to deliver money to himself as well as water to the villages.*

*Bob lived happily on his large continual income while Jim was forced to work hard for the rest of his life.*

***The End***


### The Secret

This clever story actually contains the key to creating wealth the smart way ~ **build 'pipelines'** (**assets**) which flow cash (now or in the future) into your bank account regardless of whether you work or not.

This is more commonly known as **passive income** as you don't have to work for it and is obviously the best type of income you could have as it's working for you continually even when you're asleep.

Jim only focused on earning now, while Bob focused on a continual income via a system that only **required the effort once to set up**, but keeps paying him indefinitely.

### What's Your Hourly Rate?


Most people exchange their time for money via employment and get paid once for each hour they work, there is nothing wrong with as that is how industry and commerce generally works. Let's assume, you earn £20 an hour as a just reward for every hour you work. What would you prefer?

a) **Work 1 hour and get paid £20 once?**

***Or***

b) **Work 1 hour and get paid 10p continually for that same hour's work, every month thereafter for the rest of your life?**

You would obviously struggle to get by on just 10p an hour if you did this full time, but as I'm sure you can see for yourself, the key is to continue what you already do to earn money whilst starting to build small pipelines of income which turn into large pipelines overtime to the point where you don't need to work anymore or you can choose if you want to work or not!

**Just Imagine** creating your own money pipeline that continually flows money into your bank account, initially it could be an equity investment (e.g. a regular dividend on some shares), a part time business or a piece of property, but once you have built one pipeline, you can then move on and build the next pipeline, and then the next one and so on and so on.

Meanwhile all these pipelines flow money into your bank account and all you need to do is keep a check periodically…and that's when it becomes exciting. With the exception of the pop stars or sports stars who earn huge salaries, this is exactly how the vast majority of the rich & wealthy create it.

We are using pipeline as the metaphor but the technical term for it is called an **asset** or more specifically an **income producing asset**, and it's very important for your future prosperity that you fully understand what the definitions of an asset and its polar opposite; a liability are. Let me give you some definitions.

### Assets & Liabilities

Most people assume they know the difference between an asset and a liability and it's absolutely critical to your long term wealth, for the avoidance of doubt, here are the proper definitions:

**An Asset ~ is something which puts money into your pocket whether you work or not** (Pipeline). Examples – Stocks, Bonds, Mutual Funds, Pensions, Investment Property, Business's.

**A Liability ~ is something, which takes money out of your pocket whether you work, or not.** Examples – Mortgages, loans, credit cards, car, taxes.

It may not surprise you to know this but the banks and building societies don't want you to fully understand the difference between assets and liabilities, this is because they rely on a certain amount of ignorance to make the profits they do.

Look at it this way, every liability a customer has, such as a mortgage, loan, credit card, overdraft etc is the bank/building society's asset as it puts money in their pocket.

**The '64 Thousand Dollar' Question. Do you see your own home as an asset (even if you don't have a mortgage)?**

Many people view their own home as an asset as they have lots of equity tied up in it, this is an easy mistake to make, but if you apply the above definitions, you'll find that the liability definition applies!

**What's that I hear you say**? Your mortgage lender told you your house is an asset! Still not convinced? OK, who would own the property if you stopped your mortgage payments? Not You! Your lender is right to call your house an asset but unfortunately, it's not your asset, but their asset on their balance sheet.

Only when the home is sold for a profit can it then be considered an asset and you are going to need somewhere to live, so we class it as a liability as it takes money out of your pocket (mortgage/maintenance/insurance etc). However, the equity in your property is a 'potential' asset as some of it could be withdrawn and used for an investment to generate a return.

**The key to wealth creation and financial freedom...*Are you ready?***

> **"Take your resources (funds/income/skills) and continually plant money trees as your circumstances allow, to create 'pipelines' (assets) which then grow your wealth and flow cash into your bank account in your future regardless of whether you work or not *(live happily ever after and be the envy of all your friends!)"***


### Why do the Rich get Richer?

The simple answer is they spend the majority of their money on assets, things that appreciate in value and put money in their pocket e.g., property, paper investments, businesses, whereas most people do the opposite, they spend the bulk of their money on things that depreciate in value, e.g. cars, furniture, widescreen TV's etc.

Of course, the rich buy cars, furniture, widescreen TV's and other goodies but they generally use money generated by the assets (passive income). As they accrue assets, their net worth and potential for further investment increases, hence, the rich get richer.

### How the banks can help you become wealthier...

Banks will lend you money to buy certain assets which they view as safe. The most common one is property, where banks will generally lend you at least 75% - 80% of the property's value.

***E.g.** let's say you want to buy a second property (for investment purposes) valued at £100,000, you decide to put in £25,000, the bank will lend you the other £75,000 to purchase the asset.*

**Now consider this:** your timing is good and the property doubles in value in the next 10 years, your asset will have grown by £100,000 which is all yours. As you only put £25,000 down, this represents a 400% return on your money (£25,000 in, £100,000 appreciation) because the bank funded the majority of it, this is known as leverage. See Sections 6 & 13 for more details on leverage and building a property portfolio.

Banks love to lend against property as they perceive it to be very safe, but try and borrow money to invest in the stock market and you won't get very far!

### Think <u>pipelines</u> and how you could turn a liability into an asset

We all have desires for expensive cars, nice houses and other 'toys' which we know, fall into the liability category, but with some creativity and financial literacy the equation can be reversed, let me demonstrate with a couple of examples of how, many of the rich operate to have their so called 'toys' without buying liabilities:

1. **Supposing**…you have the money to buy a brand new £65,000 BMW, the one you have always dreamed about, the majority of people would perhaps go and buy it for cash and who could blame them, but consider this…..

   *Instead of the buying the car, you use the money instead to purchase, let's say, a small industrial warehouse unit and rent it out which produces enough of an income to cover the monthly repayments on the BMW finance, which you opt for.*

   **Result** ~ you still get the BMW to drive; you have put your money into an asset (not a liability) which has the ability to grow in value and produce an income for you indefinitely. Instead of just owning a BMW, which will rapidly depreciate, you have purchased an asset and increased your net worth.

2. **Your numbers**...have come up in the lottery and you now have the chance to buy outright that beautiful £750,000 dream property, you could of course write out a cheque on the spot, but consider this…..

   *Instead, you put £250,000 deposit down and borrow the other £500,000 through a mortgage, you then take your other £500,000 winnings and purchase 5 properties outright for £100,000 each, which you rent out providing you with an after expenses income of say £2,500+ per month which pays your £500,000 mortgage.*

   **Result** ~ You still get your dream house to live in, the rental income covers the mortgage payment and you have acquired 5 additional income producing assets which have the capacity to grow in value and increase your net worth and produce further pipeline income.

By leveraging as your portfolio grows in value, you can start to increase the number of properties in your portfolio, which of course will increase the income. Instead of just owning the property you now own a whole portfolio with capacity to expand, resulting in a dramatic increase in your net worth and **it all pays for itself**.


Back to reality, both these scenarios are purely random examples, I don't think too many people will be in a position to just go out and do it just yet, but what I want you to understand is the **concept** of how you can actually purchase an asset to fund a potential liability.

'The rich get richer" through concepts such as this one, but what is more important right now for your future wealth is developing the **mind-set** to automatically think in this way, the deeper it becomes ingrained the easier it becomes to spot the opportunities available to you as your overall financial literacy increases.

## Exercise – Developing a wealth mind-set

Start looking around at opportunities where you could use this concept, even if you are a long way off actually physically doing it, it's like anything, the more you practice the easier it becomes**.**

**Here's one to get you started** ~ (free car again)

Instead of putting cash down on a new car, let's say you buy a bouncy castle or two with it, instead to rent out to kid's parties (*have you seen the going rate to hire these for a few hours*!), the rent you get will easily cover any running costs and the car finance payments.

**Result – you still get the car to drive without using your own money and have created an income pipeline!**

***Now it's your go – see how many you can come up with it, why not pick the best one and do it?***

**What if… all children were taught at school that there are 2 ways to earn a living:**

**Option one**, is that you do a job, perform a task, and each time you do it you get paid. Every time you do the job or task again you will get paid again. This is a good and noble way to make a living, but it has to be pointed out that <u>if you stop doing the job or task, you stop getting paid</u>.

**Option two**, is that you do a job once, but you will get paid continuously even if you never do the job again.

Ask any kid which option they prefer and it's a 'no-brainer' (ask them if you have kids) yet our society and educational system seems to only prepare them for option one!

### Are you only carrying buckets (most people are)?

As the saying goes, the best time to start anything is always 5 years ago, the second best time is now. Start with a small pipeline (e.g. a few dividend paying shares) and build them up over time.

### Section 3 Summary

**Build 'pipelines'** (**assets**) which flow cash (now or in the future) into your bank account regardless of whether you work or not. This is known as **passive income** as you don't have to work again for it, once you've set it up.

**<u>An Asset</u> ~ is something which <u>puts money into your pocket</u> whether you work or not.**

**<u>A Liability</u> ~ is something, which <u>takes money out of your pocket</u> whether you work, or not**.

**The key to wealth** ~ create enough passive income to cover your living expenses and you can choose to work or not, now there's a nice thought ☺

**Final Thought:**

A lot of the things we personally use/need every day (e.g. house, car, bike) are the same things everyone else needs, which means there is a lot of demand.

Why not focus on obtaining 2 (perhaps start with a bike), one to use, one to rent. After a while the rental income will allow you to buy a 3rd item and so on, just a thought!

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"Financial Intelligence is the ability to convert cash or labour into assets that provide cash flow."***

## *Another key concept of wealth creation:*

# ‘How to Plant & Grow Money Trees’

*The more you plant, the more money you’ll make, it’s that’s simple!*

***Luv Asha x***


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## How to plant your own 'Money Trees' that grow and provide you with all the money you require in your future.

If the above sentence doesn't excite or intrigue you, I may need to check for a pulse!! If you truly grasp this concept and put it into action, you should be looking a pretty exciting and prosperous future!

**Simplicity**…there are countless books on the subject of wealth creation and strategies and it can appear to be a very complex subject.

In reality, financial concepts are very simple indeed (people often complicate them!), the following real life anecdote is a very simple way to explain the process of wealth creation that even young children understand as you'll see.

**Back to the classroom…**

The following is an excerpt from a discussion between a financial adviser and a classroom full of young children aged between 6 – 10, the adviser is attempting to explain creating wealth and compounding interest in a way the children will fully understand and embrace, here's the conversation: ~

**Adviser:** ***"How many of you have ever planted a seed?"***
Children: (All hands went up.)

**Adviser:** ***"What did you grow?"***
Children: "Carrots, sunflowers, lettuces, peas, flowers etc."

**Adviser:** ***"What happens if you don't plant a seed?"***
Children: "You don't get anything." (Kids are smart! They looked at him like he was an idiot for even asking such a stupid question.)

**Adviser:** ***"If your parents had planted a pine tree when you were born, how tall would it be now?"***
Children: (Much discussion) 6 – 10 ft.

**Adviser:** ***"If your grandparents had planted a pine tree when your mum and dad were born, how tall would it be now?"***
Children: (More discussion) 40 – 50 ft.

**Adviser:** ***"How tall would the pine tree be now if it was planted when your grandparents were born?"***
Children: (More discussion) 100 ft.

**Adviser***:* ***"Now, what happens if you don't plant a tree at all?"***
Children: (In unison…) YOU GET NOTHING!!!

**Adviser:** ***"What would you have if you planted a tree every year?"***
Children**:** "A FOREST!"

The Adviser then explained to the children that he helps people grow money. One little girl piped up, **"Oh, you grow money trees?"** **"Yes, I help people grow money trees"** replied the adviser.

**Adviser:** ***"What happens if you 'plant' money every year?"***
Children: "You'll be rich."

**Adviser:** ***"What happens if you don't 'plant' money?"***
Children: "You'll be poor."

**10 simple questions that explain the process of wealth creation and the children got it right off the bat!**

If you don't plant any money trees, you're likely to be poor in the future. If you plant just a little money every year, you will be rich as you'll have a forest of money trees to take care of you and your family.

It's actually common sense when you view it in simplistic terms, yet so people many delude themselves they'll get round to doing it one day!

In section 3 we discussed building pipelines as a metaphor for creating assets which flow money into your bank account. Now I want to expand on this further…

**Important Question** (and very important concept to grasp):

**How many ways are there to earn money?**

The usual answers I get is "Hundreds" or "loads", (OK, it might seem a bit of a trick question) but the correct answer is, 2, there are **only 2 ways to make money.** They are:

1. **People at work (Active Income – paid once for the work)**
2. **Money at work (Passive income – paid ongoing for no further effort)**

**1. People at work…**is how most of us make our living by exchanging our time for money. Unfortunately, this leaves most of us restricted as there is only a limited amount of time we can work per week/month.

We can apply for better jobs and promotions, but we are generally exchanging our time for money where the amount we earn is usually governed by our ability to do the job, this is just the way it is for most of us, this is known as linear income.

**2. Money at work**…you simply own income producing assets, this is the easiest way in the world to earn money, as you don't even have to be there as it works for you 24 hours a day every day. All you have to do is give it the chance to work for you.

Earning money through this method (as you already know from section 3) is called **residual or passive income.**


**Clarification…**we are simply talking about taking a part of the money you earn and putting to work for you by planting some Money Trees (assets) of some sort.

## Definition of a Money Tree:

The term Money Tree, is simply a metaphor we use to keep it simple and easy to understand (it's much more interesting talking about money trees than assets!). My definition of a money tree is as follows:

***…a carefully planted seed*** *(a monetary amount invested to create an asset)* ***that is continually tended and nurtured*** *(reviewed & monitored to make sure it's working for you)* ***over a period of time to produce a continually growing, fruit bearing, money tree*** *(continually growing asset that creates wealth/income for you)****.***

Does that make sense?

It's not about the amount, it's about planting intelligent (well researched) money trees regularly and continually keeping an eye on them to nurture into solid valuable trees that produce fruit (income) indefinitely in your future.

**Grow an orchard:** by forming the habit of consistently investing some of your income, over a period of time you will eventually have your own orchard of money trees all at different stages of growth all contributing towards your future prosperity and financial independence.

## Finding the money tree seeds to plant

In Section 2 on essential skills, we discussed how £1 a day turns into £1 Million over 56 years if compounded at 10% so it doesn't need a lot of money to create some very valuable money trees in your future especially if you are young. The most important aspect here is getting started no matter how small and building up from there.

*George S. Clason's classic book,* ***"The Richest Man in Babylon,"*** *tells the story of the wise investor whose primary rule was, a part of what you earn is yours to keep and put to work for you (invest). The suggestion is that just 10% of income wisely invested will provide anyone with a very prosperous future.*

If you are used to spending all of the money you earn each month, 10% may seem a lot of money to find, if this is the case, then please read the Section 9 about getting your finances in order and start with say 1% or 2% to begin with and build up to 10% over time.

**The key is to just start planting seeds** even if you can only afford 1% of your earnings, you'll gain momentum as you go.

Simply divert whatever portion of your current earnings you want to use as money seed into an account that you use solely for investment purposes (to create future financial independence). Preferably set up a standing order each month so it automatically transfers to your investment account ready for planting (see Section 9 for more specific info)!

## Where to Plant it?

This objective of this Section isn't to show you where to plant it but solely to get you to fully understand the concept of consistently planting lots of money seeds (part of your regular income) to grow multiple money trees (assets) that you nurture (monitor and adjust as required) into an orchard of constantly growing money trees bearing lots of fruit (indefinite income).

There is no right or wrong answer as to the types of money trees (assets) as it's all about your financial goals and attitude to risk. Some common examples are:

- Savings Accounts
- Fixed Interest Bonds & Gilts.
- Investment Trusts, Unit Trusts
- Residential & Commercial property
- Alternative Asset Classes
- Individual Company Shares,
- Derivatives & Warrants
- Private Business Investments

Before choosing an investment (planting) strategy, there as there are many factors to consider that are personal to you. You need to establish your personal objectives such as,

- ✓ How much you would like to accumulate?
- ✓ What timeframe?
- ✓ How much do you intend to invest each month?
- ✓ What are your current plans for the future?
- ✓ What is your attitude to risk?

**Take Action...**whether you already have a few money trees in the ground or just starting, don't delay, it's your financial future on the line, get some seeds and start planting for a bright and prosperous future.

## Using professionals

As always, unless you're a seasoned investor, I strongly recommend you consider the advice of professional advisers.

**Analogy**…if you had toothache and needed to have a tooth out, I'm sure you would consult a qualified dentist (course you would!). The very same principle applies with your finances, sit down with an experience (preferably independent) professional who truly understands money and is well versed in investing and delivering what clients wants, why not ask for references and testimonials before you engage their services.

## Professional advice

Pretty much all professional advisers will offer you a free consultation to explain how they work and can help you, simply view these initial consultations as an interview process (you're the boss) to decide if the adviser is right for your needs. Trust your gut feeling!

## Section 4 Summary

***Continually plant money trees***

If you regularly and continually plant money year in, year out and nurture it accordingly, one day in the future, you'll have an orchard of thriving money trees to take care of you and your family.

***There are only 2 ways to earn money:***

1. **People at work** (Active Income – paid once for the work)
2. **Money at work** (Passive income – ongoing income with no further active effort)

**Final Thought:**

To further your financial literacy, I highly recommended reading George S. Clason's classic "The Richest Man in Babylon", see the recommended reading section on page 197.

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"Financial Getting Rich is automatic if you have a good plan and stick to it."***

Financial Literacy Section Number 5 of 17

*A powerful principle of wealth creation:*

# The Magic Money Multiplier: 'Compound Interest'


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## The Magic Money Multiplier ~ Compounding

Einstein is quoted as saying ***"The most powerful invention of man is compound interest"*** and also referred to it as the 8th wonder of the world.

**Compound interest is a magic money magnifier**…there is no trick to it whatsoever, it is purely mathematics and the investors very best friend!

**Compound interest** arises when interest is added to the principal, so that from that moment on, the interest that has been added, now earns interest itself. In other words, you start to earn interest on your interest as follows:

Let's say you invest £100 at rate of 10% interest:

**After 1 year you have £110.00** (£100 original capital + £10 in interest @ 10%)
**After 2 years you have £121.00** (£110 balance from year 1 + £11 in interest @ 10%)
**After 3 years you have £133.10** (£121 balance from year 2 + £12.10 in interest @10%)

Without compounding your totals would simply be £110, £120, £130 and so on, this is known as simple interest. However, with compounding you also get a return on the previous accumulated interest which means the gaps between your totals gets bigger and bigger each subsequent year for no further effort....**do you follow?**

### To Compound or Hide it Under the Mattress?

**Let's revisit something we touched on in essential money skills (Section) and look at the difference between investing a pound a day throughout your life until retirement age at different average rates of return:**

If you just stuck it under the mattress, at retirement age you would have **£25,000** waiting for you.

If you stuck it in the bank and averaged **3%**, you'd have around **£75,000** waiting for you.

At **5%** there would be just under **£200,000**.

At **10%**, there would be **£2.7 million**.

At **15%** there would be **£50,000,000**. That's Fifty million pounds.

**OK, so it's not easy to average 15% over a lifetime (although, I can certainly point you in the direction of ways to make this happen), I'm pretty sure most people would settle for 10% (still no mean feat!) if they could get it.**

The difference between sticking the £25,000 under the mattress and averaging 10% over the same period is **a factor of 108!**

It's the same amount (approx: £25,000) of money in both cases, but the magic of compounding has magnified one of them 108 times to £2.7 million, I think you'll agree it makes sense to use this wonderful magnifier!

The following 2 tables on page 35 demonstrate how rapidly your money can grow and the huge difference that extra percentage return can make, (both graphs show figures compounded annually, for simplicity no management charges have been taken into consideration)

**Table 1** The effect of a one off £1,000 lump sum invested (with no further additions) left to compound (ignoring any taxes):

| | Rate of Return (%) | | | | | |
|---|---|---|---|---|---|---|
| **After ~** | **5%** | **8%** | **10%** | **12%** | **15%** | **20%** |
| **0 years** | £1,000 | £1,000 | £1,000 | £1,000 | £1,000 | £1,000 |
| **5 years** | £1,276 | £1,469 | £1,611 | £1,762 | £2,011 | £2,488 |
| **10 years** | £1,629 | £2,159 | £2,594 | £3,106 | £4,046 | £6,191 |
| **15 years** | £2,079 | £3,172 | £4,177 | £5,474 | £8,137 | £15,407 |
| **20 years** | £2,653 | £4,661 | £6,727 | £9,646 | £16,367 | £38,337 |
| **25 years** | £3,386 | £6,848 | £10,835 | £17,000 | £32,919 | £95,396 |
| **30 years** | £4,322 | £10,063 | £17,449 | £29,960 | £66,212 | £237,376 |
| **35 years** | £5,516 | £14,785 | £28,102 | £52,800 | £133,176 | £590,668 |
| **40 years** | £7,040 | £21,725 | £45,259 | £93,051 | £267,864 | £1,469,772 |

**Table 2** The effect of a continual £1,000 annual investment compounding (e.g. over 10 years a total of £10,000 would be invested which effectively equates to £20 a week):

| | Rate of Return (%) | | | | | |
|---|---|---|---|---|---|---|
| **After (years)** | **5%** | **8%** | **10%** | **12%** | **15%** | **20%** |
| **0** | £1,000 | £1,000 | £1,000 | £1,000 | £1,000 | £1,000 |
| **5** | £5,802 | £6,336 | £6,716 | £7,115 | £7,754 | £8,929 |
| **10** | £13,207 | £15,645 | £17,531 | £19,655 | £23,350 | £31,150 |
| **15** | £22,657 | £29,324 | £34,950 | £41,753 | £54,717 | £86,442 |
| **20** | £34,719 | £49,423 | £63,003 | £80,699 | £117,810 | £224,023 |
| **25** | £50,114 | £78,954 | £108,182 | £149,334 | £244,712 | £566,377 |
| **30** | £69,761 | £122,346 | £180,944 | £270,293 | £499,959 | £1,418,257 |
| **35** | £94,836 | £186,102 | £298,127 | £483,463 | £1,013,353 | £3,538,007 |
| **40** | £126,840 | £279,781 | £486,852 | £859,142 | £2,045,954 | £8,812,629 |

**Just let that sink in!**

Anybody could retire very wealthy if they invested just £20 a week from a young age with the right plan. **Why don't they teach this at school?**

## Financial Myth

There is a huge myth surrounding wealth in that you have to earn a great deal to be wealthy. The two tables above clearly dispel this myth as both show big potential returns over a long term from fairly modest amounts invested.

If you are looking for a 'get rich quick' scheme this is certainly not it, this is all about consistently saving/investing your money with patience and **getting rich slowly**.

**Making a Million...**Look at the 15% column after 35 years in table 2, the total is over a £1,000,000 and the total contribution was only £35,000 (not a bad return!).

Or look at the 12% column after 40 years on table two (highlighted), the total is over £850,000 and it all equates to investment amounts of just under £84 a month or £20 a week, amounts that anybody can find to invest in if they put their minds to it.

You are probably thinking that returns of 12% - 15% aren't realistically available to the average investor, but there are many individual investments and funds that consistently deliver these returns over the long term.

**Inflation caveat**…of course (before you say it) a million pound in 35 – 40 years won't have a lot of spending power due to the ravages of inflation. Although I've used specific figure the key is to **always invest a set percentage** of your earnings to mitigate the effects of inflation as your investment amounts will naturally increase over time.

I always advocate putting a percentage of your earnings into investments for this reason. Ideally 10% or your earnings or more if you can, we'll come back to this in future sections.

### Handling market fluctuations

The answer is something known as pound cost averaging, this simply means, you should invest every single month, regardless of where the market is heading.

As stated in section 2 - don't even read the newspapers.... just buy month in and month out, by doing this you will be buying across all the market highs and lows (averaging), so market fluctuations aren't going to have a major impact on your money long term as opposed to investing a lump sum where you certainly don't want to get your timing wrong.

Over the long run, this is the best strategy. Do it automatically, if you use a fund manager or broker, get them to automatically take the funds from your account each month by standing order. If you have to decide each month, eventually you will stop the program and your future will suffer.

### How much will you accumulate?

There are 4 factors which determine how much your investment fund will amass, they are

1. **How much you contribute**
2. **The rate of return you achieve each year**
3. **The length of time you allow the magic of compounding to work for you**
4. **When you start**

The compounding interest charts show the effect of the first 3 factors, but I want to focus on the 4th one to illustrate what impact delaying your investment plan can have on the end result....

### Time is Money

*Once upon a time there were two 20-year-old twin sisters, we'll call them Emma and Claire. Emma has recently learned all about the magic of compounding interest and has decided to save £1,000 a year* *starting in 2010; she invests this in the stock market using a tracker fund and benefits from a consistent average return of 18% a year.*

*After 10 years, Claire, who has, in her words 'been living it up while she is young!' sees how well her sister has been doing and starts to invest the same amount - £1,000 a year. Just as Claire starts investing Emma looks at what Claire has been doing and decides it's time for her to start living it up a little, so she stops investing at the end of 2019, although Emma never puts another penny into her investment fund, she continues like her sister to achieve an 18% return each year.*

Now jump forward to the year 2044, when the twins turn 54. Emma, you remember stopped investing in 2019 having contributed £10,000 to her investment fund. Claire contributed £25,000 in the 25 years between 2020 and 2044. Based on this ~

**Who do you think has the bigger Investment Fund, Emma or Claire?**

| End of Year | Emma's Fund | Claire's | End of Year | Emma's Fund | Claire's Fund |
|---|---|---|---|---|---|
| 2010 | 1,000 | 0 | 2028 | 104,328 | 19,086 |
| 2011 | 2,180 | 0 | 2029 | 123,107 | 23,521 |
| 2012 | 3,572 | 0 | 2030 | 145,266 | 28,755 |
| 2013 | 5,215 | 0 | 2031 | 171,414 | 34,931 |
| 2014 | 7,154 | 0 | 2032 | 202,268 | 42,218 |
| 2015 | 9,442 | 0 | 2033 | 238,676 | 50,817 |
| 2016 | 12,142 | 0 | 2034 | 281,638 | 60,965 |
| 2017 | 15,327 | 0 | 2035 | 332,332 | 72,938 |
| 2018 | 19,086 | 0 | 2036 | 392,153 | 87,067 |
| 2019 | 23,521 | 0 | 2037 | 462,740 | 103,739 |
| 2020 | 27,755 | 1,000 | 2038 | 546,034 | 123,412 |
| 2021 | 32,751 | 2,180 | 2039 | 644,320 | 146,626 |
| 2022 | 38,646 | 3,572 | 2040 | 760,297 | 174,019 |
| 2023 | 45,603 | 5,215 | 2041 | 897,151 | 206,342 |
| 2024 | 53,811 | 7,154 | 2042 | 1,058,638 | 244,342 |
| 2025 | 63,497 | 9,442 | 2043 | 1,249,193 | 289,491 |
| 2026 | 74,926 | 12,142 | **2044** | **1,474,047** | **342,600** |
| 2027 | 88,413 | 15,327 | | | |

Emma stops investing here & Claire starts

Because of the 'Magic' power of compounding, Emma's nest egg is worth almost £1.5 million while Claire's is worth just over £340,000 even though she invested two and a half times more than her sister.

Emma's fund is worth so much more simply because she started earlier. No matter how long Claire continues to pay into her fund, she will <u>never</u> catch up with her sister as long as they achieve the same rate of return.

**There are no tricks to any of this, it's simply maths, the right investment plan and allowing enough time for it to happen.**

### The moral of story

*You need to start saving now if you are going to tap into the full potential of the power of compounding as time is money if you delay. As you can see from the tables on pages 35, once you've built up a meaningful fund, small amounts of regular savings will make little difference to your eventual wealth. The key to investment is building capital in the early years. Don't delay, the earlier you start, the more you will accumulate!*

### It's never too late

If you feel you may have 'missed the boat' so to speak and you should have done this years ago (we all feel that to some degree), don't despair....

Consider Emma and Claire's father Bob who is just about to retire after reaching of 60 as this is what he elected when he started his pension. Under current legislation he is allowed to withdraw up to 25% of his pension fund tax free whilst using the other 75% to purchase an annuity (income for life).

Let's assume his permitted withdrawal is £50,000 and he invests this as a lump sum and achieves the same 18% return as his daughters. At the age of 65, this will have grown to £114,000 and over £260,000 by the time he reaches 70. If Bob now decides to live off the annual return each year instead of letting it compound, at 18% it will give him an annual income of over £46,000 before any taxes/charges are deducted, at 10% it equates to £26,000 and he still has the £260,000 capital available, I think Bob could have a nice retirement on that, don't you?

Remember wealth creation is a team sport, consider using professionals to help you!


### Warning!

As stated previously, getting consistent high returns is not easy and also requires an element of risk. The numbers used are to inspire you about what can be achieved from small amounts over a long period of time.

This section along with the first 5 sections are designed to give you financial acumen and inspire you to develop good habits now, that will naturally take care of your financial future.

## Section 5 Summary

**Regular small amounts** (just a few pounds a week) consistently invested over a long period of time will turn into a very large amount with the right plan. £20 can turn into a million pounds after 40 years.

**Time and rate of return** are the keys, get the right plan and start as soon as you possibly can. Focus on the long term and just consistently save/invest each month.

### Final Thought:

You don't have to be a financial genius or own a big company to make a lot of money long term. You can do it from your kitchen table using the money that you're now literally throwing away. I'll show you how to do this in Section 9.

If you just re-divert a few of your ill-spent (admit it, we're all guilty!) pounds and funnel them to some well-timed investments, you can easily create financial prosperity through the magic of compound interest.

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"It is not possible to predict the stock market, but it is important that we be prepared for whichever direction it decides to go."***

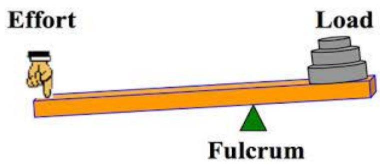
## *Another powerful principle of wealth creation:*

# 'The Power of Leverage'


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## The Power of Leverage.

Do you remember those early science lessons when you were taught how levers multiplied the mechanical force (input) to produce a far greater output?




In other words, a small effort (input) can be multiplied into a large effort (output) through the principle of leverage.

**Financial Leverage** (also known as gearing), uses the exact same principle to multiply the investment potential by using borrowing (debt) to finance a large part (sometimes all) of a deal.

Leverage is very common in property investment and often used in business investments such as acquisitions. Investors will often refer to it using *Other People's Money* (usually the banks) to build wealth as it finances the majority of the deal.

**Used correctly, Leverage, just like compounding, is a wealth magnifier**.

### How to take advantage of financial leverage

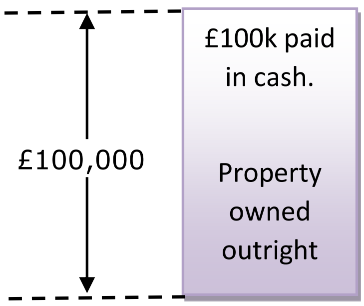
We'll focus on the most common use of leverage ~ property investment. The banks like lending for property investment purchases as they see it as a safe and secure investment for themselves and will typically lend 75% - 80% of the current market value.


**Let's assume you have £100,000 to spend on property and look at different options:**

### Option 1.

You could buy a £100,000 property outright, nothing wrong with that at all if that's what you want to do as the rental income from your tenants is then all yours to keep after paying any insurances and taxes which creates a monthly passive income. **This is a straight cash purchase.**

**1.**

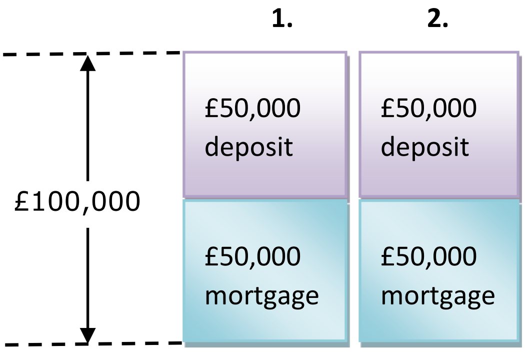



**Result:** you've invested £100,000 and now own £100,000 worth of property with a monthly passive income.


**Option 2.**

You borrow £50,000 by way of a mortgage and put down £50,000 of your money as a deposit. You use the rental income to pay the mortgage, insurance and taxes and keep what's left as a monthly passive income. **This is a leveraged purchase**.

However, as you have £100,000 to invest, you can acquire 2 individual £100,000 properties using this approach as follows:

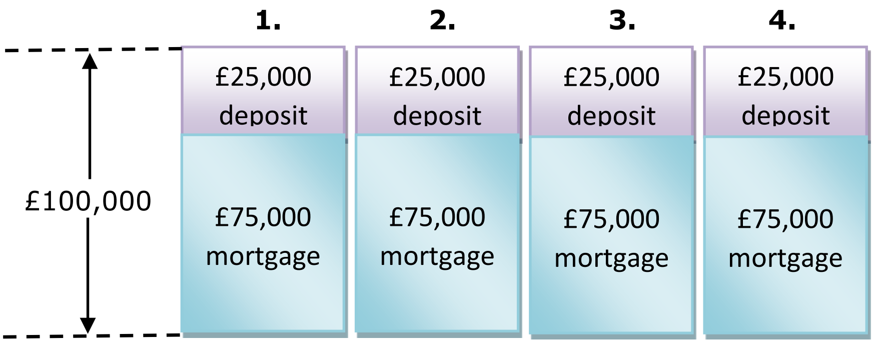



**Result:** you've invested the same £100,000 and **now own £200,000 worth of property.**

**Option 3.**

As the banks will typically lend you 75% of the purchase price and you have some big investment ambitions, you choose to split your £100,000 into 4 separate £25,000 deposits and purchase 4 x £100,000 properties using a £75,000 mortgage on each.

You once again use the rental income to pay the mortgage, insurance and taxes and keep what's left as a monthly passive income.




**Result**: You **now own £400,000 worth of property** using the same £100,000 you started with.

## Return on Investment (ROI)

Let’s assume you were investing for the long term and working on the basis that property historically doubles in value around every 10 years (we’ll cover that in detail in Section 13), let’s assume all the properties have doubled in value to £200,000. Now let’s have a look at the actual return on your investment with the 3 options.

**Option 1.**

***100%***

A. Initial Investment = £100,000
B. Total Value of **1** property owned after 10 years = £200,000
C. Total value of mortgages = £0
**D. Total equity increase (B – A) on initial investment = £100,000**
E. Return on Investment (£100,000 invested with £100,000 growth) = **100% ROI!**

**Option 2.**

***200%***

A. Initial Investment = £100,000
B. Total Value of **2** property owned after 10 years = £400,000
C. Total value of mortgages (£50,000 + £50,000) = £100,000
**D. Total equity increases B – (A + C) on initial investment = £200,000**
E. Return on Investment (£100,000 invested with £200,000 growth) = **200% ROI!**

**Option 3.**

***400%***

A. Initial Investment = £100,000
B. Total Value of 4 properties owned after 10 years = £800,000
C. Total value of mortgages (£75,000 x 4) = £300,000
**D. Total equity increases B – (A + C) on initial investment = £400,000**
**E.** Return on Investment (£100,000 invested with £400,000 growth) = **400% ROI!**

All 3 options start with the same initial £100,000 investment but option 2 doubles (200%) the return over the same 10-year period and option 3 quadruples (400%) the return over the same period through the power of leveraging. **Powerful stuff!**

### Historic growth

**Did you know…**UK property has averaged just under 8% annual growth for the last 80 years which effectively means it consistently doubles in value every 9 - 10 years?

This means that £100,000 property in the example would be worth £200,000 in 10 years, £400,000 in 20 years, and £800,000 in 30 years and so on! This takes some believing but I’ll demonstrate it for you in Section 13.

What I want you to take from this is: with just a small input (sometimes nothing, more later) you can acquire a property that has the potential to grow significantly in the future.

**That is the power of leverage**.

## Section 6 Summary

**Leveraging** allows you to purchase the majority (sometimes all) of an asset with someone else's money and you get 100% of the assets gain in value.

**More info:** you'll find a lot more detail on property leveraging in section 13, '*How to Build a Significant Property Portfolio.'*

**Final Thought:**

Leveraging is a very powerful tool to dramatically increase your investment returns and when combined with the effects of compounding, creates a very powerful combination for wealth creation, I highly recommend you use it to create lots of future prosperity!

As mentioned early, sometimes you don't even need any money as you can borrow 100% of the purchase cost if you have the right knowledge and strategy.

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"The two greatest motivating forces are inspiration... and desperation... It's your choice"***

*Taking control of your financial affairs:*

# 'Find Out How You Are Currently Doing With A Financial Health Check'

*Think of this one as a financial MOT, common sense if you want to get ahead financially.*

***Luv Asha x***


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## Find out how you are currently doing with a Financial Health Check.

The financial health check consists of 2 parts:

**Part 1 ~ completing a financial questionnaire**
**Part 2 ~ completing a personal financial statement**

There's no hiding place now!

It goes without saying that the state of your personal finances, just like your teeth should ideally be checked on a regular basis to make sure they are in a good state of health.

By completing your own financial questionnaire and personal statement on a regular basis (or via a professional adviser) you can see if you're in good shape and if any actions or adjustments need to be made to get you on the right track.


## Part 1. Completing a financial questionnaire

Now it's time to find out how are you doing financially?

The following financial questionnaire covers all the broad aspects of personal financial planning with 16 straight-forward questions. It is designed to highlight any areas that may require attention or further review.

So, go and dig out your financial paperwork so you have it to hand and answer the following 16 questions across the 5 sections by ticking YES, NOT SURE or NO.

Leave blank any questions that are not applicable to you, then refer to the analysis at the end of the questions.

**Let's begin……**

## Section 1 ~ Personal Borrowing

Yes | Not Sure | No

1a. Do you know exactly how much outstanding debt you have on your personal borrowing - loans credit/store cards etc, (not mortgages)?

1b. Do you know how much interest you are paying on your personal borrowing?

1c. Did you know you may be able to consolidate these to a better deal?

## Section 2 ~ Savings & Investments

Yes | Not Sure | No

2a. Are you saving enough at the moment to provide what you'll need in the future?

2b. Are you making best use of all the tax efficient products available?

2c. Are you making the most of your personal tax allowance?

## Section 3 ~ Retirement Planning

Yes | Not Sure | No

3a. Will your current retirement plans be sufficient to maintain your standard of living when you retire?

3b. Do you know the level of income your current pension arrangements will provide you with, when you retire?

## Section 4 ~ Protecting Your Health & Wealth

Yes | Not Sure | No

4a. If you/your partner is unable to work for a while due to suffering from an accident, sickness or a redundancy, will you be able to maintain your current standard of living?

4b. If you/your partner suffered a long term illness and were unable to work, would you be able to maintain your current standard of living?

4c. If you/your partner ever suffered a serious illness like a heart attack or contracted cancer, would you be able to continue paying the mortgage/rent and other essentials from your current provisions?

4d. If you died, would your partner have enough money to maintain their current standard of living without the level of income you currently provide?

4e. If you died would your assets be passed on to the right person?

## Section 5 ~ Your Home

Yes | Not Sure | No

5a. Are you sure the interest you are currently paying on your mortgage is the most competitive?

5b. Are you fully aware of the ways you can reduce the total amount of interest you pay for your mortgage?

5c. Are your home and contents adequately protected against any potential loss or damage?

**Questionnaire Analysis**

Look at all of your individual answers, check them against the following guide and act accordingly:

| | |
|---|---|
| **Green** | **– This area of your finances appears to be in good shape** |
| **Amber** | **– This area of your finances needs to be reviewed (see below)** |
| **Red** | **– This area of your finances requires attention (see below)** |

For total clarity, the table below specifies which area, each question relates to:

| | **Specific area you need to review/consider taking action** |
|---|---|
| **1a** | Unsecured borrowing arrangements |
| **1b** | Unsecured borrowing arrangements |
| **1c** | Unsecured borrowing arrangements |
| **2a** | Pension and Saving/Investment arrangements |
| **2b** | Saving and Investment arrangements |
| **2c** | Saving and Investment arrangements |
| **3a** | Pension arrangements |
| **3b** | Pension arrangements |
| **4a** | Mortgage/Income protection (short term) arrangements |
| **4b** | Income protection (long term) arrangements |
| **4c** | Critical/Serious Illness arrangements |
| **4d** | Life Insurance and Family Income Benefit arrangements |
| **4e** | Current will |
| **5a** | Mortgage arrangements |
| **5b** | Mortgage arrangements |
| **5c** | Home and Contents arrangements |

**Professional Help & Advice**

See Section 17 **'Action Plan & Guidance to Help You Put it all Together'** for more details about how to get the right professional help and advice for your individual needs.

## Part 2. Completing a personal financial statement

A personal financial statement is effectively a personal balance sheet. The financial health check is designed to highlight current areas you need to pay attention to, whereas the personal financial statement is designed to show you how you are currently doing financially.

Think of it as an **honest financial inventory** of your current financial situation to establish precisely where you are prior to embarking on your journey towards financial freedom. This may at first sound difficult or even a little scary, but it's a simple process, and if you commit to doing it, you will be amazed at what you can learn about yourself.

Numbers are like words, put them together and they tell a story, when you put a financial statement together, the numbers will tell a financial story about you in 3 areas:

- **1. Where you have been**
- **2. Where you are right now**
- **3. How to get where you want to go**

We're not interested in the first area, as we cannot alter the past, the only benefits which can be derived from the past is any relevant knowledge and wisdom obtained along the way. The second and third area is where we are going to focus on.

**Blank statement:** First of all, I'll show you over the next 2 pages what a statement and an analysis looks like, then I'll guide you through completing and analysing your own statement.

So, don't fill it in just yet though, that comes a little later, before you do that, we'll go over 3 fictitious example statements together to help guide you and more importantly to show you how to read and interpret what the numbers are telling you (the story).

### Personal accountancy

I must stress, the importance a doing a financial statement should not be under-estimated, you are examining your own finances the same way an accountant would evaluate a business. However, it is not intended to make you feel guilty for having mishandled your finances in the past, it's simply about being specific with your current financial position so you can chart a course for your future.

You will probably find several of the areas are not applicable to you right now, don't feel intimidated as this statement is designed to cover all broad aspects of income, expenses, assets and liabilities, it covers everybody from the lowest wage earner right up to billionaires like Richard Branson.

**Just think of it as 'drawing a line in the sand' so you know precisely where you currently stand ready to begin your journey along the road to financial freedom.**

# Personal Financial Statement

## Income

**Earned Income**

1. Job & Self Employment (net) £________

**Passive Income**

2. Property (net) £________
3. Business (net) £________

**Portfolio Income**

4. Interest £________
5. Dividends £________

**A. Total Income** £________
(Salary + Passive + Portfolio)

## Expenses

**Expenses**

Mortgage Payment £________
Household (food/utilities) £________
Car Payment £________
Entertainment £________
Insurance £________
Credit Cards & Other Loans £________
Other Payments £________

**B. Total Expenses** £________

## Assets

**1. Bank Accounts** £________

**2. Stocks/Bonds** £________

**3. Investment Property** £________

**4. Business Value (Net)** £________
(Market Value – Mortgage)

**5. Home Value** £________

**6. Other** £________

**C. Total Assets** £________

**E. Revised Total Assets** £ ________
(total assets C – any 'toys' value from 6)

## Liabilities

**1. Mortgage** £________

**2. Car Loans** £________

**3. Personal Loans** £________

**4. Credit/Store Cards** £________

**5. Other** £________

**D. Total Liabilities** £ ________

**'Net Worth'** £ ..........
(total assets C – liabilities D)

**Real Net Worth** £ ..........
(revised total assets E – liabilities D)

# Analysing your Financial Statement

## 1. How much did you keep?

A. Total monthly net income £_________

B. Total monthly expenses £_________

C. Difference £_________

Percentage of income kept C/A _____ %

## 2. Did your money work for you?

A. Total monthly income £_________

B. Total earned income £_________

C. Total passive & portfolio income £_________

Percentage passive & portfolio income C/A ____ %

## 3. What is your return on assets?

A. Total Revised assets £_________

B. Total passive & portfolio income £_________

C. Cash on asset return (annualized) C/A ____ %

## 4. How Wealthy are You (months)?

A. Total Assets £_________

B. Total Expenses £_________

Divide A/B _____ **Months**

## How to fill in a Personal Financial Statement.

The statement is in 4 parts:

1. **Income**
2. **Expenses**
3. **Assets**
4. **Liabilities**

Here's how to fill in the **income** and **expenses** boxes:

| Income | |
|---|---|
| **Earned Income** | |
| 1. Job & Self Employment (net) | £__________ |
| **Passive Income** | |
| 2. Property (net) | £__________ |
| 3. Business (net) | £__________ |
| **Portfolio Income** | |
| 4. Interest | £__________ |
| 5. Dividends | £__________ |
| **A. Total Income** (Salary + Passive + Portfolio) | **£__________** |
| **Expenses** | |
| **Expenses** | |
| Mortgage Payment | £__________ |
| Household (food/utilities) | £__________ |
| Car Payment | £__________ |
| Entertainment | £__________ |
| Insurance | £__________ |
| Credit Cards & Other Loans | £__________ |
| Other Payments | £__________ |
| **B. Total Expenses** | **£__________** |

**1. Completing income boxes:**

**Earned income** is the net amount of money you receive each month from employment or self-employment net income, this amount goes in box 1.

**Passive income** any net income each month from property goes in to box 2, while net passive income from any business activity goes into box 3.

**Portfolio income** you receive as interest goes into box 4, while dividend income goes in box 5.

**Total**: add all the figures together and place your total monthly income in box A.

**2. Completing expenses boxes:**

Expense covers all regular monthly expenditure, this section is very straight forward, and you simply divide your expenses into the 7 categories listed. Any expenditure you can't account for in the first 6 categories simply goes under 'other payments' in category 7.

Once you have listed all of your expenses **total** them up and enter in box B.

Notes for completing assets & liabilities are on the next two pages…

Here's how to fill in the **asset** boxes:

## Assets

| | |
|---|---|
| **1. Bank Accounts** | £__________ |
| **2. Stocks/Bonds** | £__________ |
| **3. Investment Property** | £__________ |
| **4. Business Value (Net)** (Market Value – Mortgage) | £__________ |
| **5. Home Value** | £__________ |
| **6. Other** | £__________ |
| **C. Total Assets** | £__________ |
| **E. Revised Total Assets** (total assets C – any 'toys' value from 6) | £__________ |

**3. Completing asset boxes – notes**

In **box 1** put the total of **all** your bank account balances, only include your main current account balance at the end of the month after all of your regular expense has been deducted.

**Box 2** is for your equity portfolio assets, put the total value of any stocks & bonds in box 2. As the value of portfolio assets are constantly changing it is better to put down a conservative figure rather than trying to be too exact.

**Box 3** is Investment Property – Total all the market values for each property then deduct the total mortgage debt secured against the properties; this will give you your total investment property asset value.

**Box 4** is for any business's owned – Take the sale value of any businesses, deduct any borrowings against the business, this will give the total business assets.

**Box 5** is the market value of your own home. Although we describe your property as a liability as it takes money out of your pocket, you still add it to your asset column so the equity becomes included in your net worth after the mortgage balance has been deducted. This is because you can get access to it by downgrading your property or borrow against it, if you do borrow against it, the borrowing will either go into your asset or liability column depending on what you do with it.

**Box 6** covers any other assets or items of value not listed above. This includes your car if owned or could be a collection of antiques, wine or a classic car etc, any items of value that you could be sold for a profit. I want to make a couple of distinctions here, it is best to only include items you know are **sought after** and would be easy to sell otherwise it is easy to overestimate their value because of sentimental reasons. I have referred to items like cars, motorbikes, stereos, furniture and computers as 'toys' on the financial statement as these need to be deducted from your total assets to calculate your **real net worth ~**

Your **net worth** includes the total value of everything you own (this is how your bank would do your financial statement), your **real net worth** is the same total minus any 'toys' as these have value but are not true assets e.g. your car may be worth £10,000 now, but you are going to need something to drive and it will depreciate quickly so we don't include this or any other 'toys' to give you a true asset total, this revised total is entered as the **revised total asset** (box E) on the financial statement.

**Continued in notes box on left….**

**…notes continued**

**Total Assets -** Once you have completed all 6 boxes, add them up and enter your **total asset** value in **box C**.

**Revised Total Assets** – deduct the value of any 'toys' you have 'included' (from box 6) from the Total Assets and enter in **box E**

***Important note:***

*On the analysis section when we look at the real wealth, we exclude the equity in the home on the basis that we all need somewhere to live. It is a potential asset if we chose to sell or downgrade but we're excluding it as an asset for wealth analysis purposes.*

Here’s how to fill in the **liability** boxes:

## Liabilities

| | |
|---|---|
| 1. Mortgage | £__________ |
| 2. Car Loans | £__________ |
| 3. Personal Loans | £__________ |
| 4. Credit/Store Cards | £__________ |
| 5. Other | £__________ |
| D. **Total Liabilities** | £__________ |

**‘Net Worth’** £………..
(total assets C – liabilities D)

**Real Net Worth** £………..
(revised total assets E – liabilities D)

**4. Completing liability boxes – notes**

In **box 1** put the outstanding balance of your mortgage.
In **box 2** put the outstanding balance of any car finance
In **box 3** put the outstanding balance of any personal loan(s)
In **box 4** put the outstanding balance of any credit and store cards
In **box 5** put the outstanding balance from any other debts not covered in boxes 1 – 4
Now total up all the figures to give you your total Liability and enter in **box D**.

**Now the Crunch ~ Your Net Worth!**

To determine your **‘net worth,’** take your total asset value in **box C** (assets) and deduct your total liability value in **box D** (liabilities).

**Your Real Net Worth**

To determine your **real net worth**, take your revised assets total **E** (assets)**,** and deduct the Liabilities total in **box C** (liabilities).

**Don’t forget your dog counts as an asset,** however it is hard to put an actual value on the benefit of all that unconditional love, loyalty & affection ☺

## Examples

To help you complete and analyse your own statement, we will now go through and analyse 3 example statements. Remember it is what the figures are telling us that matters, you will see how to interpret the figures from the corresponding analysis sheets.

### Example 1. ~ Susan

Susan is 24 years old and single. She works for a local construction company as a PA earning £17,500 a year. Susan owns her own house that she purchased 2 years ago after being promoted to her current position. Although Susan has had to restrict her social life since she took on a mortgage, she still manages to go with the girls at least once a week, as she likes to 'live it up' when she can. Let's have a look at her financial statement and analysis on the pages 13 & 14:

### Example 2. ~ Peter & Jane 'Jones'

Peter & Jane are both in their late thirties with 2 teenage daughters. Peter works as an Architect and earns £35,000 while Jane works at the local secondary school as a teacher earning £22,000. They have a nice modern house that they have spent a lot of time and money decorating to their required tastes. Both Peter & Jane drive new cars, they take 3 family holidays abroad each year and like to get away for weekends as often as possible. Their financial statement and analysis is shown on pages 15 & 16.

### Example 3. ~ Frank & Anthea

Frank & Anthea are both in their fifties and live alone now their 3 children have 'flown the nest'. Frank earns £42,000 as manager of a hotel while Anthea earns £18,000 as an office manager for a local solicitor. They have 5 investment properties in addition to their own and a stock portfolio built up from regular investments and windfalls. Their financial statement and analysis are shown on pages 17 & 18.

**So, let's see how they all fair on paper and what the figures are telling us!**

# Personal Financial Statement

**Name: Susan**

**Date:** ____________

## Income

**Earned Income**

| | |
|---|---|
| 1. Job & Self Employment (net) | £ 1,200 |

**Passive Income**

| | |
|---|---|
| 2. Property (net) | £ 0 |
| 3.Business (net) | £ 0 |

**Portfolio Income**

| | |
|---|---|
| 4. Interest | £ 0 |
| 5. Dividends | £ 0 |

**A. Total Income** — **£ 1,200**
(Salary + Passive + Portfolio)

## Expenses

**Expenses**

| | |
|---|---|
| Mortgage Payment | £ 350 |
| Household (food/utilities) | £ 270 |
| Car Payment | £ 155 |
| Entertainment | £ 215 |
| Insurance | £ 40 |
| Credit Cards & Other Loans | £ 110 |
| Other Payments | £ 60 |

**B. Total Expenses** — **£ 1,200**

## Assets

| | |
|---|---|
| **1. Bank Accounts** | **£ 0** |
| **2. Stocks/ Bonds** | **£ 0** |
| **3. Investment Property** | **£ 0** |
| **4. Business Value (Net)** (Market Value – Mortgage) | **£ 0** |
| **5. Home value** | **£ 70,000** |
| **6. Other (car)** | **£ 4,000** |
| **C. Total Assets** | **£ 74,000** |

**E. 'Revised Total Assets'** — **£ 70,000**
(total assets C – any 'toys' value from 6)

## Liabilities

| | |
|---|---|
| **1. Mortgage** | **£ 60,000** |
| **2. Car Loans** | **£ 4,500** |
| **3. Personal Loans** | **£ 2,300** |
| **4. Credit/Store Cards** | **£ 1,200** |
| **5. Other** | **£ 0** |
| **D. Total Liabilities** | **£ 68,000** |

**'Net Worth'** — **£ 6,000**
(assets C – liabilities D)

**Real Net Worth** — **£ 2,000**
(Revised total assets E – liabilities D)

# Analysing your Financial Statement - Susan

## 1. How much did Susan Keep?

| | |
|---|---|
| A. Total monthly net income | £ 1,200 |
| B. Total monthly expenses | £ 1,200 |
| C. Difference | £ 0 |
| Percentage of income kept C/A | 0 % |

## 2. Did her money work for her? ~ No

| | |
|---|---|
| A. Total monthly income | £ 1,200 |
| B. Total earned income | £ 1,200 |
| C. Total passive & portfolio income | £ 0 |
| Percentage passive & portfolio income C/A | 0 % |

## 3. What is her return on assets?

| | |
|---|---|
| A. Total Revised assets (exc her home) | £ 0 |
| B. Total passive & portfolio income | £ 0 |
| C. Cash on asset return (annualized) B/A | 0 % |

## 4. How Wealthy is she (months)?

| | |
|---|---|
| A. Total Assets (exc her home) | £ 0 |
| B. Total Expenses | £ 1,200 |
| Divide A/B | 0 Months |

### Summary

Susan's money certainly doesn't work for her as she spends all her income and currently doesn't have any assets. If Susan lost her income, she wouldn't be able to survive a single month without resorting to drastic measures such as selling the car/house or increasing her credit card balance, none of these measures would really help her situation. Does she need to take a serious look at her finances and change her habits, I think it's a categorical **YES**.

# Personal Financial Statement

**Name:** Peter & Jane

**Date:** ____________

## Income

**Earned Income**

| | |
|---|---|
| 1. Job & Self Employment (net) | £ 3,800 |

**Passive Income**

| | |
|---|---|
| 2. Property (net) | £ |
| 3.Business (net) | £ |

**Portfolio Income**

| | |
|---|---|
| 4. Interest | £ |
| 5. Dividends | £ |

**A. Total Income** £ 3,800
(Salary + Passive + Portfolio)

## Expenses

**Expenses**

| | |
|---|---|
| Mortgage Payment | £ 770 |
| Household (food/utilities) | £ 760 |
| Car Payment | £ 310 |
| Entertainment | £ 800 |
| Insurance | £ 175 |
| Credit Cards & Other Loans | £ 865 |
| Other Payments | £ 695 |

**B. Total Expenses** £ 4,375

## Assets

| | |
|---|---|
| **1. Bank Accounts** | £ 1,500 |
| **2. Stocks/Bonds** | £ |
| **3. Investment Property** | £ |
| **4. Business Value (Net)** (Market Value – Mortgage) | £ |
| **5. Home Value** | £ 160,000 |
| **6. Other (BMW)** | £ 12,000 |
| **C. Total Assets** | £ 173,500 |

**E. Revised Total Assets** £ 161,500
(total assets C – any 'toys' value from 6)

## Liabilities

| | |
|---|---|
| **1. Mortgage** | £ 110,000 |
| **2. Car Loans** | £ 10,500 |
| **3. Personal Loans** | £ 16,500 |
| **4. Credit/Store Cards** | £ 9,700 |
| **5. Other** | £ |
| **D. Total Liabilities** | £ 146,700 |

**'Net Worth'** £ 26,800
(total assets C – liabilities D)

**Real Net Worth** £ 14,800
(revised total assets E – liabilities D)

# Analysing your Financial Statement ~ Peter & Jane

## 1. How much did they Keep?

| | |
|---|---|
| A. Total monthly net income | £ 3,800 |
| B. Total monthly expenses | £ 4,375 |
| C. Difference | £ -575 |
| Percentage of income kept C/A | 0 % |

## 2. Did their money work for them?

| | |
|---|---|
| A. Total monthly income | £ 3,800 |
| B. Total earned income | £ 3,800 |
| C. Total passive & portfolio income | £ 0 |
| Percentage passive & portfolio income C/A | 0 % |

## 3. What is their return on assets?

| | |
|---|---|
| A. Total Revised assets (exc their home) | £ 1,500 |
| B. Total passive & portfolio income | £ 0 |
| C. Cash on asset return (annualized) B/A | 0 % |

## 4. How Wealthy are they (months)?

| | |
|---|---|
| A. Total Revised Assets | £ 1,500 |
| B. Total Monthly Expenses | £ 4,375 |
| Divide A/B | 10.5 Days |

**Summary**

Although Peter & Jane appear to be doing well on the outside with good jobs, 2 new cars and a nice house, the truth is they could be only days away from financial disaster (e.g. a redundancy or major unforeseen expense). The problem is, they spend more than they earn each month and have virtually no assets to fall back on, this is quite a common scenario in the UK. If they lost an income, they would probably have to downgrade their cars or property (compromising their lifestyle) in-order to survive. Do they need to take a serious review of their financial situation ~ an obvious **YES**.

# Personal Financial Statement

**Name:** Frank & Anthea

**Date:** ____________

## Income

**Earned Income**

| | |
|---|---|
| 1. Job & Self Employment (net) | £ 4,200 |

**Passive Income**

| | |
|---|---|
| 2. Property (net) | £ 1,880 |
| 3.Business (net) | £ |

**Portfolio Income**

| | |
|---|---|
| 4. Interest | £ 1,350 |
| 5. Dividends | £ |

**A. Total Income** £ 7,430
(Salary + Passive + Portfolio)

## Expenses

**Expenses**

| | |
|---|---|
| 1. Mortgage Payment | £ 300 |
| 2. Household (food/utilities) | £ 540 |
| 3. Car Payment | £ |
| 4. Entertainment | £ 820 |
| 5. Insurance | £ 150 |
| 6. Credit Cards & Other Loans | £ 75 |
| 7. Other Payments | £ 430 |

**B. Total Expenses** £ 2,315

## Assets

| | |
|---|---|
| **1. Bank Accounts** | £ 13,400 |
| **2. Stocks/Bonds** | £ 220,000 |
| **3. Investment Property** | £ 490,000 |
| **4. Business Value (Net)** (Market Value – Mortgage) | £ |
| **5. Home Value** | £ 245,000 |
| **6. Other: (BMW £18,000) (antiques £24,000)** | £ 42,000 |

**C. Total Assets** £ 1,010,400

**E. Revised Total Assets** £ 992,400
(total assets C – any 'toys' value from 6)

## Liabilities

| | |
|---|---|
| **1. Mortgage** | £ 60,000 |
| **2. Car Loans** | £ |
| **3. Personal Loans** | £ |
| **4. Credit/Store Cards** | £ 1,500 |
| **5. Other** | £ |

**D. Total Liabilities** £ 61,500

**'Net Worth'** £ 948,900
(total assets C – liabilities D)

**Real Net Worth** £ 930,900
(revised total assets E – liabilities D)

# Analysing your Financial Statement ~ Frank & Anthea

## 1. How much did they keep?

A. Total monthly net income £ 7,430

B. Total monthly expenses £ 2,315

C. Difference £ 5,115

Percentage of income kept C/A 69 %

## 2. Did their money work for them? ~ YES

A. Total monthly income £ 7,430

B. Total earned income £ 4,200

C. Total passive & portfolio income £ 3,230

Percentage passive & portfolio income C/A 43 %

## 3. What is their return on assets?

A. Total Revised Assets (exc their home) £ 685,900

B. Total passive & portfolio income £ 3,230

C. Cash on asset return (annualised) B/A 4.72 %

## 4. How Wealthy are They (months)?

A. Total Revised Assets (exc their home) £ 685,900

B. Total Expenses £ 2,315

Divide A/B 296 Months (24 yrs & 8 mths)


**Summary**

Frank and Anthea are in an excellent financial position, they manage to keep 69% of their monthly income, they could quit their jobs and continue to enjoy the same lifestyle indefinitely as their passive & portfolio income exceeds their monthly living expenses. Alternatively, if we ignored the passive income, they could survive almost 25 years on their current lifestyle if they quit their jobs and sold all their assets, this is the true measure of their wealth (not the amount).

## Measuring real wealth

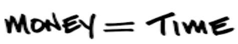
We all naturally think of wealth in terms of the amount of assets but it's subjective as it's the corresponding lifestyle that really matters. Let me explain:

If you retired with a million in the bank (no other income) and led a very expensive lifestyle that cost £20,000 a month, you'd be broke in just over 4 years if you didn't change your lifestyle. In this case, a million doesn't really make you wealthy.

If you're an adorable little cocker spaniel called Asha that gets fed and walked every day, receives lots of affection and has a few treats (cocktail sausages) you feel very wealthy indeed even though you don't have a penny to your name ☺. The point is:

**It's all subjective.**

This is why real wealth shouldn't be measured by the amount but how long you could survive with your current lifestyle if you stopped working.




If you have long term passive income that exceeds the living expenses your chosen lifestyle, that's real wealth as you can effectively maintain lifestyle indefinitely (you still need to keep your eye on the ball though) regardless of whether you work or not.

**Your turn:** now it's time to complete your personal financial statement and get an honest, thorough financial portrait of yourself. Can I suggest you complete it on your own first and then get the right professional guidance and advice to help you get on track and move forward.

**Remember wealth creation is a team sport, grab all the help you need!**

### Need professional advice?

I strongly recommend you seek the advice and guidance of a suitably qualified professional adviser/specialist for any financial advice and expertise you require. They will take you through a set process to establish your requirements and make suitable recommendations.

Pretty much all professional advisers will offer you a free consultation to explain how they work and can help you, simply view these initial consultations as an interview process (you're the boss) to decide if the adviser is right for your needs.

## Section 7 Summary

**Carrying out regular financial health checks** (by yourself or with have a professional adviser) is an important feedback process to determine how you are currently doing:

By completing your own financial questionnaire and personal statement on a regular basis, it will enable you to confirm if you're in good shape financially and if any actions or adjustments need to be made to get you on the right track

**Final Thought:**

Make sure you have a regular (at least annually) financial health check up to stay in good financial health, think of it as a financial MOT!

***Wishing you all the best,***

**Asha x**

**Tip:** Don't ever try and "keep up with the Jones's" (unless you can fund it from passive income) as they're usually on a slippery slope to liability land!

***Final Word:***

***"People who lack control of their cash flow, make the people who are in control of their cash flow, rich."***

Financial Literacy Section Number 8 of 17

## *Taking control of your financial affairs:*

# 'The 3 Cornerstones of Intelligent Financial Planning'


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

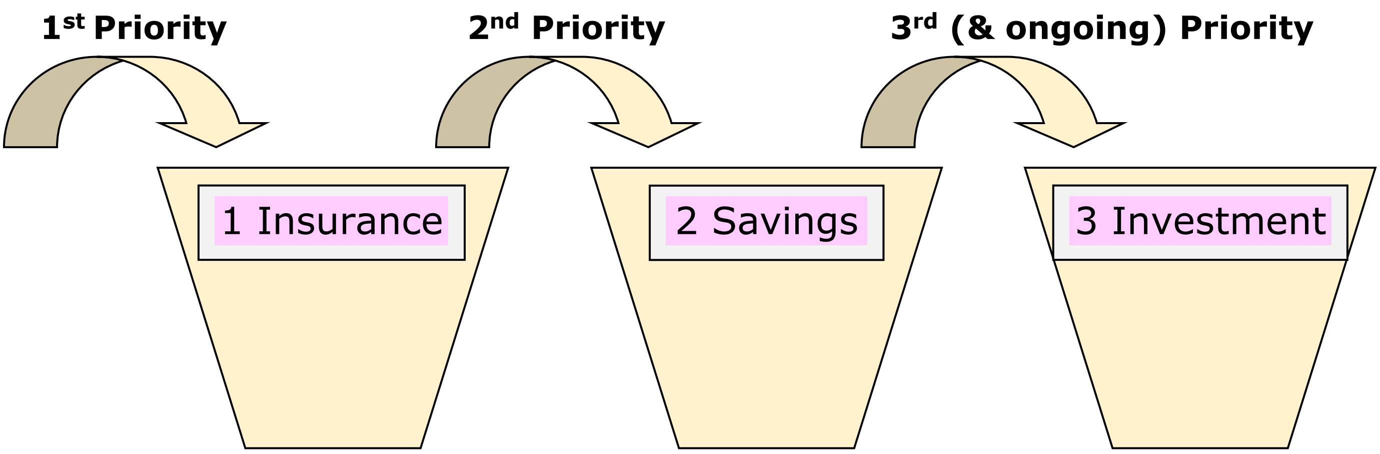
## The 3 Cornerstones of Intelligent Financial Planning.

The cornerstones of good intelligent financial planning consists of 3 very key elements in priority order as follows:

1. **Insurance**
2. **Savings**
3. **Investment**

They are specifically placed in that order based on their priority in establishing your financial foundations.

**Imagine** you have 3 pots (as per the illustration below), you fill the first one until it adequately meets your needs and then move on to the second. Once the second one meets your needs you fill the third one and keep filling it indefinitely:




## Insurance (1st priority)

Ok, time to address 'the elephant in the room' as none of us really want to take out insurance (we'd much rather spend the premiums on something nice), there I've said it!

What we really want is the **peace of mind** knowing that if anything untoward should happen to us, we (and our loved ones) are financially protected.

This is about approaching an important subject with the right mind-set. From this point forward, I want you to now substitute the word **insurance** for the phrase **'intelligent peace of mind planning'**.


**Never** trust to luck or chance when it comes to insurance. Many people ruin their entire lives, and that of their families, by trying to save on insurance.

Let's be honest, we all hate pushy sales people who have a vested interest (commission) in us taking out insurance. I'm now going to reveal a very simple way for you determine yourself, if you need any particular type of insurance of not.

### The key to determining if you actually need a specific insurance.

You should insure against any loss, accident, emergency or circumstance that you can't write a cheque to cover without having to worry about the amount (only you can make that decision).


*E.g. let's assume you want to buy a new DVD player for £60 and if it went wrong you could easily afford to replace it with a new one, its unlikely you would choose to take out an extended warranty.*

To help you, there is just **one simple question** that will determine if you need any type of insurance. All you do is insert the insurance protection you're considering and answer the question in the green box below.

*Let's assume you were considering* ***income protection*** *insurance….*

**Key Determination Question to Ask Yourself:**

**If I suffered a (*loss of income*) could I/my family continue as normal financially, with my/our current financial provisions & resources?**

**If the answer is YES,** you don't really need insurance cover (although you still might want to consider it).

**If the answer is NO,** it is highly recommended you consider taking some cover to protect yourself/your family.

It's very easy to delude ourselves that we don't need certain of insurances and often rationalise "it will never happen to me" as we often see it as expensive and a waste of money until, god forbid, we actually need it.

Just apply the determination question above with an honest perspective and take it where necessary for peace of mind. If the premiums seem very expensive or unaffordable, consider taking part cover so you have some peace of mind.

**Key areas to consider:**

- Accident, Sickness & Unemployment cover
- Death (life) cover
- Serious/critical illness cover
- Income protection
- Car (theft) Insurance,
- Home and contents (including gadgets) cover
- Asset protection
- Pet insurance (very important ;-)

**I highly recommend you go through all areas of your life where a loss, accident, illness or emergency could affect you, and then apply the key determination question.**

## Let's add some perspective

The truth is, when it comes to life insurance, millions of UK citizens are dangerously underinsured and loved ones usually find out when it's too late (i.e. after the event!).

Many insurances are widely misunderstood, I should know as I've witnessed clients change their perspective completely when they view the requirement in the proper context.

To demonstrate this, I'm now going to give you a different perspective on 3 of the most important insurances to help you appreciate their true purpose.

## Example 1. Revolutionary new 'Instant Estate'

Why not give your loved one's absolute financial security and the best lifestyle you could possibly imagine for them if anything should happen to you?

Everything you could ever wish for them to have, suddenly becomes available for just a few pounds a month with **revolutionary new instant estate**.

All you do is choose the value of the estate you would like to leave them (perhaps a million?), fill in the questionnaire and pay the corresponding premium each month knowing that should something unforeseen happen to you, your instant estate will take care of them in the best way imaginable.

Wonderful peace of mind while you are alive, loved ones completely taken care of financially if you die, only when you buy some Instant Estate!

It's more commonly known as **life insurance.** Peace of mind ☺.

**If anything were to happen to you, what would you prefer your family to hear?**

a) "Here's a cheque which will solve your financial concerns"

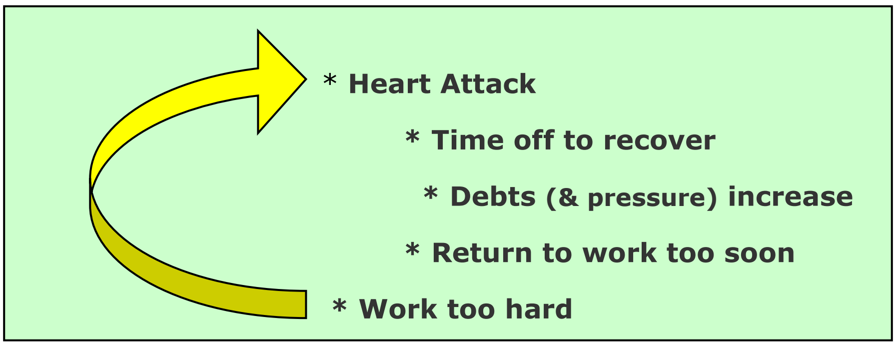
***Or***

b) "Unfortunately, the amount the state provides will not cover your current outgoings."

**It's your life, your decision!**

## Example 2. Vicious 'illness' circle

It's a well-known fact that financial pressures can have a severe effect on those recovering from a serious illness. The graphic below shows a common cycle following a life changing or critical illness:




A life changing/critical illness is usually a time when people need to slow down or reduce their working hours, perhaps switch to a part time position.

**Critical illness cover** allows you to do this by taking care of your financial burdens during your greatest time of need.

Of course, nobody actually wants to claim on a critical illness policy, it's all about **peace of mind.**

### Example 3. Personal cash machine

**Scenario:** Imagine you have a cash machine at home that only operates on the first day of the month. When you press the button on the first day, it produces enough money for you and your family to live comfortably for the month. Every single month without fuss it churns out the money you need.

Now, like all machines, it could break down and if it does you won't be able to get any money out. The Question is:

**As your livelihood depends on this machine, would you insure against it breaking down if you could?**

This scenario is a 'no brainer' of course you would (I hope!). Unfortunately, this machine hasn't been invented yet, but until then, you can create the same outcome through **income protection insurance.** Peace of mind ☺.

Remember its **'intelligent peace of mind planning'** and only for as long as you need it.

## Wills & estate planning protection

**Wills**: If you have a valid will ~ congratulations, you're in the minority.

It is estimated that around 67% (2/3rds!) of UK citizens don't have a valid will! Let's be honest, we all know it is important to make a will, but it seems it's something we either keep putting off or keep making excuses.

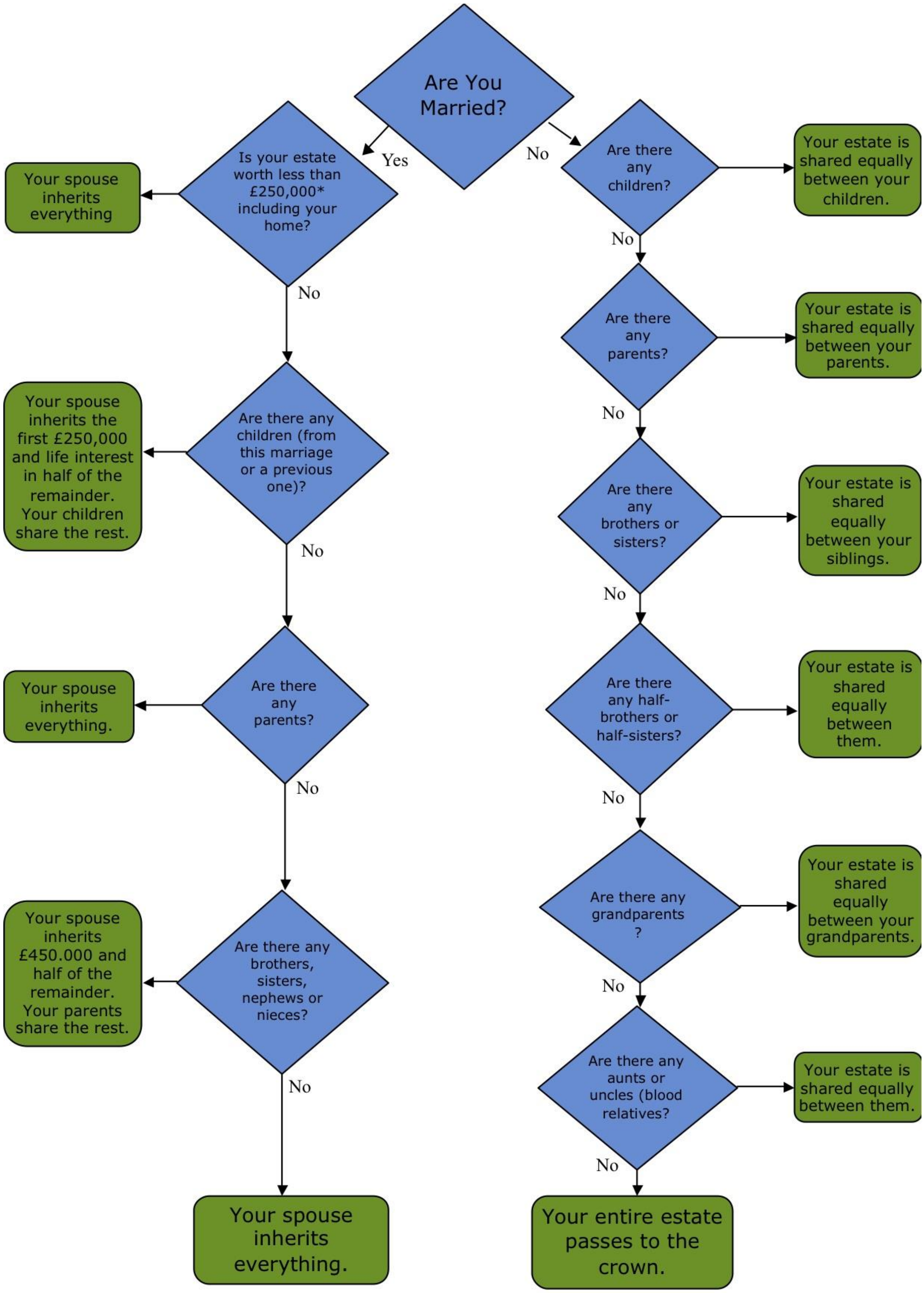
No one likes to think about what happens when they die. But if we don't, it can cause arguments, distress and hardship for our families, not the ideal legacy for a family in mourning. Making a Will is the only way to ensure that your wishes are carried out after your death.

**What happens if you don't have a Will?**

If you were to die and don't have a valid Will, this is known as intestate and your estate will pass according to the law of intestacy. This can take a lot longer to finalise than if you had made a will. During this time your beneficiaries may not be able to draw any money from your estate.

The flow diagram on page 6 walks you through the law of intestacy to show you what happens to your estate and who gets what depending on your personal situation.

## The Law of Intestacy



## Estate planning


This is another very important area of planning to make sure your loved ones get the full benefit of your personal property as per your wishes (and not the UK government) on your demise and during your lifetime. Here's a summary of the key elements:

**Power of attorney:** This makes sure that the people you appoint (e.g. close family members), decide what's best for you in the event of you (I have to say it) 'losing your marbles.'

**Trust:** This is used to protect personal property (subject to certain guidelines) for the benefit of others. E.g. Parents may put funds in a trust for a child that they can access at a certain age.

**Inheritance tax:** If your estate is valued above £325,000 the pesky UK government will tax the beneficiaries at rate of 40% on the difference. With some proper planning you can mitigate this tax liability.

**Finally**
That's the end of the insurance section, we've covered a lot! I very strongly recommend you seek professional independent advice on any areas of insurance protection and estate planning to make sure you are adequately covered to suit your needs. See the end of this Section for more details if you would like a personal recommendation.

**Just remember, nobody actually wants insurance, its peace of mind that we're buying for as long as it's needed.**

## Savings (2nd Priority)

**Part 1 (emergency fund savings)**

This is pretty simple; you should accumulate an amount equal to 3 – 6 months living expenses as an 'emergency/rainy day' fund.

This money ideally should be put in an interest-bearing account with quick access in case of an emergency. If you are self-employed, you may want to consider accumulating 12 months of living expenses.

Just having this emergency fund in place will give you solid peace of mind; too many people are only one or two pay days away from severe financial distress. Once part 1 (emergency savings) is in place, we move on to part 2:

**Part 2 (long term savings to spend)**

*N.b. This savings plan element is to be ongoing alongside your investment strategy (see next section on investments), don't put off starting your investment strategy, start it as soon as your emergency fund is in place.*

This element of savings is the nice bit and can be described as your **long term savings to spend** pot as it's all about saving it regularly to spend on larger one off items/events in the near future that you will purchase at some point, such as a new car, holiday, wedding etc.

This is all about putting a regular amount away each month (or whenever you can) preferably via standing order, to pay for those one-off items you will want/need at some point in your future.

It is very important that you segregate your long-term savings to spend funds from your emergency fund.

Section 9 **'How to Put Your Finances on Autopilot Towards Financial Freedom'** will cover this part in much greater detail.

**Difference between Saving & Investing?**

Just to clarify this so it all makes sense:

**Saving** by definition, involves the protection and preservation of money from loss.

**Investing**, by definition, means to make a long-term commitment of putting money away and letting it grow, but it involves an element of risk.

Once part 1 is done and you have a regular savings plan in place for part 2, you can now start putting your funds into investments to create long term wealth and ultimately financial freedom.

## Investment (3rd & ongoing priority)


Now that your insurance and savings requirements are in place, you now start investing for your future financial wellbeing by building assets in accordance with your plans, resources and attitude to risk.

The general consensus is to have a series of investment that suit your needs/plans and not to 'put all your eggs in one basket' so to speak.

You often here the phase 'risk/reward ratio' which generally means the higher the reward the higher the risk. A sensible strategy is to have a balance of higher, medium and lower reward investments so you spread the risk whilst giving yourself the opportunity for ample rewards.

Your age will also affect the strategy required to achieve your financial goals, the younger you are the more capacity for risk as you have time to recover any unsavoury periods. Conversely as you get older and close to your chosen retirement or financial goals it's wise to reduce the level of risk.

**However**, there is no right or wrong way strategy for investing as it's a personal thing based on your plans and attitude to risk. **The 4 factors** which determine how much your investment strategy will amass are:

1. How much you contribute
2. The rate of return you achieve each year
3. The length of time you invest for (compounding is your best friend)
4. When you start

*For more information and inspiration on investing, revisit sections 2, 3, 4 & 5.*

Remember wealth creation is a team sport, grab all the help you need!

## Need professional advice?

I strongly recommend you seek the advice and guidance of a suitably qualified professional adviser/specialist for any financial advice and expertise you require (see the website for all the different advisors available). They will take you through a set process to establish your requirements and make suitable recommendations.

Pretty much all professional advisers will offer you a free consultation to explain how they work and can help you, simply view these initial consultations as an interview process (you're the boss) to decide if the adviser is right for your needs.

## Section 8 Summary

**The 3 priorities of intelligent financial planning, in order, are as follows:**

**Insurance needs**
Take out adequate cover against any accident, emergency or circumstance that you can't write a cheque to cover without having to worry about the amount. Make sure you have a valid will and protect your estate as required.

**Savings (2 parts)**
Part 1: Accumulate an amount equal to 3 – 6 months living expenses (or whatever feels right to you) as an 'emergency/rainy day' fund.
Part 2: Start and regularly contribute into a long term savings to spend account for those one-off purchases that will happen (e.g. new car, daughter's wedding etc) in your future.

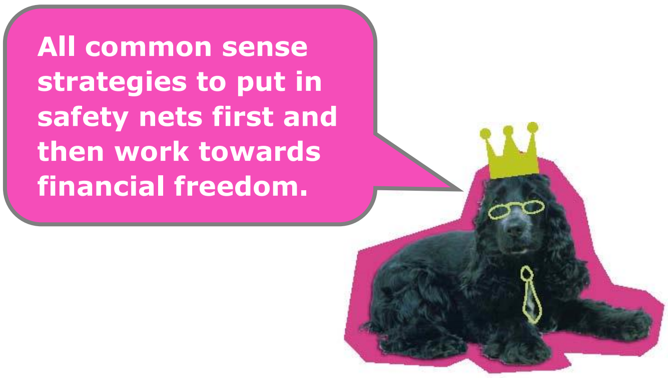
**Investment needs**
Start and continue to invest for your future financial wellbeing by building assets in accordance with your plans, resources and attitude to risk.

## Final Thought:

Make sure you have all 3 elements in place, start by reviewing your arrangements and fill pot 1, then go to pot 2 and work at it until you get both parts filled, then just keep filling pot 3 indefinitely, you know it makes sense!

***Wishing you all the best,***

**Asha x**

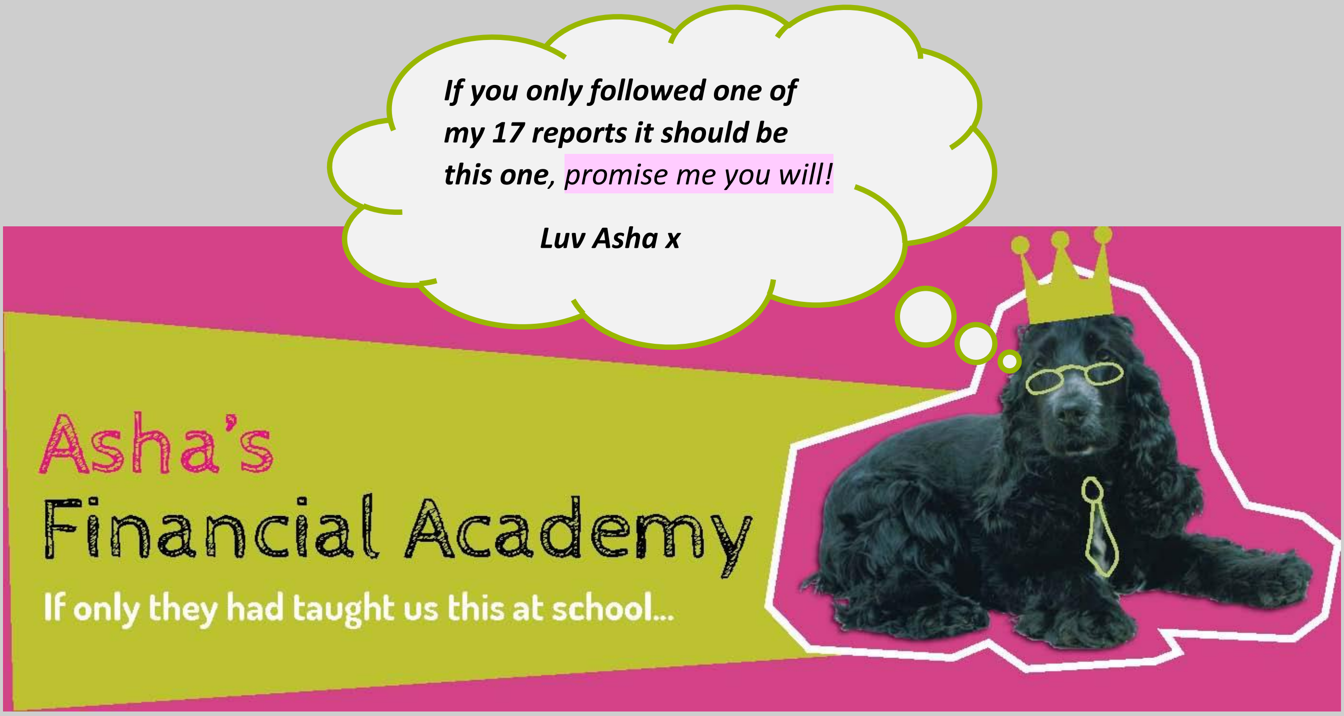



***Final Word:***

***"You cannot succeed by yourself, it's hard to find a rich hermit"***

*Taking control of your financial affairs:*

# ‘How to Put Your Finances on Autopilot Towards Financial Freedom’




*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## How to put your finances on autopilot towards financial freedom!

If anybody asks me, which of the Sections is the most important one to understand and put into practise, **it's this one!**

The recommended actions will help you create solid financial management foundations on which everything else is constructed. But more importantly, it's designed to help you set everything up to automatically move you in the financial direction you want to go.

It's going to take some effort to put these foundations in place in the next few weeks, but you'll then have a nice springboard towards future prosperity and financial independence.

**The Section and financial management exercise will focus on 2 sections as follows:**

**A. Control**


**Step 1** ~ review your current finances & spending habits (no hiding place!)
**Step 2** ~ eliminate unnecessary spending & get the best value on necessities
**Step 3** ~ account for every penny of your disposable income
**Step 4** ~ change bad habits that are costing you money


**B. Autopilot**


**Step 5 ~** deciding on what's important for your future prosperity
**Step 6 ~** getting the right balance to support your plans & lifestyle
**Step 7 ~** putting it all on autopilot
**Step 8 ~** regular reviews and adjustments

This complete exercise when done properly can literally change your life (long term). Now that may seem a bold statement but when you see how much money can potentially be saved and utilised elsewhere (invested for your benefit) it can put tens/hundreds of thousands of pounds into your future, money you'll just spend/fritter if you don't do this!

The 8 steps are relatively simple and pretty obvious when you see them but very few people have the discipline to do it at this level, I hope you're disciplined enough to do them.

***Meet the Jones's:** I will walk you through all 8 steps exercise using our fictitious family the Jones's as an example, they are an average family with 2 kids and have a decent lifestyle. Deep down (like most of us) they know their finances should be in better shape!*

It will take some effort to complete all the steps properly, it's not a quick exercise, it may take a few weeks to fully implement but it will be well worth it. In addition to the potential savings (to be redeployed to make you more money) it will give you huge peace of mind having everything in order and automatically working for your future benefit.

## A. Control

### Step 1 ~ See where every single penny goes (no hiding place!)

I suggest initially setting aside a couple of hours to do this (TV will have to go off!) where you won't be disturbed. You'll need to dig out all your bank details and financial related paperwork.

**Complete a monthly budget plan (there's a blank one for you on page 17)**

Enter all your household income in the first section, then simply complete the expenses sections A, B & C in accordance with the notes and total everything at the bottom. I've completed this one on behalf of the fictitious 'Joneses' to make the steps easier to follow.

| | |
|---|---|
| **Income** | |
| Your Net Income | £1,875 |
| Your Partners Net Income | £1,315 |
| Pension/Investment Income | £0 |
| Benefits (Tax Credits etc) | £380 |
| Other | £0 |
| **Total** | **£3,570** |
| | |
| **A. Fixed Regular Monthly (Essential) Expenditure** | |
| Mortgage or Rent | £626 |
| Loan & HP Agreements | £228 |
| Credit & Store Cards | £217 |
| Life & Health Insurance | £135 |
| Property Insurance | £36 |
| Car Insurance & Tax | £63 |
| Council Tax | £159 |
| Gas/Elec/Water | £96 |
| Telephone & Mobile | £77 |
| Broadband & TV Package | £47 |
| TV License | £14 |
| Dental Insurance | £24 |
| Maintenance Contracts | £36 |
| Gym Membership | £33 |
| Savings & Investments | £200 |
| **Total A.** | **£1991** |
| **B. Variable (Necessary) Estimated Expenditure** | |
| Petrol | £120 |
| Food | £400 |
| Clothing | £120 |
| Car Maintenance | £40 |
| Pets | £35 |
| **Total B.** | **£715** |
| **C. Luxury (Leisure/Fun) Estimated Expenditure** | |
| Meals Out & Takeaways | £130 |
| Alcohol | £90 |
| Cinema/Attractions | £65 |
| Weekends (inc travel) away | £120 |
| Holidays | £200 |
| Hobbies & Sports | £70 |
| **Total C.** | **£675** |
| | |
| Total Expenditure (A+B+C) | **£3,381** |
| Monthly Income Surplus (Income – Expenditure) | **£189** |
| Disposable Income Income – (A + B) | **£864** |

**Notes**

Complete the boxes using income figures from wage slips or bank statements.

**Notes**

Complete all the boxes for each known fixed monthly expense you have. Add additional items as relevant to you.

**Notes**

This section contains variable expenses which are necessary for day to day living. You'll need to estimate the average monthly expenditure for each one.

**Notes**

This section contains luxury (leisure/fun) expenses which constitutes disposable income. As with variable section, you'll need to estimate the average monthly expenses for each one.

**Notes**

Monthly income surplus will be a minus figure if you spend more than you earn. Disposable income is what's left after all necessary living (fixed & variable) costs.

## Step 2 ~ Eliminate unnecessary spending and get the best value with all fixed costs (Section A)


Now we're going to analyse every single fixed expense to see if we can either eliminate it or reduce the cost.

We'll walk through the steps first and then go back and apply it to the Jones's.

**1. Elimination** - this step requires a little research into each fixed expense firstly to confirm if you really need it (e.g. do you actually use the gym? Do you actually need sky movies etc, this will test you!), can you eliminate any regular unnecessary expenses?

**2. Best value** – now go through each fixed expense to make sure you are getting the best value for money. You can do this online via comparison tools or through a professional broker/adviser or a combination of both and see if you can get the same deal/service for less.

Most financial services and household utilities are easy to compare as there are lots on the market. For expenses like gym memberships or credit cards, call them and ask for a better rate, chances are they'll consider it if there's a chance of losing your business. You've nothing to lose for the sake of a phone call!

**Don't be afraid to negotiate with existing service providers, you'll be surprised at the improved deals they'll offer to retain your business.**

***Warning****: if you're making comparisons online, make sure you don't compromise value to save a few pence, many people have made the mistake of opting for the cheapest insurance quote to subsequently find out they're not covered when it comes to making a claim. It's more important to get the <u>right</u> cover at the best value. This is where professional advice is recommended as you can have an expert fully explain it, as opposed to trying to figure it out via the small print.*


**Potential savings**: Let's say for example, you review everything and save £90.00 a month by switching to a better mortgage deal, get the same life cover for £25 less and reduce the gym membership by £10 a month, that's £125 saving or £1,500 a year by simply reviewing a few expenses.

By systematically reviewing each expense and switching to better deals where you can and then cutting out unnecessary expense you can easily reduce your monthly expenses by 10% - 15%, that's like getting a 10% - 15% pay rise every month or free money to invest (now there's a thought)!

**Free money available to homeowners**

I have a colleague who helps homeowners adjust their monthly utilities and general expenditure so that it naturally works in their favour. The average monthly saving is around £30 for simply aligning their requirements and spending habits to work in their interest. It's a free service and comes with a free no obligation consultation, see the details at the end of the Section if you would like further details.

## Step 3 ~ Account for every penny of Variable (B) & Luxury (C) expenditure

This part takes a little discipline, but the benefits can be enormous as it lets you see where you waste & fritter away your money (please don't beat yourself up, we all do it!). Let's not forget, life is for living, the key is finding the right balance between enjoying life whilst feeling content/happy with everything generally. How you control your money and spend it has a lot to do with getting that balance right.

So, grab a notebook and record every single money transaction (cash or card) you make in your day to day living. Simply keep hold of your receipts and once a day/week (whatever suits) record them in your notebook as per the following example:

| | |
|---|---|
| Sunday 13th | |
| Newspaper & groceries | £14.30 |
| Pub lunch | £21.45 |
| Monday 14th | |
| Starbucks Coffees | £5.60 |
| Petrol | £56.60 |
| Works lottery | £2.00 |
| Tuesday 15th | |
| Grocery shopping | £64.68 |
| Birthday present for friend | £12.00 |
| Drink after work | £4.80 |
| Take away meal | £24.85 |


After a few weeks of consistently doing this (I recommend a minimum of a month), you'll see exactly where it all goes, there's no hiding if you do it properly. You may find you manage your money very well or it may be a big wakeup call!

From this analysis you can now see how much you're spending on both your necessary variable expenses and exactly where your luxury (disposable) income goes.


**Variable (necessary) income:** now that you can see how much and where you spend this income, you can look at making adjustments. E.g. is there a cheaper garage for fuel needs, are you buying too much food and end up throwing some away, do you buy clothes that you hardly ever wear. It's time to be disciplined and make adjustments as you see fit.

**Luxury (disposable) income:** this is where lots of savings can be made through small adjustments and savings. E.g. maybe have one less drink at the pub each time, have a takeaway once a fortnight instead of weekly, drink works coffee instead of Starbucks, ask for discounts on large purchases and family tickets, *I think you get the idea.*

It's only when it's all accounted for that you can see obvious ways to save (not waste) money and very often its only small adjustments that you'll hardly even notice after a few weeks.

Carry out these first 3 recommended steps and you'll be in the top 5% of the population!

That's right, less than 5% of the population actually has the discipline to do all this, yet the ones that do this consistently are the ones who a either in very good shape financially or well on their way, coincidence, I think not!

It makes sense, if you continually analyse your expenses to get the best rates and deals and also analyse every penny you spend you will have a very tight control of your finances and a solid foundation from which to build on because you know precisely what's happening and what you need to do.

Most people with financial problems are too scared to do this as they don't want to face the facts; the truth is they need to do it more than ever.

**Important**: When you save, make sure it's not just lip service:

When you save money by making cut backs or changing habits, make sure you actually save by taking the money you have saved and putting it to work for you i.e. into savings or investments.

***The following is common example of someone who talks about saving but is only paying lip service:***


**Bob**: *"Since I gave up smoking I have saved £35.00 a week"*
**Pete**: "So *what have you done with the money Bob?"*
**Bob**: *"Well, we now have a takeaway on Tuesdays and a few extra pints at the weekend"*

Bob didn't exactly save it, he just channelled the money into spending elsewhere (we've all done it!). When you save, make sure you do actually save it, not only do you have it for the future (plus interest), but you'll feel better for knowing your money is now working for you.

## Step 4 ~ Change bad habits that are costing you a lot of money

Only by carrying out a full analysis of your disposable income can you accurately see what any habits are costing you. A change of a habit can make you a fortune:

Let's say you smoke and spend £5.00 per day on cigarettes, and you manage to kick the habit with a determination to invest the money you have now freed up. The following figures are what you get if you just stuffed the savings under a mattress:

**Actual saving**

**The effect of giving up smoking:**

| | | |
|---|---|---|
| Daily Saving | = | £5.00 |
| Monthly Saving | = | £150.00 |
| Yearly Saving | = | £1,800.00 |
| 10 Year Saving | = | £18,000.00 |
| 20 Year Saving | = | £36,000.00 |
| 40 Year Saving | = | £72,000.00 |

**Investing it**

**If you invested that £5 a day instead) and earned a 10% annual return, you'd get:**

| | | |
|---|---|---|
| 5 years | = | £11,576 |
| 10 years | = | £30,219 |
| 20 years | = | £108,598 |
| 30 years | = | £311,894 |
| 40 years | = | £839,191 |

That £5.00 a day habit could potentially turn into £800,000 plus, for your retirement. Some of those habits are a lot more expensive than you thought!

Final thought, you don't even need to give something up, just cutting back could do the trick, e.g. take a packed lunch instead of buying lunch, reduce the amount you smoke or drink but always make sure you actually save it to put to good use and not just spend it elsewhere.

**Health habits:** its common knowledge that many people pay for a gym membership (especially early January each year) with the best of intentions but after the initial momentum, they stop going, kidding themselves they'll start again. Perhaps go for a run instead or exercise at home and divert that saved gym membership into savings/investments.

**Let's now look at the Jones's revised monthly budget plan after carrying out steps 2 – 4**

Here's a summary of each of the 3 sections:

**Fixed Expenses:** every fixed expense was reviewed resulting in savings by eliminating broadband/TV as a separate expense along with the gym membership. Further savings were made from better deals obtained on the mortgage, credit cards, life insurance, property insurance, utilities, telephone/mobile package (bundle now includes broadband/tv) and pet insurance. Saving - £311

**Variable Expenditure:** By reviewing all areas and analysing where their money goes, they have made further savings on monthly food shopping by cutting back (instead of throwing stuff away each week) and petrol costs by sharing lifts to work. Saving - £105

**Luxury Expenditure:** by reviewing and monitoring their leisure expenses, they have decided to spend a little less on eating/drinking out each month, a little less on cinema/attractions and get better value on their holiday booking by doing more research and booking earlier. Saving - £100

That's a total of **£516 monthly saving**.

The Jones's are keen to start saving and investing more each month as they've been enjoying a decent lifestyle and (apart from equity in their property and work related pensions) they haven't got much in the way of assets, so this is the intention with the savings created from the adjustments after going through each step.

**The Jones's budget plan after carrying out steps 2 – 4 (changes are highlighted in Red)**

| **Income** | |
|---|---|
| Your Net Income | £1,875 |
| Your Partners Net Income | £1,315 |
| Pension/Investment Income | £0 |
| Benefits (Tax Credits etc) | £380 |
| Other | £0 |
| **Total** | **£3,570** |
| | |
| **A. Fixed Regular Monthly (Essential) Expenditure** | |
| Mortgage or Rent | **£506** |
| Loan & HP Agreements | £228 |
| Credit & Store Cards | **£165** |
| Life & Health Insurance | **£92** |
| Property Insurance | **£26** |
| Car Insurance & Tax | £63 |
| Council Tax | £159 |
| Gas/Elec/Water | **£80** |
| Telephone & Mobile | **£96** |
| Broadband & TV Package | **included** |
| TV License | £14 |
| Dental Insurance | £24 |
| Pet Insurance | **£27** |
| Gym Membership | **ditched** |
| Savings & Investments | £200 |
| **Total A.** | **£1680** |
| **B. Variable (Necessary) Estimated Expenditure** | |
| Petrol | **£95** |
| Food | **£320** |
| Clothing | £120 |
| Car Maintenance | £40 |
| Pets | £35 |
| **Total B.** | **£610** |
| **C. Luxury (Leisure/Fun) Estimated Expenditure** | |
| Meals Out & Takeaways | **£100** |
| Alcohol | **£60** |
| Cinema/Attractions | **£50** |
| Weekends (inc travel) away | £120 |
| Holidays | **£175** |
| Hobbies & Sports | £70 |
| **Total C.** | **£575** |
| | |
| Total Expenditure (A+B+C) | **£2,865** |
| Monthly Income Surplus (Income – Expenditure) | **£705** |
| Disposable Income Income – (A + B) | **£1,280** |

**Notes**

We'll assume your income stays the same.

**Notes**

A review of each expense resulted in eliminating broadband/TV as separate expense along with the gym membership. Better deals were obtained on the mortgage, credit cards, life insurance, property insurance, utilities, telephone/mobile package (bundle now includes broadband/tv) and pet insurance, saving £311 a month.

**Notes**

By reviewing all areas and cutting back on food (instead of throwing stuff away) and sharing lifts to work, resulted in a £105 monthly saving.

**Notes**

Reviewing each expense and deciding to spend less on eating/drinking out, a little less on cinema/attractions and getting better value on holiday bookings, resulted in a £100 monthly saving.

**Notes**

The 3 steps have produced a **combined monthly saving of £516**. This £516 additional surplus income is money the Jones's can now use to start saving and investing more for their future prosperity.

## B. Control

### Step 5 ~ deciding on what's important for your future prosperity

**This is a very important step**, they say your destiny is shaped by your decisions, this is where we make the key decisions about your financial future.

**They always say pay yourself first (more on that later).**
The Jones have read all my Sections and (apart from now wanting a cocker spaniel ☺) feel very inspired to save & invest a good chunk of their income every month.

They we're already putting away £200 a month and we've now created a further £516 in surplus funds by reviewing and adjusting everything. So, they have decided to increase their monthly savings and investments contribution with the full £516 to £716 which effectively represents 20% of their net income.

**You need to pay close attention to really grasp steps 5 - 7 (re-read as many times as you need to)**

**Investments (financial freedom)**
They decide 10% or £358 a month will now go directly into investments to build some nice assets for their future to create financial freedom, they'll get professional advice on this to suit their needs. **This is long term investment for their future financial freedom.**

**Savings**
The other 10% or £358 a month will go into high interest savings to cover future one-off expenses such as new car, daughter's wedding and rainy day money (replacing boiler etc). They may periodically use some of this to pay off credit card debt. They'll also get professional advice to suit their needs on this too. **This is their long-term savings available to spend as required.**

**Debt repayment**
Whilst saving & investing is the main priority, the Jones's also understand that reducing their debts is also a prudent thing to do.


They are determined to stay disciplined and stick to the monthly budgeting plan which means they should have £189 surplus in their bank account. So, they decide to overpay £100 on their mortgage each month and £89 on their credit cards and set these up as automatic payments.

They now have their future prosperity plan in place and are on track to having their debts repaid quicker.

### Step 6 ~ getting the right balance to support your plans & lifestyle

**Here's a snapshot of their monthly spending by groups:**

| Income | £3570 |
|---|---|
| | |
| A. Fixed Regular Monthly (Essential) Expenditure | £2385 |
| B. Variable (necessary) Estimated Expenditure | £610 |
| C. Luxury (Leisure/Fun) Estimated Expenditure | £575 |
| Total | £3570 |
| | |

This now includes:

1. The savings & investments amount of £716 as an essential monthly expenditure.

2. This surplus amount of £189 which is now being channelled into faster debt repayment with £100 overpayment on mortgage and £89 on credit cards.

**Budgeting for irregular (one-off) payments against regular monthly payments**

Some of the variable (B) and luxury (C) monthly expenditure is for regular monthly requirements such as food, petrol and alcohol which obviously needs to be spent each month.

Other types of variable (B) and luxury (C) monthly expenditure is for irregular requirements such as holidays, clothing and car maintenance which are paid for at different times of the year as required.

As the Jones's get paid monthly, they need to pay for the monthly necessary and luxury expenditure as they go but also put away the funds to cover the irregular necessary and luxury expenditure for when it's required as one-off expense.

**Here's a breakdown of monthly regular and irregular payments:**

| **B. Variable (Necessary) Estimated Expenditure** | | | |
|---|---|---|---|
| | **Regular** | **Irregular** | **Annual budget** |
| Petrol | £95 | | |
| Food | £320 | | |
| Clothing | | £120 | £1440 |
| Car Maintenance | | £40 | £480 |
| Pets | £35 | | |
| **Total B.** | **£450** | **£160** | **£1920** |
| | | | |
| **C. Luxury (Leisure/Fun) Estimated Expenditure** | | | |
| | **Regular** | **Irregular** | **Annual budget** |
| Meals Out & Takeaways | £100 | | |
| Alcohol | £60 | | |
| Cinema/Attractions | £50 | | |
| Weekends (inc travel) Away | | £120 | £1440 |
| Holidays | | £175 | £2100 |
| Hobbies & Sports | £70 | | |
| **Total C.** | **£280** | **£295** | **£3540** |

From the above breakdown we can see that the Jones's have **regular** monthly expenses of **£730 (£450 + £280)** which needs to be available in their bank account each month.

We also see that they have an **irregular** monthly budgeting commitment of **£455 (£160 + £295)** which needs to be periodically available as required but not necessarily in their bank account. Let's recap:

**We have 3 groups of monthly expenditure:**


A. Fixed Regular Monthly (Essential) Expenditure
B. Variable (Necessary) Estimated Expenditure
C. Luxury (Leisure/Fun) Estimated Expenditure

**However, we have 3 types of expenditure (in terms of when required):**

1. Fixed Regular Monthly (Essential) Expenditure ~ paid once each month
2. **Regular** Monthly Variable & Luxury Expenditure: **ad hoc** payments during the **month**
3. **Irregular** Monthly Variable & Luxury Expenditure ~ **ad hoc** payments during the **year**

Now it's time to arrange it all to work automatically for your benefit. I hope you're following it all, life is so much easier for a dog ☺!

## Step 7 ~ putting it all on autopilot


This step is simply all about setting up your finances to automatically work in conjunction with your budgeting and investment plans and help control your spending whilst simultaneously moving you in the direction you want to go financially. Once set up, you don't even have to think about it.

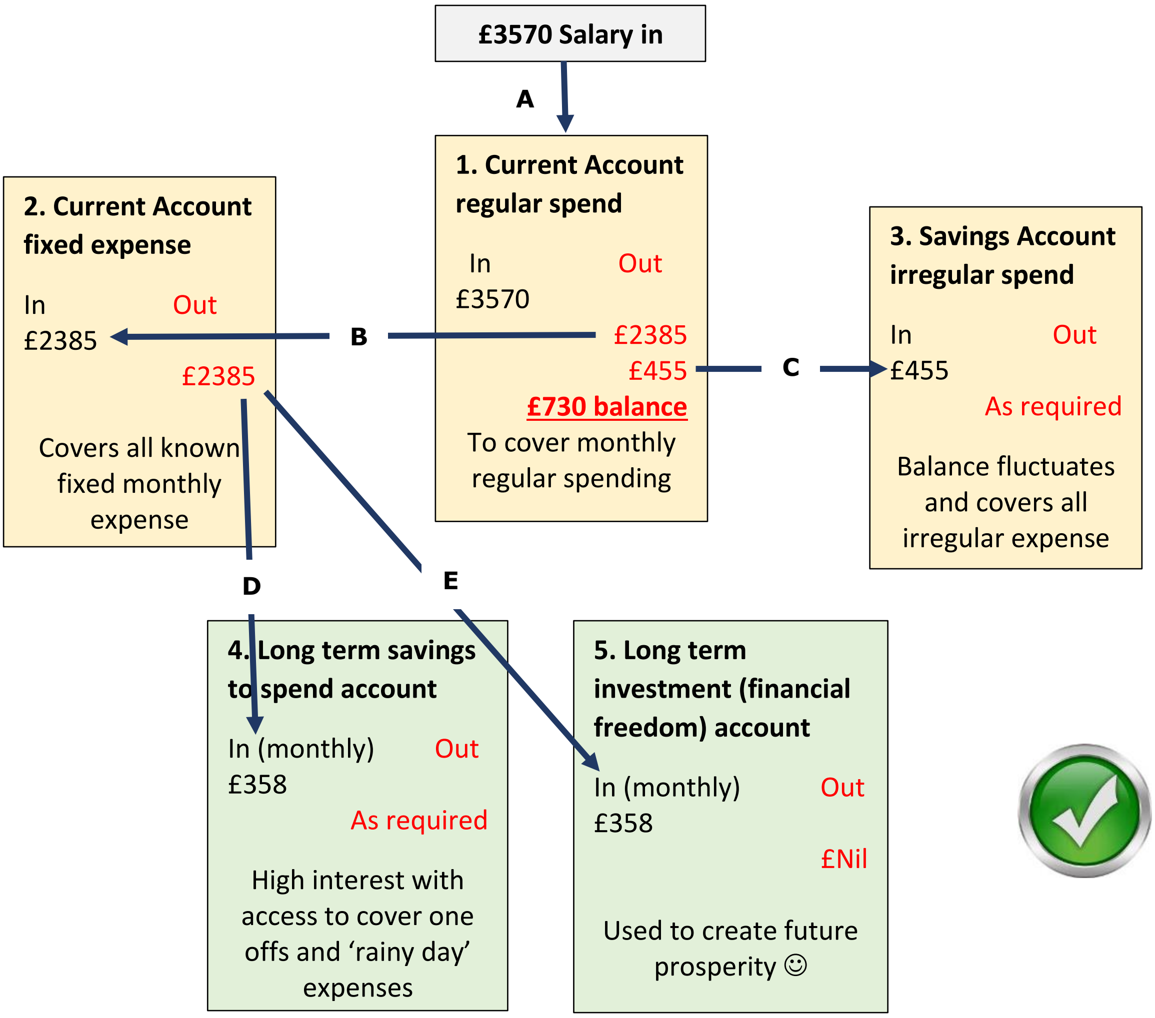
Below is the ideal set up, some people go the whole hog (highly recommended) others go part of the way, it's entirely up to you.

**Monthly budgeting:** to remove temptation of spending money just because it's there, I'm going to suggest you use 3 separate bank accounts, this consists of 2 standard current accounts and a normal savings account. You should be able to get these from every bank.

**Financial freedom:** In addition to this you will need a separate 'long term savings to spend account(s)' and 'long term investment account(s)' for your long-term future prosperity that reflects your needs and plans.

**We'll call these:**
**A.** Current account regular spend ~ (**£3570**) *see section 6 snapshot (p9)*
**B.** Current account fixed expense ~ (£2385) *see section 6 snapshot (p9)*
**C.** Savings account irregular spend ~ (£455) *see section 6 breakdown (p10)*
**D.** Long term savings to spend account ~ (£358) *see section 5 saving (p9)*
**E.** Long term investment (financial freedom) account ~ (£358) section 5 investment (p9)

### Here's how we set it up on autopilot for the Jones's:




Let's now clarify this automation on page 12:

## Automation

They start by having their income (**A**) **automatically** paid into a **current account 1**.

From this account they have a standing order (**B**) to **automatically** pay £2,385 into **current account 2** to take care of all their fixed expenses. A second standing (**C**) of £455 **automatically** goes into their **savings account 3** to take care of their carefully budgeted irregular expense.

From **current account 2**, all of their fixed monthly expenses are then **automatically** paid out during each month via standing order and direct debit.

From **savings account 3**, the funds to pay for irregular expenses are accumulating ready to be used ***manually*** when required for holidays, weekends away, new clothes etc.

Their monthly savings commitment of £358 (**D**) **automatically** goes into their **long-term savings to spend account 4** via standing order to cover one off expenses (new car, daughter's wedding, 'rainy day' fund etc).

Their monthly investment commitment of £358 (**E**) **automatically** goes into their **long-term investment account 5** via standing order to take care of their financial freedom plans.

They have £730 for their regular necessities and luxury spending which equates to around £170 a week to ***manually*** spend as they see fit.

### Their finances now run them (very important to understand):

- ✓ All their important fixed monthly expenses are **automatically** and immediately taken care of, they don't need to think about it, ***giving them peace of mind.***
- ✓ All their irregular expenses such as holidays and weekends away are budgeted for and are **automatically** and immediately taken care of, they don't need to think about it, ***giving them peace of mind***.
- ✓ Their debt repayment plan to pay it off quicker is **automatically** and immediately taken care of, they don't need to think about it, ***giving them peace of mind.***
- ✓ Their one-off future purchases such as new car or daughter's wedding are **automatically** budgeted for and immediately taken care of with the payment to their long-term savings to spend account, they don't need to think about it, ***giving them peace of mind***.
- ✓ Their financial freedom plans are **automatically** budgeted for and immediately taken care of with the payment to their long-term investment (financial freedom) account, they don't need to think about it, ***giving them peace of mind***.

The only thing they have to think about is keeping their day-to-day spending within their monthly budget of £730. However, they can spend this budget with reckless abandon if they want to, as all the important elements of their financial plans and money management are already taken care of.

**Did you get all that?**

Promise me you'll do multiple readings if necessary as I really want you to fully grasp it

**Now that's peace of mind!**

It may seem complicated on first run through, but please go over it as many times as you need to, whilst referring to the 'Jones's' budget sheet until you have fully grasped it.

Don't underestimate the enormous peace of mind **automation** will give you having all your finances working on autopilot in line with your current and future requirements.

**The 2-account alternative**…you don't necessarily need to have 3 separate bank accounts if you don't want to, quite a few people only use 2 which is just a spending account and a savings account (you still need the long term savings and investment accounts though). All their money goes into their spending account, they deposit their irregular expenses in their savings and have all their standing orders and direct debits go out in the first few days of the month so what's left is then theirs to spend during that month automatically keeping them within budget.

**Why autopilot is so important**…. it's very simple, if we were all robots, budgeting and spending would be a piece of cake as we would do it all logically. However, as humans (and animals) we are emotional beings and very often make our financial decisions based on emotion and not logic….

***Just stop and think about*** *the last time you bought a meal in a decent restaurant. I bet you didn't look at the menu and think (logically) I'm hungry and I will order some ingredients from the basic food groups to satisfy my hunger?*

*I'm pretty sure you read the delicious sounding dishes on the menu, automatically made wonderful images of each one in your head which then created corresponding feelings in your body (I salivate just at the mere thought of cocktail sausages☺… anyway). You then made your final choice based on the corresponding feelings in your body, choosing the one that felt right at the time to meet your emotional need called hunger!*

Because we all make decisions based on emotions without even realising it, we're now removing emotions from the equation by logically figuring out what we want from our life (i.e. planning for our present and future financial goals). We then use the action steps to make it all happen automatically, so emotions don't interfere, this dramatically increases the chances of effectively managing our money and hitting our financial freedom goals to create that prosperous future we all dream about.

**Alternative**…. most people have their finances all over the place and have loads of money on pay day but nothing towards the end of the month, or as the phrase goes "too much month left at the end of the money" (we've all been there!). With this 8-step method all you have to focus on is keeping within your defined weekly/monthly budget as everything else is taken care of.

## Is it all worth the effort?

**Analogy** –

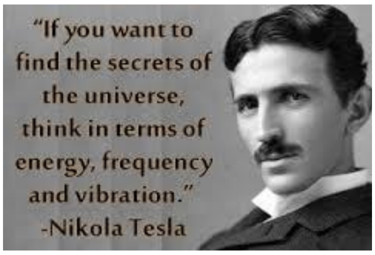
Here's the scenario: You buy your young kid a regular ice cream and just as you're putting the money away you see they've dropped it and are about to burst into tears.

Being a loving parent, you whisk them back into the ice cream parlour and say don't worry I'll get you another one. They then notice the 'triple scoop special' and ask for that one. **Do you buy them the 'triple scoop special' ice cream after what's just happened?**

Hopefully, you answered **no**. Until they show you they can handle 1 scoop, you're not even going to contemplate 2 scoops, let alone 3.

This works exactly the same with money (please keep an open mind here), once you have everything under control the universe recognises this and sends more your way, this is why the rich get richer. It's all down to your related **mind-set and the corresponding energy** which naturally changes for the better when you have your finances under control. Let me explain:

**It's all about energy,** the energy from being under financial pressure (i.e. anxious/stress related) is very different from the energy of being in complete control of your finances (calm and peace of mind related). Science proves it's all to do with your thoughts which effect the energy you put out and the circumstances you attract back.




**Did you know**; we actually live in an energy universe, the physical World is merely an illusion as everything is simply energy vibrating at different frequencies, this includes your thoughts.

The corresponding energy based around your money related thoughts dictates what energy you transmit and ultimately what circumstances you attract back to you. Other ways that you may have heard this expressed is "you reap what you sow" or "every action has an equal and opposite reaction." Although these 2 phrases appear to be action based, actions are merely thoughts carried out.


This is why people who really want to get ahead financially need to carry out all these steps. If you've got everything under control and on track towards your future prosperity, you'll naturally think more prosperous and harmonious (peace of mind) related thoughts attract more prosperity to you.

Just trust me on all this, Asha knows best!

*If you're interested in knowing more about how energy affects the outcome, drop me a line as I find it all very fascinating, but only as long as your friends don't think you're mad communicating with a dog ☺.*


## Step 8 ~ regular reviews and adjustments

It goes without saying that your circumstances will change over time, so it makes absolute sense to review your financial affairs regularly, I suggest annually and make any necessary adjustments.

I'm a strong advocate of annual reviews with professional advisers to make sure your plans are still in line with your future requirements and make any necessary adjustments. It should then be a continual cycle of:

- **Review**
- **Re-evaluate**
- **Adjust**


**General adjustments**

"Ok, but what if I have an emergency or need to make a large purchase that isn't in the budget?" I hear you ask. Not a problem, you simply budget for the item and factor in the adjustments as you go:

**Emergency**… let's say the boiler blows up and it costs you £2,000 to repair it which you have put on a credit card as you haven't accumulated enough funds in your long-term savings yet to cover.

What you do is figure out the monthly repayment on the card (choose minimum or an amount you want to pay each month) and simply send this extra amount to your bills account and revise your weekly/monthly budget down accordingly.

It may mean you reduce the holiday budget or weekend away budgets in the meantime to recover this quicker, but it's about balance and having your affairs set up to easily deal with anything life throws at you.

**Planning for Christmas**…let's say you're planning a decent Christmas and want to spend £900 in total, you simply divide this by 12 which gives you £75. All you now do is increase the amount going to the irregular savings account each by £75 so when Christmas spending starts the £900 is already in the account ready for you to spend (n.b. you would need to re-adjust your weekly/monthly spending accordingly).

I think you get the idea. By budgeting for known and one-off expenses you have everything consistently under control and the peace of mind that naturally come with it.

## How to double your lifestyle the easy way

Everything so far in this Section is about getting the best value on earnings and having it automatically work for your plans and needs where practical, to give you a cast iron grip over your finances. Let's just briefly touch on increasing your income.

The Jones's earn £3,570 and if they we're asked what it would take to double their lifestyle, they would probably answer £7,040 which is logically twice their earnings.

If we revert back to the Jones's budget plan, groups A (fixed expenses) and B (necessary expenses) cover the important day to day living stuff. However, its group C (luxury expenses) that generally pays for their lifestyle and all the nice things.

Their luxury monthly budget is £575 so if they increased their income by £575, they could affectively double their lifestyle (i.e. do twice as many luxury things/events), it's not about doubling their income.

Food for thought!

**Remember wealth creation is a team sport, grab all the help you need!**

## Need professional advice?

I strongly recommend you seek the advice and guidance of a suitably qualified professional adviser/specialist for any financial advice and expertise you require. They will take you through a set process to establish your requirements and make suitable recommendations.

Pretty much all professional advisers will offer you a free consultation to explain how they work and can help you, simply view these initial consultations as an interview process (you're the boss) to decide if the adviser is right for your needs.

**Best deals**

Consider using comparison sites for the best deals on general insurance (car, home & contents etc), household utilities and broadband/TV packages. Alternatively seek out specialist brokers who will shop around for you.


## Section 9 Summary

**A. Control:**

**Step 1 ~** review your current finances & spending habits (no hiding place!).

**Step 2 ~** eliminate unnecessary spending & get the best value on necessities

**Step 3 ~** account for every penny of your disposable income

**Step 4 ~** change bad habits that are costing you money

**B. Autopilot:**

**Step 5 ~** deciding on what's important for your future prosperity

**Step 6 ~** getting the right balance to support your plans & lifestyle

**Step 7 ~** putting it all on autopilot

**Step 8 ~** regular reviews and adjustments

**Your turn** ☺ ~ I have added a blank budget sheet on the next page for you to use.

### Final Thought:

The philosophy of the rich versus the poor is this: The rich invest their money and spend what's left; the poor spend their money and invest what's left (usually nothing). This process once set up, automatically invests for your future without having to think about it.

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"Become more disciplined, the pain of discipline hurts less than the pain of regret."***

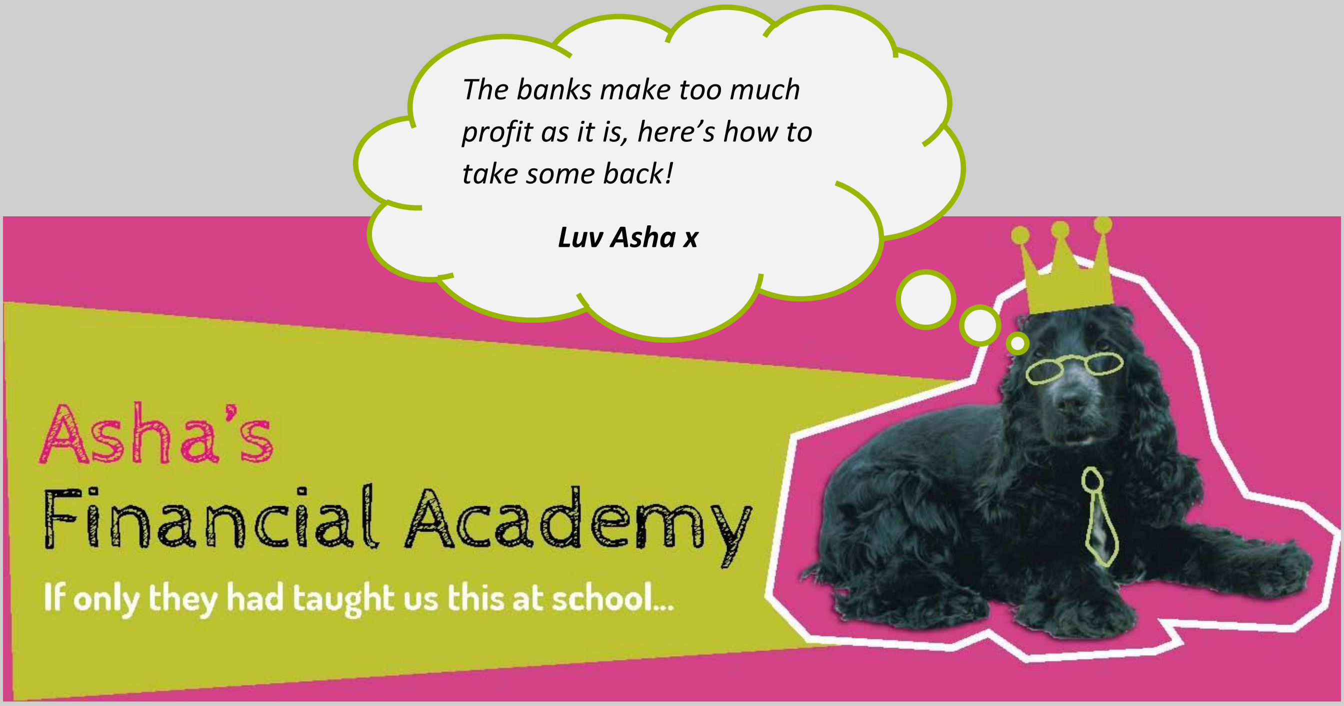
| **Income** | |
|---|---|
| Your Net Income | |
| Your Partners Net Income | |
| Pension/Investment Income | |
| Benefits (Tax Credits etc) | |
| Other | |
| Other | |
| **Total** | |
| | |
| **A. Fixed Regular Monthly (Essential) Expenditure** | |
| Mortgage or Rent | |
| Loan & HP Agreements | |
| Credit & Store Cards | |
| Life & Health Insurance | |
| Property Insurance | |
| Car Insurance & Tax | |
| Council Tax | |
| Gas/Elec/Water | |
| Telephone & Mobile | |
| Broadband & TV Package | |
| TV License | |
| Dental Insurance | |
| Maintenance Contracts | |
| Gym Membership | |
| Savings & Investments | |
| Other | |
| Other | |
| Other | |
| **Total A.** | |
| **B. Variable (necessary) Estimated Expenditure** | |
| Petrol | |
| Food | |
| Clothing | |
| Car Maintenance | |
| Pets | |
| Other | |
| Other | |
| Other | |
| **Total B.** | |
| **C. Luxury (Leisure/Fun) Estimated Expenditure** | |
| Meals Out & Takeaways | |
| Alcohol | |
| Cinema/Attractions | |
| Weekends (inc travel) away | |
| Holidays | |
| Hobbies & Sports | |
| Other | |
| Other | |
| **Total C.** | |
| | |
| Total Expenditure (A+B+C) | |
| Monthly Income Surplus (Income – Expenditure) | |
| Disposable Income Income – (A + B) | |

## Budget Planner

*Notes…*

## *Practical tips to enhance your financial position:*

# 'How to Pay Your Mortgage Off Early and Save a Fortune in Interest'




*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## How to Pay Your Mortgage Off Early and Save a Fortune in Interest!

A mortgage is without doubt the biggest financial commitment most people will have during their lifetimes.

Mortgages are an excellent financial instrument as they allow us to purchase property rather than having to save up and buy them outright (perish the thought!) and then we benefit from any increase in the property market.

The downside to mortgages is the **total** amount of interest we pay on the borrowing over the term of the mortgage, which is often for 25 years or more. I'm going to show you how to save a fortune in interest over the term of your mortgage and the **ultimate mortgage** if you just want to get rid of it as fast as possible!

### They don't exactly highlight the 'real' cost of borrowing!

Mortgage Lenders know that when you're considering a mortgage, you'll focus on 2 specific things:

**1) The interest rate. 2) The monthly payment.**

…and you're highly likely to base your decision on these 2 criteria, hence, they make them well known in all their literature/advertising and they are known as the 'headline' figures *(n.b. by law they must tell you all the relevant figures, terms and conditions).*

When it comes to borrowing, the most important figure isn't the interest rate, monthly payment or the amount you have borrowed but **the total amount of interest you have to pay back** over the term in addition to the amount you borrowed – this is the 'real' cost!

Of course, the lenders don't want to highlight this figure too much (although they have to tell you) as your mortgage interest is a big asset on their balance sheet.

*E.g. on a traditional mortgage, let's say you borrow £100,000 over 25 years at an average of 6%, the total cost to repay the whole balance would be just over £193,290 which represents £93,290 in interest alone to the lender.*

There is nothing you can do to reduce the £100,000 capital as it obviously has to be repaid, but there is plenty you can do to reduce the total interest payable.

### The Solution ~ just pay a little extra each month!

Paying a little extra each month will start to snowball after a few months as these payments gather momentum and help save you a fortune over the years as you are constantly reducing the balance on which the interest is being charged.

Due to competition from other lenders, the vast majority will allow you to pay extra each month even if you are tied into a specific deal (although it may have a maximum restriction).

**Think of it like this**, you only have to pay back the capital you borrowed once, so the earlier/quicker you can reduce this balance through extra payments the more interest you will **save** (just the same as with credit cards). It's logical, but we're not exactly encouraged to do it as every penny we save, the lender loses as our mortgage interest is their asset!

**So, let's look at the potential interest saving from paying extra:**

Based on the £100,000 repayment mortgage over 25 years with an average interest of 6%:

**If you paid an extra £50 per month:**

**…you will save you £16,010 in interest and reduce the term from 25 years to 21 years & 4 months** (that's £16,010 you keep instead of giving it to your lender!).

In real terms, instead of paying out a total of £193,290 to fully own the property, you only pay £177,280 to own it and also have it paid off 3 years and 8 months early.

**If you paid an extra £100 per month:**

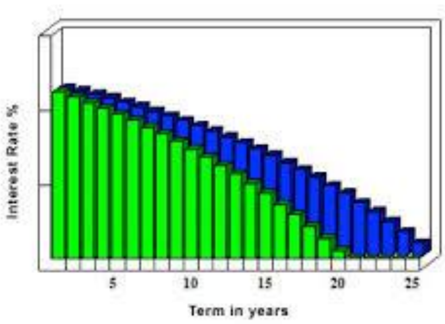
**…you will save you £27,040 in interest and reduce the term from 25 years to 18 years & 7 months** (that's £27,040 you keep instead of giving it to your lender!).

In real terms, instead of paying out a total of £193,290 to fully own the property, you only pay £166,250 to own it and also have it paid off 6 years and 5 months early.

**Think of your mortgage as a giant credit card** that you are paying the minimum amount on each month, this is how a conventional mortgage works.

This is what the lender wants you to do (i.e. just pay the contractual monthly payment) as it makes them the most amount of profit.

The more you pay, the quicker the balance reduces and it only has to be paid back once.




**Perspective**

The vast majority have to pay their mortgages with taxed money, in other words, your income has been taxed by the time you receive it. Let's assume that you forfeit 25% of your income in tax and national insurance, e.g. if you earn £2,000 a month (gross), you receive £1,500 in the bank (net) to live on.

Now let's take that figure of £27,040 we saved by paying an additional £100 per month.

If you didn't pay the additional £100 per month, you would have no choice but to pay the £27,040 to the lender over the term of the mortgage. However, as you pay with taxed money, you actually need to earn £33,800 (i.e. £27,040 + 25%) to receive enough money to pay the lender the additional £27,040.

So, let's assume you earned £33,800 per year, in this example it would equate to you working an entire year of <u>your</u> life **just to pay the lender** the interest for **not** doing it!

That's why paying extra when you can and reducing the balance quicker is a very prudent thing to do, your gain is the lenders loss!

**You may need to read that again to let it fully sink in!**

**Here's how to can set this extra payment up:**

- Decide how much extra you can afford, contact your lender and have them adjust your direct debit payment accordingly and let it continue until you give them additional instructions.
- If your existing lender will not let you, the simplest solution is switch to a lender who will let you make additional capital repayments, or:

…if you're in a penalty period and it's not feasible to switch, simply place the extra payments you want to make into a savings account and make a one-off capital repayment at the end of the penalty period, then start your regular extra payments from that point.

**Remember**: every single penny you knock off by paying extra is a penny repaid forever, with no further interest to pay on it!

**Make it easy for yourself**

It's vital to do this as an automatic transaction (direct debit or standing order) so you don't have to think about it each month, all you have to do is decide on the amount and set it up once, then sit back and let it happen for you.

We can all find an extra £30, £50, £100 a month or more, if we look hard and review our current finances. Even if it is hard at first to pay this extra, if you do it automatically, you won't even notice after a few months as it will become second nature and the benefits will take care of themselves.


If you don't think there is any spare money to overpay, make sure you do the full exercise in section No 9: **'How to Put Your Finances on Autopilot Towards Financial Freedom'** as this will shake everything up and find some spare cash to make overpayments with.

You can make ad hoc lump sum payments also or decide to send in a cheque or transfer funds each month, but **it is psychologically much harder** as you have to remember to do it each month.

Many people have good intentions of doing it manually each month, but what usually happens is they find there are plenty of other things to spend the money on (life is full of things to buy!) and they end up not doing it, hence the automatic method is strongly recommended.

**Don't forget to factor in inflation**

There are 2 beneficial factors with inflation in regards to property ownership as follows: i) it pushes the price up fairly consistently over time, ii) it gradually erodes the impact of the monthly repayment as a proportion of monthly income.


Using inflation to work for you, why not start overpaying as much as you can afford and increase each year in line with inflation or a fixed percentage? Here's how:

Let's say you started with £100 per month and increased it annually by 3% per year as follows:

…in year 1 you would be paying £100 a month,
…in year 2 you would be paying £103 a month,
…in year 3 you would be paying £106.09 a month,
after 10 years it would be £138.42 a month and so on.

These small incremental changes are hardly noticeable at the time, but they soon build up and pay off more of the capital saving you more interest!

If you got a promotion or significant pay rise, you could increase the monthly repayment further still as this is money you've never had before, so you wouldn't miss it.

## The Ultimate Mortgage Account (for reducing the interest)!

So far, we have talked about extra payments, there are now schemes operated by several lenders which let you combine your current account and savings account with your mortgage into what are known as **current account** or **offset mortgages.**

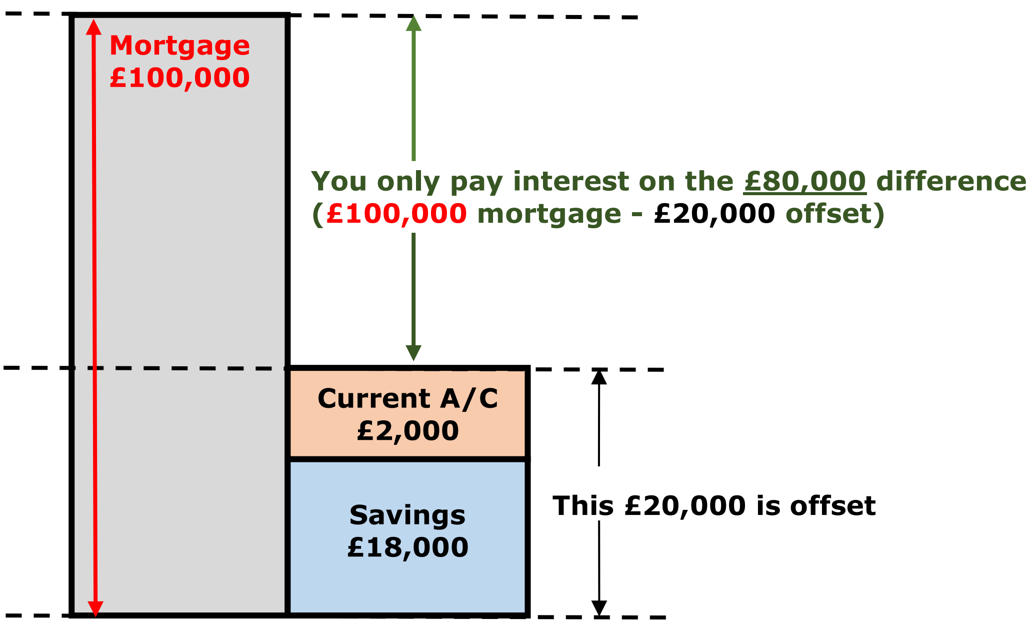
**These are brilliant schemes if used the right way**, as they utilise every single penny you earn to save you interest and allow you to pay off your mortgage faster than any other method**.**

**The mechanics** – Instead of having your current account separate, It is either combined with the mortgage or offset against the mortgage so every single penny you earn works to reduce the total Interest payable.

E.g. let's assume you have just taken out a **£100,000** current Account mortgage or offset mortgage at 6% and your average Balance in your current account over the first month is **£2,000** And your savings account **£18,000**.

The lender will deduct the **£20,000 (£2,000** + **£18,000)** from the **£100,000** and only charge you interest on the remaining **£80,000** therefore your current account & saving account money has saved you paying interest at 6% on the **£20,000** just by simply having them connected (offset) as the following illustration shows:

**Current Account/Offset Mortgage Basic Illustration (not to scale)**




To put this another way, instead of earning small amounts of interest on your current & savings accounts, with a current account/offset mortgage, every single penny in your current account and savings account is now working for you at the prevailing mortgage rate.

A mortgage cannot be taxed as it is a debt, in this example, 6% is the net return on every penny in your current & savings account.

**Where else could you get a return as high as that (or whatever the rate at the time is) with instant access?**

## The Current Account Mortgage

This is sometimes referred to the 'Aussie' mortgage (very popular over there) and is a little different from the offset style as it actually combines the accounts, so the mortgage and current account (not savings) are actually the same (**one**) account, here's how it works:

If you have a £100,000 mortgage and your salaries are paid in on the 1st of the month totaling £3,000 you have effectively just paid off £3,000 capital as your mortgage balance is now £97,000.

***To help fully grasp this:* just think of it as a giant (£100,000) overdraft, every time you spend your money, the overdraft balance goes up and the interest payable increases!**

Let's say on the second day you spend £400, your balance now increases to £97,400. The balance will obviously increase throughout the month as you spend your salary, at the end of the month the lender calculates your monthly balance by multiplying the interest rate by the daily balance for each day of the month.

**For simplicity**, let's assume your mortgage balance averaged £98,200 over the month, then that is what you would be charged interest on and not £100,000. Put it another way, you would save the interest on the difference (£1,800) by simply combining your current account and letting every penny you earn work for you.

The longer you leave your salary in the account before spending it, the more interest you save.


### Now the good bit if you're really disciplined

Whatever you haven't spent from your salary at the end of the month remains off the balance, e.g. say you have only spent £2,500 of your salary including the mortgage payment, your end of month mortgage balance will be £99,500 so you have effectively paid off £500, and this £500 is still available to you at any time as it's your money.

Now the advantage of the current account over the flexible extra payment method is any surplus at the end of the month is effectively the extra payment so if you have a very good where you only spent, say £1,800 of the £3,000 salary, you would have effectively paid off an extra £1,200 at the end month.

***Example**: if we go back to the £100,000 mortgage over 25 years at 6% and assume you have £3,000 a month coming in and only spend £2,500 on average, leaving the remaining £500 unused, you will actually have the mortgage **balance cleared in 9 years and 8 months** and **save £61,508 in interest** and the whole thing is completely under your control!*

Rather than saving you simply don't spend your income and it pays down your mortgage balance, however you still have instant access to all the additional money, if you need it!

**Let's talk more about discipline**


Current account and offset mortgages are brilliant financial tools if used in the right way but they do take a fair bit of **discipline.** If you just want to get your mortgage paid off as soon as possible, there is no better or quicker way as rather than thinking of how much to overpay, just think in terms of how little can you spend as it automatically works for you!

***Warning:*** *if you are in the* ***habit*** *of spending every penny each month, this type of account wouldn't provide much benefit for you unless you changed your spending habits quickly.*

**Fancy some free Money?**

There are 2 simple methods, which can save you hundreds if not thousands of pounds over your mortgage term if used in conjunction with current account/offset mortgages; I refer to it as 'free money' as you effectively save money (that you would normally give to your lender) by changing your spending habits as follows:

If you recall, with current account/offset mortgages, every single penny you earn works for you (to save interest) until you spend it. The key to saving this 'free money' is to hold on to your income and **delay spending it** as long as possible:

**The First method**
(Assuming you are paid monthly) is to switch all of your direct debits and standing orders (you only have to do this once) as far away from your salary pay day as possible.

E.g., if you are paid on the first of the month, you want all of your transactions to go out at the end of the month, so the bulk of your income sits in your account (working for you at the mortgage rate) for most of the month.

**The Second method**

Is to form the habit of using your credit card for as much of your day-to-day spending as you can and then pay it all off when the card balance is due (you **must** pay it off though), no interest will be charged on the credit card as long as you pay it off.

Meanwhile the equivalent amount of money from your monthly income is sat in your account earning you the mortgage rate of return. All you are doing is simply **delaying** spending a proportion of your monthly income so it works harder for you.

### Consolidating Debts into your Mortgage (the right & the *expensive* way!).

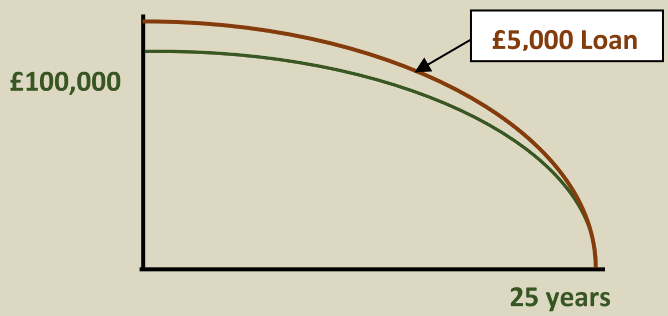
Consolidating debts into a mortgage is very common but if you just pay the new monthly contractual payment, you are effectively spreading the debt over the whole term. E.g. let's say you have:

- **£645.00** a month at 6% on a **£100,000** mortgage with a 25-year term
- **£180.00** a month at 13.9% on a **£5,000** bank loan with 3 years to run.
  **£825.00** combined monthly payment

By consolidating the loan into your mortgage at 6% you can reduce your combined payment to **£677.00** saving you **£148.00** per month!

Although this is a nice short-term saving, if you only pay the contractual £677.00 you will actually pay back **more than double** the amount of interest than you would have paid on the original 3-year loan period, than if you had just let it run its 3-year term.

**1. The expensive way to consolidate debts into a mortgage**




Lenders are more than happy for you to do this as it obviously makes them more profit which is their *raison d'etre*!

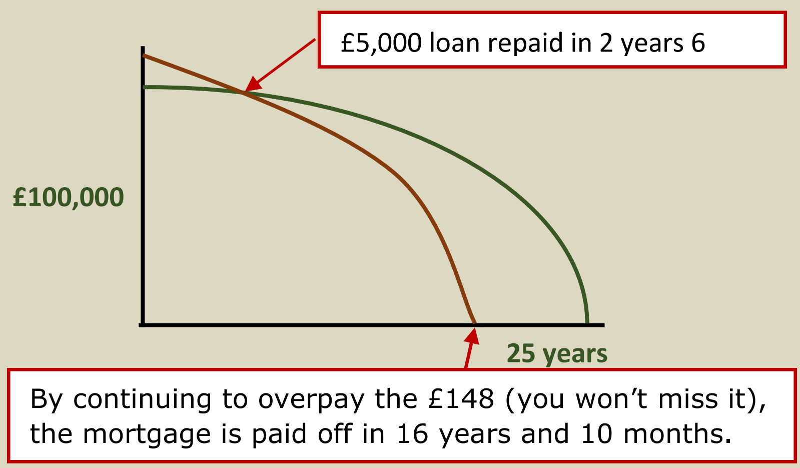
The above method is fine for short term solutions where reducing your monthly commitments is the objective, but the recommended way to do it with a mortgage is similar to the flexible mortgage scenario with an extra twist, it's as follows:

Take the **£148.00** a month saving and re-invest it as an overpayment each month so you are effectively reducing the capital balance directly by that amount, this will pay off the £5,000 balance in **2 years and 6 months** (saving 6 months) but the outlay **£825.00** (£645 + £180) is exactly the same as when the two were separate.

This works because the borrowing is at a much cheaper rate and the overpayments immediately reduce the balance. **It gets even better** (**the twist**):

Once the £5,000 is repaid after 2 years & 6 months you will be well and truly in the **habit** of paying **£825.00** per month. You could now opt to just go back to the contractual payment of £645.00, but **if you continue to pay £825.00**, you will start reducing the original £100,000 balance much faster saving you a lot of money in interest as follows,

**2. Recommended way to consolidate debts into a mortgage (i.e. continually overpay the saving)**




**Not only** have you paid the mortgage off in less than 17 years in this scenario (graph 2), just imagine how much additional money you would have if you now channeled the £825 per month (now available since mortgage paid off) into an investment for those final 8 years?

The capital amount alone is £79,200 (£825 x 12months x 8years) and if you invested it at a 5% return it becomes £97,077!

You do have a choice, **you can give it all to your lender or have it yourself, it's your choice!**

Every single penny you ever borrow only has to be paid back once and the quicker you pay it off, the less you pay in interest.

**Have a play and get further inspiration**

You'll find plenty of overpayment calculators on the internet where you can input different amounts to see the beneficial effect over the term of your mortgage.

**Always remember wealth creation is a team sport, grab any help you need!**

### Consider professional advice?

I strongly recommend you seek the advice of an **independent** mortgage adviser if you want to see if you have the best deal for your current circumstances and plans. I always recommend independent as they work for you and have access to the whole of market (they have to verify this to you at the outset). You'll find the vast majority will offer a free consultation and then make a recommendation; you can then decide in your own time, if you wish to proceed.

### Finding the extra money to overpay?

As previously mentioned, make sure you go through the 8-step exercise in report No 9: **'How to Put Your Finances on Autopilot Towards Financial Freedom'** as this will shake everything up and find you any spare cash to make overpayments with.

## Section 10 Summary

**Save a fortune on mortgage interest.**
Pay extra on top of your contractual payment each month, this will start a snowball effect after a few months and save you a fortune over a period of time as you are reducing the balance on which the interest is charged.

**The ultimate mortgage (for saving interest) and paying your mortgage off early**
A current account/offset mortgage can save you a fortune in interest as it lets you use every single penny of your earnings to reduce the interest payable until you spend it.

**Just get started**
Even if your finances are a little tight, just pay a little bit to form the habit and increase it when you can.

**Final Thought:**

Initially all it takes is **a decision** to start an overpayment plan and then you only have to set it up once (I recommend you review it regularly) and then sit back and let the magic automatically happen over time!

***Wishing you all the best,***

**Asha x**

Whether you overpay an extra £10 or £100 a month, just **take action and get started!**

***Final Word:***

***"Life is a unique combination of "want to" and "how to," and we need to give equal attention to both."***

*Practical tips to enhance your financial position:*

# ‘The Complete House Buying Guide In 7 Steps’


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## The Complete House Buyers Guide (7 steps)

Buying a property is usually a very exciting time, but it can also seem a little daunting and a somewhat baffling experience especially if you are a first-time buyer.


The following guide takes you through all the steps from deciding what type of property you want, to moving in (there's also a viewing checklist at the end of the section for you to print off and use to accurately access each property you view).

### The House Buying Process in 7 Steps:

### Step 1. Where do you want to live?

The first thing you need to decide is what sort of area you want to live in. Make a list of the things that matter most to you. These might include having a good school nearby, good local transport links and good amenities.

Important factors you may wish to consider:

- Distance to work and quality of public transport if required
- Quality of local schooling if required
- Does the area have plenty of shops, supermarkets and restaurants
- Does the area have good transport links
- Are there good local amenities (e.g. local parks, sport and leisure facilities)

**What type of property do you want to buy?** First of all, make a list of all the features you would like:

Are you looking for a flat, house or a bungalow?

- If a house, are you looking for detached, terraced or semi?
- Would you prefer something old or new?
- How many bedrooms do you want/need?
- Do you want a garden? If so, how big?
- Do you want a garage?

Bear in mind that bigger properties not only cost more to buy, but also cost more to heat and maintain as well.

You may never find a property that meets all the requirements on your list. Be prepared to trade off one factor against another as you look around. For example, you might be prepared to live in a cheaper area if that meant being able to get a larger garden or maybe you opt for one less bedroom to get a property with a garage.

## Step 2. How much can you borrow?

**Lenders will generally lend you**: a certain multiple of your income (or joint income). A typical multiple is up to 4 times your gross basic income or 3 times your joint gross basic income (if buying with a partner). On this example, if you earn £30,000 per year then you could borrow £120,000 on your own and if, let's say your joint income equals £45,000 you could borrow £135,000 jointly.

N.B. Any borrowing commitments you have such as loans and credit cards will reduce the total amount you can borrow if you intend to still have them when the mortgage starts. Each lender has their own set of lending multiples and will also look closely at how you generally spend your money and factor this in, plus they'll check your credit history (known as credit scoring).

To find out **how much can you borrow** simply visit a competent mortgage adviser (I recommend an independent one) or search online for 'mortgage borrowing calculator' to get an idea. You also need to keep an eye on the costs to make sure the repayments on the amount you are looking to borrow is affordable for your budget.

**Fees:** In addition to any deposit you have to put down, you also need to account for any related fees, as buying a property comes with certain costs, as follows;

**Valuation Survey fee:** this has to be paid up front with the application, there are 3 types of survey: basic, homebuyers & full structural, your mortgage adviser or lender will explain these to you in more detail.

**Solicitor's fee:** you can choose any solicitor you want to act for you, each one will quote you a price once you give them a few property details. Usually, the solicitor will ask for a nominal amount up front so they can start working for you and then request the balance from you on completion of the purchase.

**Stamp duty (2021):** This is an 'annoying' property tax charged on UK properties purchased for more than £125,000.

The first £125,000 doesn't attract a fee, however there is then an escalating percentage fee scale for set tiers above £125,000. The first tier where it applies is; a purchase price between £125,001 ~ £250,000 where a fee of 2% applies on the qualifying amount, e.g.

A £200,000 property would attract a 2% fee on a qualifying amount of £75,000 (i.e. £200,000 - £125,000 = £75,000) resulting in a stamp duty fee of £1,500. It starts getting expensive on properties sold above £500,000. You can search online for 'stamp duty land tax' to get more information and access stamp duty calculators to confirm the fees payable.

Now that you know what you can borrow and have factored in the costs, it's time to make sure you can get a mortgage by obtaining a:

**Mortgage Decision in Principle (DIP)**

A decision in principle simply means getting official approval (involving a credit search) to borrow funds from your chosen lender before making a full application. The DIP will approve an amount the lender is prepared to lend to you based on your circumstances. The actual lending is then subject to you making a full application, supplying the appropriate documents and the property valuation survey being satisfactory.

You don't have to get a decision in principle, it just gives you the added peace of mind and confidence, knowing the finance has already been approved, plus it is often handy in convincing a vendor that you are a genuine purchaser as lenders will issue you a certificate confirming the amount they have pre-approved for you. Your mortgage adviser can arrange a DIP for you.

**Now you can go find a property with confidence.**

## Step 3. Start looking at property brochures and arrange to view a few.

**Preference?** With the fantastic online facilities available through sites such as www.rightmove.co.uk and www.zoopla.co.uk you can do huge amounts of browsing individual property details from the comfort of your own home. You may prefer to visit all the local estate agents and register your property preferences (i.e. price range, location and type) so they can notify you of all properties that match your requirements.

Whether you browse online, estate agent's premises or both, the objective is to create an initial shortlist all the properties that fit your criteria based on steps 1 & 2. Then, go through this list one at a time and create a final shortlist of properties you would like to view. Once you have the final list, simply call the relevant estate agent (or book online) to arrange a viewing for each property.

### Viewing a Property

**7 Questions you should <u>always</u> ask estate agents/vendors**

- **Why is the owner selling?**
- **How long has the property been on the market?**
- **When does the current owner/occupier need to move out?**
- **What is the minimum price the seller will accept?**
- **What do you think the property will actually sell for?**
- **Who priced the property?**
- **What other homes are there in competition to this property?**

(*further explanation regarding the above 7 questions at the end of the report*)

The answers to these 7 questions may give you clues and an indication of how motivated the vendors are to sell the property, the more motivated they (i.e. need to sell quickly) the better your chances for reducing the asking price.

Always be courteous and friendly asking lots of general questions to show genuine interest and develop a friendly rapport with the sellers/agents, this can very often help you when it comes to the negotiating as **'people like to deal with people perceived to be like themselves' (human psychology stuff!).**

### Things to look for/consider/ask

**Area**

- What are the local amenities like? Shops, schools, leisure facilities etc?
- Is public transport nearby?
- What is the condition of neighbouring properties?
- Are there any plans for development in the area?

**Neighbourhood**

- What are the neighbours like?
- Have there been any disputes with neighbours?
- Are they noisy?
- Has the property ever been burgled & does it have an alarm?

**Neighbourhood continued…**

- Is it likely to be noisy at certain times (from nearby school, pub, railway line)?
- What is the crime rate like in the area?

**Inside**

- What items are included in the sale?
- Are there any major cracks in the walls or doors that stick (this could indicate subsidence)?
- Does the property have double glazing (can be expensive to install)?
- Are all the wooden window frames solid (if you can press your finger into it, it's maybe rotten)?
- Do any walls feel damp, are there signs of mould or peeling wallpaper?
- Have any rooms been recently decorated? If yes, ask why (might be hiding something!)?
- Will your furniture fit in OK?
- Is there ample storage space?

**Kitchen/Bathroom**

- What sort of hot water system do they have?
- How long does it take for hot water to come through?
- Is there an electric shower?
- Is there plenty of ventilation?

**Heating**

- Does the property have central heating, if yes, how old is it?
- Have there been any problems with the boiler?
- When was the boiler last serviced?
- Is the loft insulated?
- Does the property have cavity wall insulation?

**Outside of property**

- Are any roof slates missing?

**Outside of property continued…**

- Does the roof sag? (this is a sign of subsidence)?
- What condition is the chimney in?
- Can you see the damp proof course above soil level?
- If there is no garage, does it have off road parking?
- What condition are any driveway & paths in?
- Are there any cracks in the walls?
- Is any guttering missing?

**Garden**

- What features are included in the sale?
- Does the garden get much sun (south facing gardens get the most sun)?
- Are there any trees or shrubs that could harm the property foundations?

**General**

- What is the cost of council tax?
- What are the average costs for gas, water, and electric (copies of bills will confirm this)?
- Don't be put off by internal decoration, it can easily be changed.

**Did you get all that?**
It is actually easier than it probably appears, a lot depends on the age of the property, the condition of a fairly new property should be reasonably good, whereas an older property will need closer attention.

**Essential**: remember to consider what requirements you need for your pets too ☺

## Step 4. Making an Offer & Negotiating

Assuming you know how much you can borrow and the corresponding monthly repayments, decide on the maximum you are willing to pay for the property, this is your **walk away price.** If the negotiations take the price above this pre-determined figure, simply walk away.

- If you have asked all the questions listed in part 3 you should have a pretty good idea of the seller's circumstances and how keen they are to sell.
- When you come to negotiate, it could be direct with the seller or via the estate agent who is acting for the seller.

**Important** The key with any successful negotiation is to create a win-win situation where both parties feel they have got a good deal, you obviously want to pay as little as possible, but you also want the other party to feel good after the negotiation as you will be dealing directly/indirectly with them throughout the buying process (which will be for several months).

**Making the Offer**

When it comes to opening the bidding, there is a saying amongst seasoned property investors that goes ***'never be the first to name a figure as that person always loses'*** (it gives away the psychological edge).

Even if you are a first time buyer with no negotiation experience, it's still worth a try to get them to name a figure first, you could prompt them with ***"what would you realistically accept for me to take it off your hands?"*** Now stay silent, don't say another word until you get a reply, this may work or they may throw it back and ask you to make an offer.

N.b. more often than not you will be negotiating through an estate agent who is acting for the seller but also wants it sold as soon as possible.

**'Test the Water'**

Don't be afraid to price your opening offer fairly low as you can quickly counter offer, e.g. let's suppose the asking price is £96,000 you could offer £82,000, your first offer will nearly always be rejected unless it is the full asking price or close to it. A bid like this 'tests the water'

*So, you now know £96,000 is the top limit (obviously) and £82,000 is the bottom limit, it will now go for somewhere between the two if you can both agree but it will probably be nearer to £96,000. If the seller is highly motivated to sell, by countering with a low offer of £82,000 you increase the negotiating range and psychologically 'lower the bar' in your favour (human nature generally dictates that any seller will want to sell to the next person making an offer for simplicity and convenience) as you're making a genuine offer.*

**Always act Unemotional during the Negotiating**

No matter how keen you are to get the property, always act as though it doesn't matter if you get it or not, you want the seller to think you can take it or leave it. If you come across as desperate, you hand the psychological edge to the seller and will end up paying more.

**A typical scenario** might follow like this, after your offer of **£82,000** the seller replies £92,000, you counter this with **£86,000**, the seller comes back with £90,000, you counter with **£88,000** and then both agree at **£89,000**.

**Always** shorten the gaps as you counter-offer, with the above example the gaps in the offers are £4,000 £2,000 & £1,000 respectively, this gives the impression you are running out of funds and the seller will feel they are squeezing the last penny out of you.

**Show displeasure and counter-offer with more reluctance (if face to face)**

Remember all sellers are hoping the next person to view will be the one to buy as they want to get the property sold as soon as possible. If you act a little displeased and reluctant to increase your bid each time, not only does this also give the impression you are running out of funds, it also adds psychological pressure on the seller to reduce the price if they want a 'sold' sign on their property, otherwise the selling process continues for them.

As you increase your offer, to help give the impression even further, that you are at your limit, supply further evidence e.g. "I have £750 in an ISA which I could cash in but that's my absolute limit" or "I can just about squeeze to £89,000 if I sell the car".

**Negotiate a few fixtures & fittings if you want them**

The negotiation isn't just about money you can negotiate just about anything the seller owns e.g. furniture, fittings, satellite TV system, lawnmower etc, if the sellers have furniture & fittings just to your taste, you may as well pay them an extra £2,000 to leave them as opposed to ending up spending £3,000 and having the hassle of buying and doing it yourself.

**The clincher**

When you have agreed a final price that in your mind you are happy with, before you verbally confirm your acceptance, it's always worth pushing for that little extra in the way of an item (assuming you want something). E.g. "£89,000 is a little more than I really wanted to spend, but I'll tell you what, throw in the fridge freezer and I'll stretch to £89,000".

This is a very strong psychological technique to get that little extra as what you are really saying to the seller is, 'all you need to do is just agree to this final small demand and you've got the deal you've just asked for and sold your property'. This technique will very often get you something extra just for asking, once again, you've nothing to lose, you'll be surprised what you can get with this technique.

**Rejection**

If you can't agree a price, re-state your final offer, thank them for their time and calmly walk away. It can be disappointing if you had fallen in love with the property, but it's essentially a numbers game, if you view enough properties that meet your requirements, it probably won't be long before you find the right one at the right price.

**Summary of Negotiating**

- ✓ Decide on your 'walk away' price
- ✓ Ask lots of questions about the property and the sellers' circumstances to get as much information as you can.
- ✓ Try and get the sellers to name a price they would accept
- ✓ Always act unemotional during negotiation
- ✓ Make your opening offer (don't be scared to start low to 'test the water')
- ✓ Increase your offer with reluctance and make sure you shorten the gaps as you increase
- ✓ Ask for any extra's you want such as furniture & fittings etc.
- ✓ If an agreement can't be reached, show due courtesy and move on to the next property

## Step 5. Arranging the Mortgage

Once you've agreed the sale, it's time to contact your adviser/lender and make an application.

**Mortgage Application**

If you've already had a 'decision in principle' from a lender you will only need to supply the additional information such as:

- The property details
- Estate agent's details
- Your solicitor's details
- Your bank account details

If you haven't had a 'decision in principle' you will need to complete a full application with your adviser/lender which entails the above details plus your personal details, i.e. name, address history, date of birth, employment & salary details etc.

**Personal documents (UK)**

In addition to the application, you will be required to supply certain personal documents, generally all lenders will require some or all of the following for all applicants:

- last P60 (to verify your earnings)
- last 3 months payslips (to verify your earnings)
- 2/3 years' accounts (to verify your earnings if self-employed)
- 3 months' bank statements (to see how you run your bank account)
- Passport or Driving License (to confirm your identity)
- Recent bill/statement (to confirm your current address)

**Survey**

As part of the application, you will be asked which type of **survey** you require, your lender/adviser will explain the different options to you. Unless the chosen lender offers a free valuation, **this is the first fee you will be required to pay in the process,** you will need to pay this when you make the application.

**Solicitor**

You will need to choose a solicitor to act for you, if you don't have one in mind, your lender/adviser should be able to recommend one or two for you, alternatively ask friends and family for any recommendations. To quote you, all they will need is the purchase price, type of purchase (leasehold or freehold) and property postcode.

**Protection Insurance**

Your lender/adviser will also discuss any life insurance, payment protection and property insurance you require and arrange the appropriate insurances to commence on completion of your mortgage.

## Step 6. The Mortgage Process

**Assessment**

The first thing the processing department will do on receipt of your application is assess the information and your documents to verify everything is in order.

**Survey**

The lender will instruct a surveyor to carry out a survey to ascertain the property is appropriate security for the required lending. You may receive a copy of the survey; this will depend on the lender and the type of survey you have chosen. Any potential problems (e.g. damp) with the property will be recorded on the surveyor's report and brought to the attention of you and your solicitor.

**Mortgage Offer**

Once the processing and survey have been carried out to the lenders satisfaction, they will issue a mortgage offer, this is the formal offer which outlines all the lending terms and conditions. A copy is sent to you and your solicitor, from this point forward everything rests in the hands of your solicitor to liaise with the seller's solicitor and take the transaction to completion where you become the property owner.

## Step 7. The Conveyancing (Legal) Process

Your solicitor will carry out all the necessary steps and liaise with the seller's solicitor to complete the transaction.

**What Your Solicitor does ~**

**Stage 1 ~ Agreeing the Sale**

- Organises searches at the local authority and asks you for a sum of money on account for such expenses. This is generally the second fee you will be required to pay in the process.
- Receives replies from local searches, looks at the valuation report and deals with any issues arising from either. Will also send you a document to confirm the fixtures & fittings included in the sale.
- Receives mortgage offer and deals with any conditions on your behalf.
- Finalises the contract with the seller's solicitor and reports to you with the contract for signing and requests your deposit (if applicable). At this point you will need to make an appointment to see your solicitor to sign the contracts and hand over your deposit (if applicable).

**Stage 2 ~ Exchanging Contracts**

- They'll exchange contracts with the seller's solicitor, hand over the deposit and set a completion date. This is the point where you are legally bound to purchase the property.
- Verify the mortgage funds are available for the completion date.
- Prepare the deed of transfer and mortgage deed for you to sign.

**Stage 3 ~ Completion**

- Finally, they'll transfer the mortgage funds to the seller's solicitor in return for the deed of transfer, land registry certificate and the property keys to complete the sale.

- You will receive a completion statement and will be required to pay the balance of the solicitor's costs plus stamp duty (if applicable), **this is the final time you will pay fees.**

- Your solicitor will then pay the stamp duty (if applicable) to HMRC, register you as the new owner with the Land Registry and send the property title deeds to your mortgage lender.

N.b. sometimes exchange and completion are done at the same time, your solicitor will advise you of what is appropriate to your circumstances.

Either the solicitor or estate agent will inform you that the process has completed and make arrangements for you to pick up the key.

## Congratulations!! – You're a Homeowner

### The 7 vital questions you should ask an estate agent

Love them or hate them, one thing's for sure, property buying would be a lot trickier without the help and support of the estate agent. We all know the reputation estate agents tend to have (in the UK)! Of course, there are many very good ones out there, however, there are good reasons not to just blindly go along with everything they tell you.

**The estate agent is a deal maker.** The reason for concern arises when the agent performs 'tricks' to get a deal through. Although no one has any objection to a bit of enthusiasm and creativity in getting a deal through, the problem arises if these 'tricks' go against the interests of either buyer or seller.

It is important to remember that the Estate Agent is contracted to work for the seller who will be paying their fee on a successful sale. However, a good Estate Agent has a duty to remain professional and ethical in his dealings with all parties throughout the selling process.

The question for a buyer is how to cut through all the estate agent waffle and get the true picture on a particular property deal.

If you ask these 7 questions with each property you are interested in, you will gain a greater insight into the deal, and obtain valuable information to help with your negotiating position.

**1. Why is the owner selling?**
If you are lucky, the estate agent may reveal more than they should about the seller's circumstances and motivation for selling. A motivated seller is more likely to accept an offer below the asking price.

**2. How long has the property been on the market?**
Has the property been 'sticking' on the market? Does this make the seller desperate to sell? Why is the property not selling? Are there any problems with the property which the estate agent is not disclosing?

**3. When does the current owner/occupier need to move out?**
Is there an urgent deadline which could be an advantage in negotiating a lower price for the property? If the owner has to move somewhere else, they will be keen to sell and get everything settled before they go. If the property is tenanted and the tenancy is coming to an end, the seller will not want to keep the property empty for too long after the tenancy has ended.

**4. What is the minimum price the seller will accept?**
If you can get it, knowing the bottom price (or 'ballpark' figure) which the seller will accept will help you formulate your offer. If a property has been on the market a while, most estate agents will be fairly forthcoming with this type of information (as they just want the sale).

**5. What do you think the property will actually sell for?**
This is a bit of a 'fishing expedition'. What you are looking for is signs that the estate agent has a different opinion as to the true value of the property. This may give you clues of where to start with your offer.

**6. Who priced the property?**
Another 'fishing' question to follow-up from the last. If the seller priced the property and the estate agent thinks it's too high, then when you place a lower offer, you stand a very good chance of having the agent bat for your corner. If the estate agent has priced the property, then they probably will stand by their valuation and push you to offer close to it.

**7. What other homes are there in competition to this property?**
This is a very useful question provided you get an honest answer! The estate agent is looking to close a deal, not reopen things with a whole load of new options. You are likely to get an honest answer by taking the property details sheet into a rival's office and asking them! The information you gather will be important in justifying any offer you make.

Get answers to these 7 questions and you'll be a lot more informed to make your offer.

**Remember wealth creation is a team sport, grab all the help you need!**

### Professional advice?

As mentioned (as I always do 😉), I strongly recommend you seek the advice and guidance of a suitably qualified independent adviser for any mortgage and related protection (life insurance, home insurance etc) advice to understand your options and all the costs, before making any final decisions.

## Section 11 Summary

**The 7 House Buying Steps are:**

1. **Deciding what type of property you want and where you want to live.**
2. **Finding out how much you can borrow and getting prior approval.**
3. **Armed with your checklist, start viewing and appraising properties.**
4. **Negotiating and making an offer.**
5. **Arranging the mortgage.**
6. **The mortgage process.**
7. **The legal process required for you to become the new legal owner.**

**Checklist**: pages 115 – 118 contain the property viewing checklist (from step 3) for you to print off as required. It is designed to systematically guide you through all the key areas so you can compile a detailed assessment and notes for each property you view.

**Final thought...**the 7 questions are very simple to ask. I am not suggesting you ask these like a script one after another. The best way is to engage the estate agent in natural conversation. Bring them up in whichever order feels right at the time.

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"Investment in knowledge followed by intelligent action, pays the best interest."***

1

# Property Viewing Checklist

Address: ______________________________________________

Asking Price: £ ____________________

Estate Agent: ___________________________________________

## Important Questions to ask owner/estate agents

**How long has the property been on the market?** ___________________________

**Why are you selling?** _________________________________________________

**Have you had any offers? If yes, how many?** ______________________________

**Are you in a position to move quickly or are you in a chain?** __________________

**What is the cost of council tax?** _________________________________________

**What are the average costs of gas, water, electric (**copies of bills will confirm this)?

_____________________________________________________________________

## Area

**What are the local amenities like? Shops, schools, leisure facilities etc.**

**Is public transport nearby?**

**What is the condition of neighbouring properties?**

**Are there any plans for development in the area?**

## Garden

**What features are included in the sale?**

**Does the garden get much sun? (south facing gardens get the most sun)?**

**Are there any trees or shrubs that could harm the property foundations?**

## Neighbourhood

**What are the neighbours like?**

**Have there been any disputes with neighbours?**

**Are they noisy?**

**Has the property ever been burgled?**

**Does the property have a burglar alarm?**

**What is the crime rate like in the area?**

**Is it likely to be a noisy at certain times (from nearby pub, railway line etc)?**

## Inside

**What items are included in the sale?**

**Are there any major cracks in the walls or doors that stick (this could indicate subsidence)?**

**Does the property have double glazing? (can be expensive to install)**

**Are all the wooden window frames solid (if you can press your finger into it, it's maybe rotten)?**

**Do any walls feel damp, are there signs of mould or peeling wallpaper?**

**Have any rooms been recently decorated? If yes, ask why (might be hiding something!)**

**Will your furniture fit in OK?**

**Is there ample storage space?**

**Is the loft insulated?**

## Kitchen/Bathroom

**What sort of hot water system do they have?**

**How long does it take for hot water to come through?**

**Is there an electric shower?**

**Is there plenty of ventilation?**

## Heating

**Does the property have central heating, if yes, how old is it?**

**Have there been any problems with the boiler?**

**When was the boiler last serviced?**

**Does the property have cavity wall insulation?**

## Outside of property

**If there is no garage, does it have off road parking?**

**What condition are any driveway & paths in?**

**Are there any cracks in the walls?**

**Is any guttering missing?**

**Are any roof slates missing?**

**Does the roof sag (this is a sign of subsidence)?**

**What condition is the chimney in?**

**Can you see the damp proof course above soil level?**

## Notes

Financial Literacy Section Number 12 of 17

## *Practical tips to enhance your financial position:*

# 'The Fastest Way Out of Debt & Dealing With Financial Distress'


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## The Fastest Way Out of Debt and Dealing with Financial Distress.

We'll divide this one into 2 parts:

**Part 1: The Fastest Way Out of Debt**
**Part 2: Dealing with Financial Distress**


### Part 1: The Fastest Way Out of Debt

Personal debt can be a major burden on your monthly income and cause a lot of stress and anxiety if it gets out of control.

Getting debts paid off is not only a psychologically liberating feeling, but it can also be very rewarding if you then use some of the freed up income to work for you (to invest/save) instead of working for someone else.

**Here's the fastest and most efficient way to get all debts paid off in 5 Simple Steps:**

**Step 1.** Stop taking on anymore debt, ideally cut up your credit cards except for one, which is to be used for emergencies only.

**Step 2.** Make a list of all your debts including what you currently owe and the monthly payments or minimum monthly payments for credit/store cards like the following example:

| Debt | Provider/Type | Balance | Monthly Payment | Interest Rate |
|---|---|---|---|---|
| 1 | Next Store card | £4,700 | £80.00 | 28.9% |
| 2 | Barclaycard | £3,400 | £68.00 | 18.9% |
| 3 | MBNA Credit card | £5,200 | £104.00 | 15.7% |
| 4 | Capital One card | £1,900 | £38.00 | 13.4% |
| 5 | Lloyds/TSB Loan | £4,170 | £140.00 | 8.9% |
| | **Totals** | **£19,370** | **£430.00** | |

***Congratulate yourself because most people in debt never even get this far!***


**Step 3.** Prioritize them by the interest rate you are being charged on each one, the highest rate debt goes at the top of your list (as shown above).

**Step 4**. Pay the minimum amount due on all your debts except the one with the highest interest rate and on that one, pay as much as you possibly can afford (in the above example it would be Next Store card).

*E.g. although the total contractual payments are only £430.00, let's say you can stretch to £550.00 per month as you are committed to paying off all your debts. So, you take the additional £120.00 (£550.00 - £430.00) and pay it off the first debt (highest interest) in addition to the standard payment (i.e. Next Store card at £80.00) so you'd actually pay £200.00 to Next Store card (£80.00 + £120.00 extra).*

You keep doing this (add more if circumstances permit) until the **first debt** is cleared.

**Step 5.** When the first debt is paid off, apply the amount you were paying on it (i.e. £200 = £120 + £80) to the next debt (the 2nd highest interest rate) on your list.

*Now you would be paying £268.00 (£68.00 + £120.00 + £80.00) to Barclaycard until repaid.*

**...now continue this for each debt until you're debt-free.**


### Momentum is the key

You will find as each month goes by, the rate at which your debt balance reduces starts to gather momentum, in other words it reduces by a slightly bigger amount each subsequent month (even if you pay off the same amount) and starts a snowball effect. This is simply due to the reduction in interest payable as the overall balance reduces.


### One (optional) exception to step 4

The above 5 steps are the fastest way to pay off debts based on a mathematical/logical basis. However, humans are emotional creatures and may find the size of the task very overwhelming and struggle to find the motivation.

So, if this happens, instead of starting with the debt at the highest rate (£4,700 Next store card), start with the debt with the lowest balance (£1,900 Capital One card). You'll clear this much quicker and feel a big psychological boost and lots of inspiration in the process. Try this if the standard way seems daunting or overwhelming, if not start with highest interest.

***Now you can invest it****.... when all your debts are cleared, consider channelling some or all of the amount you have been paying on your debts each month (£550) straight into some form of saving/investment, so it now works for you and not everyone else (lenders)!*

This will be emotionally very rewarding, you'll feel good and in control from paying off your debts and then feel even better by channelling some or all of the surplus funds into investments for your future.

### Debt consolidation


There are many tempting ads for consolidation loans where you roll all your debts up into one lump, with one monthly payment. Although it appears a nice short-term solution due to a reduction in monthly payments, you need to be very careful with this method as it very often means you will end up paying back far more interest as these loans tend to be set over longer periods than the individual debts originally had to run.

However, used the right way with the right plan, you can use a consolidation loan to help you clear your debts much quicker as follows. Let's say you want to consolidate the following current debts shown on the next page:

| Debt | Provider/Type | Balance | Monthly Payment | Interest Rate |
|---|---|---|---|---|
| 1 | Barclayloan | £3,400 | £160.00 | 14.9% |
| 2 | Peugeot HP | £5,500 | £182.00 | 23.4% |
| 3 | Halifax credit card | £4,900 | £98.00 | 18.9% |
| | **Totals** | **£13,800** | **£440.00** | |

**Consolidation loan offer:**

Let's say you have been offered a consolidation loan (that allows you to pay the balance off early without penalty) of £13,800 at 8.9% over 5 years for £250.00 a month saving you £190.00 compared to the £440.00 you are currently paying on the 3 debts.

**Here's what you do…**

Take the new loan and pay off all of your other debts, now instead of just paying the £250.00 per month, you simply opt to keep paying the £440.00 as you have been in the habit of paying this each month. The £190.00 additional capital is classed as an additional capital repayment and is deducted directly off the remaining capital balance.

As long as you do this the whole loan will be repaid quicker than if you had continued as before, because you are still applying the same amount of £440.00 but you are borrowing the money at a much cheaper rate (8.9%), and the additional capital repayments are coming directly off the capital balance.

**Concept** ~ same outlay each month – but now your money now works harder for you and pays the balance off quicker.


**Resist Temptation**…there is often a temptation to consolidate and enjoy the savings (most of us have done it!), in the above example this was £190.00 a month, countless people do this and lenders absolutely love it (and want you to do it), because you end up paying back more in interest to them, over the term of the loan.

**Remember all debt only has to be repaid once, the quicker you reduce the balance the less interest you pay.**

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## Part 2: Dealing with financial distress

Do you ever feel as though you are steadily sinking in terms of your debts?

There's no doubt we now live in a credit driven society where it's never been easier to obtain credit. With loans and credit cards being thrown at us from every angle, it's easy to see why the number of personal debt problems and bankruptcies are rapidly increasing.


Dealing with debt problems can often manifest further into emotional, health and stress related problems causing a lot of despair and frustration.

Unfortunately, a common tendency amongst people with debt problems is to 'bury their head in the sand' and hope it goes away. This is just basic human nature mainly due to the perceived embarrassment of having debt problems.

**IMPORTANT**
Having debt problems is nothing to be ashamed about (can happen to anybody), if you do find yourself in this predicament, you're not alone, every year several million UK adults experience financial difficulties and debt repayment problems.

**The No1 rule if you're in Financial Distress is:**
**Don't bury your head in the sand, talk to your creditors, professional advisers or debt advisory services. As the saying goes *'A problem shared is a problem halved'***

## 8 steps to take if you are experiencing financial difficulties

**1. Don't bury you head in the sand…talk to your creditors**
If you are struggling to make payments, the best thing you can do is inform your creditors of the situation immediately; they will be more sympathetic than you maybe think and will try and help you work towards a solution.

*N.B. Ignoring your creditors only makes it worse. It might not be a phone call that you want to make but put yourself in their position, if you were lending to a customer who ran into difficulties, wouldn't you rather be aware of their problems than suddenly receive no payments?*

**2. Always! Always! Always! Pay something…**
If you can't afford the contractual payment, at least make a token payment to each creditor each month (£1 is enough if that's all you've got), regardless of the scale of your financial difficulties as your creditors and the courts (if it goes that far) will look on your situation far more favourably if you have made an effort to pay at least something each month.

**3. Draw up a budget plan…**
Using a budget planner or piece of paper, sit down and list all of your household income and expenses, just doing this exercise may highlight areas where you can save money (your creditors are likely to ask you to do this anyway at some point).

**4. Eliminate unnecessary day to day spending…**
Go through each item on the budget and see if you can reduce the cost, this may mean cutting back on luxury items (e.g. sky tv) or having less nights out etc, but it may be what's needed to get you back on track.

Use the guidance steps in report 9: "***How to Put Your Finances on Autopilot Towards Financial Freedom"***

**5. Consider professional advice to see if you can save on financial products…**
You can always shop around to see if you can save money by switching deals on mortgage, loans, credit cards, insurance, utilities etc. I recommended you consider the help of a mortgage or financial adviser for this as they can look at your situation and explore all the avenues and solutions available to you and advise you accordingly.

**6. Seek further specialist assistance…**
If you have gone through all the above steps and are still having problems, you can contact the following specialist organisations who are equipped to help with financial difficulties:

**StepChange debt charity:** www.stepchange.org or **0800 1381111** this is a registered charity that can provide you with free confidential advice and support.

**National Debtline:** www.nationaldebtline.org or **0808 808 4000** this a telephone helpline service for people with debt problems and is also a free service.

**Citizens Advice Bureau:** www.nacab.org.uk or visit a local branch if you would prefer to discuss your financial difficulties face to face with a counsellor.

**Debt Management Companies:** Be very careful with these private companies, they will deal with your creditors on your behalf and help you put a budget and debt management plan together (they will take a fee which usually comes out of the amount you budget for debt repayment, be very wary of companies asking for fees upfront fees). StepChange will provide this same service for free.

**7. Put together a debt repayment plan…**
The first thing the advisory organisations will do is help you prepare a debt repayment plan. In a nutshell, this involves preparing an accurate monthly budget to determine the amount of income you can afford for debt repayment and a list of all your creditors and amounts owing.

This list is then sent to each creditor so they can see your financial situation. You then make a payment each month to your creditors by dividing up (pro-rata) the available income on the budget plan.

**8. Finally…**
If your financial difficulties are severe you may need to seek the advice of an insolvency practitioner to explore the routes of Individual Voluntary Arrangement (IVA) or Bankruptcy. These are the last resort and may seem drastic, but they are legally binding protection orders and put an end to all creditor correspondence and any intimidation.

Your credit status will be severely affected but they will stop all correspondence from creditors and end all the mental stress and anguish. Insolvency practitioners are licensed practitioners trained to deal with severe financial situations and advise on the best solutions.

To find one a local one, search online for 'insolvency practitioner'.

## Financial distress 'Do's and Don'ts'

**DO** try to stay calm and try not to feel guilty or afraid - even if threats are being made.

**DO** seek professional help for any health, emotional or family problems that may arise from the stress of having financial problems.

**DO** consider telling your family and friends as they may be able to help you – remember *'A problem shared is a problem halved.'* Let your partner know (if they don't already know) the situation, it may be a very difficult conversation, but this is essential, you need their support.

**DO** make sure that you are claiming all the allowances and benefits to which you are entitled. Millions of pounds in allowances and benefits go unclaimed every year and creditors will expect you to have considered all the options.

**DON'T** bury your head in the sand, the problem won't solve itself


**DON'T** borrow more money to pay off existing debts without getting advice (preferably professional and independent).

**DON'T** spend money on non-essential things.

## Obtaining Your Credit File (UK)


Your credit file contains important information that shows how you have conducted your financial affairs over the previous 6 years. It's this information that companies use to assess any applications you make for credit.

Under the data protection act you are entitled to see a copy at anytime and take action if you discover incorrect information on your file.

**Had credit problems or been refused?**
It is certainly worth checking your file if you have ever been refused credit or you live at the same address as someone (even a previous occupant) who has bad credit, as this shouldn't, but could be linked to you.

**Obtaining your credit file**
If you wish to obtain a copy of your credit file, there are three main credit reference agencies you can get it from. Starting at £2.00, you can either request a copy be sent to you or you can access it immediately online. The contact details are as follows:

| Experian Ltd | Equifax PLC | Transunion |
|---|---|---|
| Consumer Help Service<br>PO Box 8000<br>Nottingham<br>NG80 7WF | Customer Service Centre<br>PO Box 10036<br>Leicester<br>LE3 4FS | One Park Lane<br>Leeds<br>West Yorkshire<br>LS3 1EP |
| Tel: **0800 013 8888**<br>www.experian.co.uk | Tel: **0800 085 0650**<br>www.equifax.co.uk/ | Tel: **0330 024 7574**<br>www.transunion.co.uk |

**How to correct any errors/inaccuracies on your credit file**
Contact the appropriate creditor to dispute the incorrect item, as long as you have proof that the item in question is incorrect, it should be resolved quickly. If the creditor finds that the disputed information is indeed incorrect, the creditor is required by law to update its records both internally and with the credit reference agencies it deals with, usually within 28 days.

If you find an inaccuracy with one credit agency, you may want to get your credit file from the other two agencies to see if their reports contain the same error. After you've corrected an error with one agency, the other agencies *should* eventually receive the corrected information. But for prompt correction, it's best to contact each of the three agencies yourself.


**If You Cannot Resolve a Disputed Item**
You have the right to attach a 200-word statement, free of charge, explaining the nature of your disagreement. Your statement will become part of your credit file, and will be included each time your credit file is accessed.

**Adverse Credit Terminology**
If a borrower has a history of poor credit, this is often referred to as Adverse Credit, the common terminology is explained as follows:

**Arrears:** this describes the amount (of monthly payments missed) the borrower is behind with contractual repayments on current borrowing commitments.

**Bankruptcy:** protection order granted by court to a corporation, firm or individual who are relieved from paying all debts once assets have been surrendered to an appointed third party.

**County Court Judgments (CCJ):** is an adverse ruling by a County Court against a person who has not satisfied their debt payments with their creditors. Once the ruling has taken place it will be recorded against the person's credit history and will appear every time a credit search is done for the next six years making it more difficult to obtain credit.

**Default:** this is a failure of an individual to make payments on a formal credit arrangement at the required time or to not comply with the contractual requirements. The lender will place the account into default.

**Individual Voluntary Arrangement (IVA):** is a means of protecting yourself from your creditors by entering into a legally binding agreement supervised by an Insolvency Practitioner. Usually, a monthly instalment is paid over 5 years with the majority of the debt written off although in some cases a lump sum payment is made or a mixture of both.

**Repossession:** is where the Lender takes over ownership of the property, usually for non-payment of the mortgage and is accompanied by legal eviction of the occupants.

## Need professional help/advice?

As usual, I strongly recommend you consider the advice and guidance of a suitably qualified professional adviser or specialist charity (StepChange/National Debtline) for any debt advice you require. They will take you through a set process to establish your situation and then help you present a suitable solution to your creditors.

## Section 12 Summary

**Fastest way out of debt (5 steps)**
1. Stop taking on more debt, 2. List your debts, 3. Prioritise in rate order, 4. Pay as much as you can afford on the top priority and minimum on all the others, 5. Repeat until all debts cleared.

**Dealing with financial distress**
Don't bury your head in the sand, use the 8-step process and most importantly speak with your creditors, professional advisers and free debt helplines as necessary.

## Final Thought:

Financial distress is very common today (there are millions of people in this category) and nothing to be ashamed of. Remember, tough times don't last but you must take action quickly, get professional advice, talk to your creditors and work out a solution.

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"Poor is eternal, but broke is temporary. If you lose everything and yet, you're financially literate, you'll be able to build it again."***

Financial Literacy Section Number 13 of 17

## *Practical ways to help you create financial independence:*

# 'How to Build a Profitable Property Portfolio'

*They say "you can't go wrong with bricks & mortar" this one will show you why!*

***Luv Asha x***


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## How to build a significant property portfolio

If you study the rich & wealthy, you will notice a common feature ~ a large proportion have either made their wealth or hold the majority of their wealth in Property!

Since the turn of the millennium, investing in property has become very popular indeed as more and more people have discovered its true potential as an excellent way to achieve long term prosperity and financial freedom. However, this does come with a caveat; you need to have a robust strategy that can negotiate the odd credit crunch along the way as quite a few investors have found out!

Prior to this, there seemed to be a lack of understanding of property investment fundamentals amongst the media and most financial advisors, who generally preferred paper based assets (e.g. stocks, bonds, gilts) over property as it appears far more lucrative. On general performance this is an easy mistake to make.

**However, take a look at the following (fictitious) table and decide which is the best performing market for investment?**

| Investment | Annual Return |
|---|---|
| UK Housing Market | 10% |
| Gold | 11% |
| FTSE 100 Index | 12% |

On face value the FTSE 100 Index looks like the best return. This is correct when comparing the returns of each individual market, but when you compare the **actual capital put in**, the UK Housing Market wins by a mile when you use the principle of **leverage** (our good friend from section 6 😊).

### Let me explain:

Imagine a scenario where **you have £100,000 pounds to invest** and are considering both the stock market and the property market and looking for the best return.

Let's explore both markets using 3 comparison based 2-part questions and we'll also use the '**money tree**' graphic to add some fun (refer to section 4 if you a recap):

### ***Part 1.***

***1a. How much stock (shares) could you buy for £100,000?***

This is not a trick question by the way, with the stock market if you have £100,000 you can buy exactly **£100,000 worth of stock**. (For any seasoned investors, please ignore buying on margin).

***1b. How much property could you buy for £100,000?***

**£100,000 money tree**

You could buy just 1 property worth £100,000 for cash.

**However:** as the banks will lend money to buy investment property you could take your £100,000 along with some bank lending and buy a lot more.

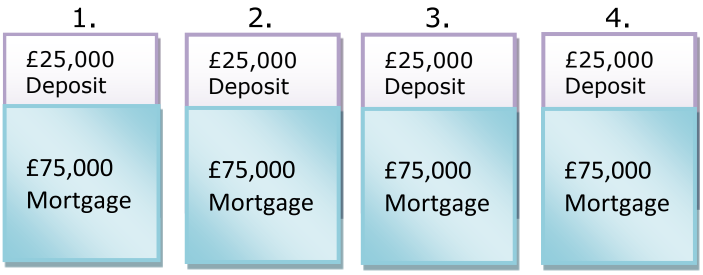
As they'll generally lend up to 75% of the purchase price (sometimes more) for investment property and you have some big investment ambitions, you could choose to split your £100,000 into 4 separate £25,000 deposits and purchase 4 x £100,000 properties using a £75,000 investment mortgage on each (total of £300,000 in mortgages).

*You then use the rental income to pay the mortgage, insurance and taxes and keep what's left. As you know from section 6, this is called **Leverage**.*

***Debt!** This may seem a little daunting, acquiring a £400,000 worth of property with £100,000 cash as it leaves you with a £300,000 mortgage debt!! How the hell are you going to pay the interest on that?*

***The answer** - the rental income generated, pays the mortgage interest. Of course, you would need to do your homework first and make sure the potential rental income and property are both viable for investment (good investment fundamentals) and you have contingency plans in place (more on that later).*

**So, you now own £400,000 worth of property using the same £100,000** you started with, (n.b. I'm keeping it very simple for explanation purposes, there are other costs associated with buying property as I'm sure you know).




Result**; You now own £400,000 worth of property**

By using 75% mortgages we've managed to multiply (leverage) our 'money tree' acquisition ability by a factor of 4!

***Direct Comparison:***

1a. Amount of stock you can purchase for £100,000 = **£100,000**

1b. Amount of property you could purchase for £100,000 = **£400,000**

## ***Part 2.***

***What would be the value of both your stock portfolio and property portfolio after 10 years if both markets doubled in value?***

**A. Stock portfolio:** Your £100,000 invested in the stock market would now be worth **£200,000** a gain of £100,000 (happy days)**.**

**B. Property portfolio:** Your original property portfolio of £400,000 would now be worth **£800,000** a gain of £400,000 (very happy days) with the original mortgage liability of £300,000 still in place.

***Direct Comparison:***

2a. 10-year stock portfolio value = **£200,000** representing a **100% return** on your original £100,000 capital.

2b. 10-year Property portfolio value = **£800,000** (£400,000 gain) representing a **400% return** on your original £100,000 capital.

## ***Part 3.***

***3a. What happens to the stock portfolio if you need to take out your original £100,000?***

You have no choice but to '**sell**' £100,000 worth of stock.

***3a. What happens to the property portfolio if you need to take out your original £100,000?***

You could sell one of the properties now valued at £200,000 to give you the £100,000 required or you could (subject to lenders approval and criteria) refinance the portfolio and raise another £100,000 so the total mortgage across the portfolio now increases from £300,000 to £400,000. However, this preferred strategy allows you to maintain the whole £800,000 asset.

***Direct Comparison:***

3a. **£100,000 worth of stock sold**, new stock portfolio **value = £100,000**

3b. **£100,000 worth of finance raised increasing debt to £400,000**, property portfolio current **value is still = £800,000**

I think you'll agree property investment, if you know what you're doing (revealed in detail later) is significantly better than the stock market due to the financial principle of **LEVERAGE** and the ability to refinance it to raise further capital!

**Leverage through the use of buy to let mortgages allows you to multiply your asset acquisition ability!**

***Once again, we're only funding a part of the asset acquisition (in this example; 25%) but benefit from 100% of all the future growth☺.***

***Now imagine if you can get the actual asset to compound at a decent rate. Wait until you see the historical numbers!***

Multiplying our ability to acquire assets through the principle of leverage is the key to significant wealth creation if done intelligently and diligently with the proper research and knowhow (all will be revealed).

**Understanding the investment strategy**

Can you see how financial advisers would lose the argument regarding which market (property or stock) is a better long-term option based on the above questions? The mistake they make as many people do is to look at the market as a whole and not the investment strategy.

***Here's how;*** *they may look at data and see the property market is set to grow at 7% per annum for the next 10 years whilst the stock market is going to grow at 10% per annum for the next 10 years. As a direct comparison the stock market appears to be a better option (and would be if we bought the property outright for cash), however, when we use leverage to buy property, we multiply the return on our actual cash invested!*

**Safe & secure**
Because property is seen as a very safe and secure form of investment by the lending institutions, you can use mostly their money to buy it and build your wealth much quicker. Conversely, try and borrow money to purchase stocks, bonds, precious metals, antiques etc, and you'll meet a lot of rejection!

**Slow process initially**
You could of course, do this process slowly and save up your money to buy an investment property outright or you can leverage other people's money and do it much quicker, this is what shrewd property investors do!

Buying your first investment property make take a while but it is however, possible to buy property with none of your own money, more on this later!
For now, I want to explore the growth potential to get you excited and hopefully motivated.

**Leverage allows you to accelerate your wealth through property using Other People's (banks) Money ☺!**

**Use further leveraging (refinancing) to explode the potential future growth of your portfolio.**

As your property grows in value you can refinance the growing equity to buy further properties and build up the portfolio.

E.g. if the original £400,000 property portfolio in the example we used, has increased to say £500,000 in the next 3 years, you can borrow against the £100,000 growth.

Let's say you refinanced 75% of the £100,000 growth, you would have another £75,000 to invest (this is subject to surveys and the banks' lending criteria) with the potential to purchase another 2 or 3 properties.

As your portfolio grows in value so does your investment potential as you can keep refinancing the new value to re-invest or spend as you wish. The most important aspect of all this is that you retain your asset(s) which means you retain all of the future growth potential.

This very method is why a lot of rich people became rich, they steadily built up their portfolio by refinancing and buying more when the market allowed them to.

They say, **don't wait to buy property, buy property and wait** and when you understand the average UK annual growth over the last 80 years or so, you'll understand why.

**Property is a long-term game but also very predictable.**

Property investing is a long-term game and the greatest benefits are obtained in the later years, you can make good profits in the short term in a booming market otherwise it's a risky strategy.

Over the last 80 years property values in the UK have risen by **almost 8% per year** (7.9% to be precise) and that's including the recent credit crunch. Baring a meteor strike or nuclear holocaust most property experts agree that property will continue its very predictable long-term path of yielding around 8% per annum.


This may seem harder to believe following the credit crunch in 2008-09 but the historic figures include several property market slumps.

## Let me introduce you to the 'Rule of 72' (you'll like this!)

Here's some useful knowledge to determine how long it will take to double the value of an asset based on a specific **average** rate of return.

Starting with the figure 72, simply divide it by the **average** rate of return you are achieving, and the answer will tell you how many years it will take to double. E.g.

- a 6% average growth rate will take 12 years to double (72/6 = 12 years)
- a 10% average growth rate will take 7.2 years to double (72/10 = 7.2 years)

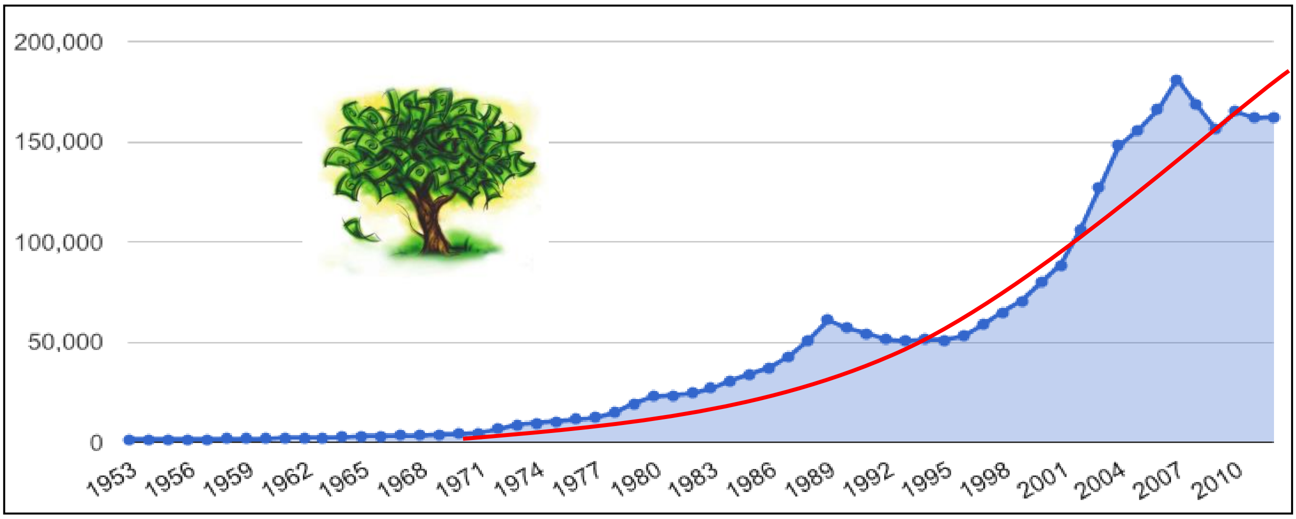
**So, using the rule of 72**, to get an investment property to double in value say every 10 years (as per the example in the previous section) we would need the property to grow on average at 7.2% each year for the next 10 years.

We already know UK property historically averages almost 8% annual growth so under the rule of 72, this means its **doubles in value, on average, every 9 years!**

You should be getting excited!

For simplicity, let's round it up and assume UK property doubles in value every 10 years.

**Let's now double check the data**…here's the Nationwide's House Price Index graph again showing average UK property values over the 65 years between 1952 - 2017:




*N.b. the red line isn't part of Nationwide's graph; I've added it for illustration purposes to represent the property market average throughout the booms & busts.*

A lot of people have a problem accepting (probably includes you too?) that property could grow say 8-fold (800%) in the next 30 years meaning todays £100,000 property will be worth £800,000.

I'm now going to dig down into the data and prove it does and more importantly, why it is expected to continue this growth path.

If it doubles every 10 years, then over the last 60 years that means property would have followed this pattern throughout the market cycle ups and downs:

- After **10** years ~ **2** x (double) it's original value
- After **20** years ~ **4** x (quadruple) it's original value
- After **30** years ~ **8** x its original value
- After **40** years ~ **16** x its original value
- After **50** years ~ **32** x its original value
- After **60** years ~ **64** x its original value

So that's 32 times its original value in 50 years and 64 times its original value after 60 years, impossible, surely? Let's dig down and see:

1. We'll recap on the average value increase and percentage growth **every 10 years** from 1952 - 2012 which is as follows:

   1952 (£1,888) ~ 1962 (£2,617) saw an increase of £729 or **38.61% growth**
   1962 (£2,617) ~ 1972 (£6,960) saw an increase of £4,343 or **165.92% growth**
   1972 (£6,960) ~ 1982 (£24,851) saw an increase of £17,891 or **257.05% growth**
   1982 (£24, 851) ~ 1992 (£51,815) saw an increase of £26,964 or **108.50% growth**
   1992 (£51,815) ~ 2002 (£106,407) saw an increase of £54,592 or **105.36% growth**
   2002 (£106,407) ~ 2012 (£162,722) saw an increase of £56315 or **52.92% growth**

**Apart from 1952 – 1962 (38.61%) and 2002 – 2012 (52.92%), every other 10-year period shows an increase in excess of 100% demonstrating that property prices effectively double on average every 7 – 10 years.**

The last 10-year segment between 2002 – 2012 shows only a 52.92% increase but that period also contains the biggest property slump (2008/09) in history! As I write in late 2021, the average UK house price is around £270,000 according to Halifax property services. This represents a 66% increase between 2012 – 2021.

**FUTURE POTENTIAL**: Let's assume UK property continues its very predictable path moving forward and average 7.2% annually for the next 30 years and you managed to purchase the right investment property now (easy when you know how) for £100,000 using a 25% deposit:

After **10 years** it would be worth **£200,000**…

After **20 years** it would be worth **£400,000**……….

After **30 years** it would be worth **£800,000**…………………..

**Wow, just imagine if property averaged 7.2% annual growth and you planted several of these money trees in the next few years!**

**Remember: average historic rate of growth for UK property = 7.9% per annum**

This is based on the land registry data spanning the last 80 years (please research this if you doubt it), if we look at the last 60 years it goes above 8% so let's work on **8%** as an average.

**Here's how the value of £100,000 would increase at a consistent 8% annual growth;**

End of year 1 value at 8% growth = £108,000
End of year 2 value at 8% growth = £116,640
End of year 3 value at 8% growth = £125,971
End of year 4 value at 8% growth = £137,308
End of year 5 value at 8% growth = £148,292
End of year 6 value at 8% growth = £160,155
End of year 7 value at 8% growth = £172,967
End of year 8 value at 8% growth = £186,804
End of year 9 value at 8% growth = £201,728

The property doubles in value in 9 years based on the historic average UK growth meaning the property sees 100% growth in 9 years.

However, we've only put in £25,000 in the example and gained £100,000 in growth which equates to **400% return in 9 years on the actual cash deployed.**

When we break it down on an **annual** level, the actual return is **32%** on our actual cash invested, here's how:

$$\frac{\text{£8,000 growth}}{\text{£25,000 cash invested}} = 32\%$$

We know property moves in cycles, but we also know it consistently averages 8% annual growth over time and we also know we can easily get 75% leverage on each investment property; therefore, the real return on our actual cash deployed is 32%.

***Warning*** *– there are no guarantees, the numbers are based purely on historical market data which indicates the same growth is expected to continue indefinitely based on the UK market fundamentals. It is vital that you always do your homework, use specialist advice as necessary and preferably play the long game as property becomes more predictable over the longer term.*

You should be getting excited by this, there are no tricks to it, this is the simply the reality of good property investment, that very few fully understand ☺!

**Let's get a bit more conservative:**

**Conservative**: let's drop the average annual growth rate to 7% instead: your £100,000 property would be worth just over £196,000 in 10 years and just under £387,000 in 20 years!

**How about just 5%:** after 10 years it would be worth just over £162,000 after 20 years it would be worth just over £265,000 and for curiosity's sake, after 30 years it would be worth just over £432,000

Do you think an asset valued at £250,000 plus in 20 years from an initial input of £25,000 is a decent return on investment?

***What if you did this multiple times?***

***What if you could buy it now with none of your own money?***

**Let's just explore 5% growth and put this into perspective:**

Assuming you bought a £100,000 property with leverage by using a £75,000 mortgage and a £25,000 deposit of your own money (as mentioned it's possible to do it for nothing – will show you later).

If the property averages only 5% growth over the next 30 years (even though property historically averages around 8% growth), your £100,000 investment property would be worth £432,000 in 30 years' time.

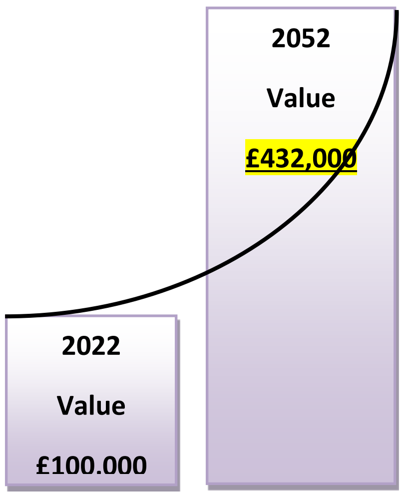
**Result:**

**At 5%, you've gained £332,000 in equity from a £25,000 input.**

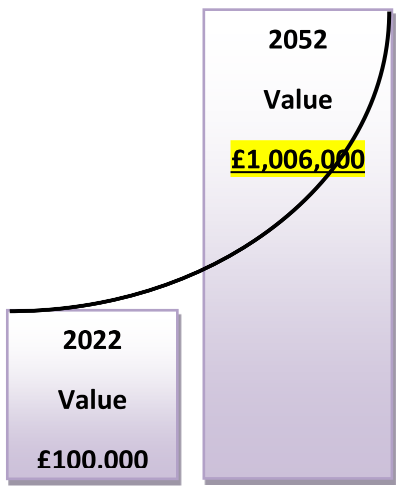
**At 8% average return over 30 years, your £100,000 property would be worth a staggering £1,006,000 from a £25,000 investment.**

Unfortunately, inflation is going to vastly reduce the spending power over the proceeds over 30 years, however, **if you did this once, why wouldn't you do it 2, 3 or 5 times???**

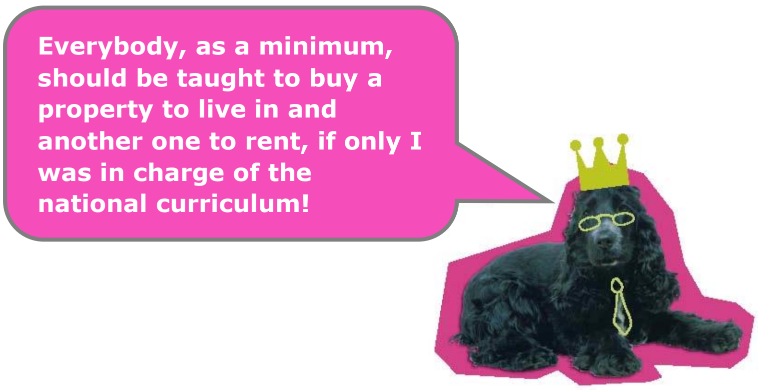
Here's a snapshot of 5% & 8% annual growth respectively.




5% Average Growth (30 years)




8% Average Growth (30 years)



## Getting started in property investment

As mentioned earlier, most lenders who lend on UK investment property will actually lend 75% - 80% of the property's value, so you only have to find a 20% - 25% As this is still a fair amount of money to find, many investors start by using releasing some of the equity in their own home (assuming they own it). This is fine as long as the additional cost of borrowing the deposit money is factored into the investment calculations to make sure it's affordable and most importantly, you know what you are doing.

### Will the lenders lend to you for investment purposes?

You are probably thinking no lender would even consider lending me the £400,000 on my income, even if I did have the £100,000 deposit!

The good news is, is doesn't work that way; as long as your income is sufficient to cover your existing residential mortgage & any personal credit commitments you have at the time (and your credit rating is reasonable) the answer is generally yes, as the lender will assess the property as a self-funding investment from the potential rental income.

- Lenders base their lending decision on the potential monthly rental income as specified in the surveyor's report. The lending criteria will be something along the lines of: anticipated rental income must be 125% of monthly mortgage payment,

- E.g. if the investment mortgage payment is £400.00 per month the minimum anticipated rental income (as assessed by the surveyor) must be £500.00 (i.e. 400 x 1.25).

## 3 strategies to obtain investment property for FREE

*By free I mean, none of your own money left in at the end of the project, (i.e. you put it in and then get it back out within a few months) or you don't have any money at all to use for a deposit or the worst still you have bad credit and no money. We have them all covered ☺.*

### Strategy 1: buy, refurbish and remortgage (recycling your cash).

The strategy is used by many experienced investors to acquire investment property essentially for free as they have none of their own money left in the deal within a few months of completion.

This is where you look for a property that you can get well below its market value and needs some degree of refurbishment allowing you to also increase its value. It's absolutely crucial that you do your due diligence to make sure you are confident of the figures, and they work on paper, before committing to the project.

**Example** (n.b. the letters in brackets refer to the table on page 137): Let's say you negotiate well on a property listed at £100,000 and you get it for £85,000 knowing that with a £6,000 (B) refurbishment it will value for £120,000 as you have identified similar properties (in great condition) being valued for that in the same area.

**Phase 1:** You purchase the property with an 80% mortgage (using an experienced broker) borrowing £68,000 (G) and use £17,000 (A) deposit from your own funds, you choose a mortgage with no or small redemption penalty (F) as you will only have it for a short period. You factor in the associated costs [Legal (C), Survey (D)] and complete on the property.

On completion you immediately start the refurbishment to bring the property up to its refurbished value of £120,000 ready to let.

**Phase 2:** At the first opportunity to remortgage (generally 6 months after completion), you remortgage the property against its new value of £120,000, borrowing 80% which is £96,000 (I).

From the £96,000 advanced, you pay back the original mortgage of £68,000 (G), get your original £17,000 (A) deposit back, the £6,000 (B) refurb costs back plus other related costs [legal (C), survey (D), mortgage payments during refurb (E)]. Here's a list of all the project costs assuming the refurb project takes 6 months:

| Phase | | Total Money Outlaid | |
|---|---|---|---|
| 1 | A | A Deposit (20%) | £17,000 |
| 1 | B | B Refurbishment | £6,000 |
| 1 | C | C Est Legal fees (2 mortgages) | £1,400 |
| 1 | D | D Est Survey fees (2 surveys) | £700 |
| 1 | E | Est Mortgage payments (6 months) | £1,600 |
| 1 | F | Est (first) Mortgage exit fee | £1,250 |
| | | **Total** | **£27,950** |

| Phase | | Getting Your Money Back Out | |
|---|---|---|---|
| 2 | G | Initial Mortgage to be repaid | £68,000 |
| 2 | H | Total Outlay to be repaid | £27,950 |
| | | **Total to pay** | **£95,950** |
| | | | |
| 2 | I | Second Mortgage Advance | £96,000 |
| 2 | | Surplus after £95,950 repaid | **£50** |

In this example you would need to have £27,950 available to fund the deposit, refurbishment costs and associated purchasing and mortgage costs. On completion you get all of your outlaid money returned to you plus an additional £50 meaning none of your original money is in the project…**it's now FREE and a nice asset for your future.**

Of course, it would be very wise to set aside a contingency pot to cover any void periods or maintenance problems.

You have effectively recycled your cash ready to do it again on the next deal! If you could do this (with some expert guidance & mentoring if you wish) once, **how many times would you do it?**

**Did you get all that? Don't worry if it all seems a lot to take in. Knowing that it's possible (to get you motivated) and that there are experts to guide & help you, is what's important at this stage!**

**Warning**! You do need to be careful that you don't go over budget or the project doesn't overrun as this will eat into your costs, it's always advisable to have a contingency for unexpected costs. It is paramount when taking on a project like this that you do your due diligence on the figures and seek professional advice where necessary before commencing, otherwise you could end having to leave a lot of your money in the project.

**Best bit…**if you can make a project like this example work and get all your money back out (and perhaps more), there is nothing stopping you repeating this and building a portfolio with the same initial funds**…food for thought!**

**You're not alone…** I just want you to remember there are plenty of experts and professionals who can help, advise and mentor you, it's a team game!

## Strategy 2. No funds and deposit available

Another strategy used occasionally by experiences investors to purchase without even needing a deposit is what is known as a bridging purchase.

Assume a £100,000 valued property, a typical deal works like this:

Property negotiated for £65,000 (65% of its true market value), in case you are wondering, 35% discount is achievable with the right knowledge (strategy), research and persistence. There are 3 steps as follows:

**Step 1:** Bridging finance arranged for £65,000 (65% of the true market value).

**Step 2:** Remortgage arranged for £75,000 (75% of the true market value) after property owned for 6 months (lending rules).

**Step 3:** After 6 months, the £75,000 remortgage advance is used to pay back the bridging loan and interest due along with any legal fees.

**Result**: Property now owned without using a deposit, the £10,000 (10%) difference between the £65,000 bridging amount and the £75,000 remortgage amount covers the bridging finance interest and associated costs (arrangement fee, legal fees, survey fees).

This is a very specialist method and only works on a few deals as the percentage of bridging funding available is generally limited to around 65% - 70% hence the big discount required.

However, with the right knowledgeable professionals (solicitor, buy to let specialist, mortgage adviser, experienced mentor) around you, there is no reason you can't use this method when the right deals come along, to **build a portfolio starting with no money.**

## Strategy 3. No funds/deposit available and existing bad credit.

Sounds impossible, not if you have the desire and right knowledge!

To obtain a buy to let mortgage you need good credit so if you have poor credit that is currently preventing you from getting the required mortgages, the standard and free strategies previously mentioned will be unavailable to you for now (until credit repaired).

However, there is still a way (until credit repaired), known as **bridging buy to sell**.

Let's use the same example as the first strategy in that you have negotiated a £100,000 property for £65,000 (65% of its true market value).

As soon as you own it you put it on the market and sell it, you price it at £95,000 and sell for £92,000 for a quick sale and after all costs [£72,000 ~ (£68,000 bridging capital & interest, £2,000 agents fees, £1,000 legal, £1,000 broker fee)] you are left with £20,000 cash.

You don't get to keep the property, but you just made £20,000 (which is subject to capital gains tax by the way). If you did it once you could do it multiple times until your credit is repaired and then you can start keeping a few.

**That's no cash, poor credit and you've just bought & sold a property ☺!**

Are you getting excited yet?

## It's all about knowledge and doing your homework

This is a very important aspect and means considering all of the factors involved with the transaction before you can make a decision to put in an offer; i.e. potential rental income, rental demand, location, amenities, property type, price etc.

If the figures stack up then make an offer, the most crucial piece of advice I can give you about the whole subject of investment property is:

### Always look for the right fundamentals

If you are buying an investment property to let for the long term it is very important that you buy property with the right fundamentals (characteristics) so that it has broad appeal to most potential tenants and also has the potential to grow significantly over time and become a big asset for you.

The **5 key property fundamentals** to attract good tenants and good rental incomes and also maximise the potential capital growth are as follows:

**1. Schools, 2. Shops, 3. Transport, 4. Employment, 5. Investment.**

The property needs to be near **schools** and **shops** as tenants want nearby amenities. In addition to this we want good **transport** links to the area and good **employment** in the local vicinity as both attract more people to the area.

In addition to this, we're looking for **investment** in the area from industry or local/national government (which maybe in the form of regeneration) as we are looking for areas on the rise that will attract people and affluence to create solid growth in the near future.

***After finding a potentially suitable property, let your calculator make the final decision to purchase and not your heart (those emotions do funny things to you!). Remember, you are not buying the property to live in but as an investment.***

**You make the profit on the buy, not the sell**

If you can purchase a property below its true market value, you have made a profit the day the property is legally yours, this profit is pretty much guaranteed if you're investing for the long term, the only exception is if you are forced to sell it in a property downturn.

**Have you missed the boat?**

With the huge growth seen in the UK property market since the turn of the millennium followed by the subsequent economic downturn, it may seem like the 'boat has already set sail' for new property investors as the best time was 10 – 20 years ago.

You often hear phrases along the lines of *"If only I had bought that second property 5 years ago when it was worth £…."*

The point is, the property market, like all markets, is cyclical, it **always** goes in cycles, but as discussed earlier, if you look at it on a graph over a long period of time (say, the last 40 years) you will see it actually rises on average at a very smooth and consistent rate.

**Today's prices will seem high (compared to the past), but they will also seem like a bargain a few years down the road – <u>don't forget this</u>!**

**Consider this:** property historically doubles in value approximately every 7 – 10 years, after every price boom everyone says it won't happen again, yet it always has to date!

**If you're serious, jump on the boat sooner rather than later!**
*There will be a continual stream of 'investment property' boats passing by, the last one will always seem better than the current one, if you want to get to the other side where the money is, you are going to have to jump on one of them. With every boat that passes, the money potential waiting for you slightly reduces, when you do jump on one, you'll soon find yourself at some point, waving back towards the shore at all the other people who wish they had jumped on with you.*

## Other reasons to invest in property:

- They aren't making any more land so the price of land and property always has increased over time and (if history is anything to go by) is expected to continue.
- We keep making babies and increasing the population and as everyone needs somewhere to live, the demand for more property will result in increased property values over time.
- The UK government has announced on several occasions that there is a growing national housing shortage as there aren't enough being built each year to meet the growing demand (i.e. a growing population, increased immigration and more people than ever living on their own). This will also fuel the long-term increase in land and property values based on the law of supply and demand.
- The rental income is basically index linked (the market sets the general price), you can increase it as you see fit, tenants will expect rent to increase periodically, just don't get too greedy.

## Tax issues

Unfortunately, the tax man wants his slice of your property wealth (no shock there!), the tax issues relating to investment property to consider are as follows:


**Income tax:** you are taxed on your rental income profit from the property, this is derived from totalling up your rental income and deducting any legitimate expenses (mortgage payments, maintenance, insurance etc). Any profit is then added to your other income (salary etc) and taxed at the prevailing rate.

**Capital Gains tax:** you are only taxed for capital gains purposes when you sell an investment property for a profit where the profit is above your personal allowance. Only the gain in profit is taxable, e.g. if you purchase a property for £80,000 and sell it for £100,000 you are liable for tax on the £20,000 gain after deduction of selling costs.

However, there is no capital gains tax to pay if you never sell meaning you can continue to receive the rental income and potentially withdraw lumps sums (subject to criteria) of equity for personal use.


**Tip:** if applicable, consider buying investment property jointly with partner as this allows you to use both your capital gains and income allowances to reduce any tax liability. With a little knowledge of the tax laws (from accountants, research) you can reduce any tax liabilities to an absolute minimum or nil. Before you get involved, seek professional advice first.

You can find all the latest rates and calculators online, search for HMRC property tax.

## Wealth creation is a team sport, grab all the help & advice you need!

**There are plenty of property experts out there who have been in the industry years. My advice, consider those with a provable track record of success as their knowledge, expertise & advice is worth its weight in gold!**

### Specialist help and professional advice


With the huge potential in property, you don't have to figure it all out as there are reputable services that can help you.

You can learn how to do it from professionals and be mentored along the way or you can engage professional services who will do it all for you for a fee.

Here's a guide to the types of service available:

**Property investment specialist services (i.e. you learn how to do it):**

**1. Building a portfolio with limited funds:** This is based on strategy 1 from page 136 where you'll learn how to recycle your pot of cash and slowly build a portfolio.

**2. Buying property with no money:** This is based on strategies 2 & 3 from page 138 where you'll learn how to identify the right sort of property, how to negotiate the right price and how to purchase it with other people's money.

**3. Building a passive income without actual ownership:** I haven't touched on this one during the section, however with this one you'll learn how to create a passive income from the rental income without actually needing to own any property.

**Cost:** There of course is an initial outlay for these type of services as they all involve spending time with you to educate you and teach you how to do it yourself by replicating what they do. They all provide ongoing mentoring for as long as you require it.

**Property investment passive specialist (i.e. you have it all done for you):**

**4. Building a portfolio for long term capital growth:** If you have the funds but don't have the time or inclination to do it yourself, this type of service will build it all for you, for a fee.

**5. Building a portfolio for immediate passive income:** If building short term passive income from ownership is more important (than capital growth), this service will do it all for you by maximising the rental potential of each property using what is known as a multi-let strategy.

To look further into these types of specialist property services, search online for 'buy to let courses' or 'buy to let education.'

## Professional help and advice

The nature of property investment means you will need to engage and use certain professionals such as specialist mortgage advisers and solicitors. Depending on what strategy you are looking at, you may need to assemble other professionals such as letting agents and bridging specialists. Take your time and seek out experienced professionals with track records in property investment related transactions.

**The following professionals can all help you with the different aspects:**

- Buy to let mortgage advisers (mortgage and insurance needs).
- Bridging specialists (bridging needs)
- Accountants (taxation needs).
- Estate agents (sourcing deals and local knowledge needs).
- Letting agents (rental and local knowledge needs).
- Solicitors (conveyancing needs).

## Section 13 Summary

**The benefit of leverage**
Because banks are generally happy to lend against investment property, you only need to fund a part of the acquisition price but benefit from 100% of all the future growth ☺.

**Average UK annual growth**
The UK property market is very predictable over time and has averaged an annual growth rate of 7.9% over the last 80 years which means the average property doubles in value approximately every 9 years.

**Combine the 2 magic money multipliers**
Property allows you to leverage the purchase as you only need a deposit to acquire it and then benefit from the full increase in value as it compounds in value over time.

**Strategies to buy property for FREE**
Through specialist strategies: you can recycle your funds through each property and own multiple properties with one pot of money. You can buy and own property(s) with no money available. You can even buy and make a profit with no money and with poor credit.

**Warning!!!**

**The potential with investment property is huge over the long term as history shows it is very predictable. However, it is not necessarily easy to do and very easy to make mistakes until you become proficient.**

**This section is there to motivate you. Always proceed with caution, take your time (<u>it's a long-term game</u>), know your numbers and use professionals as required.**

### Final Thought:

**Knowing what you now know**: if you could go back 20 years to 2001 and had the means to buy an investment property or two (which rental income pays for) even though it would have been hard to believe property prices are expected to go crazy between 2001 - 2021, would you do it? **The balls in your court!**

***Wishing you all the best,***

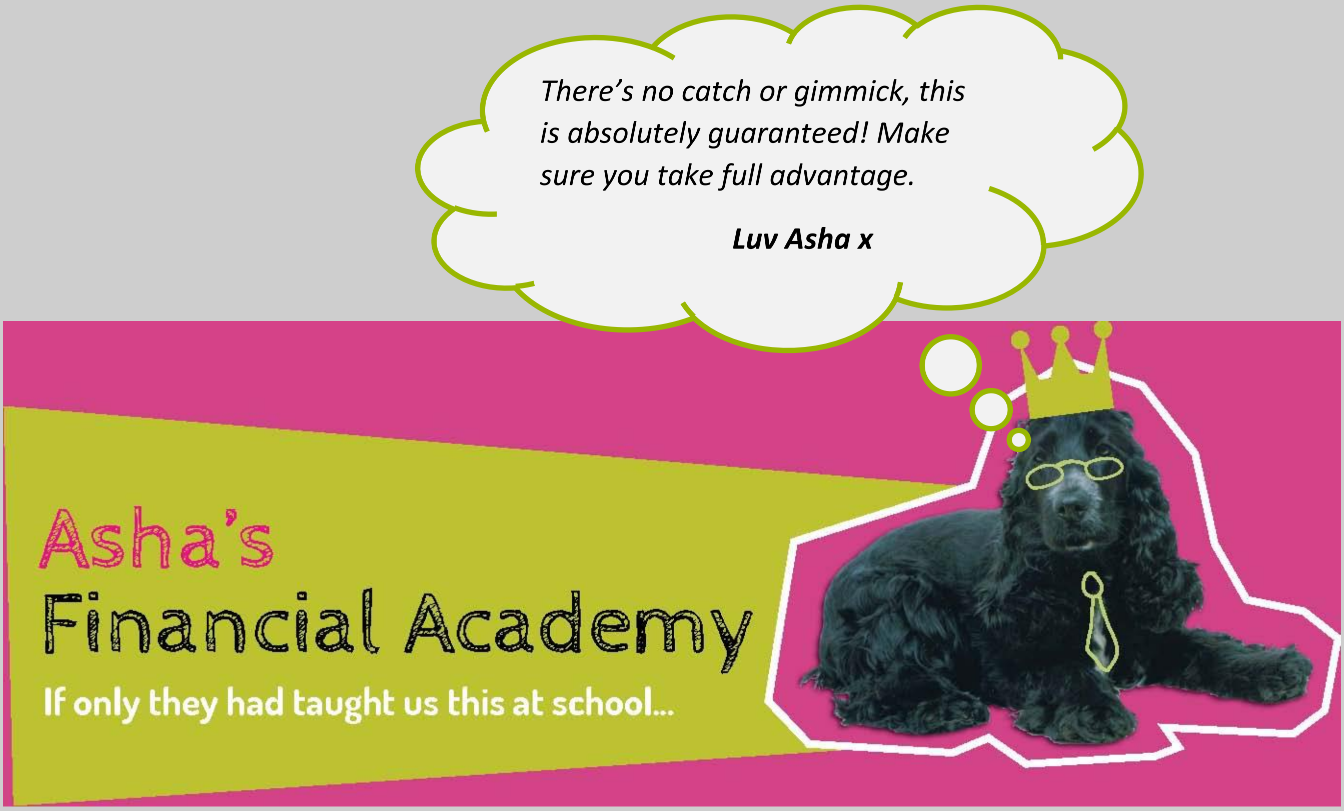
**Asha x**


### *Final Word:*

***"There will always be booms & busts, the trick in a bust, is to buy instead of sell, don't panic"***

## *Practical ways to help you create financial independence with:*

# 'How to Get a 25% Guaranteed Risk Free Investment'




*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## How to Get a 25% Guaranteed Risk Free Investment (UK)

That's a cast iron guarantee by the way, backed by the UK government, and that's just the start (this is based on the UK only, however most countries offer similar schemes).

If you're a higher rate taxpayer; **the guarantee increases to 66%!**

**Do you want to know how to get it….???**

**Drum roll….**

**Just pay into some form of private or company pension scheme, that's it!**

Hope you weren't expecting something more dynamic!


## Pensions boring? You've got to be kidding me, right?

First, here's a little secret….. **only the uneducated think pensions are boring**.

A pension plan is simply a savings plan with certain rules and some very nice tax incentives (and that's what I want you to fully embrace).

We'll get to the sexy stuff shortly, first of us let's talk about reality:

**How do you fancy the idea of living on about £150 per week (based on today's value) when you retire?**

That's pretty much the prospect facing you with a UK state pension unless you make other pension arrangements via a personal pension plan or company pension scheme. It seems unfair that for most people the biggest holiday of their lives (retirement), is accompanied by the least amount of income they've ever had.

**Did you know…**

There is no actual state pension fund, this is because the government operates a 'pay as you go' system. This means today's workers via the national insurance contributions (NIC) system, are paying for today's state pensions. The Demographics of this mean there is a serious problem ahead!

The problem is, on average, people are living longer and the ratio of workers (making NIC's) to pensioners (receiving a pension) is constantly reducing. Therefore, the amount being raised (NIC's) is reducing yet it will need to pay an ever increasing pool of state pensions, this is known as the **'demographic time bomb'**.

In other words, the UK NIC pot won't be able to meet its obligations at some future point. So, the government is attempting to combat this by increasing statutory retirement age, making auto enrolment compulsory (i.e. every employer must now provide a scheme for employees) and making private pensions more accessible. This is all being done to encourage everyone to take matters into their own hands and not rely solely on the state pension.

## Some basics before we get into the good stuff.

**What is a pension?**
Put simply, it's a tax efficient savings wrapper in which to accumulate funds to provide an income in retirement or a pot to spend as you wish. What makes it different to a standard savings wrapper (e.g. ISA) are the rules that govern it, which effectively state the funds can only be utilised between certain ages. Prior to 2015, the final pension fund had to be used to create a retirement income but now there are more choices.

**How it works:**
With a standard pension you contribute to the fund whatever you can (there are limits based on your earnings at the time) until you're ready to take your pension. The fund is invested over this same period by the pension provider based on your instructions.

When you're ready to retire, you can have up to 25% of the fund as a tax free lump sum (anything else taken as cash is subject to tax) and then use the remainder to buy an annuity which then provides you with an income for life.

## Let's talk about the good stuff (and how to get 25% guaranteed)!

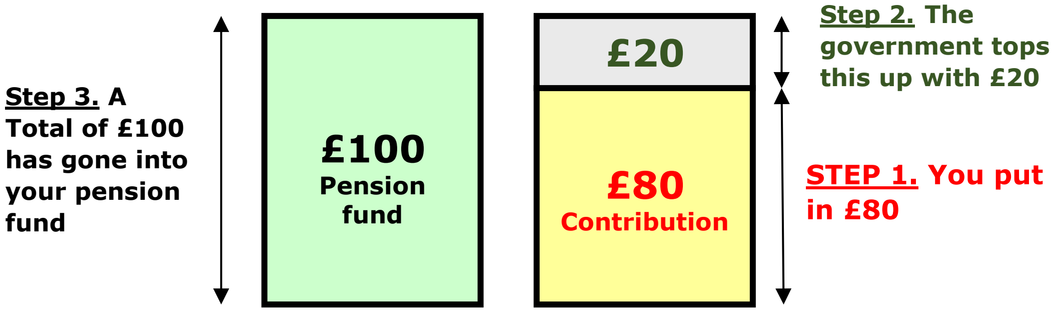
When you receive your salary, you are taxed at source and receive what is known as 'net income' to spend as you wish.

To encourage you to put money into a pension scheme the government will give you the tax back on the amount you contribute. This is known as tax relief on contributions or grossing up.


**Let's assume you are a basic rate taxpayer (20%) and have £80 a month spare and you are thinking of putting it into a pension scheme.**

If you just spent it every month, you would just get £80 pounds worth of buying power, however if you put it into a pension scheme, here's what happens:

**Contributing £80 into a pension fund:**



**You now have a balance of £100 in your pension fund (which is a 25% return) and have only contributed £80.**

**Where does the 25% return come from:** the government is contributing in effect 20% of the total combined fund (**£20**/**£100** = 20%), however, the return to you the pension holder is 25% based on the actual contribution you invested (**20**/**80** = 25%).

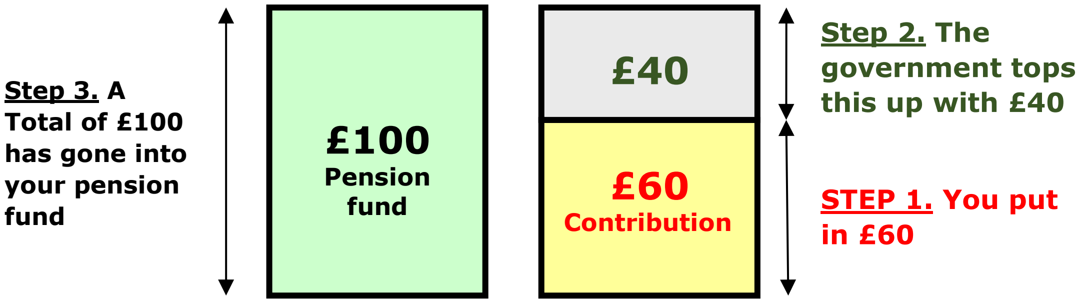
Where else can you get a 25% return on your money with a government backed cast iron guarantee?

***Let's put this another way: For every £100 you wish to have into your pension fund, you only need to put in £80 and the Government will put in the other £20 for free!***

Think of it as FREE money because if you just spent it, it's worth just £80 and gone forever. But if you contribute to your pension fund, it automatically becomes £100 with the potential to become much bigger (from good investment within your pension fund) for your future benefit.

## What about if you are a higher rate taxpayer (40%)?

**To keep the maths simple, we'll assume you want to contribute £60 a month.**




**Where does the 66% come from:** the government is contributing in effect 40% of the total combined fund (**£40**/**£100** = 40%), however, the return to you the pension holder is 66.66% based on the contribution invested (**40**/**60** = 66.66%).

Where else can you get a 66.66% return on your money with a government backed cast iron guarantee?

If you are an additional rate tax payer (currently 45%) you actually get the equivalent of 81.82% return on contributions you make.

***Notes***

*You automatically get the 20% tax relief contribution as a basic rate taxpayer and have to reclaim the other 20%/25% direct from HMRC or through your tax return if you are a higher or additional rate taxpayer.*


*You only get this tax relief benefit **once** at the time of the contribution, but nevertheless, if you're getting 25%, 66.66% or 81.82% on every single contribution and then the pension fund invests it wisely, you have the foundations of a very good future pipeline of income!*

**Summary**, every single pension contribution you make is being automatically topped up by the government to give you a return on your actual contribution of 25%, 66.66% or 81.82%

respectively (n.b. the 3 tax thresholds of 20%, 40% & 45% are correct at the time of writing in late 2021).


## Even more FREE money for your pension pot

If you're in a company pension scheme where your employer contributes a certain percentage or matches whatever you contribute, ***take maximum advantage*** as ***your employer is effectively giving you free money to invest*** in your pension pot too.

Can I also suggest that if you get a pay rise or promotion, stick a part of this increase into your pension contribution too, its money you've never had so you won't miss it. This is simply financial intelligence!

**Pay careful attention!**

Let's say you are contemplating putting an extra £40 a month in your pension over the next 25 years which would be a total of £12,000 contributed from your salary over this period.

- That £40 a month with tax relief becomes £50 when it hits your pension fund.
- Now let's assume you get good advice and performance, and your pension fund grows at 8% per annum on average.
- After 25 years, that £12,000 is now worth almost £48,000
- That's potentially an extra £2,400 per annum or £200 per month income (based on a 5% annuity) for the rest of your life when you take retirement.

**IMPORTANT:** What did it actually take to create this additional £200 monthly income for life?

**A decision, that's it, just a decision!**

Let's talk about reality: If you had kept the £40 to spend instead, what would have likely happened?

Maybe 2 extra takeaways per month perhaps or 3 extra pints a week, the reality (and we can all relate to this if we're brutally honest) is probably a slightly bigger waistline or perhaps more junk in the garage but nothing worthwhile to show for it in 25 years!

**This is why your financial decisions have huge long term impact.**

Intelligent financial decisions will benefit you significantly over the long term and you'll hardly notice the extra contribution after a few months as you'll automatically adapt but with the reassuring knowledge that you're planting some nice money trees for your future ☺. You know it makes sense!

Your financial destiny is shaped by your decisions along the way, get the right advice and the inspiration from a financial end goal perspective (this is important) and just do it!

**In summary**…. every single contribution you make is then treated to tax relief giving you an immediate return of 25%, 66.66% or 81.82% on your total net contribution, then this is invested in your pension fund along with any contribution from your employer.

Like all investments and financial plans, they should be reviewed regularly (I suggest annually) and managed properly through the appropriate advisers. Ignore the media when it comes to pensions and make sure you get the right qualified advice.


## The Big Pension Question: How much will I need to have in my pension to maintain my current lifestyle when I retire?

This is a common question and it's important you get the proper professional advice for your circumstances. But here's a guideline to show you how it's worked out:

After taking any tax free lump sum (usually up to 25% of the fund from age 55) along with any other *cash you require, you then buy an annuity which provides you with an income for life.

** New rules introduced in April 2015 enable you to access up to 100% of the fund as cash, the first 25% is tax free but you will pay high tax charges on the remainder.*


Assume the average annuity pays 5% per annum and you have a pension pot of £120,000 (after taking any tax free cash you require), you would get an annual income of £6,000 (£120,000 x 5% = £6,000) which is £500 per month.

Now let's assume you wanted to retire on a monthly income of £1,500 which equates to £18,000 annually. To achieve a £18,000 income based on the same 5%, you would now need to have a total fund of £360,000 (3 x £120,000) to receive £18,000 annually (£360,000 x 5% - £18,000) or £1,500 per month.

**Work backwards**
Once you have an idea of the total fund required to create the retirement income you desire (e.g. £360,000 needed for an £18,000 annual income), you then need to determine what age you would like to retire at and then calculate the contributions required based on a certain growth rate, whilst factoring in tax relief benefits and inflation, simple right ☺!

**Sound too complicated?** It is somewhat, as there are other factors such as index linked benefits, death benefits and more to consider. This is why it's imperative you get the appropriate advice from a suitably qualified adviser, who can provide you with all the advice and projections you need. Your retirement plans may well change over time too, that's why it's also imperative you review them regularly.

**Remember the power of compounding?** Time is money, the sooner you start the less you have to contribute due to the benefits of compounding (on the assumption that your pension fund consistently performs well on average).

**Important**: Don't leave it to chance, take your retirement into your own hands

**Start with the end in mind,** decide what income you would like to have in retirement (dare to dream) and then consult a qualified professional adviser for advice and guidance on what you need to do, to make this a reality!

## Now we'll cover the less exciting (but very important) stuff.

**The main types of pensions:**

**Occupational Pension –** usually referred to as a company pension scheme and something worth seriously considering if your employer contributes to the scheme. Some employers will match whatever you put in, my personal advice is (thinking purely about your future prosperity & comfort), delay your gratification and put in as much as you can afford, just do it!

In addition to this you may get other benefits such as death in service, health cover and tax free cash at retirement.

There are 2 types,

i) **Final Salary** schemes where your pension will be a combination of your final or average salary and the number of years' service.
ii) **Money Purchase** scheme where the contributions are invested to buy a pension on your retirement.

**Personal Pension –** your contributions are invested by the pension provider and you can usually have a choice of investments. Your pension fund is generally used to purchase an annuity at retirement. You can choose to make regular contributions or whether to make a one off payment e.g. from an inheritance.


**Stakeholder Pension –** these are a special type of personal pension the government introduced in April 2001. They are intended for those earning under £30,000 with no access to an occupational pension; however, they can be taken out by people who don't work and also by the majority of people who already have occupational pension schemes.

They are designed with flexibility in mind as you can use it on its own or to top up a company or personal pension. The scheme rules allow you to contribute for a child or grandchild, and then they can take over from the age of 18.


**Self-Invested Personal Pension (SIPP) -** This option allows investing for retirement with **freedom** and **flexibility**, with the operative words being 'self-invested.' SIPPs have basically changed pension investments from the 'fuddy duddy' to something that can be much more hands on.

You can still have all the advice you need but without all the standard restrictions of what and where you can invest.

The first thing you'll notice is the extraordinary control they give you over your financial future as you effectively blend your pension the way you want it. Rather than working within a standard scheme set up by others you can decide your own destiny.

**In summary:** There is basically a pension scheme available for everybody regardless of circumstances.

## Who's entitled to a State Pension?

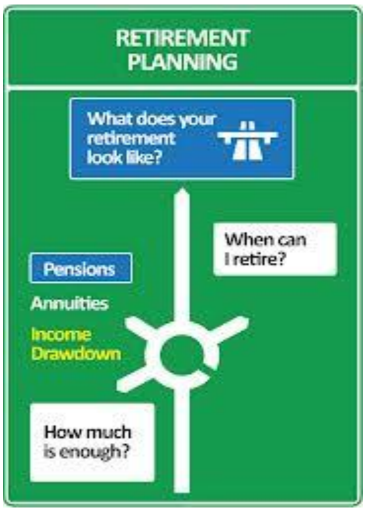
Anybody who has made national insurance contributions (NIC's) during their working life, to get the maximum pension you must have contributed for 44 years (men) or 39 years (women). It is only designed to provide a basic standard of living.

If you forget about the state pension and make alternative arrangements to provide for your retirement needs, you can view anything you do get from the state as a bonus.

## Pension age & allowances

**Age**; you can take your pension from age 55, however you may be allowed to take it sooner if you are suffering from ill health or are in a certain profession (e.g. a professional footballer can take it at 35).

**Allowances**; you can put as much into a pension scheme as you wish, however there are limits on the amounts which are eligible for tax relief as follows:




**Annual allowance**; this is currently £40,000 (2021).

**Lifetime allowance**; this is currently £1.073 Million (2021).

## When was the last time you reviewed your current arrangements?

However, you are planning for your retirement, **it is vital** to keep your pension plans under close scrutiny with at the very least an annual review.

Many people often start pension schemes and then stop contributing for one reason or another, or never get a second (professional) opinion to see if they are getting the most from it.


Reviews are especially important for pensions where future benefits are determined by fund growth (i.e. nearly all schemes). What may be a great performing fund one year may not be the next. **Don't just leave it to chance**, get a regular professional opinion to see if you can get more by switching to other providers/funds, it's a simple paperwork process to transfer the funds if required.

## Here are a few general Pension Questions & Answers:

**Will I have enough money to retire?**
For a comfortable retirement, you need a large and growing source of income. This may come from a variety of sources, such as a pension fund which buys an annuity, rental income from property, the interest from savings, share dividends and so on. So, retirement income does not necessarily have to come from a pension, but a pension can play a central role within your overall retirement strategy.

To work out how much income you will need, think about the sort of lifestyle you will want in retirement - lots of holidays, pursue your hobbies and spend more time with family and friends.

**How Soon Should I Start Saving?**
Quite simply, the sooner you start saving the better because that way your hard earned savings will have longer to grow. By starting to save in your 20s, you could accumulate a pension fund of £1M fairly easily by the time you are 65. If you leave it until you are in your 40s, you will have to save a huge ›rtion of your disposable income to achieve the same.

To protect your dependants, you can buy life assurance along with your pension, but it is much cheaper to buy term assurance separately for the period you need to protect them.

**Where can I obtain a stakeholder pension?**
It can be bought by an individual through a bank, building society, insurance company, investment company or financial adviser. If employed consult your HR department too.

**Should I transfer my existing pension fund into a SIPP or a Stakeholder?**
Whether you switch an existing personal pension into a SIPP or Stakeholder, it depends on any penalties imposed by your existing provider. If you took out a personal pension in the last few years, you could find that you are still paying initial costs and could be penalised for closing the plan. However, if you have an older pension many of the charges would have been front-end loaded and often charges, especially on single premium pensions, may be low and it may be worth switching.

You should get advice from an independent finance adviser before doing anything. You will also have to weigh up the cost of getting financial advice against the costs of moving and the benefits gained.

**When can I take the benefits?**
You can choose to take the benefits from any age between 55 and 75. up to 100% can be taken as cash (first 25% tax-free) and anything not taken as cash is used to provide you with an income during your retirement.

This income is derived by buying an annuity from a life assurance company or drawing income out of your fund through a process known as income draw-down (SIPP only). There are now a number of newer and more flexible annuities, and income draw-down schemes and you are strongly advised to seek professional advice before making any decision about your retirement income, please don't try and figure it all out (unless you're an adviser!).

**Remember wealth creation is a team sport, grab all the help you need!**

## Starting/Reviewing Your Pension
Whether you wish to start a private pension fund or review your current arrangements, I highly recommend you sit down with an independent financial adviser and then have regular reviews. If you have an occupational pension scheme, I highly recommend you request regular forecasts and take advice accordingly to make sure it meets your needs and expectations.

## Section 14 Summary

**FREE money from the Government**
If you contribute your income into a pension scheme you get tax relief at your marginal rate which equates to an actual return on your funds invested of 25%, 66% or 81%.

**FREE money from your Employer**
A lot of employers will contribute or match an employee's contributions, this is free money from your employer going into your pension pot. Find out what is on offer, get the appropriate advice and take maximum advantage.

**Long term savings wrapper with big tax incentives**
Tax relief, employer contributions (where applicable) and our old friend compounding are major allies when it comes to pension planning. Dream big, get the right advice, and stick it all on autopilot (standing order or wage deductions) and review regularly.

**It's a team game**
Remember, you don't have to do any of it alone (perish the thought!); there are plenty of good pension advisers around to help you, no matter what your current position is.

### Final Thought:

With 25%, 66% or 81% guaranteed on your contributions even before you invest, plus all the flexibility, choice and control you could possibly want, you have available to you the means to create a potentially substantial pension fund and a prosperous future retirement.

***Wishing you all the best,***

**Asha x**

**Remember**, your retirement is far too important to leave to chance! **Make sure you take action!**

### *Final Word:*

***"The more you investigate, the less you have to invest."***

## *Asha presents inspirational tips to help you and your loved one create financial independence with:*

# 'How to Nurture Your Kids Towards Financial Success'

**This is Priceless info,** all kids should be taught and encouraged to do this!

***Luv Asha x***


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## How to nurture your kids towards financial success.

I'm going to show you a great way to give your kids the best possible start towards a solid and prosperous financial future by instilling the right habits and disciplines.

Of course, all parents naturally want the best for their kids, it's only human nature to want your kids to become high achievers and financially successful. The sad fact is, our schooling system doesn't teach our kids even the basics about money management.

**Unfortunately,** we are now living in a credit dominated society which means your kids are growing up into a society where a credit culture is acceptable and normal (they don't know any different).

There is nothing wrong with credit if handled well, but as we know all too well, the rapidly growing '**have it today, worry about paying for it tomorrow'** culture, can be a very expensive way to live!


### Why Danger?

We all tend to think that today's kids get it easy (and they generally do!) but there is actually a lot of mental pressure on them today, especially as they go through their teens. They're expected to study hard and get good grades, meanwhile their hormones are going crazy and they are constantly being bombarded with clever manipulative advertising telling them what they should have & how they should look.

But worst of all, kids are under enormous pressure from their peers just to 'fit in'. This means they've got to have the latest clothes, trainers, games etc, just to be accepted with the 'in crowd'.

Add all this together and you have a child who becomes a very good salesperson and manipulator to get you to buy all of these things (the joy of parenthood!).

The problem occurs when the child gets accustomed to getting everything they want (most parents are guilty to a degree because you love them and naturally want them to be happy) but this causes 2 big problems:

- **They have no appreciation of the value of money**
- **They are very likely to continue this trend of wanting and having everything after they flee the nest (bring on the credit!)**

### Kids need a role model

It's highly likely that your kids will grow up and very closely model your attitudes, beliefs and spending habits with regards to money because that's what they are familiar with. This may come as good news or bad news, only you know the truth ☺.

You can see evidence of this everywhere. You will very often see families where generations after generation are welfare recipients and conversely, you see wealthy families where all subsequent generations become wealthy with seemingly very little effort. The common name for this is social conditioning.

**So….** if your actions and the way you value and manage money right now as a parent is going to have a very large impact on your kid's future…

***…I'm sure you'll agree, it would make perfect sense to nurture them with the appropriate information so good money management skills and the right habits become second nature to give them a solid grounding for their future?***

## Keeping it simple is the key

Kids will find the subject of money very boring if they hear phrases such as Compound Interest, Investment & Dividend etc, as these are completely meaningless to them. The key is to teach them concepts that are logical and inspiring to them.

To help kids to understand the concept of saving and investing we need to educate and inspire them at the same time, to increase the chances of them wanting to do it. Remember the Money Tree concept from section 4? This is a great way to introduce it.

To recap… this is a discussion between a financial adviser and a classroom full of young children aged between 6 and 10, the adviser is attempting to explain compounding interest:

**Adviser:** ***"How many of you have ever planted a seed?"***
Children: (All hands went up.)

**Adviser:** ***"What did you grow?"***
Children: *"Carrots, sunflowers, lettuces, peas, flowers etc."*

**Adviser:** ***"What happens if you don't plant a seed?"***
Children: *"You don't get anything."* (Kids are smart! They looked at him like he was an idiot for even asking such a stupid question.)

**Adviser:** ***"If your parents had planted a pine tree when you were born, how tall would it be now?"***
Children: (Much discussion) *"6 – 10 ft."*

**Adviser:** ***"If your grandparents had planted a pine tree when your mum and dad were born, how tall would it be now?"***
Children: (More discussion) *"40 – 50 ft."*

**Adviser:** ***"How tall would the pine tree be now if it was planted when your grandparents were born?"***
Children: (More discussion) *"100 ft."*

**Adviser:** ***"Now, what happens if you don't plant a tree at all?"***
Children: (In unison…) *"YOU GET NOTHING!!!"*

**Adviser: "What would you have if you planted a tree every year?**
Children: "A FOREST!"

**The Adviser then explained that he helps people grow money. One little girl piped up, *"Oh, you grow money trees."* *("Yes, I help people grow money trees.")***

**Adviser: "What happens if you 'plant' money every year?"**
Children "You'll be rich."

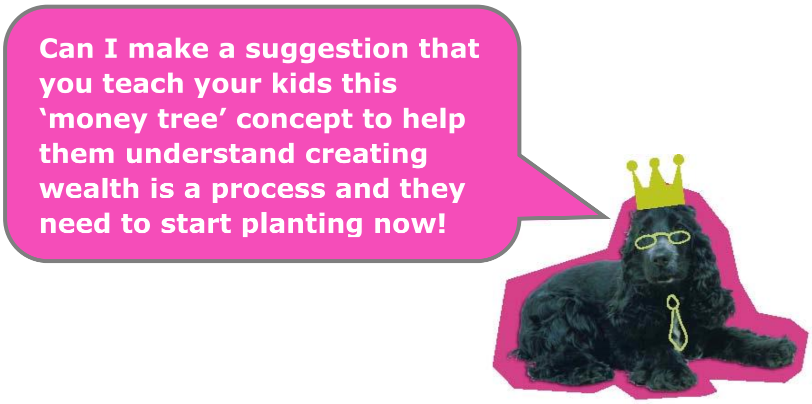
**Adviser: "What happens if you don't 'plant' money?"**
Children "You'll be poor."

***10 simple questions that explain the process of wealth creation and the children got it right off the bat.***

If you don't plant any money, you are likely to be poor in the future. If you plant just a little money every year, you will be rich as you will have a forest of money trees to take care of you and your family.

It's common sense when you view it in simplistic terms, yet so many people kid themselves they'll get round to doing it one day!

***Please note**, the wording is not intended to encourage greed, the word rich is used for motivational and inspirational purposes as it strikes a powerful and exciting chord in most kids minds.*




### Another way of explaining the concept of interest

Telling your kid to put their savings into an account to gain the interest is fairly meaningless. But if you explain that if they lend their money to the bank/building society, the bank/building society will pay them for borrowing it which means they will have even more money without doing anything – this is far more exciting and inspiring to them!

### Teaching them a core financial skill – starts with 2 Piggybanks!

This simple exercise could potentially be worth Millions to your child's financial future!

In fact, it can have such an impact it should be mandatory in every single school and it all boils down to just one thing ~ **Habit**.

Before we get to the exercise, you first need to understand a little bit about habits:

**Q. Do you ever wake up in the morning and sit on the side of the bed and think to yourself, shall I get dressed today?**

A. Of course you don't, you do it automatically without having to think as you have formed the habit through constant repetition.

**We are all creatures of habit** whether we like it or not. Here's an explanation/analogy to explain how a habit forms in your brain:

**Imagine** every time you carry out an action you weave a small thread (your brain is automatically making connections across certain neural pathways in relation to the action), the first thread is very fragile and can very easily be broken, the second thread is just as fragile but interwoven with the first thread produces a greater combined strength.

As each subsequent thread is woven each time this specific action is carried out, the combined overall strength of these fragile threads is increasing and before you know it, over a period of time these single fragile threads have combined together and have now formed to make a 'rope'. If you now try and break the habit, you will meet with a lot of resistance, as you have no longer just got little threads to break but the whole rope.

**If you repeat an action long enough the brain will naturally and unconsciously want to keep doing it, we refer to it as habit.**

**Habits** can either be conducive or destructive towards our well-being, depending on what they are, the following simple exercise takes the power of habit and combines it with the power of compounding to produce huge financial potential for very little (automatic) effort once the habit is formed!!!

**2 Piggybank Exercise**

**Step 1**. Buy (or get) 2 piggybanks for each child you have.

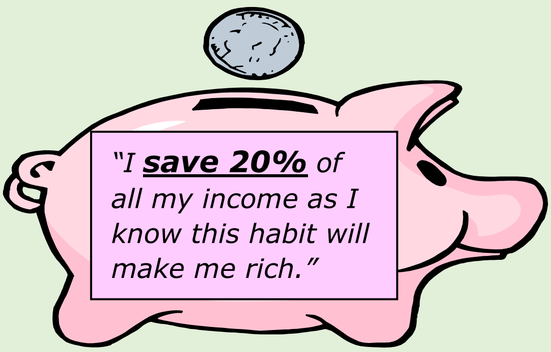
**Step 2.** Label one of them **Saving** & the other **Spending.**

**Step 3**. Decide the percentage split, as your kids are to split 100% of money received between the 2 piggybanks (It is suggested 10% savings as the absolute minimum)

**Step 4**. Label each Piggybank (example below) with the chosen percentage, e.g. **20%** (savings), **80%** (Spending).

**Step 5.** Under Saving write ***"I save (20%) of all my income as I know this habit will make me rich"***

**Step 6**. Under Spending write ***"I am free to spend (80%) of my income however I like."***





This exercise is purely about **habit**, you want your kids to have the habit absolutely ingrained so they will automatically put a certain percentage of their income to work for them throughout their lives. You can worry about where to invest it later.

## Piggybank Exercise Notes

***Note 1**: Just £1 a day will turn into a £1,000,000 over 56 years compounding at an average of 10%. Remember this exercise is to deeply instil the habit so your kids will automatically do it when they start earning themselves. In the early years it is far more important to just do it and focus on the long term potential (not just focus on the total accumulated).*

***Note 2:** we always recommend a percentage of income to inflation proof it so the amount saved/invested increases in line with future pay increases/promotions and keeps it well ahead of inflation (as £1,000,000 wouldn't have much spending power in 56 years' time).*

***Note 3:** the percentage saved is purely for further investment (planting money trees) to create future prosperity, it is not to be used for short term purchases, e.g. new bike, new clothes. If kids want to save for something specific, they need to use the spending piggybank to do this.*

***Note 4:** If your kids are teenagers, they may think it's a bit childish to have 2 piggybanks, so let them set up 2 savings accounts instead. It doesn't really matter what format they do it in as long as they embrace the concept and start the habit of saving a portion of all they receive.*

## Creating the Million...

Once we've created the habit of taking a percentage of all income received, we need to put it to work for us and grow it. The following table shows what a **£1,000 a year** will return at different rates and terms:

| | Rate of Return (%) | | | | | |
|---|---|---|---|---|---|---|
| **After (years)** | **5%** | **8%** | **10%** | **12%** | **15%** | **20%** |
| **0** | £1,000 | £1,000 | £1,000 | £1,000 | £1,000 | £1,000 |
| **5** | £5,802 | £6,336 | £6,716 | £7,115 | £7,754 | £8,929 |
| **10** | £13,207 | £15,645 | £17,531 | £19,655 | £23,350 | £31,150 |
| **15** | £22,657 | £29,324 | £34,950 | £41,753 | £54,717 | £86,442 |
| **20** | £34,719 | £49,423 | £63,003 | £80,699 | £117,810 | £224,023 |
| **25** | £50,114 | £78,954 | £108,182 | £149,334 | £244,712 | £566,377 |
| **30** | £69,761 | £122,346 | £180,944 | £270,293 | £499,959 | £1,418,257 |
| **35** | £94,836 | £186,102 | £298,127 | £483,463 | £1,013,353 | £3,538,007 |
| **40** | £126,840 | £279,781 | £486,852 | £859,142 | £2,045,954 | £8,812,629 |

Let's put this in perspective, £1,000 per year is £20 per week roughly speaking, or based on 10% of income, it represents 10% of a £10,000 annual income.

The point I'm making is that with a national average wage in the region of £25,000 even somebody on £10,000 could easily retire a millionaire if they continually invest 10% throughout their working lifetime and get a decent return.

Look at the square highlighted in orange it shows a total accumulated investment fund of £486,852 based on an average return of 10%.

Now look at the square highlighted in red it shows a total accumulated investment fund of £859,142 based on an average return of 12%.

**Just imagine** if your child was earning £30,000 or more and put away a minimum of 10% or 20% for investment?


There's no trick to it, it's purely discipline until the habit is formed, and then the habit takes over.

**Useful Points….**

1. In the earlier years and teenage years, it's not too important how much they accumulate, its installing the discipline and habit that counts so when they do get to earn regularly, its second nature.

2. For a lot of us adults, putting away a minimum of 10% each month will take a lot of effort and discipline at first as we may have to undo years of old habits and conditioning. Fortunately, your kids won't have this problem as the majority of the money they receive is 'bonus' money, i.e. money they can do what they want with, as they don't have regular expenses.

3. Explain the benefit about becoming rich to inspire them. You will need to monitor them to make sure they do this properly which could take a long time (until it's a deeply ingrained habit). It is suggested you open an interest paying account if they don't already have one and pay in the savings proceeds on a regular basis. In addition to this, get them to keep a simple record of all money they receive along the following lines (a notebook will do):

| **Date** | **Amount** | **Description** | **20%** | **80%** |
|---|---|---|---|---|
| 4 Aug | £2.50 | Pocket Money | 50p | £2.00 |
| 11 Aug | £2.50 | Pocket Money | 50p | £2.00 |
| 13 Aug | £5.00 | Gift from Gran | £1.00 | £4.00 |
| 18 Aug | £2.50 | Pocket Money | 50p | £2.00 |
| 22 Aug | £3.00 | For washing Dad's car | 60p | £2.40 |
| 25 Aug | £2.50 | Pocket Money | 50p | £2.00 |
| **Total** | **£18.00** | | **£3.60** | **£14.40** |

4. This exercise also teaches them accountability, they can see how much comes in, they will probably be shocked at how much it actually is, if you can get them to go one step further and account for every single penny, they spend they will be ahead of more than 97% of the adult population and will see how much they waste, increasing the chances of them saving even more.

5. **Consider this...**the rules on **stakeholder pensions** allow children of any age to now have one, it has to be in a parent's name until the age of 18 and then it can be transferred back to the child. Bearing in mind the tax benefits of a pension over a long period of time, a stakeholder pension offers huge long term potential benefits and is an excellent way to get money working for your kids and is something you should seriously consider.

**An Idea**

The entitlement to child benefit also arises with a new born baby, now of course, with a new born baby there will be a lot of extra expense.

But, if you could manage on the pre-birth income and not need the child benefit, you could channel this money straight into a stakeholder pension or savings/investment account for your new born child and give them a great financial start in life, **just a thought**!

Here's another exercise for your kids...

**Teaching them financial responsibility**

The fastest way for your kids to learn about money is for them to take on some responsibility whilst under your supervision.

**Try this:**

- ❖ Go through all your regular spending and work out on average, how much you spend on your kids each month, this doesn't include necessities such as food or clothes for school etc, but things like new clothes, new trainers, computer games, toys, sweets, treats, cinema, Pizza Hut etc.
- ❖ Let's say it comes to £150 a month.
- ❖ Now at the beginning of each month give your child the £150 and tell them it's their money and they are in complete control of their spending. Tell them you will buy the food and pay for school dinners as normal but that's it, everything else they want has to come out of their £150 budget, anything left at the end of the month is theirs to keep.
- ❖ This will seem like a lot of money to them at first!
- ❖ **They will very quickly start to realise the true value of money!** Everybody is good at spending somebody else's money, but when it's your own it's a different matter. At first, they may go a little crazy as it seems like a lot of money, but then they will start to realise how quickly it goes.
- ❖ The likelihood is they will begin to start spending wisely, compare prices and decide they don't really need the latest computer game, or the £30 trainers will suffice, instead of the £75 pair. They will also learn about sacrifice, if there is a must have item, it may mean sacrificing the usual treats to get it.
- ❖ **Be tough with them**, don't go soft and top it up because they've spent it all, let them go without and learn the hard way, these will be very valuable lessons for their future. Let them make mistakes, it's better to make a mistake now and learn the lesson than make a big mistake later in life when you're not around to help and advice.

**Finally**, give lots of encouragement and take every opportunity to discuss things with them offering advice and tips where you can. Your kids will learn some very valuable lessons.

**Try Benchmarking**

This is an alternative if you are buying for kids who must have the latest trainers, mobile, clothes label etc. Set a benchmark price that you will contribute, e.g. high price training shoes, you set and pay a benchmark of say £30.00, and if they choose anything over that price they must pay the difference from their own means.

Strangely enough, parents who have adopted this approach have found that their children more often than not, choose something less expensive than their original request. Once again, they will readily spend your money for their benefit, but will think twice if it's their own money, try it!

**Incentive to help them get momentum**

Kids love rewards so why not help to boost their new saving/investment pot by offering to match whatever they save? Their motivation will go through the roof!

### 15 Tips to Nurture your kids Financial Intelligence

***1. Explain the use of money.*** Begin as early as age three. Show how things are bought and sold at the supermarket, toy store, etc. Children need to see the real world use of money.

***2. Give children a weekly allowance.*** Most parents have children earn their allowance through good behaviour, responsibility and household jobs. If you attach money to chores, be sure you don't get manipulated. Don't take away allowance as punishment.

***3. Increase allowances as children grow.*** Increasing responsibilities should result in increased allowance. Also, it is a good incentive to give extra allowance for extra work.

***4. Introduce expenses.*** As allowance increases, the scope of expenses should widen. For example, teenagers should earn more allowance, but they should then have to use their allowance for dating and entertainment. Teens who insist on buying clothes with designer labels should pay the extra cost.

***5. Teach home budgeting.*** Explain how a finite amount of money needs to be distributed for food, clothing, mortgage or rent, utilities, car expenses, etc. Include older children in family financial planning. Don't overprotect your children from this.

***6. Teach wise consumerism.*** Have your children compare the same product in different size packaging to determine the best value. When children grow older, explain how and why you choose certain products. Compare prices at different restaurants.

***7. Start a savings account.*** Most children can comprehend the need for savings by age ten. Remember that children are naturally impulsive. In this age of advertising bombardment, children have a tendency to be impulsive spenders. Encourage your child to save a certain percentage of their allowance.

***8. Start a current account.*** Some sixteen-year-olds are ready for a current account and a limited credit card. You want them to learn how to manage these tools while you are still around to keep things from getting out of control.

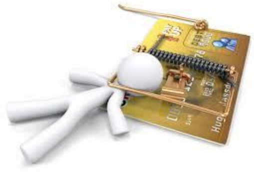
***9. Set financial goals.*** Discuss plans for paying for university or college. Have them calculate tuition costs, living expenses, etc.

***10. Encourage them to earn their own money.*** The best way for children to learn about money is to get their own job as soon as they are old enough. Help them find a job that is safe, has reasonable hours and includes friendly people.

***11. Help them learn the differences between needs, wants, and wishes.*** This will prepare them for making good spending decisions in the future.

***12. Introduce the value of saving versus spending.*** Explain and demonstrate the concept of earning interest income on savings. Consider paying interest on money children save at home; children can help calculate the interest and see how fast money accumulates through the power of compound interest. An excellent incentive is to offer to match whatever they save.

**13. Teach the dangers of borrowing and paying interest.** If you charge interest on small loans you make to them, they will learn quickly how expensive it is to rent someone else's money for a specified period of time. For instance, paying for a £499 TV over 18 months at £31.85 a month at 18.8 percent interest means the buyer really pays about £575.



**14. Make sure any credit cards aren't misused.** Credit cards have a message: "spend!" Some students report using the cards for cash advances and also to meet every day needs, instead of emergency use only (as originally planned). Many of those same students find themselves having to cut back on classes to fit in part-time jobs just to pay for their credit card purchases.

**15. Teach them to set financial goals.** Young or old, people rarely reach goals they haven't set. Nearly every toy or other item children ask their parents to buy them can become the object of a goal-setting session. Such goal setting helps children learn to plan and become responsible for themselves.

Children need to learn the value of money, how to earn it and how to manage it. But don't overdo it. **Spending money on something impractical once in a while (e.g. spa treatment for the dog) is always fun ☺.**

### Further financial education

Can I recommend you encourage them to read the other Sections if they're inspired to want to learn more about getting ahead financially. The main 2 I would recommend are:

- Section 3 **"Why you Should Focus on Building Pipelines"**
- Section 4 **"How to Plant and Grow Money Trees"**

Understanding there are only 2 ways to earn money and passive income 'pipelines' is the key!

## Section 15 Summary

**Keep it simple and develop good habits**
Kids need to be inspired to save money long term so it's important to keep it simple and make it fun by using concepts such as growing money trees. The objective is purely to get them in the habit of saving and investing a portion of all money received.

**2 Piggybank Exercise**
Get your kids doing this as soon as possible in some format whether it's 2 piggybanks or 2 bank accounts and get them to account for it all.

**Give them responsibility**
The fastest way for your kids to learn about money is for them to take on some real responsibility whilst under your supervision. Perhaps give them a month's entertainment allowance to control (based on the principle: once it's spent, that's it until next month) so they can experience the real world and learn how to budget.

**Final Thought:**

Start planting all this knowledge in your kid's minds today along with the right encouragement and inspiration and hopefully they'll be eternally grateful one day. Perhaps, they'll be taking care of you too one day, in lots of luxury I hope ☺.

***Wishing you all the best,***

**Asha x**


***Final Word:***

***"You don't have to know how you're going to get there, but you do need to know where you want to go."***

*Asha presents inspirational tips to help you and your loved one create financial independence with:*

# 'The Magic Formula for Retiring Early'

**If only they had taught us this at school…**the world would be very different ☺

***Luv Asha x***


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## The Magic Formula for Retiring Early

**First of all, let me state the obvious…**

The majority of people working would love the magic formula for retiring early.

Unfortunately, very few are willing to put in the effort required to achieve it, even though the reward is potentially life changing!

If you are expecting a magic formula that you can instigate and then just sit back and have it all effortlessly happen, then this Section isn't really for you (although, you may want to continue reading simply out of curiosity ☺).

The formula is pretty simple, just 8 words, but to make it happen, it also requires the right mind-set, plenty of discipline and lots of intelligent action in the early days.

Still interested? Ok, let's get down to business.

### Social conditioning

Unfortunately, society conditions us to work for approximately 40 to 50 years so we can then retire and spend the rest of our days doing as we please.

The sad fact is, most retirees see a significant drop in income on retiring, leaving them 'all the time in the world' to enjoy their twilight years with generally the least amount of money they've ever had to live on.

Bit of a 'catch 22' as this is meant to be the time you're supposed to really enjoy your days as you've worked so hard and long to get there!

### Are you ready for the Magic Formula?

**You can retire at any time…**

**"When your Passive Income exceeds your living expenses"**

**Definition of Passive Income:** income from activities in which you do not actually participate. The opposite is active income as you get paid for doing the work, whilst passive income is getting paid for something that doesn't require any further effort from you, but the income keeps coming (e.g. rental from a property investment or royalties). **It's the best type of income there is!**

That's it! All you have to do, thanks for reading this, so go and do it and have a great retirement!!

What, you wanted more than that?

**Just kidding!** Over the next few pages, we'll really break the concept of passive income right down, so you understand it inside out and then we'll go through methods of creating it to exceed your living expenses.

Ok, let's get down to brass tacks…

**We'll start with an exercise to determine the end goal:**

Let's assume you would like to retire 10 years from today.

**Step 1:** Take a moment and think about how much money you would like as your annual passive income to support the lifestyle you intend to have in 10 years and write it down (as box 1 below).

**Step 2:** Divide by 12 and write that figure down too (as box 2 below).

*This is a very important psychological step, you need to know exactly what you're aiming for, before you begin the process.*

| | |
|---|---|
| **1. My desired annual (passive) income to retire in 10 years is:** | **£24,000.00** |
| **2. Divided by 12, equates to a monthly income of**: | **£2,000.00** |

In this example, we've established that you want to have a passive income of £2,000 per month in 10 years' time so you can retire if you want to.

First, we'll re-cap on the magic formula to reflect the above goal:

**"You can retire in 10 years as long as your Passive Income is at least £2,000 per month to support your desired lifestyle"**

If you can create a passive income of at least £2,000 a month in 10 years or less, you can effectively retire and maintain your desired standard of living.

***It's a bit like creating a big pension to cover your full time income but not having to wait the 40+ years to get it!***

Remember, this is not a sprint, it's a 10 year marathon, it's going to take intelligent action combined with discipline and above all **commitment**, but the rewards are magnificent.

It may take an extra 5, 10 or 15 hours a week including some weekend time in the first couple of years to create this. You're probably going to have to miss out on a lot of TV, a few nights out and turn down a few invitations. This is all about **delayed gratification** in creating something that has the ability to support you for the rest of your life once in place.

## Traditional retirement (pension) method recap

The way a pension works is to create a fund and build it up as much as you can, then at the point of retirement after taking any cash required, you use the remaining fund to purchase what is known as an annuity. This annuity then provides you with an income for life which is based on a certain percentage of the fund.

E.g. if the annuity was paying 5% and the total fund (after taking any cash) was £120,000 you would get an annual income of £6,000 or £500 a month.

So, let's assume you want a monthly income of £2,000 which equates to £24,000 annually. To achieve a £24,000 income based on the same 5%, you would need to have a total fund of **£480,000** to receive £24,000 annually for life.

**Retire in 10 years:** What are the chances of you accumulating a pension fund of £480,000 in 10 years via a traditional pension?

**£480k in 10 years!!!**

**I think we need some alternative options, don't you?** Let's start with the theory.

### Passive income foundations

*Note (i): If you've read all the other sections, you will have already seen the following financial principle from section 3. Please re-read and don't skip as multiple readings helps embed these principles even deeper.*

*Note (ii): We're not advocating stopping existing retirement funds, quite the opposite in fact. Retiring in 10 years through passive income is in addition to everything else you currently have in place.*

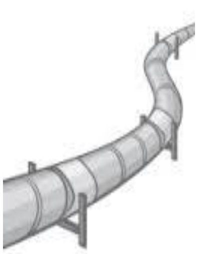
### Buckets or Pipelines?

**Recap**… everyone loves a story and to help illustrate the principle, we'll use a story that acts as a very clever metaphor for the key to creating passive wealth in a relatively short space of time:

*Once upon a time there was a quaint primitive little village in middle earth. It was a popular place to live except for one problem; the village had no water unless it rained. To solve this problem once for all, the village elders decided to put out to bid the contract to have water delivered to the village on a daily basis.*

*Two people volunteered to take on the task and the village elders awarded the contract to both of them as they felt a little competition would keep prices low and insure a backup supply of water.*

*The first of the two people who won the contract was Jim, he immediately went out and bought two steel buckets and began running back and forth along the trail to the lake which was just over a mile away. He immediately began to make money as he laboured all day hauling water from the lake to the village holding tank.*



*Each morning he had to get up before the rest of the village to make sure there was enough water for the village when it wanted it. It was hard work, but he was very happy to be making money and for having one of the two exclusive contracts.*

*The other winning contractor, Bob, disappeared for a while. He was not seen for months, which made Jim very happy since he had no competition and was making all the money.*

*Instead of buying two buckets to compete with Jim, Bob had written a business plan, created a company, found some investors, employed a president to oversee the work, and returned six months later with a construction crew. Within a year his crew had built a large volume stainless steel pipeline that connected the village to the lake.*

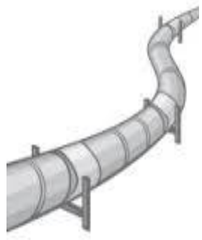
*At the grand opening celebration, Bob announced that his water was cleaner than Jim's (as he knew there had been complaints about dirt in Jim's water) and he could supply it 24 hours a day, seven days a week. Jim could only supply it on weekdays, he did not work weekends. Bob then declared he would charge 75% less than Jim per bucket. The village cheered and ran immediately for the faucet at the end of Bob's pipeline.*

*In order for Jim to compete, he immediately lowered his rates by 75%, bought two more buckets, added covers to stop any dirt and began hauling four buckets each trip. In order to provide better service, he hired his two sons to give him a hand to cover night shifts and weekends. When his boys went off to college, he said to them, "Hurry back because someday this business will belong to you!"*

*For some reason, after college, his two sons never returned. Eventually Jim encountered employee and union problems, the union demanded higher wages, better benefits and insisted on only hauling one bucket at a time.*

*Bob, on the other hand, realised that if this village needed water, then other villages must need water too. He rewrote his business plan and went off to sell his high speed, high volume, low-cost clean water delivery system to villages throughout the world.*

*Bob only makes a penny per bucket of water delivered, but he delivers billions of buckets of water every day. Regardless of whether he works or not, billions of buckets of water are being consumed and all the money pours into his bank account.*



*Bob had developed a pipeline to deliver money to himself as well as water to the villages.*

*Bob lived happily on his large continual income while Jim was forced to work hard for the rest of his life.*

***The End***

## The Secret

This clever story actually contains the key to creating wealth the smart way: **build 'pipelines'** (**small assets**) which then flow cash into your bank account regardless of whether you work or not.

This is **passive income;** you do the work once and then get paid indefinitely as it continues to work for you even when you're asleep.

Jim only focused on earning now, while Bob focused on a continual income via a system that only **required the effort once,** but now he can go to build other pipelines and grow his passive income streams.

**Unfortunately, the educational system teaches us hardly anything about money and creating wealth and moulds us into carrying buckets for most of our life!**

I hope you're started to see this is about having the vision to see the bigger picture and work intelligently. You put the work in now to create the passive income pipelines so they all flow into your future indefinitely.

**Let's talk about hourly rate.**

Most people exchange their time for money via employment and get paid once for each hour they work; this is how the vast majority of global industry and commerce generally works. So, let's assume, you earn £20 an hour as a just reward for every hour you work.

**Challenge ~ what would you prefer:**

**a) Work 1 hour and get paid £20 once, or**
**b) Work 1 hour and get paid £1 every month for at least the next 10 years for that same hour's work?**

a) Gives you £20 instantly (tempting)
b) Gives you a total of £120 minimum spread over 10 years, this is 6 times the amount for the same effort.

*Note: You would obviously struggle to get by working for just £1 an hour if you did this full time, but as I'm sure you can see for yourself, the key is to continue what you already do to earn money whilst starting to build small pipelines of income on this basis for your future.*

**Hopefully if all this is sinking in, you chose b?**

**Now consider this…**

With your future freedom/retirement in mind, if you could spend 1 hour working to earn £1 a month from that hour indefinitely (i.e. that 1 hour's work would earn you £12 a year indefinitely), **how many hours would you spend doing it each week?**

**Let's do some maths:**
If you devoted 5 hours a week to this task for 50 weeks of the year (you're allowed 2 off for holidays!) at the end of the year you'd have a passive income of £250 a month (5 x 50 x £1).

- **After 2 years this would equate to £500 a month (5 x 50 x 2 x £1)**
- **After 5 years this would equate to £1,250 a month (5 x 50 x 5 x £1)**

So, making a few sacrifices and dedicating 5 hours a week for the next 5 years would see you hit the 5-year point with a passive income of £1,250 which would then continue to flow indefinitely!

That's actually a £15,000 annual salary indefinitely for no further effort! Ok, it took a bit of effort and sacrifice, but not that much hard when you think about. Appealing, don't you think?

What if you dedicated 8 hours a week to the same task?

- **After 5 years you would have £2,000 a month passive income (8 x 50 x 5 x £1), that's £24,000 annual income indefinitely for no further effort.**

Suppose you reduced your main job from 5 to 4 days a week (assuming that's possible) so you can dedicate 12 hours a week to the task?

- **After 5 years you would have created a £3,000 monthly passive income (12 x 50 x 5 x £1) or £36,000 annual income indefinitely!**

**FYI - There are many ways and opportunities to create this very scenario (i.e. create a pound monthly passive income, indefinitely from an hour's work), the chances are it's never been presented to you in this way.**

### It's all about consistently creating **Passive Income Producing Assets**

Let's get technical for a moment ~ most people assume they know the difference between an asset and a liability, and **this knowledge is absolutely critical to your early retirement and long term wealth potential**, for avoidance of doubt, here are the proper definitions ~

**An Asset ~ is something which puts money into your pocket whether you work or not** (Pipeline). Examples – Stocks, Bonds, Mutual Funds, Pensions, Investment Property, Business's, Royalties, Residual Commission.

**A Liability ~ is something, which takes money out of your pocket whether you work, or not**. Examples – Your house, Mortgages, Loans, Credit cards, Car, Taxes, Overheads.

It may not surprise you to know this but the banks and building societies don't really want you to fully understand the difference between assets and liabilities, this is because they rely on a certain amount of ignorance to makes the profits they do as your liabilities are their assets.


## The Key to Early Retirement/Wealth

**Acquire and build assets that produce enough passive income which covers your liabilities and desired living expenses.**

**You're probably thinking, it all sounds wonderful Asha, but how the hell do I start creating Passive Income?**

**…. glad you asked!**

### Let's get practical

Here are 8 practical ways you can start creating passive income in a relatively short period of time. They are all good methods of creating passive income, the first 4 are more common and effectively open to anyone, the second 4 are more specialist areas, but creativity is the key to all this:

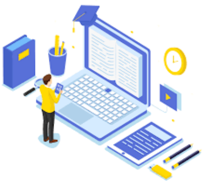
### 4 Common types of Passive Income:

**Property Investment** – this is an excellent way to create passive income by owning a second or subsequent property (asset) to rent. Not only does any increase in value increase your net worth but the rental income is index linked meaning you can increase it in line with the going market rate. By steadily building a small portfolio of properties (assets) you can receive a reasonable passive income from the rental income.

**Business's** – you could establish a small or large business (asset) and employ one or more people to run it for you, or buy a ready-made business in the form of a franchise. As long as all costs are covered and it produces a each month, the business becomes self-financing producing a passive income.

**Savings & Investments** – if you already have a decent amount of savings and investments, you could divert this into savings/investments products that provide income in the form of interest and dividends. In the short term you could focus entirely on maximising the savings and investments pots to create a sizeable passive income at the point you want to start receiving it.

**Network marketing** – many individuals receive an excellent passive income through network marketing. There are many product and service companies you can network market for who will give you an ongoing percentage of any customer income for doing the work only once. This is undoubtedly the easiest way to create a large passive income in a relatively short period of time.



**Online Business** – many people are making fortunes online, some are selling products and services, others are just making videos or putting out regular contents to their large following. There are lots of people who have become millionaires for virtually no set up cost, and no running costs. They started sharing information on social media, built up a following and now get paid handsomely to endorse products or from ad revenue. This is by far the easiest and most profitable passive income route available today, you don't need to leave home or spend any money to get started!

## 4 Specialist types of Passive Income:

**Authors/songwriters** – write a book or song that hits the mainstream and your passive income will literally explode overnight as you will be paid royalties from every book sale, download or play of the song on the radio. A tough market to crack, but if you have the ability and drive this could be the fast track to a big passive (royalty) income.

**Insurance agents** - everybody needs insurance making this a multi-billion pound industry, you could sell this direct or create platforms (e.g. websites) to sell it for you and receive on ongoing passive income (commission) for as long as the client keeps paying the insurance premiums. You don't need to know anything about insurance; you simply connect the supplier with the customer and earn an ongoing passive (commission) income for your effort.

**Software creators/Game designers** – this is quite a specialist area too but pays excellent royalties on sales for as long as the software/game is in use. Also, not the easiest of markets to crack, but if you have the talent and know how, this could also be the fast track to a huge passive (royalty) income.

**Business consultants** – they say the definition of a consultant is *'someone who borrows your watch to tell you the time'* in other words points out the obvious! However, a good business consultant can get a percentage of ongoing profits created via the implementation of their ideas and recommendations. If you have a flair for any type of consultancy that can increase profits, why wouldn't a business owner agree to pay you a passive (profit related) income as they will benefit too, its win: win as they say!

### Getting Started....

Now we are going to expand on the 3 most common methods from the above list which you can get started in and produce a passive income reasonably quickly. All 3 don't necessary require any specialist knowledge as you can tap into existing services who will help, support and mentor you. The most important element by far initially, is the desire to create passive income.

## 1. Property Investment

Just keep an open mind here as this is easier than most people think (with the right help and guidance) and an excellent way to create a substantial long term index linked passive income and wealth without necessarily needing a lot of money.

The objective here is to own a property that provides you with a passive income from the rental after all costs are paid. We're looking to create what is known as **'positive cashflow appreciating assets.'**

**Positive cashflow** means: monthly profit after all expenses
**Appreciating assets** means: great potential to increase in value over time.

**Example**: I know of several investors who own what are known as House of Multiple Occupation (HMO's). These are properties that allow unconnected tenants to live together in shared accommodation where they have a bedroom each and share the other facilities (kitchen, bathroom, living room etc.).

There is large demand for HMOs in most UK towns and cities especially in the student, migrant and professional sectors.

Let's say you own a property with 5 available bedrooms (not as hard as you think) that you let for say £250 per month each, this would give you £1,250 per month in rent.


Let's also assume you have £850 per month in total combined costs (mortgage, insurance, bills, management, maintenance etc.).

**That would net you £400 a month passive income.**

If it took you 2 years to create this (there are many people who can help you do this) and you added another every 2 years. In 10 years, you would have 5 incoming producing properties bringing in £400 each which is a total of £2,000 a month passive income.

**You could potentially retire in 10 years on the £2,000 a month** which would effectively be index linked as rent is pretty much pegged to inflation!

I've used simple maths to demonstrate and hopefully inspire you. However, this sort of feat isn't easy in the beginning, you need to have a strong desire, a willingness to learn and the right knowledge before you even start.

This is then followed by a lot of research, intelligent action and most importantly surrounding yourself with people who have already done what you are intending to do (there's plenty of them) to guide you whilst you're learning, so you become proficient.

**Access to the experts** who do this for a living is only an online search away to get the ball rolling, more details in section 17.

## 2. Network Marketing

**This is a simple and low (entry) cost method of creating decent passive income fairly quickly.**

There are a lot of misconceptions about this method, but it boils down to the product that is being marketed. Combine a service which has great demand with a good network marketing proposition and you have a '**license to create money'** for the individual with the right mind-set!

**The Key…** the reason so many people are very successful in good network marketing ventures is because the companies behind them create a simple marketing system for everybody to easily follow. It's a little bit like a simplified franchise but with a very small upfront cost (circa £200) and no limit to what you can earn and achieve.

**Example**: one of the best opportunities currently around is a utilities providers offering great value on home utilities such as gas, electric, broadband & telephones. Householders can save a lot of money on their utility bills by switching to better value tariffs.

The network marketer simply offers householders the opportunity to save money every month and receives a passive income (e.g. 3% percent of the monthly bill) every single month when the customer pays their bill.

So, every single time, that householder uses the broadband, telephone or switches on the gas or electric, the individual has a small pipeline of passive income flowing their way which will continue for as long as the customer uses the utilities. The individual who introduced them, only did the work (helping them switch) once!

**Thinking big:** If every person you help get a better deal earns you £3 a month, you only need 33 to create a passive income of £100 per month or 330 customers to get £1,000 per month. If you managed to find 2 new customers every week, you would have 330 customers in less than 3.5 years.

More people retire early from passive income derived from successful network marketing than any other method as it constantly provides continual professional development and expert mentorship, **food for thought!**

## 3. Online Business

**This has the biggest potential for creating passive income with very low/no cost and you can work from home.**

We now live in a world where young kids are making millions from simply posting regular videos on you tube as their stuff at some point went viral. Others (known as influencers) are making millions from product endorsements simply because they have a big following.

All you need is an idea or information that is of value to others. Through social media you can start to share this information for free and build up a following. From there you can start to sell the information or simply earn advertising revenue from platforms such as YouTube if enough people watch your content.

This very product is an example of sharing information that others can benefit from and are willing to pay for.

**What can you share…** what knowledge and information do you have that can benefit others? You may have accumulated a lot of useful knowledge through your profession or hobby that other can greatly benefit from. It could be via videos on YouTube or having a Facebook business page.

**Let others do the work…** did you know there are lots of people making millions online as affiliate marketers? All they do is create affiliate accounts with product providers and share links on social media with friends and their networks, if someone clicks on their links and buys, they earn a commission. It's just a time investment, there is no cost.

You can sell physical products or information products through affiliate marketing. Information product providers will often offer 50% (sometimes more) of the price as a commission as there is no cost to them whatsoever. If someone buys their product through your affiliate link, you've just made them money for no effort, hence why they'll highly reward you.

Imagine a company has a great product for £800 with a 50% commission for affiliate sales. You share the link, someone on your social media clicks the link and goes on to purchase it. You earn £400 (50%) for simply sharing a link!

There are affiliate hubs listing thousands of products with affiliate programmes plus lots of information of the best ways to do it. The only investment is your time in sharing stuff you think others will be interested in buying. It's a business that has the potential to earn you millions over time for no outlay and you can work it all from home or on your phone!

**Food for thought!**

.

**Maybe all children should be taught at school there are 2 ways to earn a living:**

**Option one,** is that you do a job, perform a task, and each time you do it you get paid. Every time you do the job or task again you will get paid again. This is a good and noble way to make a living, but it has to be pointed out that if you stop doing the job or task, you stop getting paid.

**Option two,** is that you do a job once, but you will get paid continuously even if you never do the job again.

Ask any kid which option they prefer and it's a 'no-brainer' yet our society and educational system unfortunately only prepares them for option one!

**Reality Warning:**
Creating Passive Income to put you in a position to retire in 10, 15 or 20 years will take a lot of planning, time, effort, persistence, patience and sacrifice. Incremental growth through consistent well-prepared actions is the key, think **tortoise** rather than the hare,

Not only can it be very financially rewarding, but just imagine the huge psychological reward and satisfaction, when you can then choose whether you want to continue working or not, because you enjoy it. Or you decide to leave the 'rat race' behind and retire completely and spend lots of time with your family doing as you please without a care in the world, **what a nice thought** 😊**!**

**Are you willing**… to commit a few hours each week over the coming years to create what would effectively become a life changing passive income stream?

**If you answered yes, here are a few tips to help you make this a reality.**

**Tip 1.**

**Starting point ~ decide exactly what you want and set it as a goal.**

It is vitally important that you know exactly what you want in terms of the amount and when you wanted it by so you have a target to aim for (don't worry about how you'll get it, the details can come later), here's an example:

| |
|---|
| By 31 Dec 2031 I will have created a monthly passive income of £2,000. |

**Tip 2.**

**Decide (generally) how you would like to create this passive income.**

We've covered the 3 most common ways (property, network marketing or online business) which can be easily operated alongside a normal job. Alternatively, is there a small business which you can set up and then put others in charge of (will obviously take a fair effort to do this) so they do the work for you, whilst you get a regular passive income.

You need to look at potential options for creating passive income and decide what appeals to you most based on your time commitment, available resources and desire.

**Tip 3.**

**Important**: The end result is going to make a huge difference to your life, however, there are going to be tough days when you don't feel like doing anything and days where things don't work. Unless you like doing things the hard way or prefer to figure it out yourself, you must remember:

## The Key to Success (in any pursuit)

Surround yourself with positive and successful people who have already done what you are trying to achieve (these are easy to find, start with an online search). Think of this as a team game, successful people love helping others.

***If only they had taught us this at school…***

**Section 16 Summary**

**You can retire at early:**
**"When your Passive Income exceeds your living expenses"**

**The Key:**
**"Build enough assets that produce enough passive income to cover your liabilities and desired living expenses"**

**Decide What? How? & Who with?**
Decide how much passive income you want and by what date. Decide how (i.e. which general method[s]) you plan to use to create it. Decide who or what circles you need to connect with so you can learn and get encouragement/mentoring from the people who are already successful in the pursuit you desire to earn money in.

**Final Thought (from Mark Twain):**

Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do.

So, throw off the bowlines. Sail away from the safe harbour. Catch the trade winds in your sails.

Explore. Dream. Discover.

***Wishing you all the best,***

**Asha x**

It may take time to develop all the necessary skills but it'll be worth it, **just take that first step!**

***Final Word:***

***"Fortune favours the brave, Believe in yourself and start today!"***

*Asha presents the practical steps to turn theory into reality with:*

# ‘Action Plan & Guidance to Help You Put it all Together’

*Here’s everything you need to get started on the road to financial success.*

***Luv Asha x***


*Inspirational financial education and guidance to help you plan and create the life you want to live!*

## <u>Action Plan</u> & guidance to help you put it all together.

Whether you've read one, several or perhaps all of the previous 16 educational Sections, I sincerely hope you're feeling inspired in some way and ready to **take action** to enhance your financial position and create a lot of future prosperity for yourself and your loved ones.

This Section is simply a step by step action plan to help you decide what you would like in financial terms, to enable you to live the life you truly wish to live, and then help you set the foundations to turn those financial wishes into reality.

After completing the exercises in this section, you will have a useable action plan. We'll split it into **6 sections** as follows:

1. ***Quick recap of the core concepts & principles of wealth creation***
2. ***Deciding what you want financially***
3. ***Analysing your current finances***
4. ***Practical action plan***
5. ***Professional advice and assistance***
6. ***Final words of encouragement***


**Annex ~ action templates & resources**

## 1. Recap of the core concepts & principles of wealth creation

**There are only 2 ways to earn money.**

- **People at work** (Active Income – paid once for the work you do)
- **Money at work** (Passive income – the money keeps coming for no further effort)

**Unless you plan to work forever, it makes absolute sense to engage both ways so one day your money at work, supports your lifestyle.**

**Plant money trees & build pipelines**

**Take a part of all you earn and use it to continually plant money trees (acquire assets) and build 'pipelines' (passive income) which steadily grow to create substantial long-term wealth.**

**Compounding ~ magic money multiplier 1**

**You don't need a lot of money to create a lot of long-term wealth with the magic of compounding:** £20 a week invested can turn into a million pounds over 40 years with the right plan. It's all about the length of time and average **rate of return.**

**Leverage ~ magic money multiplier 2**

**Leveraging** allows you to purchase the majority (sometimes all) of an asset with someone else's money and you get to keep 100% of the assets gain in value. Leverage gives you the ability to fast track your wealth creation potential.

**The key to creating financial independence**

**"Take your resources (funds/income/skills) and continually plant money trees (assets) and build 'pipelines' (passive income) to create the future wealth and income which funds the lifestyle you desire to live (regardless of whether you choose to continue to work or not)"**

***Live happily ever after and be the envy of all your friends ☺***

## 2. Deciding what you want financially

Time to Plan Your Future!

They often say most people spend more time planning their annual holidays than their lives. Imagine this scenario:

Man: ***"I would like a ticket please".***
Clerk: *"Certainly Sir, where to?"*
Man: ***"Oh… Uh….someplace nice".***
Clerk: *"I don't quite understand".*
Man: ***"Well, it's important I "get someplace". I don't want to just waste time. I want to really get someplace".***
Clerk: "Someplace like…where"?
Man: ***"Oh, someplace I can be really happy, where I can have a good income. Perhaps become an executive with a good company or even have my own business of some sort, be able to take care of my wife and kids. You know, I'd like to get someplace where things were really great for me and my family. Just give me a ticket, I'll pay for it".***
Clerk: "But, sir, I can't sell you a ticket until you know exactly where you want to go".

The message is pretty clear, if you are serious about achieving financial freedom and the lifestyle that goes with it, you need a specific target or goal to aim for. If you don't set any you will probably wander aimlessly along controlled by outside circumstances (like most of the population if we're brutally honest) as you are not aiming for anything specifically.

### Financial Planning simplified ~ just 4 steps:

It's quite easy to believe that the financial planning process is very complex, which is a bit of a misconception. The products to move you in the direction of your plans can sometimes be complex and often require specialist advice, however the process is just 4 simple steps as follows:

- **Step 1:** Define **exactly** where you are right now financially and **what resources** you have.
- **Step 2:** Define **exactly** what you would like to **have** and by **when** e.g. £500,000 net worth and £3,000 passive income by 31st Dec 2038.
- **Step 3:** Formulate a **specific plan** to move you from A to B (use professionals as required) and **start** implementing.
- **Step 4:** Continually **review** the plan (recommended annually) and **adjust** accordingly in line with your circumstances, to keep on track towards B (which is generally a periodically moving target, as your plans change over your lifetime).

***Key planning notes:***

***Step 3*** *is the action part of the strategy, but you can't start until you have defined* ***step 1*** *and the most important element,* ***step 2****, your destination.*

***Step 4*** *is your autopilot to keep you on track once you're up and running as it's highly likely your circumstances or target will change as time moves forward.*

*If your goals change, all you then need to do is revisit* ***step 2*** *and set your new destination and adapt the plan and strategy accordingly and carry on. It doesn't matter how many times you change* ***step 2*** *on your journey as long as you always have a target to aim for.*

*Did you get all that ☺*


## How to specify what you want financially (step 2)

You've probably been automatically thinking about this whilst reading the Sections, now it's time to specify exactly what you would like so you have a target (remember the analogy: you can't buy a travel ticket until you know where you want to go).

It doesn't matter if the target changes over time, but you obviously need to define an initial target. Don't make the mistake of just putting down what you think you could achieve, **put down what you really want**, it's not about trying to do this on your own, there are many specialists out there who will help you create this.

*Think of it like this, let's say you went for something big like £1 million in the bank and £10,000 a month passive income by 1st Jan 2033 and you only got £500,000 and £5,000 a month passive income. You'd probably still be happy I guess!*

We're talking about financial freedom here so… **dare to dream big**!

**Here's are examples of short, medium & long term goals (assume today is 25/10/21):**

***My financial freedom example target:***

*Target Date:* **31/12/2033**
*Target Objectives:* **i) £2,500 passive income per month**
**ii) £500,000 worth of assets.**
**iii) No mortgage (on own home).**

***Short term (next 12 months) example goals:***

***Target date: 22/02/22***
*Target Objectives:* **i) I will have completed a full analysis of my current financial affairs, taken professional advice and arranged it all in line with my financial freedom goals.**

***Target date: 31/05/22***
*Target Objectives:* **i) I will have saved £750 towards my financial freedom plan and I'm being mentored on how to buy property with no money.**

***Target date: 25/10/22***
*Target Objectives:* **i) I will have saved £1,500 towards my financial freedom plan and now actively searching for an investment property I can purchase for no money.**

***Medium term (1 – 5 years) example goals:***

***Target date: 31/05/23***
*Target Objectives:* **i) I will have saved and invested £3,600.**

***Target date: 31/10/24***
*Target Objectives:* **i) I will have acquired 1 investment property.**

***Target date: 31/08/26***
*Target Objectives:* **i) I will have saved and invested £20,000 and acquired 2 investment properties.**

***Long term (6 years +) example goals:***

***Target date: 31/10/29***
*Target Objectives:* **i) I will have accumulated £50,000 in savings & (non-property) investments.**

***Target date: 31/12/31***
*Target Objectives:* **i) I will have acquired 5 investment properties.**

***Target date: 31/12/31***
*Target Objectives:* **i) I will have a passive income of £1,500 per month.**

**Warning**, the targets must be specific (as above) so you and any advisers helping you know precisely what they are.

There are no right or wrong goals or any limits, it's simply about whatever you would like to achieve and you can of course, have multiple short, medium and long term goals if that's what you desire.

A blank goal planner is included in the templates & resources annex at the end of this Section.

## 3. Analysing your current finances

**This one's easy to explain, simply carry out the exercises shown in Sections 7 & 9 which are the following:**

**Carry out a full financial health check (see Section 7)** by completing your own financial questionnaire and personal statement (or have a professional adviser do it with you) so you can see if you're in good shape financially and if any actions or adjustments need to be made to get you on the right track.

A blank financial questionnaire and personal statement are included in the templates & resources annex at the end of this section.

**Complete a full budget analysis (see Section 9)** and put your finances on autopilot towards financial freedom with the 8 recommended action steps to help you create solid financial management foundations on which everything else is constructed.

A blank budget planner is also included in the templates & resources annex.

## 4. Practical action planner

There are 7 action steps as shown in the planner below, just be mindful this isn't an overnight exercise, some of the actions (e.g. 1, 2 & 3) are pretty quick whereas other (e.g. 4 & 7) may take months to fully implement.

Please remember, this is about financial freedom and arranging your finances to create the lifestyle you want to live. It's important to take your time and do it correctly.

| | Financial Action Planner | Deadline to be Completed by: | Check (✓) |
|---|---|---|---|
| 1 | **Set your financial goals.** Use the goal planner in annex B (page 189) and refer to page 180 (part 2) for guidance. | | |
| 2 | **Complete a financial questionnaire.** Use the financial questionnaire in annex C (page 190) and refer to Section 7 (page 46) for guidance. | | |
| 3 | **Complete a personal financial statement.** Use the 2 financial statements from annex D & E (pages 191/192) and refer to Section 7 for guidance. | | |
| 4 | **Complete a personal budget planner.** Use the budget planner in annex F (page 193) and refer to Section 9 for guidance. | | |
| 5 | **List the specific actions you need to take.** From the results of steps 1 - 4 above, list the specific actions you need to take in annex G (page 194). | | |
| 6 | **Arrange any professional advice/help.** Use the professional advice list in annex H (page 195) to highlight advisors needed, and then arrange. | | |
| 7 | **Arrange everything in line with your goals.** Use any Sections/tools/professional advice to get your current finances on track towards your goals. | | |
| Regularly **Review** & **Adjust** as required | | | |

**If there seems a lot to do, just remember this is a marathon and not a sprint. The key is to figure out what actions you need to take and do them diligently, one step at a time, there's no rush.**

## 5. Professional advice and assistance

As you will know by now 😉, I highly recommend using professional advice to help you arrange your finances to meet your goals in the pursuit of financial prosperity.

Some professionals are multi-disciplined and can cover most areas of advice, others may belong to a practise which covers the majority so it's not necessarily about having a different adviser for each facet of your finances (we all want simplicity!). The list below shows the range of financial related advisers available and what each one does.

**Mortgage Adviser**
They will review your current mortgage arrangements, discuss your requirements and recommend the most suitable mortgage deal for your needs.

**Pension Adviser**
If you have an existing pension(s) or you're looking to start one, a pension adviser will look at your current financial affairs, find out what your retirement plans and dreams are along with your current resources and options, and then recommend a suitable pension plan(s) to move you in the right direction.

**Investment Adviser**
If you have existing investments or are looking to get started, an investment adviser will discuss what your investment goals and plans are, how much you wish to regularly invest and then recommend a suitable investment strategy to move you in the desired direction.

**Protection Adviser**
If you have existing protection policies or are looking to make sure you and loved ones are properly protected (easy to overlook), a protection adviser will review your financial affairs to understand your current situation, your future plans and what is important for you to protect. They'll then recommend a suitable plan(s) to protect you and your family in the event of any unforeseen circumstances.

**General Insurance Broker**
If you want to check you have the most competitive deals for your needs on any accident, sickness, unemployment or home & contents insurance, a general insurance broker will scour the market and find the right solutions to meet your specific needs.

**Wills & Trusts Adviser**
If you have an existing will or trust or are looking to start one, a wills and trust adviser will review your financial affairs to understand your current situation. They'll discuss protecting any assets and arranging your affairs the way you wish them to be in the event of your demise or if you were to suffer from mental incapacity.

**Buy to Let Mortgage Adviser**
A specialist buy to let mortgage adviser will review any existing property investments you have, discuss your borrowing requirements along with your future property investment plans and recommend the most suitable mortgage deal(s) for your property investment needs.

**Property Portfolio Building Services (Armchair Investor)**
If you would like all the wonderful long term financial benefits of a property investment portfolio but don't have the time to do it yourself, you can engage an established professional service to do it all for you one property at a time. The options are:

**1 ~ Portfolio growth specialist** (focus on building an expanding portfolio).
**2 ~ Passive income specialist** (focus on getting maximum passive income).

**Buying Property with No Money**
If you like the idea of making good money from property or building a portfolio but you don't have any funds to get started, this specialist service will teach you how to get somebody else to fund it whilst you get all the benefits. This is all about having the right knowledge and knowing how to apply it, however, you must be willing to put in some time and effort to make this work.

**Utility Specialist**
With the myriad of options and packages in the domestic utility market (gas, electric, broadband, phones etc), a utility specialist will look at your usage and requirements and recommend a suitable package to get you better value.

**Accountancy Advice**
When you move through the tax brackets or start to build a property portfolio, it's important to arrange your financial affairs correctly as the territory comes with tax and reporting obligations to HMRC. An accountant can help you set up the right structures and file annual returns as required.

## 6. Final words of encouragement

**If you've diligently gone through all my 17 Sections (I hope so 😉), here's a snapshot of what you have learned:**


- ✓ You understand the importance of setting financial (freedom) goals.
- ✓ You understand the importance of passive income and acquiring assets.
- ✓ You understand the practical formula for financial freedom.
- ✓ You understand the dynamic effect of Leverage.
- ✓ You understand the magic of Compounding.
- ✓ You understand you need to develop the mind-set of an educated investor.
- ✓ You understand that cocker spaniels are the best dogs in the world ☺.
- ✓ You understand financial success is about acquiring appreciating assets.
- ✓ You understand it doesn't necessarily take a lot of money to create wealth.
- ✓ You understand what actions you need to take to put the foundations in place.
- ✓ You understand what experts you need in your team to help you.
- ✓ You understand wealth creation is a team sport and this is key to your success.
- ✓ You understand the importance of regularly reviewing your finances.
- ✓ You understand action is the key to it all.

- ✓ **FINALLY ~ <u>you understand your financial future is now in your hands</u>**

## 17 Inspirational Quotes

1. ***"Financial Success is neither magical nor mysterious. Financial Success is the natural consequence of consistently applying basic fundamentals."***

2. ***"Philosophy of the Rich versus the Poor is this: The rich invest their money and spend what's left; the poor spend their money and invest what's left (usually nothing)."***

3. ***"Financial Intelligence is the ability to convert cash or labour into assets that provide cash flow."***

4. ***"Getting Rich is automatic if you have a good plan and stick to it."***

5. ***"It is not possible to predict the stock market, but it is important that we be prepared for whichever direction it decides to go."***

6. ***"The two greatest motivating forces are inspiration… and desperation… It's your choice"***

7. ***"People who lack control of their cash flow, make people who are in control of their cash flow, rich."***

8. ***"You cannot succeed by yourself, it's hard to find a rich hermit"***

9. ***"Become more disciplined, the pain of discipline hurts less than the pain of regret."***

10. ***"Life is a unique combination of "want to" and "how to," and we need to give equal attention to both."***

11. ***"Investment in knowledge followed by intelligent action, pays the best interest."***

12. ***"Poor is eternal, but broke is temporary. If you lose everything and yet, you're financially literate, you'll be able to build it again."***

13. ***"There will always be booms & busts, the trick in a bust, is to buy instead of sell, don't panic"***

14. ***"The more you investigate, the less you have to invest."***

15. ***"You don't have to know how you're going to get there, but you do need to know where you want to go."***

16. ***"Fortune favours the brave, Believe in yourself and start today!"***

17. ***"You don't need to know every answer, but you do need to know who to call for the answer."***

## Wisdom

Here's a great piece of wisdom from the late Jim Rohn:

**Setting of the Sails:** the same wind blows on us all, the wind of opportunity, the wind of change, the wind of disaster, the same economic wind, the same political wind, the same social wind; **it's not the wind that determines where you go in life, but <u>the setting of YOUR sail</u>!**

## Time Machine (hindsight) check:

***Q. Knowing what you now know,*** *if you could go back 20 years to 2001 and had the means to buy an investment property or two (which rental income pays for) even though it would have been hard to believe property prices are expected to go crazy between 2001 – 2021 (despite a recession), would you do it?*

***A. Of course you would!*** *(It's the same as saying, if it was possible to turn the clock back to an hour before the 2012 Olympics, would you bet on Mo Farah to win 2 gold's given the chance!)*

***Now let's jump forward in your time machine:***

***Now imagine*** *its 2041 and you're reviewing your financial affairs and calculating your current 2041 net worth. What you do today and in the next few years is going to have a significant impact on that 2041 net worth figure and your subsequent lifestyle,* ***make sure there are no regrets!***

**That's it, we're done ☺:** you'll find all the action tools and planner in the annex at the end of this section. I sincerely hope you feel inspired to take action!

### Final Thought:

The solution to future prosperity and financial freedom is now in your hands. **Action is the KEY!**

***Wishing you all the very best,***

**Asha x**


**Annex - all the action templates & resources are in the following pages…**

## Practical Action Plan ~ Annex A

The action plan below and the set of blank forms are for you to print off and complete.

| | Financial Action Planner | Deadline to be Completed by: | Check (✓) |
|---|---|---|---|
| 1 | **Set your financial goals.** Use the goal planner in annex B and refer to section 2 of this Section for guidance. | | |
| 2 | **Complete a financial questionnaire.** Use the financial questionnaire in annex C and refer to Section 7 for guidance. | | |
| 3 | **Complete a personal financial statement.** Use the 2 financial statements from annex D & E and refer to Section 7 for guidance. | | |
| 4 | **Complete a personal budget planner.** Use the budget planner in annex F and refer to Section 9 for guidance. | | |
| 5 | **List the specific actions you need to take.** From the results of doing 1, 2, 3 & 4 above, list the specific actions you now need to take in annex G. | | |
| 6 | **Arrange any professional advice/help.** Use the professional advice list in the annex H to highlight professional advice needed and arrange it. | | |
| 7 | **Arrange everything in line with your goals.** Use any Sections/tools/professional advice to get your current finances on track towards your goals. | | |
| Regularly **Review** & **Adjust** as required | | | |

# Goal Planner – Annex B

**Definition of a goal** ~ a desired outcome with a deadline for achieving it.

| Long term (financial freedom target) goals: | Target date: |
|---|---|
| Passive income:<br>Net assets: | |

| Short term goals (next 12 months) | Target date: |
|---|---|
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| Medium term goals (1 – 5 years) | Target date: |
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| Long term goals (6 years +) | Target date: |
|---|---|
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# Financial Questionnaire – Annex C

Simply tick the most appropriate answer out of these 3 options, **Yes** **Not Sure** **No** for the following 15 questions, leave blank any questions that are not applicable to you, then turn over for your analysis……

| **1. Personal Borrowing** | **Yes** | **Not Sure** | **No** |
|---|---|---|---|
| 1a. Do you know exactly how much outstanding debt you have on your Personal borrowing - Loans credit/store cards etc, (not mortgages)?…. | | | |
| 1b. Do you know how much interest you are paying on your Personal borrowing? ……………………………………………………………… | | | |
| 1c. Do you know you may be able to consolidate these to a lower rate?… | | | |

| **2. Savings & Investments** | **Yes** | **Not Sure** | **No** |
|---|---|---|---|
| 2a. Are you saving enough at the moment to provide what you'll need in the future?………………………………………………………………… | | | |
| 2b. Are you making best use of all the tax efficient products available?…. | | | |
| 2c Are you making the most of your personal tax allowance?…………… | | | |

| **3. Retirement Planning** | **Yes** | **Not Sure** | **No** |
|---|---|---|---|
| 3a. Will your current retirement plans be sufficient to maintain your standard of living when you retire?…………………………………………… | | | |
| 3b Do you know the level of income your current pension arrangements will provide you with when you retire?……………………………………… | | | |

| **4. Protecting Your Wealth** | **Yes** | **Not Sure** | **No** |
|---|---|---|---|
| 4a If you/your partner is unable to work for a while due to suffering from Accident, Sickness or Redundancy, will you be able to maintain your current standard of living?……………………………… | | | |
| 4b If you/your partner suffered a long term illness and were unable to work, would you be able to maintain you current standard of living?…. | | | |
| 4c If you/your partner ever suffered a serious illness like a heart attack, stroke, or contracted cancer, would you be able to continue paying the mortgage/rent and life's other essentials?………………………… | | | |
| 4d If you died, would your partner have enough money to maintain their standard of living without the level of income you provide?…… | | | |
| 4e If you died would your assets be passed on to the right person?……… | | | |

| **5. Your Home** | **Yes** | **Not Sure** | **No** |
|---|---|---|---|
| 5a Are you sure the interest you are currently paying on your mortgage is the most competitive?……………………………………………………… | | | |
| 5b Are you fully aware of the ways you can reduce the total amount of interest you pay for your mortgage?……………………………………… | | | |

# Personal Financial Statement – Annex D

## Income

**Earned Income**

1. Job & Self Employment (net) £__________

**Passive Income**

2. Property (net) £__________
3. Business (net) £__________

**Portfolio Income**

4. Interest £__________
5. Dividends £__________

**A. Total Income** £__________
(Salary + Passive + Portfolio)

## Expenses

**Expenses**

Mortgage Payment £__________
Household (food/utilities) £__________
Car Payment £__________
Entertainment £__________
Insurance £__________
Credit Cards & Other Loans £__________
Other Payments £__________

**B. Total Expenses** £__________

## Assets

**1. Bank Accounts** £__________

**2. Stocks/Bonds** £__________

**3. Investment Property** £__________

**4. Business Value (Net)** £__________
(Market Value – Mortgage)

**5. Home Value** £__________

**6. Other** £__________

**C. Total Assets** £__________

**E. Revised Total Assets** £ __________
(total assets C – any 'toys' value from 6)

## Liabilities

**1. Mortgage** £__________

**2. Car Loans** £__________

**3. Personal Loans** £__________

**4. Credit/Store Cards** £__________

**5. Other** £__________

**D. Total Liabilities** £ __________

**'Net Worth'** £ ..........
(total assets C – liabilities D)

**Real Net Worth** £ ..........
(revised total assets E – liabilities D)

## Personal Financial Statement Analysis – Annex E

### 1. How much did you keep?

A. Total monthly net income £__________

B. Total monthly expenses £__________

C. Difference £__________

Percentage of income kept C/A _____ %

### 2. Did your money work for you?

A. Total monthly income £__________

B. Total earned income £__________

C. Total passive & portfolio income £__________

Percentage passive & portfolio income C/A ____ %

### 3. What is your return on assets?

A. Total Revised assets £__________

B. Total passive & portfolio income £__________

C. Cash on asset return (annualized) C/A ____ %

### 4. How Wealthy are You (months)?

A. Total Assets £__________

B. Total Expenses £__________

Divide A/B _____ **Months**

# Monthly Budget Planner – Annex F

| **Income** | |
|---|---|
| Your Net Income | |
| Your Partners Net Income | |
| Pension/Investment Income | |
| Benefits (Tax Credits etc) | |
| Other | |
| **Total** | |
| | |
| **D. Fixed Regular Monthly (Essential) Expenditure** | |
| Mortgage or Rent | |
| Loan & HP Agreements | |
| Credit & Store Cards | |
| Life & Health Insurance | |
| Property Insurance | |
| Car Insurance & Tax | |
| Council Tax | |
| Gas/Elec/Water | |
| Telephone & Mobile | |
| Broadband & TV Package | |
| TV License | |
| Dental Insurance | |
| Maintenance Contracts | |
| Gym Membership | |
| Savings & Investments | |
| Other | |
| Other | |
| Other | |
| **Total A.** | |
| **E. Variable (necessary) Estimated Expenditure** | |
| Petrol | |
| Food | |
| Clothing | |
| Car Maintenance | |
| Pets | |
| Other | |
| Other | |
| **Total B.** | |
| **F. Luxury (Leisure/Fun) Estimated Expenditure** | |
| Meals Out & Takeaways | |
| Alcohol | |
| Cinema/Attractions | |
| Weekends (inc travel) away | |
| Holidays | |
| Hobbies & Sports | |
| Other | |
| Other | |
| **Total C.** | |
| | |
| Total Expenditure (A+B+C) | |
| Monthly Income Surplus (Income – Expenditure) | |
| Disposable Income Income – (A + B) | |

*Notes*

# Professional Advice/Help List – Annex G

| **Specific actions list:** | **Tick (✓)** |
|---|---|
| *Example: cancel gym membership* | |
| *Example: contact bank and set up another savings account* | |
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# Professional Advice/Help List – Annex H

Start to identify the team of experts to help you create it all, tick (✓) as required from the following (see page 6 for recap of definitions):

**(    ) Mortgage Adviser:**

**(    ) Pension Adviser**

**(    ) Investment Adviser**

**(    ) Protection Adviser**

**(    ) General Insurance Broker**

**(    ) Wills & Trusts Adviser**

**(    ) Buy to Let Mortgage Adviser**

**(    ) Property Portfolio Building Service (Armchair Investor)**

**(    ) Buying Property with No Money**

**(    ) Utility Specialist**

**(    ) Accountancy Advice**

N.b. Some professionals are multi-disciplined and can cover most areas of advice, others may belong to a practise which covers the majority so it's not necessarily about having a different adviser for each facet of your finances (we all want simplicity!).

## Summary of the 16 Educational Masterclass Sections

***The basic foundations of money mastery:***

Section 1: **Understanding the Cashflow Quadrant.**
Section 2: **The 4 Essential Money Skills.**

***Key concepts to building wealth (you'll love these, they're fun!):***

Section 3: **Why You Should Focus on Building Pipelines.**
Section 4: **How to Plant and Grow Money Trees.**

***Powerful principles to accelerate wealth creation:***

Section 5: **The Magic Money Multiplier ~ Compounding.**
Section 6: **The Power of Leverage.**

***Taking control of your current financial affairs:***

Section 7: **Find Out How You Are Doing with a Financial Health Check.**
Section 8: **The 3 Cornerstones of Intelligent Financial Planning.**
Section 9: **Put Your Finances on Autopilot towards financial freedom.**

***Practical tips to enhance your current financial position:***

Section 10: **Pay your Mortgage Off Early & Save a Fortune in Interest.**
Section 11: **The Complete House Buyers Guide in 7 steps.**
Section 12: **The Fastest Way out of Debt and Dealing with Distress.**

***Practical tips to help you create financial independence:***

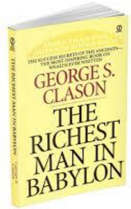
Section 13: **How to Build a Significant Property Portfolio.**
Section 14: **How to Get 25% Guaranteed Risk Free Investment.**

***Inspirational tips to help you and loved ones create financial independence:***

Section 15: **How to Nurture Your Kids Towards Financial Success.**
Section 16: **The Magic Formula for retiring early!**

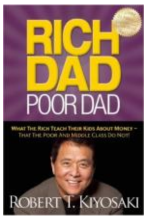
Asha's
Financial Academy
If only they had taught us this at school...

## Recommended reading list to continue your financial education:



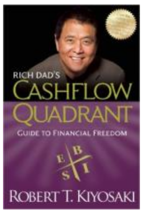

### The Richest Man in Babylon **George S Clason**

The ancient Babylonians were the first people to discover the universal laws of prosperity. In his classic bestseller, George S. Clason reveals their secrets for creating, growing, and preserving wealth. The key is to wisely invest 10% of all you earn.



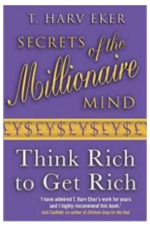

### Rich Dad Poor Dad **Robert T Kiyosaki**

Explodes the myth that you need to earn a high income to become rich and why parents can't rely on the school system to teach their kids about money. It will teach you what to teach your kids about money for their future financial success



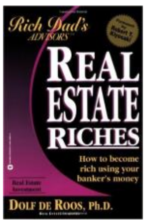

### Rich Dad's Cashflow Quadrant **Robert T Kiyosaki**

In the sequel to Rich Dad Poor Dad, learn how there are four types of people who make up the world of business but it's the business owners and the investors (not the employees and the self-employed) who can create great wealth by accelerating their cash flow through asset building.



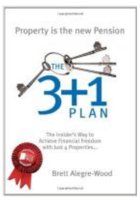

### Secrets of the Millionaire Mind **T Harv Eker**

Have you ever wondered why some people seem to achieve wealth effortlessly while others work just as hard but still struggle financially? T. Harv Eker explains how you too can master the inner game of money so that you will not only achieve financial success but keep it once you have it. Each of us has a personal money and success blueprint already ingrained in our subconscious minds, and it is this blueprint that will determine the course of our financial lives if we're not careful



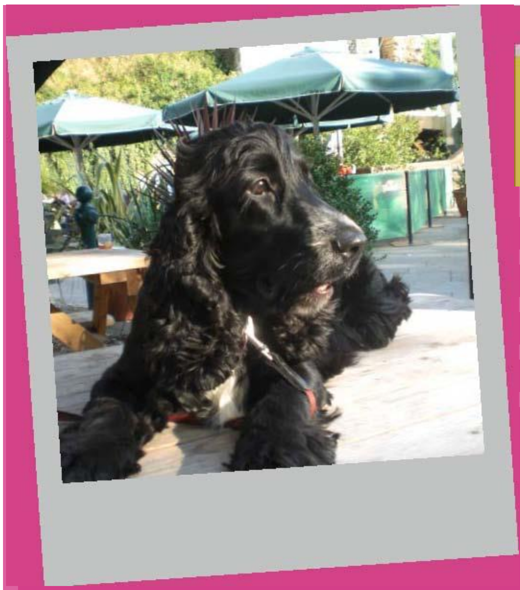

### Real Estate Riches **Dolf De Roos**

Considered as one of the world leading authorities on property investment, De Roos shows why investing in property is so astoundingly simple and lucrative. Topics include: negotiations and submitting offers; increasing the value of your property; and dealing with laws, rules and regulations. De Roos opens up and gives an insider's view of his approach, attitudes, techniques and secrets in the real estate game.




### The 3 + 1 Plan **Brett Alegre Wood**

The 3 + 1 Plan is a step-by-step guide that will show you how, with **just four properties**, you will be able to fund the lifestyle you have always wanted. Even before you retire. It's time to educate yourself financially. Showing you time-proven strategies that will safely guide you through any economic boom, bust, recession or downturn.



# Where it all began...

I started out as a 'meeter and greeter' in a financial practise as clients walked through the door, my job was to give them a warm welcome. After the initial hello and fuss they would take a seat in the meeting room where I would continue getting to know them over a cup of tea as they waited for their adviser.

If they were agreeable, I was even allowed to stay in the meeting room as long as I sat quietly on the floor.

Being a cocker spaniel with huge ears, I couldn't help but take in all this valuable financial information.

So anyway, through sheer repetition, I started to become very well versed in all aspects of financial planning and picked up lots of valuable strategies along with important concepts and principles that can help everybody enhance their financial position.

In a nutshell, as the information wasn't much use to me, my instincts told me there was only one thing to do, start my own free financial academy and share it all with the world so everybody can benefit ☺, I sincerely hope you find the information useful.

All my Love
*Asha* xx