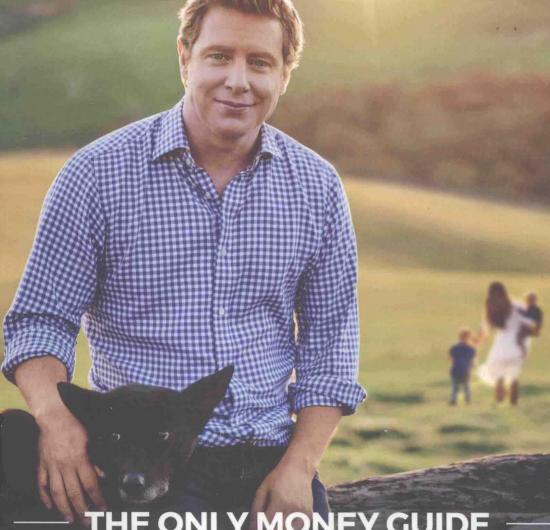


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THE ONLY MONEY GUIDE YOU'LL EVER NEED

WILEY

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THE ONLY MONEY GUIDE —— YOU'LL EVER NEED

SCOTT PAPE

WILEY

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We are fiercely independent.

The bottom line: you're reading the same advice that I'd give to my mum, God love her.

About the author

Scott Pape is the founder of the Barefoot Investor.

For well over a decade he's reached millions of Australians through his national weekend newspaper columns, appearances on TV and radio and his bestselling first book.

In 2010 independent research firm CoreData found that:

Scott Pape is considered the most knowledgeable regarding financial matters, topping the ratings in the areas of superannuation, investment, taxation, insurance and economics. Pape is also considered the most trustworthy, truthful in how he presents himself and in touch with financial matters that affect everyday Australians.

In 2014 he was chosen to assist with the government's national financial literacy in schools program. He has worked with AFL and NRL teams, struggling single mums and elderly pensioners.

The Barefoot Investor's Barefoot Blueprint has grown to become one of Australia's largest independent wealth-building communities.

Scott lives in country Victoria with his wife Liz and their two sons on their family farm and is often seen belting around in an old ute that doesn't need to be locked.

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Prelude: Living Barefoot

A blackened sheep stopped right in the middle of the road and eyeballed us.

Its feet were badly burnt. It was shaking. The wool on its side was scorched into curly knots, revealing its bloodied ribcage. It was heaving in and out, clutching for air. In shock. Dehydrated. Traumatised.

With our fences destroyed, the poor girl was left stumbling around on her own, searching for water on our home block. Most of her flock had been burnt alive when a bushfire ripped through my farm 24 hours earlier.

Bang...Bang...Bang.

Without my knowledge or approval, the Department of Environment and Primary Industries had rolled up at first light and begun destroying my surviving sheep. Apparently they can do that when your farm is declared part of a disaster zone.

The sheep limped off to the side of the road. They'd find her soon.



I gripped my wife Liz's hand and continued driving down our driveway towards our family home.

Two chimneys and a pile of rubble were the sum total of a lifetime of possessions.

Her wedding dress. Tea cups. The few last remaining photos of her late father, who had died 10 years earlier. Butter knives. All of my baby son's clothes. All of his toys. Everything was gone.

Overhead, a TV news chopper hovered. Later, it would land amid our dead and dying animals, and a reporter would enter what remained of our private family home and kick through the still-smouldering personal possessions that had made our little family us.

At the time I was used to fronting the nightly finance news; that day I was the news.

With the thick smell of everything burning, the sight of everything we'd worked for in ashes and a chopper buzzing around us, my wife erupted. She began screaming uncontrollably. Deep, loud groans of pain. Our baby son, Louie, who was strapped in his car seat, began bawling in sympathy.

At that moment, when everything was falling apart, I looked in the rear-view mirror and said to myself the first thing that came to my mind:

'I've got this.'

That's the truth. That's exactly what I said. Don't get me wrong: I'm not some Bruce Willis diehard tough-guy character. Far from it. But if this was the lowest point in my life, there was something deep inside of me that knew I could handle it.

And over the next two years, I did.

The belly of this book came from that one moment.

Because here's the thing: at some stage you're going to face your own financial fire.

It could be when your partner walks out on you and the kids.

It could be when you're sitting alone in the work carpark after the boss has made you redundant.

It could be after you go to the doctor for a simple 'check-up'.

It could be your girlfriend telling you she's pregnant.

It could be when you glance at your super statement and wonder how you'll ever afford to retire.

No matter what you face in the future, I want you to be able to look yourself in the eye and confidently say to yourself:

I've got this.

And by the end of this book, that's exactly what you'll be able to do.

Plant, Grow, Harvest

After the fire, we looked at the devastation that surrounded us, and were totally overwhelmed.

The smell gets into your lungs...into your brain.

The day before, we had a 'to do' list. Now we had a phone book.

With a million things to do, where would we even start?

Well, we chose to ... plant a tree.

An apple tree.

It wasn't a short-term fix, obviously.

After all, you don't plant an apple tree on a Saturday and then come back on Sunday and stand with your hands on your hips and scowl:

'Where's my freaking apples?'

No, you don't do that.

You don't pull out the sapling a week later and replant it on the other side of the yard where you think it's (maybe) sunnier.

You don't stay up at night worrying that your golden retriever is threatening to lift its leg on the trunk.

You don't nervously watch the weather on the nightly news and think to yourself, 'There's no rain on the five-day forecast! El Niño will wipe out everything. This is a disaster!'

You don't get desperate and google 'How to grow a thousand apples a day, with one tree'.

No, you just plant the bloody tree.

And then you wait.

A year or so later it bears some apples (mostly hard, small and sour). Its branches are still young, so the weight of the apples makes it droopy. (It looks like a tree version of a fashion model.)

And then you basically forget about it, and get on with your life.

You trust that the tree will grow, and that it will get all it needs from the rain, the sun and the nutrients in the soil. The exact same way trees have been growing since Adam and Eve shacked up and did the wild thing.

And a few more years go by, and then one day you walk past the tree and notice it's now a few metres tall and there are a few really juicy, ripe apples just waiting to be picked.

And then 30 years go by, and that little sapling has transformed into a big, beautiful tree with thick, strong branches that you attach a rope to as a swing for your grandkids to play on. And the apples feed your entire family.

And when you're long gone, your grandkids' kids still play under that magnificent old tree.

Nature has an easy-to-understand pattern: plant, grow and harvest.

It's the same with your money.

In this book, we're going to follow the same natural pattern.

We'll plant the seeds of wealth.

We'll watch them grow.

And then, we'll enjoy a life-changing harvest.

Let's begin.

The alpaca attitude

Friends of ours moved to the country and bought a family home on a two-acre block

They had so much space that they thought it would be nice to buy their kids a couple of alpacas. You know, to give them a real taste of the country life. The kids even gave them names: Alberto and Pedro.

Truth is, buying alpacas as pets is like taking heroin for a headache: they're basically camels without humps, and with the aggression of Tony Abbott.

Alberto and Pedro lived in the family's front yard.

The problem with that location is that alpacas are protectors by nature, so they naturally felt it was their responsibility to protect the family from any 'predators' that might approach the front gate—like the postie, family friends with small children, or grandparents.

Seriously, you'd walk up to their gate minding your own business, and then ... Bam! Out of nowhere, two surly, six-foot-five alpacas would be charging at you. Whoosh! They'd swing up on their hind legs, cock their heads to the side and ... Hoick! They'd shower you with green spit.

It was totally out of control.

So one day, over a cuppa, my wife offered to take them to our farm.

There was method to her madness. We'd already lost a number of our lambs that season to foxes, so the idea was to put the alpacas in with a flock of sheep and let the foxes know to keep the hell away—or they risked getting stomped.

Good plan.

I dutifully borrowed a horse float from a neighbour and drove to our friends' home to pick up Alberto and Pedro—only to find that things were already out of hand.

The 40-something father had Alberto in a headlock and was attempting to frogmarch him down the driveway.

It was two against one.

Pedro was darting around, shrieking at the top of his voice, violently headbutting him.

'The kids are really going to ... don't you bloody spit on me! ... miss them,' he panted.

The kids were inside the house playing games, oblivious to the fact that their dad was copping repeated kicks to the kidneys.



Fast-forward to the day after the fires.

As we left the remains of our destroyed home, I looked across a burnt-out paddock and saw Alberto and Pedro circling protectively around a small flock of burnt, traumatised sheep.

The alpacas' hooves were so badly burned they were having trouble standing. They'd collapse to the

ashen ground and then stoically lurch back up, groaning in pain. The Department was trying to destroy the sheep—but Alberto and Pedro wouldn't let them.

No-one messes with their flock.

Nothing was going to stop them. Not being burnt. Not struggling to stand. Not staring down the barrel of a rifle. They didn't flinch. They didn't take a backward step. That was their job. That was their purpose.

How's that for focus?

I want you to think about your money exactly the same way.

See, after years of doing this, I can already tell who's going to make it—the people who have that same alpaca attitude when it comes to their money.

It's easy to spot them. They say things like, 'Okay, so we're just going to have to work our arses off until we're debt free' or 'I can't afford to run this car, so I'll sell it and buy something cheaper'.

These people don't know it yet, but they're already free: free from excuses, free from second-guessing themselves and free from constantly worrying about their financial future. That's the payoff for standing up, making a decision and taking responsibility for your situation.

But most people aren't alpacas—they're groundhogs.

They do the same thing day in, day out... and then bitch and moan that 'nothing ever changes'.

Case in point: currently I have more than 13000 money questions in my inbox. At a glance I can tell which ones are sent by the groundhogs (most of them). They ask questions like, 'So I've been thinking about learning about day trading' or 'I can't pay my bills... should I just go bankrupt:(?'

Groundhogs want the magic diet shake rather than the daily 5am run.

And that's why, for most people, five years ago looks pretty much the same as today... with a few nicer clothes—but with the same excuses, the same regrets and more debt.

Here's the deal: the goal of the Barefoot Investor can be summarised in one word: control.

I'm going to provide you with a set of steps that will give you control over your money and your life.

It will work for you, just as it has for thousands of others.

But it ain't easy.

It's not enough to skim through this book and think about opening a few accounts. If it were, everyone would be rich.

I'm deadly serious when I say this: if you want financial freedom, you need to take charge. And, just like an alpaca, you have to be prepared to stand up and fight like your life depends on it—and never, ever back down.

Put your foot down

The first person you need to fight is yourself.

Picture what you looked like in your high-school photo.

If you were anything like me, you were awkward, gangly and so ashamed of your braces you didn't open your mouth (though you now thank Christ your old man made you get them).

Even though we're now older, possibly partnered up, and have visible veins on our legs and hair growing out of our ears, deep down we're all still only a few shades from that insecure little kid.

But here's the important part: that kid in the picture formed a lot of beliefs and assumptions about who you are and what you're capable of.

And the problem is that decades roll by and life gets busy, and if no-one challenges the negative 'scripts' that auto-play in your head whenever you stuff something up or get rejected, those teenage beliefs bed down, compound and become ingrained—they become who you are.

And they slowly but surely eat away at your self-confidence, keeping you locked in a job you've lost interest in, relationships you've outgrown and a financial state that stops you from experiencing life on your terms.

Believe me, as a finance guy, I've seen it thousands of times.

It's like a mate of mine who's an awesome mechanic. I've watched him turn his head to the side and listen as a car pulls up, and casually tell the driver, 'Time to tighten your fan-belt cobber... and get them to change the oil while they're at it'. To me, he's like the Nostradamus of cars. For him, it's nothing special; it's just what he does: after years of doing something day in, day out, patterns emerge that are easy to pick.

It's the same with my job. The best way to get to the guts of someone's financial situation (other than poring over their financials) is to turn my head, and listen intently as they describe their situation.

Patterns always emerge. Here are some of the scripts that may be turning over in your financial fanbelt right now.

Here's you: I'm not that smart with money.

Here's me: No-one is born 'smart with money'. It's a learnt skill—like driving—and it has more to do with your behaviour than your brains. This explains why I know a lot of so-called financial experts who don't have two bob to rub together—and why I also know wealthy people who never finished high school. You don't need to be a financial expert to win with money. It's much more important to start than it is to be smart. And remember: you're in luck—you've got me as your independent tour guide to financial independence.

Here's you: I don't earn enough.

Here's me: It's not about what you earn, but what you save. I've had clients who were cleaners their entire lives, who never earned more than the minimum wage, but used compound interest to build a million-dollar portfolio.

Here's you: I've left it too late...I should have saved more when I was younger.

Here's me: Stop for a second and tell me what age you'll be when you die.

Go on ... answer that.

I'll wait.

Most people don't think about their long-term future, but nearly everyone has a specific age in mind when they'll die.

Next, subtract that number from your current age.

Now you have a ballpark figure for how many years you've got left on the planet.

The question is: What are you going to do with them?

You can continue living in the past, beating yourself up about the money mistakes you made when you were younger, telling yourself you've left it too late... or you can rise up and make yourself proud.

Here's you: The economy sucks.

Here's me: More millionaires were created in the Great Depression than at any other time. Author and physician Peter Diamandis found that in the past century the average lifespan has doubled, while the average income has tripled. Food is 10 times cheaper, electricity is 20 times cheaper, transport is 100 times cheaper and communication is 1000 times cheaper. These are the good old days.

Stop with the excuses

These are all excuses. Every single one of them.

You can live the rest of your life with excuses about your lot—most people do—but they sure as hell won't protect you from the financial fire that's eventually going to work its way to you.

There are people who've sat where you are right now—with their self-confidence shot and with very little money or prospects—and they have singlehandedly clawed back control over their money and their life.

And you're going to meet some of them.

In this book, I'm going to introduce you to:

- a working-class couple who were convinced they'd left it too late... and are now on track to retire with a million-dollar nest egg
- a young man who doubled his money... and built his legacy
- a young woman who clawed her way out from under tens of thousands of dollars in credit card debt... and then helped her mother do the same
- a grief-stricken widow who was left in dire straits... who went on to put all her kids through private school
- a single woman who bought her (capital city, non-dogbox) home all on her very own...no man was part of her financial plan
- a mother whose husband's parting words were, 'You'll never survive financially without me'... who proved the jerk wrong.

They're people like you—just without the excuses.

The truth hurts, right?

It's kind of like when you see a picture of yourself on Facebook and think, 'Who's that fat bastard?'

When you're a bit flabby, there's no denying it. You know it. Your kids know it. You can't hide it. It's there on display for everybody to see and judge.

But it's the opposite when it comes to money. It's easy to hide your financial flab from the world.

I've found that it's often the most financially flabby people who appear to look the fittest. They can have a McMortgaged McMansion, a leased Lexus and a maxed-out platinum credit card, and you'd never know that behind closed doors they're the financial equivalent of pudgy North Korean dictator Kim Jong-un.

No-one knows that they're walking around with the financial equivalent of cankles.

At least if you've got a muffin top you've got the motivation to buy an Ab King Pro on a late-night infomercial, or sign up for Light n' Easy.

But if you look like you have a financial sixpack, you've got zero motivation to change. And that's why most people never do.

Facing up to the fact that you're not as successful or sorted as you tell yourself you are—or as your family and friends believe you to be—takes guts. It's like standing butt-naked in front of the mirror and looking at your gut. Stripped of your clothes, and excuses, there's no-one to blame but yourself for the situation you're in. You made your decisions. You decided to let yourself cruise.

That's the alpaca kick right there: seeing your situation for what it really is and having the courage to change it.

Success isn't found in the eyes of others: buying things you don't need, with money you don't have, to impress people you won't know in 20 years' time.

True and lasting success is knowing deep in your bones that you have the freedom to tread your own path in life, and the ability to protect those you love.

Be financially fireproof

Look, life is busy. Life is a messy bathroom, running late to your kids' footy matches, unpaid overtime, and collapsing at the end of the week on the couch with Indian takeaway and pappadum crumbs on your shirt.

If you try to do a million things, you'll do none.

Yet that's the power of focusing on just one thing—one step—and ticking it off the list.

Let me explain why this works with one last fire analogy.

Our fire plan was simple: on extreme risk days, Liz would pack up Louie, leave the farm and head for the city. And on the morning of our fire, I was sitting at my kitchen table at the house, with my CFA-issued volunteer pager next to me.

It hadn't gone off...yet.

However, the smoke was starting to surround me, so I decided to drive to my neighbours', who live on a ridge, to get a better view of what the hell was going on.

I rounded up the dogs and put them in the back of the old farm ute, turned on the tranny, and got halfway down the driveway when the ABC Radio announcer said of my area, It is too late to leave. You must take shelter now to protect yourself.

Bugger.

When you're in the thick of a bushfire, it's too late to start thinking about what to do. You just need to be executing your plan like a patriotic North Korean soldier.

Here's how the CFA explains it:

A Bushfire Can Be a Terrifying Situation

Strong gusty winds, intense heat and flames will make you tired quickly. Thick heavy smoke will sting your eyes and choke your lungs. It will be difficult to see and breathe.

The roaring sound of the fire approaching could be frightening. Embers will rain down, causing spot fires around you. Power and water may be cut off. You may be isolated, and it will be dark, noisy and extremely demanding both mentally and physically.

This is not the time to be making major decisions.

Preparing your fire plan allows you to make major decisions in advance, and will help keep you focused and make better decisions in the event of a threat.

And you know what?

The same rules apply when it comes to facing your financial fire: when you lose your job, or lose your partner or retire—it's too late to be making major decisions.

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