

# ***Grow Your Wealth Like a Norwegian***

- 10 Principles for modern financial mastery



Benjamin Beck

# Introduction

Thank you for picking up my book. You are probably wondering who this book is for. Well, statistically speaking, it is for you. Most of us work hard to earn a living and often find ourselves juggling our income against our expenses—and fighting a losing battle. But what if there was a way to enjoy more of life's pleasures and secure a stable financial future? The good news is, this is more achievable than you might think.

You put in the hours and effort and work hard for your money—it's time for your money to start pulling its weight and doing some of the work for you.

This book teaches you how to control your finances like a pro. I will also share real-life examples and show you, for example, how to “save like a Scandinavian.” Norway, one of the wealthiest countries globally, has much to teach us. Elisabeth Oxfeldt, a professor at Oslo University, told the BBC: “The strength of its economy, as measured *per member of its population*, is almost twice that of the UK and larger even than that of the US”. This means that Norway is one of the world's richest countries, and its citizens are among the wealthiest. We have much to learn from the Norwegians! I grew up in Norway, and in this book, I've incorporated many “Scandinavian tips” tailored for the UK economy and your finances.

It is often said that you can't get rich working for someone else. Whilst there may be some truth to that, the reality is that most of us need to work for others to make a living. This book is designed for ordinary working people like you. By the end, you will have learned how to manage your finances effectively, paving the way for financial freedom and future security.

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## Foreword

There's so much content on the internet, creating more confusion than ever before. My mission is to give you the tools and processes you need to take complete control of your finances.

I've been interested in financial services for as long as I can remember. My interest transformed into a desire to learn more while serving in the military. I felt frustrated that I didn't understand the Financial Times and how it was written. It was, after all, written for professionals in their suits in the City of London.

Personal finance is just that—personal to you. The more I learn, the more I realise the importance of keeping it simple.



*K/SS – Keep It Simple Stupid*

However, simplicity doesn't "sell"; it seems complication sells because surely "things can't be that simple."

The fitness industry is thriving for a very good reason. The headline remains the same: exercise more, consume less, and you will achieve better health. However, an insatiable appetite(!) for yet more diets in the market is hitting the headlines. Whilst most people have heard of calories, there is only a sketchy understanding of what everyday foods contain.

I like to compare personal fitness with personal finance. A financial adviser (like me) will listen to where you have arrived in your own journey and draw up a plan customised for you.

The beverage industry is worth even more than the fitness industry. Why is this? It's because it's easier to "sell" fun and

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enjoyment than restraint and control. However, the latter will give you a more fulfilling life in the long run.

This book is dedicated to the consumer—you. If I decide to include finer details, a follow-up may follow. For now, I've decided the fundamentals are sufficient. The chapters are written in chronological order. Following the chapters will lead to better financial health overall.

So why follow this book and not another book? Doing something is better than doing nothing. But doing something that gives you the result you are looking for is even better. This book will describe why and how; when you understand why you are doing something, finding the motivation to follow "how" is much easier.

I like simplicity and simple language. Personal finance is personal, but the financial profession is awash with "buzz words." I think this mainly means making everything sound more impressive than it is.

I fully appreciate that you may be a high-net-worth individual, and if that's the case, the contents of this book come as second nature to you; well done! Consider passing the book to someone you know who keeps asking you how you've done it.

We had a saying in the military: "Basics done well." I think this applies to personal finance, too. Yes, things can certainly be overcomplicated and thus sound very sophisticated. However, you will certainly achieve your goals by doing the basics well.

## Chapter 1: Setting Financial Goals



Why we need clear goals:

### The importance of goal setting

Perhaps the one deciding factor that determines success in any part of our lives is discipline. After Christmas, all the gyms in the country experience a tsunami of new members. After the excesses of Christmas, they are all now experiencing a motivational adrenaline high. So why do the majority drop out before Easter? Motivation will eventually burn out if there is nothing to aim for.

The gaming industry has perfected this to a fine art. Motivation has two parts: Challenge and mastery. When playing a video game, you enjoy the challenge of completing a level. You get the warm glow of achievement and mastery when you complete a level. What comes next? The next level, of course, and the circle of challenge-mastery continues. This is what feeds your motivation. In our context, your financial goal

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is your motivational challenge. As you progress through the book, your motivation will be further nurtured by the cycle of challenge and mastery.



There is no "one plan that suits all," this book will show you how to tailor your goals to consider all aspects of your situation.

In Norway's schools, we are taught basic financial fundamentals such as goal setting. I remember I took a class called "bedriftsøkonomi," which is translated to "Business Economics." Here, we analysed company accounts. After the analysis, we were required to write a report describing the reason for any failures. In most instances, the hypothetical business didn't have goals in place, and thus, the finances spiraled out of control.

No goals:



Admittedly, in my early 20s, I didn't have any financial goals. At this point, I had already left Norway to join the British Army. Like many, I just saved for the short term and invested for the long term (5+ years). Because I had no goals in place, I didn't have a "structured" plan. I would have been better off financially had I adopted goal setting sooner.

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## Time to smarten yourself up – how to set your goals



We have already seen WHY we need to set goals. Now, let's look at HOW to set clear goals. The SMART framework is widely used across industries. Its simplicity and easy-to-grasp concept mean it can be applied to anything you'd like to set a goal for.

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Use the SMART framework to set your goals:

Specific

- Clearly define what you want to achieve.

Measurable

- Ensure you can track your progress.

Achievable

- Set realistic goals.
- Whilst you may want to become a millionaire, you need to begin with smaller realistic goals as a starting point. It could well be an emergency fund (we will get onto this in later chapters)

Relevant

- Align your goals with your values and long-term objectives.

Timebound

- Set a deadline for achieving your goals.
- Research shows that writing down your goal and setting a deadline, gives increased chances of success

## Treat your finances like a business

You are the CEO of your household. If you are a couple, you are joint CEOs. As a CEO, you want to see a profit at the end of the month. Think of your personal finances in the same way. The only way to grow your wealth is to generate a profit.

Have a specific day in the month to sit down to track your progress and adjust your goals. Your finances are a bit like a business plan; invariably, circumstances will change over time. Like the captain of a ship, you will have to adjust your course

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occasionally to ensure you are headed toward the correct destination. Keep it nice and straightforward. Have what you need in a Word/Excel document. (More details later.)

The goal of your finances is to show a profit. We can say immediately that the deciding factor is not having a significant income. To show a profit, you must ensure that your outgoings are less than your income. It is that easy. If it is so easy, why do so many people struggle financially? Probably because they haven't read this book! There are many ways to increase your income and reduce your expenditure to free up capital– and we will look at them in later chapters.



A highflyer earning £100,000 per annum could be “worse off” than you. A potential new client came to see me some years back. The couple had excessive spending and high debts. They would run out of money within five years based on their financial balance. Their mantra was to live today.

From the outside, they may be deemed wealthy, with new fancy clothes and the newest model of the car line. However, they were highly vulnerable as they didn't have their income-expenditure balanced. A person with a low income but control over their expenditures would have a much higher level of financial security.

## Chapter 2: Controlling your money

Now is the time to step up to the plate and show your finances who's boss. Don't let unforeseen bills ruin your holiday plans. You are the CEO: you decide over your money.

### How to get started?

You will need a map of your financial status. Like a military commander needs intelligence about the enemy, you must know everything about your financial status.

The mapping tool is a budget. Why should you bother to make a budget? The answer is in the third sentence. For example, an unexpected bill ruined a holiday. Information is power. Your budget gives you the necessary information and power to achieve your goals.

You will also experience greater peace of mind. Money worries are ranked in seriousness as a close third after the death of a loved one and divorce.

### Creating a budget

#### ***A short account:***

“In late July, Anna and Mark were pleasantly surprised to find they had leftover extra money. With fewer bills that month, their bank account looked healthier than usual. Feeling liberated, they celebrated their good fortune with a spontaneous weekend getaway at a luxurious hotel. They indulged in gourmet meals, spa treatments, and breathtaking views, relishing their mini vacation.

As the seasons changed and November arrived, reality came knocking. A pile of unexpected bills landed in their letterbox: car repairs and a higher-than-expected utility bill. With their finances strained, they began to worry. They tried to scrape

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together what they could, but by the end of the month, their savings were nearly depleted.

When December rolled around, Anna and Mark faced a harsh truth. Without money, they couldn't afford Christmas presents for their family and friends. Their financial stress dimmed the joy of the holiday season.

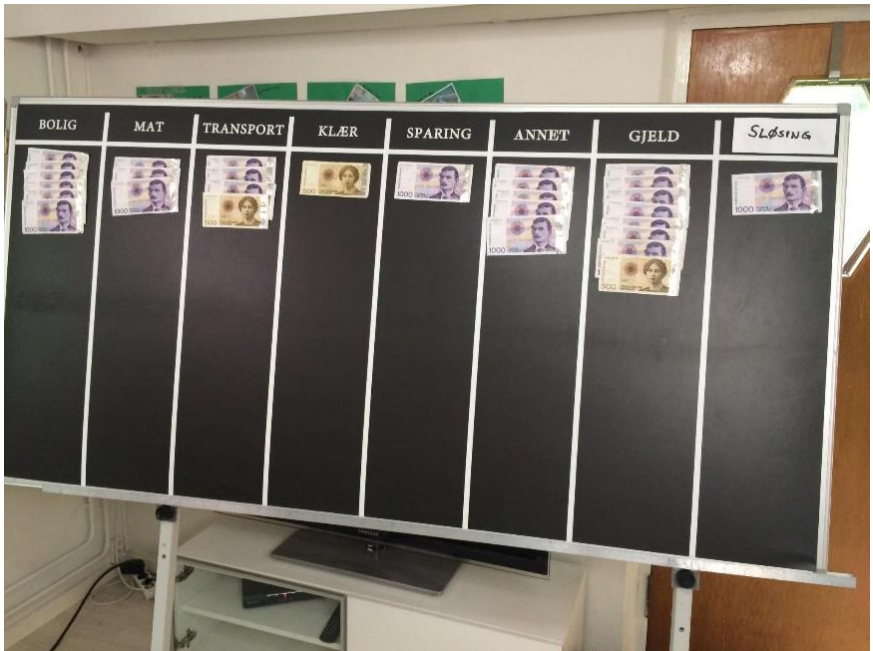
Sitting by their undecorated Christmas tree, they reflected on their choices. While memorable, the spontaneous trip in July had left them unprepared for the months ahead. Regretting their lack of planning, they vowed to create and stick to a budget.

Anna and Mark learned that financial freedom comes from careful planning, not just hard work. Their resolution for the new year was clear: to manage their money wisely and never let a short-term whim jeopardize their long-term security again”.

The moral of the story? Don't be like Anna and Mark!

Creating a budget is nothing more than listing income and expenditure. Norway has a popular television series called “Luksusfellen” (The luxury trap). Every week, a person, couple, or family is helped out of their financial problems by the program. The show has been running for years, and each episode always starts with a mapping out the participant's income and expenditure. A large magnetic board with columns for “food”, “car”, etc. is used with magnetic “money”. The magnetic money (income) corresponding to each expense is on the board.

## Grow Your Wealth Like a Norwegian



It is very graphic and makes for a good show. However, its weakness is that it assumes that every month is equal. As Anna and Mark found out – that is not the case. We, however, are already financial pros, and we will make a budget to free us from the unexpected.

How will we do this? By looking at Norway's beautiful mountains and valleys.

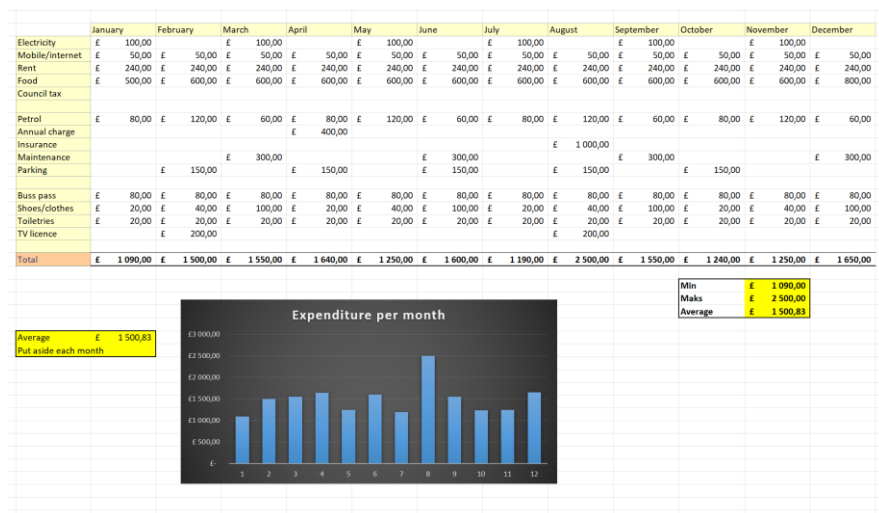


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To make a level, smooth landscape, we need to “top off” the mountains to “fill in” the valleys.

Our first step is to get started with our budget.

Here is an example:



Here you can see we have expenditure on the left and months on the right. List your outgoings on the left and where they occur in the month’s columns. Cut off the mountains” and “fill in the valleys.”

The months are totalled individually, and then the year is totalled by summing the months. The final sum is then divided by 12 to give the fixed sum to be set aside each month.

In this example, the monthly differences vary from £1090 to £2500. The yearly total is £18010. Divided by 12, this gives the sum to be set aside each month as: £1500.

My suggestion for expenses that should be listed in your budget:

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Utility bills  
Rent/Mortgage  
Other loans  
Insurance  
Subscriptions  
Internet/Mobile  
Groceries  
Clothing/shoes  
Toiletries  
Saving  
Emergency fund



This is possibly the most crucial action you will take on this journey. We will come to savings later – and we can look critically at your budget to see where savings can be made. It is advantageous to have a separate bills account – so that the rest of your capital is placed in an interest-earning account – we shall also come on to that later.

### Information, information, information

Information is power; you now have a “snapshot” of your finances. This will now give you valuable information, which we will look at in more detail later. However, for now, we can mention briefly:

| Where the money went                                                                                     | "Profit"                                                                                                                                                                                                         | Goals                                                                                                 |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>•Are any of the expenditures higher than they should be?</li></ul> | <ul style="list-style-type: none"><li>•Can more money be put aside for:<ul style="list-style-type: none"><li>•Savings</li><li>•Emergency buffer</li><li>•Larger expenditure such as holidays</li></ul></li></ul> | <ul style="list-style-type: none"><li>•What adjustments need to be made to reach your goals</li></ul> |

## Emergency fund

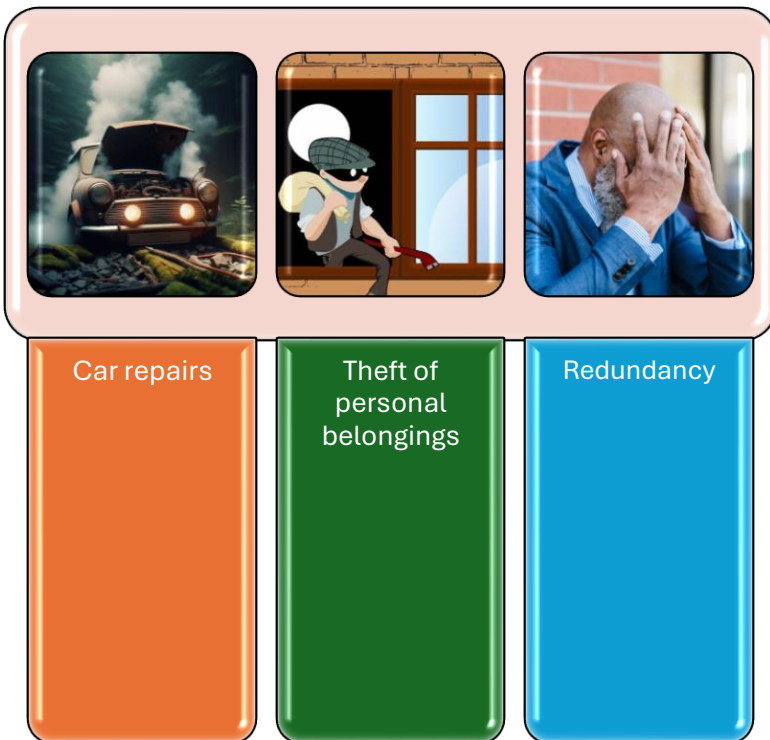
Why have an emergency fund?

Although a column for “Emergency fund” will be a necessary part of your budget, it is a sufficiently important topic that warrants its own paragraph here. An emergency fund is a buffer in case of a financial emergency. It is a separate column in your budget for available cash to cover unforeseen expenses. Your emergency fund will save you from what could otherwise be shattered finances.

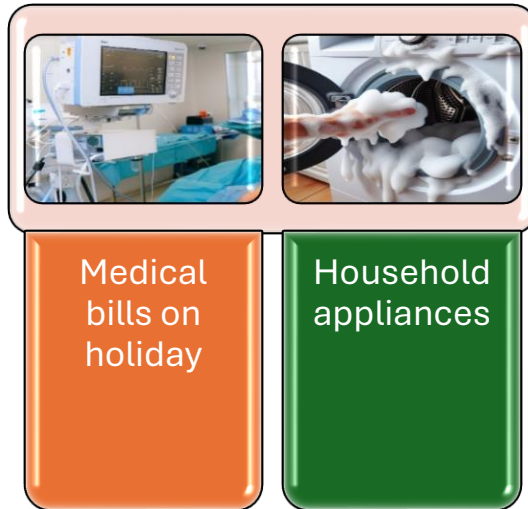
What kind of situations will your emergency fund be used for?

Anything that is unexpected and sufficient to not be covered by your normal “bills” column in your budget.

Some examples might be:



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Ideally, you should have at least three months' worth of expenses and bills in your emergency fund. Knowing that you have funds to tide you over financial emergencies will certainly reduce stress and money worries.

### Adjusting your budget over time

With time, you may experience pay rises and promotions at your workplace. As your income increases, increase your standing orders to your savings account and your investments. Try to avoid lifestyle creep, where your expenditure increases with income, and it is a sure way of never building wealth. People commonly purchase more expensive holidays or swap their cars for a more expensive model. Avoid the temptation!

I use Xcel to enable dynamic changes and simulate “what if” situations. But a simple pen and paper is sufficient to get started!

## Chapter 3: Saving

Having obtained an overview of your finances and now owning your budget, you can optimise your savings.

### Why should you save?

There can be many reasons:



Regardless of the reasons for saving, the important thing is to have a goal for your saving. It is nearly impossible to persuade children/teenagers to save some of their pocket money, or money they receive for birthdays or Christmas, for example. Until they have a goal, that is. If you agree that you will help them buy a new Play Station if they save up half, suddenly, they put Scrooge to shame. Once they have a goal for their savings, they are unstoppable.

From childhood, my father required me to have an Excel spreadsheet (the paper version) of all pocket money coming in, birthdays and Christmas. 20% of the amount was to be allocated to the Savings column. Of course, as a teenager, I wasn't overly delighted. However, as time passed, it became the norm and just something I did. The money I allocated to savings was put into a little aluminium safe with a combination lock. This way, it was "out of sight, out of mine". It felt good to shake it

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and feel it becoming heavier and heavier. It looked something  
like this:



You may well have several goals for your savings. In the introduction to this book, you were promised that your money would start doing some of your work for you, and that will be our focus. Having made your budget, you can see how much of your income can be put to work. (Putting your money to work comes in a later chapter). This chapter will present you with strategies and methods for saving to enable you to build up sufficient capital to “put it to work”.

As you will now understand, saving does not mean stashing your money away in a vault that will never be seen again. On the

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contrary – it is merely a “delay”. The funds will be used – but at a later date.

(Do not confuse the word saving with *investing*. Currently, they are used interchangeably in the media. Saving money is typically just money you put aside in a bank account every month. Investing money will be covered in a later chapter.)

Now we know why we should save, but how can we save? I will list some tips which may help you. Not all will be relevant, but you will find some very useful.

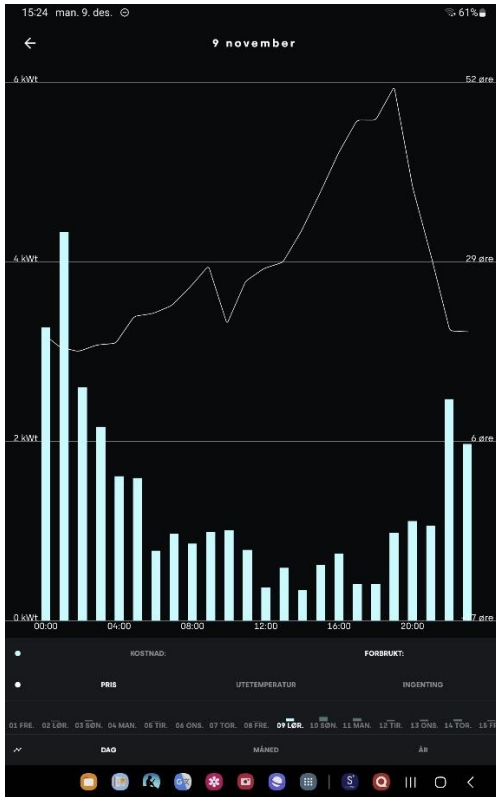
Before I begin, I have a question: What is your attitude to saving? Is it boring? Or is it just something you must do? For my father, it is a sport. Attitude is everything.

## Saving is a sport

In Norway, the price of electricity changes every hour. This can be frustrating, but it has become a sport for my father. He has filled the house with “smart” devices controlled by a dedicated hub.

Very simply, when the price is lower, the car (EV) will be charged, the hot water tank will be warmed up, and the floor heating will be turned on (it retains heat for a long time after being switched off). This gives him a lot of pleasure to see how electricity consumption goes in the anti-phase to electricity prices. Here is a graph for a typical day:

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Be like my father – have a “sporty” attitude to saving!

### “A pound saved is a pound earned”

Another example from Scandinavia: A popular children’s Swedish TV series when I was growing up was “Emil i Lønneberget”, based on the books by Astrid Lindgren. Emil was a mischievous young boy. They lived in the Swedish countryside, not too well off. As a result, Emil’s father was reluctant to part with what little money they had, and his motto was “A crown saved is a crown earned”. Which makes more and more sense the more you think about it! You can either work harder or save harder.



## Supercharge your saving – Compound interest

In Norwegian, compound interest is “rentes rente,” meaning “the interest of the interest”. What better way to describe compound interest (which sounds complicated) more simply. “Rentes rente” describes leaving your savings in a bank account long enough to attract interest, which will generate new interest on the previous interest.

Here, in a small way, we can also say that your money is beginning to do some of the work for you.

The two big buddies of compound interest are the interest rate and time. Let’s look at a graph to illustrate this.

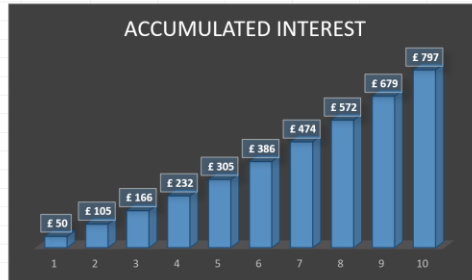
In year 1, we deposited £500 and let it simmer on the back burner.

For easy figures, I have chosen an interest rate of 10%.

Let’s see what happens:

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|                      |                    |        |        |        |        |        |        |         |         |         |
|----------------------|--------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| Initial deposit      | £ 500              |        |        |        |        |        |        |         |         |         |
|                      | Interest rate 10 % |        |        |        |        |        |        |         |         |         |
|                      | Year 1             | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8  | Year 9  | Year 10 |
|                      | £ 500              | £ 550  | £ 605  | £ 666  | £ 732  | £ 805  | £ 886  | £ 974   | £ 1 072 | £ 1 179 |
| Interest earned      | £ 50               | £ 55   | £ 61   | £ 67   | £ 73   | £ 81   | £ 89   | £ 97    | £ 107   | £ 118   |
| Years total          | £ 550              | £ 605  | £ 666  | £ 732  | £ 805  | £ 886  | £ 974  | £ 1 072 | £ 1 179 | £ 1 297 |
| Accumulated interest | £ 50               | £ 105  | £ 166  | £ 232  | £ 305  | £ 386  | £ 474  | £ 572   | £ 679   | £ 797   |
| Years total          | £ 550              | £ 605  | £ 666  | £ 732  | £ 805  | £ 886  | £ 974  | £ 1 072 | £ 1 179 | £ 1 297 |
| % interest of total  | 9 %                | 17 %   | 25 %   | 32 %   | 38 %   | 44 %   | 49 %   | 53 %    | 58 %    | 61 %    |



We can see how the contributed interest increases exponentially year on year. Already at the 8-year point, the initial £500 has been more than doubled by an accumulated interest of £572, totalling £1072. At the 8-year point, the interest is 53%, and at the 10-year point, 61%.

After 10 years, your initial deposit of £500 grew to £1297 thanks to compound interest.

## Some tips on everyday savings

Finally, here are some practical tips for you! Some tips may seem obvious to you, but maybe not for everybody!

## Shopping

“Shop big”—plan your shopping so you can buy in large quantities. Larger quantities are always cheaper than smaller quantities. There are also other offers, such as “2 for 1.”

Don't shop when you are hungry – to avoid temptation.

Prepare a shopping list beforehand so you don't get distracted in the shop.

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Don't look at the item price—look at the Kg price, and then compare the Kg prices, not the item prices. An item's visual size can be misleading.

Here is a price tag (euro) showing the liter cost for the juice. You can then compare the price with other juices of different sizes by comparing the litre price.



Buy supermarket “own brands” – these are often the same quality. Interestingly, they are often a little bit healthier, too, with less fat and sugar. I have no idea why!

### ***2nd hand is trendy***

Don't be afraid to buy used – there are bargains to be had. Support the charity shops – you save money and support their causes. Some 2<sup>nd</sup> hand clothes shops have started to call themselves “vintage”. Vintage is now trendy.



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However, you don't have to go as far as this shop in Alicante:

(The sign reads, "Buy and sell 5<sup>th</sup> hand")

### ***Buy from the supermarket.***

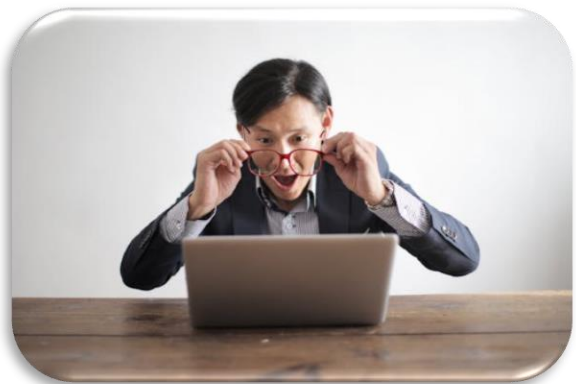
This one is a no-brainer. Buying food at a petrol or railway station will cost you double what it costs in the supermarket. While we're at it, what about that takeaway coffee you buy daily on the way to work? At £4 a wack, that's £20 a week, about £80 a month and a whopping £960 a year – nigh on a grand! Buy yourself a thermo cup and brew a nice "coffee to go" at home before you leave.

### ***When is a bargain not a bargain?***

Answer: when you don't actually need "the bargain". Keep your impulses under control!

### ***Subscriptions***

Hopefully, when drawing up your budget, you will realise that you don't need subscriptions to Netflix, HBO, and Amazon Prime. Perhaps just one is enough?



### ***Dining out***

I won't say never to dine out, but perhaps it has become a habit to dine out a little too often. To put this into perspective, A meal out for a family at a nice restaurant (not the kebab

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takeaway on the corner) is approximately the same as the family food budget for a week. Look at your budget and do the math. You will see that this is not far wrong.

It is relevant to mention the good old Norwegian “Matpakke” (packed lunch) culture on this subject. This stems from going on long hikes or ski trips. With nowhere to buy anything, you must take what you need for the day. Norwegians also bring their “matpakke” to work – as there is rarely a cafeteria or place nearby to buy lunch. When Norwegians travel by train or plane, you will often see that they have a “matpakke” with them.



A considerable saving can be made by avoiding buying meals at the airport or train station. But as I wrote, this is more culture than saving money. Nobody in Norway gives you a funny look if you open your “matpakke”. So, don’t be embarrassed to take your packed lunch with you when you’re out and about. If anyone gives you a strange look, reply (in a funny accent) that you’re Norwegian.

***Credit card – friend or foe?***

## Grow Your Wealth Like a Norwegian

What is the difference between a debit card and a credit card?

Answer: The debit card gives access to your money; the credit card provides access to the bank's money. (At a very high interest rate).

So, the credit card is a foe, right? Well, no. As we have seen, there can also be some benefits—as long as you remember to “Always pay all that you owe on the credit card, every month before the due date.”



What are the advantages of using a debit card?

You don't need to remember to pay it off in full every month, as it's your money.

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Not all credit cards are alike, but credit cards can include some of the following:

Travel insurance.

Purchase protection (especially online purchases)

Rewards and cashback

Extended warranty

No annual fees

Secure transactions

Rewards program.

**Insurance, utilities and other services.**

Generally, you should check your service providers once a year. Ask for quotes from competitors.

## Chapter 4: Invest in yourself – lifelong learning

We are jumping ahead a little here since investing is covered in a later chapter. However, as we have just discussed budgeting and saving, it's important to highlight that investing in yourself should be a high priority. This type of investment can lead to increased savings potential.

Society and the workplace are evolving faster than ever. New skills and even refreshing old ones are becoming increasingly important. You need to stay both competitive and relevant in this dynamic environment.

If you are on a low or moderate salary with high bills, you might find books like this frustrating when it's challenging enough to have any money left over. In such instances, I still encourage saving but suggest using saved funds on educational courses or self-improvement programs. These investments can lead to pay rises, promotions, a new job, or, at the very least, job retention!

This approach will put you in a much better position and significantly improve your wealth-building chances.

Attending courses or further education has additional advantages. Personal development and expanding your network are immediate benefits. Furthermore, scientific studies show that continuous learning makes us more intelligent and better at problem-solving. Our brains maintain and build plasticity and can combat the normal degeneration associated with ageing.



My father worked many years as a software engineer and manager in the oil industry and eventually desired a change. My parents decided they needed "time out" to do something different—a little adventure. My father was 61 when they moved to Southern Spain for two years. Upon their return, my father was 63.

To his surprise, he discovered that all the engineers he knew of his age had been offered early retirement (and had taken it). No one was interested in employing a 63-year-old engineer.

However, he had previous experience teaching at an engineering college and found a demand for adult education teachers. While teaching on contract, he enrolled at the University of Southeast Norway to study pedagogy. As a student in his 60s, he loved flashing his student discount card on public transport!



After completing his studies (now 65), he was offered full-time employment as a course administrator/developer/teacher for the “Folkeuniversitetet”. (“Peoples University” is similar to the Open University in the UK.) He embraced the concept of “Lifelong learning”. As a twist of fate, the motto of Folkeuniversitetet was, at the time, “Lifelong learning”. (The motto has since been updated to “Taking you further”)

In Norway, continuous education and learning is highly encouraged. However, to such an extent, it is called “master sickness”. So many students are going further to study for a master’s degree that it’s become as common as an undergraduate degree.

Those Norwegian values have remained within me. Since I left Norway, friends and family continue to hear about yet another course I have completed. This is not a humblebrag; you will remain stagnant if you don’t continuously move forward.

During COVID-19 in 2020, I set up a LinkedIn group for aspiring financial advisers called “Financial Adviser Mentorship” (FAM for short). I invested significant time and resources in helping the next generation of advisers. However, after a couple of years, I had to shift my focus back to my career because FAM graduates had surpassed me in exams and career advancements!

Reflecting on when I left the British Army, I privately funded financial courses as I aspired to become a financial adviser. At that time, I was earning £22,000 as an administrator in a small company while also serving as an Army Reservist (a role that can be seen as an enjoyable side hustle making use of previous experience). In my free time, I invested around £600 in higher qualifications. Consequently, I was offered £26,000 in my next role due to being better qualified.

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This investment provided an immediate return of £3,400 on a £600 investment and an additional £4,000 in subsequent years, yielding an impressive 18.1% return. If the funds were invested and achieved 18.1%, it would only be £708.60. Investing in myself meant superior monetary returns. This pattern continued as I pursued further qualifications, leading to additional salary increases and the opportunity to save more.

Now, you are the hero here. Write down a list of things you'd like to improve or perhaps skills required for a job you've been looking up elsewhere. On the list, research and determine how much the courses would cost to qualify. Would this make you eligible for a new position or a higher salary? Or even a new job?



The point is not just to increase your salary but also to increase your potential to save. (Remember, the purpose of saving is future investment).

My experience in life is that I have always been able to utilise acquired knowledge at some point. So, consider further courses or education, too, just because you want to!

## Chapter 5: When life punches you in the face



The best financial plan often falls flat when the unexpected happens. It could be illness, unforeseen redundancy, or an incapacitating injury. We never know what's around the corner.

You may think, "I have been prudent and saved money for my emergency fund." But how long will this fund last before you are in trouble? Weeks, months, or years? What happens after? We all believe we are invincible, but reality can be quite different.

You pay for insurance on your pet, mobile phone, gadgets and car. You need to ensure the one thing that pays for everything: **yourself!**

An important exercise you must do is called a vulnerability assessment. Briefly:

What is the impact of not having insurance (which will pay out money) in place? What will you give up in the short and long term?

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Start with income protection. What would be the outcome if you can't work for 12 months?

If you have a critical illness, you may still be able to work. However, will you be able to continue living in your present home? Will you have to move?

Can your household support itself if you are gone? Can those left behind maintain their lifestyle without the regular income you are presently bringing in?

Remember, this is an exercise financial advisers do with their clients. Make use of this book to highlight areas of vulnerabilities. Like the picture, deliver a knockout punch to the areas of danger once you've completed the vulnerability assessment.

A company's CEO is required to assess its financial health and profits. You are the CEO of your life and household.

In Norway, employees are well protected by strict employment laws, and they are covered for sick pay in most instances. The healthcare system is renowned worldwide; however, it isn't free. Norwegians face some of the highest taxation in the world, but they can be assured that if something terrible happens, the state will help.

Whilst in the British Army, I had access to excellent medical and dental care because their "employees" needed to be fit to fight. In the civilian environment, we are at the mercy of employee contracts and the overstretched NHS. As such, I have my critical illness insurance, income protection, and private medical insurance.

This means that if I face a critical illness in my lifetime, I will receive a payout. Income protection covers a proportion of my salary should I be unable to work, and private medical insurance enables me to quickly access treatment, allowing me to restore my health as swiftly as possible. I'd argue that being

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in the UK exposes me to less tax than in Norway. While the "system" here isn't as robust as in Norway, I use part of my income to create the infrastructure I would have experienced in Norway.

## Types of Insurance

### *Life insurance*



Life insurance is an essential part of financial planning. It offers peace of mind for both you and your loved ones, who will enjoy financial security in the event of your death.

***Helping those you leave behind:*** The main purpose of life insurance is to provide financial support to your beneficiaries — typically your family or dependents — following your death. This support can help reduce the financial strain during a challenging period.

***Tax-free lump sum:*** One of the significant benefits of life insurance is that the payout to your beneficiaries is typically tax-free.

### *Family income benefit*

Family Income Benefit (FIB) can be considered a form of life insurance. However, the primary purpose is to provide beneficiaries with a regular income. (In contrast to life insurance, which is a one-time payment). This can often be a good choice where the beneficiaries are young families.

### *Income protection*

Income protection insurance ensures that you continue to receive an income if you're unable to work due to health reasons. This type of insurance is a financial safety net that helps you maintain your standard of living and meet your financial obligations during difficult times.

If you cannot work due to illness or injury, the primary benefit offered typically provides between 50% and 70% of your normal income. This will enable you to continue to pay for everyday living expenses such as rent or mortgage, bills, groceries, and more.

Generally, the younger you are when starting a policy, the lower the premiums tend to be.

### *Private medical insurance*

Private Medical Insurance (PMI) in the UK allows individuals to access private healthcare services and gives independence from the National Health Service (NHS).



Monthly premiums will cover the cost of private medical treatments, consultations, and hospital stays. The coverage will depend on your choice of policy.

There are several advantages with PMI:

***Shorter Waiting Times:*** One of the most significant advantages is receiving treatment much faster than through the NHS. This can be crucial for conditions that require timely intervention.

***Choice of Hospital and Doctor:*** With PMI, you have the freedom to choose your preferred hospital and specialist, giving you more control over your healthcare

***Private Rooms:*** Private medical insurance often provides access to private hospital rooms, offering more comfort and privacy during your stay.

***Access to Specialist Treatments:*** Private medical insurance can provide access to some treatments and medications unavailable, or have long waiting times, through the NHS.

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**Comprehensive Coverage:** PMI policies can be tailored to cover specific conditions or treatments, providing more extensive coverage than the NHS.

While private medical insurance offers several advantages, it's important to consider the costs and whether the benefits align with your healthcare needs.

### *General insurance*

#### ***House and contents***



House contents insurance is a home insurance policy covering your personal belongings and for loss, damage, or theft.

**Coverage:** It typically covers items like furniture, electronics, clothing, and other personal belongings.

**Events Covered:** Protection usually includes events like fire, theft, storms, floods, subsidence, and water leaks.

**Renters:** *If you are renting, your landlord's insurance typically does not cover your personal belongings.*

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*Therefore, it is highly recommended to get contents insurance.*

*Homeowners: If you are renting, your landlord's insurance typically does not cover your personal belongings. Therefore, it is highly recommended to get contents insurance.*

*Optional Extras: Some policies offer additional coverage for specific items like high-value jewellery, art, or sports equipment*

### **Vehicle**



*Third-Party Insurance: The minimum legal requirement in most countries. It covers damage to other*

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*people's property or injuries to others in an accident you cause.*

*Third-Party, Fire, and Theft: Includes third-party coverage plus protection against theft and fire damage to your vehicle.*

*Comprehensive Insurance: The most extensive coverage, protecting against third-party damages, theft, fire, and damage to your own vehicle, regardless of fault.*

### **Pets**

Medical bills for pets can be as high as for us humans!

### **Travel**

Travel-related issues that can be covered can be medical expenses, trip cancellations and lost luggage. Essential for both domestic and international travel

As previously mentioned, travel insurance may well be covered by your credit card when you use it to pay for your trip.

## **Assessing your own insurance needs**

The following is not financial advice, but it's a list to help gauge yourself and check if you are adequately covered. If in doubt, seek regulated financial advice.



| <b>Insurance assessment</b>   |                                                                                                                                                                                             |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Single – no children</b>   | Income protection and PMI<br>Critical illness cover<br>If you have a mortgage:<br>Consider life insurance                                                                                   |
| <b>Single – with children</b> | Income protection and PMI<br>Consider FIB for the children<br>Consider life insurance to benefit child(ren)<br>Critical illness cover<br>If you have a mortgage:<br>Consider life insurance |
| <b>Couple – no children</b>   | FIB for both partners<br>PMI for both<br>Critical illness cover<br>If you have a mortgage:<br>Life insurance for both                                                                       |
| <b>Couple – with children</b> | Income protection for both<br>PMI for both<br>FIB for both partners<br>Critical illness cover<br>Life insurance<br>If you have a mortgage:<br>Life insurance for both                       |

As the table above shows, most insurance policies offer significant value and are often essential.

## Choosing the right policies for you

Comparing insurance policies to find the right one for you involves carefully evaluating several factors. Here is a guide on what to consider:

### ***Coverage***

**Scope of Coverage:** Check coverage of the policy for medical expenses, property damage, or specific risks

**Exclusions:** Look out for any exclusions or limitations in the policy that might affect your coverage.

### ***Premiums***

**Cost:** Compare the monthly or annual premiums. Make sure they fit within your budget without compromising the coverage.

**Payment Options:** Check if the insurer offers flexible payment options, such as monthly, quarterly, or annual payments.

### ***Deductibles and excess***

**Deductibles:** Understand the amount you need to pay out-of-pocket before the insurance kicks in. Higher deductibles often mean lower premiums, but consider your ability to cover the deductible if needed.

**Excess:** Similar to deductibles, this is the amount you pay when making a claim. Ensure you can afford the excess amount specified in the policy.

### ***Policy limits***

**Maximum Payouts:** Check the maximum amount the insurer will pay for claims. Ensure it's sufficient to cover potential losses or expenses.

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**Sub-limits:** Some policies have sub-limits for specific items or types of claims. Be aware of these limits to avoid unexpected shortfalls.

### ***Terms and conditions***

**Policy Terms:** Review the duration of the policy and any conditions for renewal or cancellation.

**Clauses and Riders:** Look for additional clauses or riders relevant to your needs, such as coverage for specific items or situations.

### ***Customer service***

**Reputation:** Research the insurer's reputation for customer service and claim handling. Look for reviews and ratings from other customers.

**Support:** Check if the insurer offers 24/7 customer support and has a straightforward claims process.

Above all, **Read the Fine Print:** Carefully read through the policy documents to understand all the terms, conditions, and exclusions. Ask questions if anything is unclear.

## Wills and Lasting Powers of Attorney

**Wills:** If you have children, it's vitally important to have a guardianship clause in your will; otherwise, social services can re-home your child.

You can write either write a will yourself or seek professional guidance. There are templates online. Remember to include any specific instructions. The will requires two witnesses who must also sign it.

You will also need to appoint an executor. Remember to inform interested parties that you have made a will and tell them where it is stored.

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***Lasting Powers of Attorney:*** There's a misconception that because you are married, you can access your spouse's assets if they lose their capacity to look after their affairs. This is not the case. You need to document your wishes concerning "Lasting powers of attorney".

The form (LPA) is available on the gov.uk website. You will need a witness to your signature. The form must then be registered with the Office of the Public Guardian (OPG). Registration will take 8 to 10 weeks, and there is a fee (£82 in 2024).

It is wise to give copies to interested parties and to update periodically.

## Chapter 6: Debt Management

Debt is your number one enemy when it comes to creating wealth. It comes in two forms: unsecured and secured debt. A secured debt, like a mortgage, means if you can't keep up with payments, the bank will repossess your house. Unsecured debt is a loan that isn't tied to any specific asset, leading to bailiffs knocking on your door to seize valuable items if you default.

Out-of-control credit card spending results in high interest payments. In the UK, we have numerous "buy now, pay later" services designed to accelerate consumption and satisfy immediate gratification.

Personally, I have never been in debt. This is mainly due to the family values I grew up with, which emphasized avoiding purchases I couldn't afford. While serving in the military, I had access to discounted rail travel, which made public transport cheaper. I only bought an old Ford Fiesta when I left service in 2016. It wasn't flashy or fancy, but it got me where I needed to go.

In this chapter, I've outlined three main ways of reducing debt. These guidelines should suffice for most situations. If you need further help or guidance, I recommend consulting a debt management agency or contacting local charities.

## Three strategies for paying off debt:

### **1. Debt Snowball Method**



The debt snowball method focuses on concentrates on paying off what you can first - normally your smallest debts regardless of the interest rate. Here's how it works:

Make a list of your debts in ascending balance.

Pay only minimum payments on all your debts except the smallest one.

Whatever money you can put aside, you use to pay off the smallest debt.

Pros:

Provides quick wins, which can boost motivation and morale.

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Simplifies the debt repayment process by focusing on one debt at a time.

Cons:

May cost more in interest over time compared to other methods

### ***2. Debt Avalanche Method***



The debt avalanche method looks at the high-interest debts first. Here's how it works:

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- List your debts in descending rate of interest.
- Make minimum payments on all your debts except the one with the highest interest rate.
- Put any extra money you have towards paying off the debt with the highest interest rate.
- After paying off the highest-interest debt, move on to the next highest, and so on.

*Pros:*

Saves money on interest over time.

It can help you get out of debt faster.

*Cons:*

It may take longer to see progress, which can be less motivating.

### **3. Debt Refinance Method**



As we discussed in a previous chapter, the Norwegian TV series "Luksusfellen" helps people manage their financial problems. The show's advisors often help participants who have accumulated debt across multiple credit cards and consumer loans. The advisors typically negotiate a solution through a bank to consolidate these high-interest debts into a single loan with a much lower interest rate.

### *Pros:*

- Consolidates multiple debts into a single payment, making debt management simpler.
- Potentially reduces the overall interest rate, saving you money over time.
- Lowers monthly payments, making it easier to manage your budget.

### *Cons:*

- Additional fees or charges for setting up the new loan may be charged.
- Extending the loan term may lead to higher overall total payments, giving more long-term interest.

All three methods can be effective, depending on your financial situation and personal preferences. The snowball method is excellent for those who need quick wins to stay motivated, while the avalanche method is ideal for those who want to minimise the interest paid. You may need help with the refinance method.

## Chapter 7: The Exciting Stuff

Finally! We have arrived at the exciting stuff chapter. I say exciting stuff as many of my clients would rather address this chapter than the previous six. Investments are exciting but only applicable with the six previous chapters in check.

Before we can dive into the complexities of investing, we need to get the fundamentals right and understand what investing really means and the various risks involved.

Did you know Norwegians are all millionaires? This is according to the Sovereign fund if all the funds were distributed amongst the population. Here is a direct quote from Norges Bank Investment Management:

“The Government Pension Fund Global was established after Norway discovered oil in the North Sea. The fund was set up to shield the economy from ups and downs in oil revenue. It also serves as a financial reserve and as a long-term savings plan so that both current and future generations of Norway get to benefit from our oil wealth.

In 1969, one of the world’s largest offshore oilfields was discovered off Norway. Suddenly we had a lot of oil to sell, and the country’s economy grew dramatically. It was decided early on that revenue from oil and gas should be used cautiously in order to avoid imbalances in the economy. In 1990, the Norwegian parliament passed legislation to support this, creating what is now the Government Pension Fund Global, and the first money was deposited in the fund in 1996. As the name suggests, it was decided that the fund should only be invested abroad. «

(Source:

<https://www.nbim.no/en/about-us/about-the-fund/>)

*At the end of June 2024, the value was 17.75 trillion kroner.*

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*Approx. £1 264 020 455 000 000 000*



The current CEO of Norges Bank Investment Management has a fun podcast, “In Good Company,” where he interviews the CEOs of the companies they invest in. This is in line with the Norwegian values of transparency, just like the Skatterregister (Tax register), which is publicly available. The fund’s aim is to look after generations to come, and therefore, it needs to be invested prudently and carefully—careful doesn’t mean without risk!

During my military service, I invested monthly in a Stocks and Shares ISA. This was a long-term fund for when I needed a larger item, such as a new car or house deposit. This was before my time as a financial adviser, but it served me well!

What are the risks of investing? Perhaps we should look at the risk of **not** investing.

The Bank of England has set its inflation target at 2% yearly. Let’s say you keep £10,000 in cash over 10 years, and let’s assume you’ve followed the principles in this book and as such this £10,000 is in addition to your emergency fund. If you keep

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this in cash over 10 years, with no interest on it, it means you've lost £2,000. How may you ask? What £10,000 can buy you in 10 years-time compared to now is less. Because inflation creeps up at 2% per year, means your cash is worth 2% **less** a year. Not ideal.

So how can we remove inflation risk? You can't. However, you can invest your money to *outpace* inflation. This means if you invest money and it delivers a return of 6%, the real return is  $6\% - 2\% \text{ (inflation)} = 4\%$ .

So where do we begin with investing? First, we need to understand the asset classes available to invest in.

| Low risk – low yield                                          | High risk – high fluctuation                                              |
|---------------------------------------------------------------|---------------------------------------------------------------------------|
| Cash – yes, literally cash                                    | Equities (stocks and shares) – ownership in companies on the stock market |
| Bonds – Loans to companies<br>Gilts – Loans to the government | Property – commercial properties such as shopping centres and car parks   |

The left-hand side is deemed lower risk as we can accurately predict the returns. As such, the investor isn't **rewarded** with as much return as the risk is lower.

The right-hand side is classed as higher risk. Companies fluctuate in value and profitability, so it can be more difficult to predict their returns. Property can rise in value and bring in a good level of rent through leases. However, the property is illiquid (which means it cannot be sold easily).

So, we now know what asset classes are. Where do we even go to invest in this stuff, and how much of each do we invest in?

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Rest assured, you don't need to have four screens and watch the daily markets to do so, the easier and safer way is to invest in a fund. There will be a manager in charge of this fund; all the investor's money is pooled together and invested across the four asset classes. The fund will either rise or fall based on the investments within the four asset classes and your money will rise or fall too.

You can invest in a single company share should you wish to do so. This is very high risk unless you know what you are doing. You are better off **diversifying** and not putting all your money (eggs) in one basket (share). Invest in fund to diversify.

Not all funds are equal; with 4,700 different funds in the UK, it can be difficult to know where to begin. There are funds which are focused on low risk all the way through to "filled" with equities (deemed high risk). Funds are either active, passive or a "blend" of the two. Active funds are those which actively trade within the stock market, attempting to look for good opportunities. Due to the increased activity, these funds typically have higher management fees. The passive funds, simply track the markets they tend to be cheaper because of the lack of trading activity.

There are debates among professionals about what's "best." Studies have shown that passive funds have, in fact, outperformed active funds over the long term. The active vs. passive debate could warrant an entire book with plenty of research papers. For the purpose of this book, I just wanted to highlight what is available fund-wise.

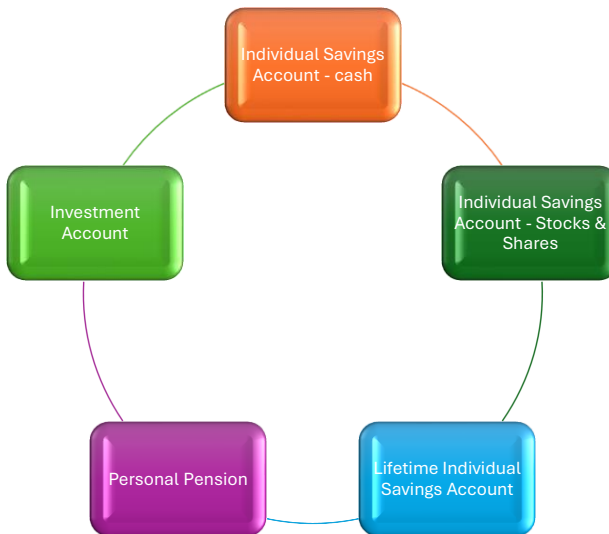
So, how can we access these funds? Rest assured we have moved on from having to call a broker on the London Stock Exchange to run and make a trade for you. Now everything is online and on mobile apps.

To invest in funds, we need to set up an account. We access funds through accounts referred to as **wrappers** in the

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profession. This can either be completed through a bank or online platforms. The main distinction between accounts are how much you can contribute annually, how the money is treated for tax, and when you can access it. Aside from this aspect, you can invest in the same fund through your Stocks and Shares ISA as you do in your pension.

Types of investment vehicles:



### ***Individual Savings Account – Cash***

- Only delivers an interest rate on your money
- Can be fixed account which means the money is locked up and the interest rate guaranteed
- Annual limits to contributions. At time of writing £20,000
- Income tax free on the interest made within the account

### ***Individual Savings Account – Stocks & Shares***

- Through this account you can invest in the stock market through funds or individual shares

### **Withdrawals**

- No tax payable

### ***Lifetime Individual Savings Account***

- Through this account you can invest in the stock market through funds or individual shares
- This replaced the help to buy ISA
- An account for saving for property purchase (first time buyer), or for the use of retirement like a pension.
- You can benefit from 25% contribution from the government
- At the time of writing the limit is £4,000 per tax year, the government will top it up with £1,000
- Terms and conditions apply with this account regarding use of funds

### ***Personal Pension***

- Through this account you can invest in the stock market through funds or individual shares
- Tax relief on contributions: basic rate taxpayers receive 20%, and higher rate taxpayers can claim an additional 20% through self-assessment.
- You can invest 100% of your salary or £3,600 per tax year, whichever is greater
- Capital Gains Tax Free

### **Withdrawals**

- Income tax applicable
- Up to £268,275, 25% of the fund can be withdrawn tax-free.
- You need to be 55 or above to withdraw, rising to 57 in 6th April 2028

### ***Investment account***

- There is no limit to how much you can put into this account
- When you dispose of your investments you have an annual allowance for capital gains
- Any gains above the annual allowance are taxable at capital gains tax rates

### ***Withdrawals***

- Income tax and capital gains tax applicable

There are other accounts available but that's outside the scope and intent of this book. Much can be written about each account as well, but that would take away the intent of the principles in this book.

### ***Workplace pension***



In the UK, you are likely to have a workplace pension.

Congratulations, you're an investor! Within this workplace pension, you are likely to be invested in a default fund; think of this as a default setting. Depending on your age and where you

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are in your career, you may want to consider changing this investment setting. Follow the guidelines within your pension to find a more suitable solution. The default fund ensures you are invested. However, it's not tailored to your situation. Typically, a workplace pension will be invested for four decades before you can access the funds. The workplace pension follows the same “rules” as for a personal pension.

- Your employer is contributing into this pension
- You will be contributing into this pension
- Salary sacrifice may be available:
  - This means you can sacrifice part of your salary to be paid into your pension, this means you will reduce your income tax and national insurance
- Your employer may match your contributions if you decide to increase yours
- Provided you can afford to do so, do it, it's “free money” from your employer
- Once you stop working at the company, the contributions stop but you remain invested. It then stops being a “workplace pension” and simply continues as a “personal pension”

A common issue I come across in my work, is that people have had multiple employments in their working life. This typically means they have multiple pensions but have lost track of their details. Would you lose track of a bank account with £30,000 in it? Didn't think so, so look after your pension details so it can look after you when you finish work.

Ideally, as you move workplaces you can seek to have your pension “follow” you. Essentially, contact your new provider and ask them to transfer your old policy over to the new one. This reduces administration and stress when you start planning for retirement as most of your money is in one place.

***Watch out for charges and fees!***



There are fees and charges to all forms of investments. It's important to make note of these as this will directly impact how much money you will have. If you have

an account with a provider, this provider will charge you 0.3% for the privilege. If you invest in a fund, the fund charges 0.4% to look after your money. On your statement you may see 0.7% charge. Consider inflation of 2%, this means you will need a return of 2.7% for your money to retain its purchasing power. This is something to consider when choosing your investments. Lower risk investments will likely deliver a smaller return than higher risk investments.

***What fund to look for?***

This book isn't for tailored advice. General guidance would be to be comfortable with the level of risk you are prepared to take for short-term and long-term goals. Consider the charges of the fund (as this will be "deducted" from your return) and how well diversified it is. Is it invested mainly in the UK or globally? Is it invested in all single companies or invested in multiple other funds? Consider the past performance, although past performance isn't an indication of future returns.

***Trends***

Every single year there seems to be a new exciting "trend" or investment idea in the financial press. In 2024 it was AI, next year will be something different. Avoid "running after the

returns” as markets have cycles and the investors biggest mistake (and continues to be so) is buying high and selling low.

### **Market**

In my work we continuously state “Don’t time the market, spend time in the market”. This is reference to the fact that no one *really* knows what will happen. The market will continue trundling on. Have a plan for your money and stick to that plan. Yes, market values drop which can cause concern, but unless you need to spend the money, ride it out.

## **A popular strategy for investing in funds**

We've previously discussed the importance of diversification, and you might have already concluded that buying individual stocks and shares is best left to the experts. Norway's Sovereign Wealth Fund invests in individual companies globally, but they have teams of specialists to manage these investments.

Now that you've decided on a diversified fund, perhaps an index-linked fund, you may be wondering how to get started, and more importantly, when to get started. Should you invest when the fund's price has dropped, or should you buy when it's high and performing well?

It's essential not to follow the common mistake many people make: panicking when prices drop and selling off, only to buy back when prices improve. This strategy often results in buying high and selling low, which guarantees a loss of money.

Ideally, we want to buy low and sell high, but this is nearly impossible due to the numerous variables affecting the market. Prices fluctuate and can react dramatically to unforeseen events from one day to the next.

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So, what should we do? The answer is surprisingly simple and requires little action beyond setting up a standing order. The strategy is to invest a fixed amount regularly.

Investing a fixed amount regularly in an index fund, regardless of market conditions, is often referred to as “Pound Cost Averaging”.

What’s the advantage of this approach? Interestingly, you can benefit even when the market rates go down. When prices are low, your fixed investment buys more shares. When prices rise again, you have more shares at higher values, increasing your overall holdings even if prices return to their original levels.

### **Example Scenario:**

Let’s say you decide to invest £200 each month into a FTSE 100 index fund. Here’s how this works:

Month 1: The fund price is £50 per share. Your £200 buys 4 shares ( $£200 / £50$ ).

Month 2: The fund price drops to £25 per share. Your £200 now buys 8 shares ( $£200 / £25$ ).

Month 3: The fund price rises to £50 per share again. You buy 4 shares ( $£200 / £50$ )

After three months, you’ve invested £600 and own 16 shares. Your holding is now worth  $16 \text{ (share)} \times £50 \text{ (price per share)} = £800$ .

You have earned £200 ( $£800 - £600$ ) even though the share prices after three months are the same as the first month.

Here is a more detailed example:

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| Pound Cost Averaging |                |            |               |              |                 |
|----------------------|----------------|------------|---------------|--------------|-----------------|
| Monthly amount:      |                | 200        |               |              |                 |
| Month                | Total invested | Stock cost | Stocks bought | Total stocks | Value of stocks |
| M1                   | £ 200,00       | £ 50,00    | 4,00          | 4,00         | £ 200,00        |
| M2                   | £ 400,00       | £ 55,00    | 3,64          | 7,64         | £ 420,00        |
| M3                   | £ 600,00       | £ 60,00    | 3,33          | 10,97        | £ 658,18        |
| M4                   | £ 800,00       | £ 70,00    | 2,86          | 13,83        | £ 967,88        |
| M5                   | £ 1 000,00     | £ 45,00    | 4,44          | 18,27        | £ 822,21        |
| M6                   | £ 1 200,00     | £ 40,00    | 5,00          | 23,27        | £ 930,85        |
| M7                   | £ 1 400,00     | £ 35,00    | 5,71          | 28,99        | £ 1 014,49      |
| M8                   | £ 1 600,00     | £ 30,00    | 6,67          | 35,65        | £ 1 069,57      |
| M9                   | £ 1 800,00     | £ 20,00    | 10,00         | 45,65        | £ 913,04        |
| M10                  | £ 2 000,00     | £ 25,00    | 8,00          | 53,65        | £ 1 341,31      |
| M11                  | £ 2 200,00     | £ 35,00    | 5,71          | 59,37        | £ 2 077,83      |
| M12                  | £ 2 400,00     | £ 45,00    | 4,44          | 63,81        | £ 2 871,49      |
| M13                  | £ 2 600,00     | £ 50,00    | 4,00          | 67,81        | £ 3 390,55      |
| M14                  | £ 2 800,00     | £ 60,00    | 3,33          | 71,14        | £ 4 268,66      |
| M15                  | £ 3 000,00     | £ 70,00    | 2,86          | 74,00        | £ 5 180,10      |
| M16                  | £ 3 200,00     | £ 60,00    | 3,33          | 77,33        | £ 4 640,09      |
| M17                  | £ 3 400,00     | £ 50,00    | 4,00          | 81,33        | £ 4 066,74      |
| M18                  | £ 3 600,00     | £ 40,00    | 5,00          | 86,33        | £ 3 453,39      |
| M19                  | £ 3 800,00     | £ 30,00    | 6,67          | 93,00        | £ 2 790,04      |
| M20                  | £ 4 000,00     | £ 30,00    | 6,67          | 99,67        | £ 2 990,04      |
| M21                  | £ 4 200,00     | £ 30,00    | 6,67          | 106,33       | £ 3 190,04      |
| M22                  | £ 4 400,00     | £ 35,00    | 5,71          | 112,05       | £ 3 921,72      |
| M23                  | £ 4 600,00     | £ 40,00    | 5,00          | 117,05       | £ 4 681,96      |
| M24                  | £ 4 800,00     | £ 50,00    | 4,00          | 121,05       | £ 6 052,45      |
| M25                  | £ 5 000,00     | £ 60,00    | 3,33          | 124,38       | £ 7 462,94      |
| M26                  | £ 5 200,00     | £ 70,00    | 2,86          | 127,24       | £ 8 906,77      |

As you can see, in this fictive example, when the stock price goes down, you are able to purchase more with your fixed amount of. The result being a higher return than if you stopped investing because of a drop in stock price.

Let's summarise the advantages of this strategy:

*Reduces Impact of Market Volatility:* By consistently investing a fixed amount, you more shares are purchased at a low price - giving a profit when prices rise again. Fewer shares are bought when prices are high. This averaging effect on your cost helps to mitigate the impact of short-term market fluctuations.

*Avoids Market Timing:* Attempting to time the market—buying low and selling high—is challenging and often

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unsuccessful. Regular investments allow you to avoid the stress and potential errors associated with market timing.

*Encourages Discipline and Consistency:* Investing a fixed amount regularly fosters a disciplined approach to saving and investing. It ensures consistent contributions to your investment portfolio, which is essential for long-term growth.

*Takes Advantage of Compounding:* Consistent investing over a long period maximizes the benefits of compound interest, where your returns generate their own returns. This can give a welcome boost to the growth of your investment portfolio.

*Simplifies Investment Decisions:* Regular investing simplifies your decision-making process. Instead of worrying about the best time to invest, you stick to a predetermined schedule, reducing stress and making investing more manageable.

*Emotional Resilience:*

Investing regularly helps you stay resilient during market downturns. Instead of panicking and selling during a dip, you continue investing, which can lead to substantial gains when the market recovers.

*Long-Term Perspective:*

Investing consistently over the long term shifts your focus from short-term market fluctuations to long-term growth. Historically, the stock market has shown upward trends over extended periods, benefiting long-term investors.

*Tax Advantages:* In the UK, investing in an index fund through a Stocks and Shares ISA (Individual Savings Account) offers tax benefits:

**Tax-Free Growth:** Any gains made within the ISA are free from capital gains tax.

**Tax-Free Dividends**

## Chapter 8: Your future paycheck

The concept of "retirement" doesn't quite capture the reality of modern life. Today's retirees are often busier than ever, filling their schedules with activities that are meaningful to them. Instead, let's think of retirement as "your future paycheck." While you won't be drawing a salary from an employer, you'll essentially be paying yourself.



This shift in mindset is crucial. Contributing to a pension or investing in the future can sometimes feel less appealing than spending surplus funds in the present. However, these actions are foundational for your future life. Your living standards in retirement are largely determined by the financial decisions you make today.

I understand that you might not have the highest salary right now, and there are limitations to how much you can and want to contribute towards your future paycheck. During your working life, you have a few financial levers to pull: earning, spending,

regular investment contributions, and risk tolerance. These factors will primarily dictate your future living standards.

Aside from your own savings and investment efforts, in the UK we can benefit from a valuable state pension. Through your working life you pay National Insurance contributions which earns you “credits” towards the state pension. You require a minimum of 10 years’ worth of contributions to qualify for the smallest amount. Should you wish to qualify for the full state pension, you need to contribute for 35 years. The age at which state pension is payable is due to increase but at present it’s payable once you reach age 66 depending on when you are born. The state pension increase is protected by the “triple lock” which means it will increase year on year based on; match the rate of inflation, average earnings or 2.5% - whichever is highest. It is a guaranteed payment for the remainder of your lifetime and a very important income source.

We previously touched on the compounding effect, which is crucial for areas like pensions. This is your money making more money while you go about your day.

Consider the lifestyle you want in retirement. This is personal to you. Some people are content with one holiday a year and a weekend takeaway, while others prefer a more extravagant lifestyle.

To put this into perspective:

*Method 1:* You need £20,000 annually. To achieve this through interest or dividends at a 4% rate, you would need to save £500,000. The initial sum of £500,000 remains intact and will last “for ever” as long as you only withdraw the interest that it gains.

*Method 2:* Save enough to live off directly for the number of years you expect to live (a tricky estimate). £500,000 would last for 25 years without considering inflation, which would realistically reduce this to about 18 years.

## Grow Your Wealth Like a Norwegian

*Method 3:* A hybrid approach, which is a popular choice. You remain invested and withdraw an annual sum. The Internet is awash with contrasting strategies as to how much you should withdraw – they often recommend 5% - 6% of the initial sum. Remember that in this instance you are also drawing on the funds, as well as the interest. So, although your pension pot will eventually be used up, it will last a lot longer than method 2.

As people age, their monetary needs often decrease, which can offset the reduction in value due to inflation.

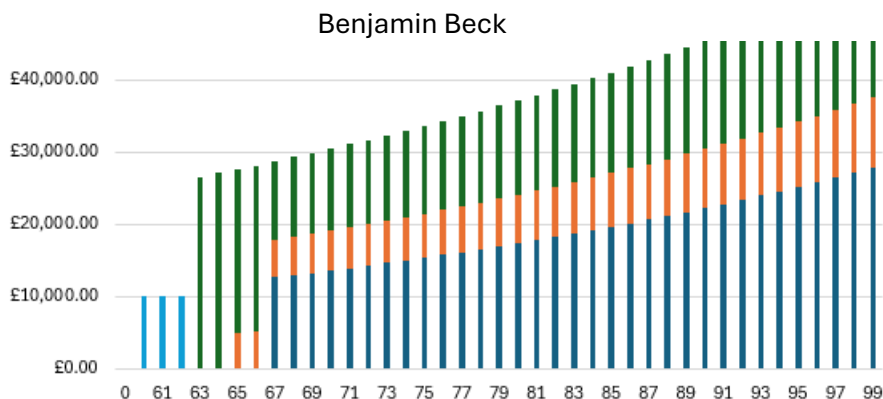
For many retirees, shifting from a saving and investing mindset to a "spend my money" mindset is challenging. It's not easy to start using what you've saved over a lifetime. However, those who might inherit any surplus funds likely don't see this as an issue!

## The Importance of Starting Early

The sooner you begin saving for your pension, the more your investments can grow over time. Even small contributions can significantly increase thanks to compound interest. Highlight how starting early can reduce the burden of saving large amounts later on and secure a more comfortable retirement.

### ***Income Layers***

What many people do is think of their future pay check as their pension. However, look at all the various financial resources you may have at your disposal. Cash accounts, some ISAs which has built up over the years and your state pension.



This graph demonstrates with various colours the income sources someone may have. All the columns increase over time due to inflation and the income need increases as well due to inflation.

## The pension pyramid

Typically, your total income from your pensions will be from three sources:



## Retirement Spending Curve

What many people find themselves doing is spending early years of retirement doing all the things they've been wanting to do. This is in fact encouraged. Do what you can whilst you still have your health and mobility. As life slows down, you make

have picked up some ailments and have less energy for activities and travel and therefore likely to spend less money.

## Planning for Different Retirement Scenarios

There are various retirement scenarios that you can consider.

***Early Retirement:*** The Benefits and Potential Drawbacks of Retiring Early

### **Benefits:**

**More Leisure Time:** Make the most of your free time by pursuing hobbies, traveling, and spending quality moments with loved ones.

**Health Benefits:** Reduce stress and enjoy a healthier lifestyle with more time for exercise and relaxation.

**Personal Fulfillment:** Opportunity to engage in meaningful activities, volunteer work, or passion projects.

### **Drawbacks:**

**Financial Strain:** Longer retirement period requires more savings to maintain your desired lifestyle.

**Reduced Pension Benefits:** Early retirement may lead to smaller pension payouts and reduced social security benefits.

**Healthcare Costs:** Potential for higher healthcare expenses without employer-provided insurance.

***Delaying Retirement:*** The Advantages of Working Longer to Increase Your Pension Pot

### **Benefits:**

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**Increased Savings:** More time to contribute to your pension and build a larger retirement fund.

**Higher Pension Benefits:** Delaying retirement can result in higher pension and social security payouts.

**Staying Active:** Continued engagement in work can provide mental stimulation and a sense of purpose.

### **Considerations:**

**Work-Life Balance:** Weigh the benefits of additional income against the potential desire for more leisure time.

**Health Factors:** Consider your health and ability to continue working effectively.

**Job Satisfaction:** Reflect on whether continuing in your current job will bring you fulfillment and satisfaction.

***Part-Time Work in Retirement:*** How Part-Time Work Can Supplement Your Retirement Income and Provide Additional Social and Mental Benefits:

### **Benefits:**

**Supplemental Income:** Earn additional income to support your retirement lifestyle and reduce financial stress.

**Social Interaction:** Maintain social connections and combat feelings of isolation through workplace interactions.

**Mental Engagement:** Stay mentally active and engaged by continuing to work on a part-time basis.

### **Considerations:**

## Grow Your Wealth Like a Norwegian

**Work Flexibility:** Seek part-time opportunities that offer flexibility and align with your desired lifestyle.

**Balance:** Ensure that part-time work doesn't interfere with your ability to enjoy retirement activities.

**Skill Utilization:** Find roles that utilize your skills and experience, providing a sense of purpose and fulfillment.

Examining various retirement scenarios can help you prepare for a financially secure and fulfilling retirement. Each choice comes with its own benefits and considerations making it essential to evaluate what best fits your personal situation and future objectives.

The Norwegian state pension has several key differences to the UK state pension. In short, the longer you work, and the more you pay in, the higher will be your pension. This is because it is a benefit to Norwegian society if people can remain in work longer than before. This gives a financial incentive in the form of a higher pension. It is based on 40 qualifying years (not 30) and a "normalized" retirement age of 67. Your pension will also be reduced/increased if you retire before/after 67, and if you have fewer/more qualifying years. In essence there are three parts to determining a Norwegian state pension:

- Amount paid in
- Number of qualifying years (+/- 40)
- Age on retirement (+/- 67)

There is, however, a minimum pension for those who have not met the normal requirements. This is approximately the same as a UK state pension.

A normal Norwegian pension is comparatively high compared to a UK pension, and is subject to tax, albeit slightly reduced as compared to tax on earnings.

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My father was happy in his work in adult education, so worked until he was 70. This gave him a nice increase in his state pension. He could have worked longer – but, as we discussed previously, he wanted some “good, quality years” at the start of his retirement. 70 was the perfect compromise.

Which system would you prefer if you could choose?

## The Role of Financial Advisers: The Importance of Seeking Advice



Financial advisers play a critical role in helping individuals navigate the complexities of retirement planning. Their expertise and personalized guidance can make a significant difference in achieving your financial goals and ensuring a secure retirement.

### **Benefits of Professional Advice:**

*Tailored Pension Plans*

## Grow Your Wealth Like a Norwegian

Financial advisers work with you to create a customised pension plan that aligns with your specific needs, goals, and circumstances. They take into account factors such as your current financial situation, retirement aspirations, risk tolerance, and future income requirements. This personalized approach ensures that your pension plan is both realistic and effective.

### *Optimised Retirement Savings*

Advisers can assist you in identifying the most effective strategies for maximizing your retirement savings. This may involve guidance on tax-efficient savings options, optimizing employer contributions, and selecting the appropriate investment vehicles. You can make informed decisions with the help of their expertise, that will foster the growth and stability of your retirement fund.

### *Comprehensive Financial Planning*

A financial adviser considers all aspects of your financial situation to provide comprehensive guidance. With their expertise and experience, professional advisers can manage your investments effectively. They assist in creating a diversified portfolio that balances risk and return according to your preferences. Regular reviews and adjustments ensure your investments stay aligned with your retirement goals and can adapt to fluctuating market conditions.

### *Investment Management*

Professional advisers have the necessary knowledge and experience to manage your investments efficiently. By diversifying they can help you create a balanced portfolio that balances risk and return in accordance with your preferences. Regular reviews and adjustments ensure your investments remain sighted on your retirement goals and adapt to evolving market conditions.

### *Navigating Complexities*

Navigating the complexities associated with pensions and retirement planning presents significant challenges due to the myriad of rules, regulations, and options that exist within this domain. Financial advisers are well-versed in the latest developments and can assist individuals in comprehending the intricate details of pension schemes, tax regulations, and investment alternatives. Their expertise is invaluable in helping clients avoid costly errors and fully capitalise on available opportunities.

### *Peace of Mind*

Putting your retirement planning in the hands of a financial adviser can give you great peace of mind. They provide continuous support and guidance, helping you keep focused on your goals. If your financial circumstances shift, they can modify the plan to accommodate those changes. With this kind of support, you can take a step back and enjoy life, confident that your future is well taken care of.

### *Retirement Income Strategies*

Financial advisers play a crucial role in helping individuals create effective strategies for withdrawing funds from their pensions. They focus on tailoring these strategies to meet personal financial needs while minimizing tax liabilities. Various approaches can be recommended, including annuities, drawdowns, or lump sum withdrawals. By leveraging their expertise, advisers ensure that retirement income remains sustainable and well-optimized for long-term financial health.

### *Emergency Planning*

## Grow Your Wealth Like a Norwegian

Advisers help you plan for unexpected events, such as health issues or financial emergencies. They can guide you in setting up contingency funds and insurance policies that protect your retirement savings and ensure you're prepared for any eventuality.

## Adjusting to Retirement Life



Retirement is a major life transition, and planning for it should go beyond just the financial aspects. Here are some tips to help you adjust to retirement life and ensure it's fulfilling both mentally and emotionally.

### **Managing Your Time**

*Establish a Routine:* A daily routine can provide structure and purpose. Even simple activities like morning walks, reading time, or regular hobbies can make a big difference.

*Set Goals:* Whether it's learning a new skill, travelling, or starting a small project, setting goals can give you something to look forward to and work towards.

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*Volunteering:* Consider dedicating time to volunteer work. It's a great way to give back to the community, stay engaged, and meet new people.

## **Staying Active**

*Physical Exercise:* Participating in regular physical activity. is essential for sustaining health and overall vitality.. Join a fitness class, take up a new sport, or simply enjoy daily walks.

*Mental Exercise:* Keep your mind sharp by engaging in activities that stimulate your brain, such as puzzles, reading, or taking up new hobbies.

*Outdoor Activities:* Spending time outdoors can boost your mood and overall well-being. Gardening, hiking, or bird-watching are excellent ways to enjoy nature.

## **Maintaining Social Connections**

*Stay Connected with Friends and Family:* Regularly catching up with loved ones can help you feel connected and supported. Plan regular meetups or virtual calls.

*Join Clubs and Groups:* Becoming a member of clubs or groups that align with your interests can help you meet like-minded people and build new friendships.

*Community Involvement:* Participate in community events, workshops, or local organizations. Staying active in your community can provide a sense of belonging.

## **Mental and Emotional Well-Being**

*Pursue Hobbies and Interests:* Retirement is the perfect time to dive into hobbies and interests you may not have had time for before. No matter if you're wielding a paintbrush, whipping up a culinary masterpiece, or strumming your favorite tune, dive into your passions and discover the joy they bring! Dive into the fun and creativity that come from doing what you love! Enjoy every moment!

*Mindfulness and Relaxation:* As we look ahead, incorporating practices like mindfulness, meditation, or yoga will be invaluable in fostering a positive outlook and managing stress. Embracing these techniques will prepare us to navigate whatever challenges come our way.

*Lifelong Learning:* Consider taking classes or attending workshops on subjects that interest you. Lifelong learning keeps your mind engaged and can be incredibly fulfilling.

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## Chapter 9 – Reduce Your Taxes

Tax—a subject everyone loves to hate. In the UK, tax evasion is illegal, while tax avoidance is perfectly legal. Some people refer to tax avoidance strategies as 'loopholes,' perhaps to make them sound more thrilling.



In truth, these are government-sanctioned allowances. Unlike the tax evasion schemes revealed in the Panama Papers documentary, which detailed complex networks of trusts and companies in tax havens used to illegally avoid taxes, tax avoidance simply involves using legitimate means to reduce your tax bill.

By making use of annual allowances and understanding how the tax system operates, we can significantly reduce our tax liabilities. This approach requires proactive planning. Many people pay unnecessarily high taxes simply because they do not

take advantage of the available allowances and tax breaks. These benefits are designed to be accessible to everyone, ensuring that all individuals, not just the wealthy or elite, can take advantage of them.

## Investments and tax

Let's begin with the most generous tax breaks and work our way down. Pension contributions remain by far the most tax-efficient option. If you are a basic rate taxpayer, you receive 20% tax relief on your pension contributions. Essentially, the government refunds the income tax you've paid on that money. As a 20% taxpayer, wishing to make a gross pension contribution of £100, you only need to pay £80. The government will add 20% basic tax relief: £20.

Pensions are also highly effective in more complex scenarios. For example, if you have children, you may be eligible for Child Tax Credits. However, if one partner in a couple earns more than £50,000, this allowance starts to reduce. By making a pension contribution, you can lower your taxable income and potentially reinstate this allowance.

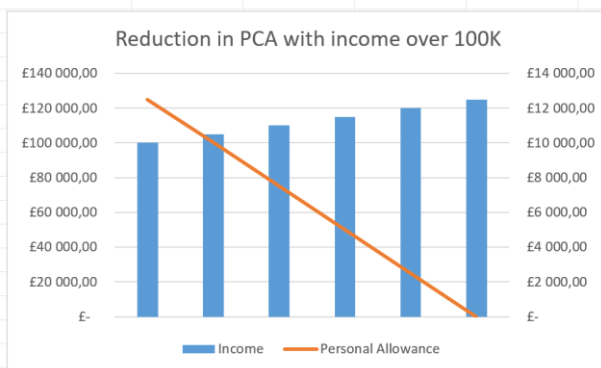
If you earn between £100,000 and £125,000 you start to lose your personal allowance which is £12,500 you are allowed to earn before tax. Your personal allowance reduces by £1 for every £2 you earn above £100,000. This means your personal allowance is reduced to zero if your income reaches £125,00.

Source: <https://www.hl.co.uk/pensions/tax-relief/calculator>

This graph makes this clear:

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|                      |             |             |             |             |             |             |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Personal Allowance = | £ 12 500,00 |             |             |             |             |             |
| Income               | £100 000,00 | £105 000,00 | £110 000,00 | £115 000,00 | £120 000,00 | £125 000,00 |
| Personal Allowance   | £ 12 500,00 | £ 10 000,00 | £ 7 500,00  | £ 5 000,00  | £ 2 500,00  | £ -         |



The effective rate of tax can be as high as 60% for high earners. If you have surplus income or savings, you can put funds into a pension and through tax relief reduce your income back down to £100,000. (Thus, retaining your personal allowance). Not only does your pension benefit, but you will reinstate your tax-free allowance.

If you are employed and your workplace pension operates a scheme called salary sacrifice, you can "give up" a portion of your salary in exchange for additional pension contributions. This not only reduces the amount of income tax you pay but also lowers your National Insurance contributions. Additionally, your employer will save on their National Insurance contributions too. If your employer is generous, they might even add their National Insurance savings to your pension.

However, it's important to note that if you are looking to get a mortgage, this method reduces your gross salary on paper, which can affect your borrowing capacity.

## Grow Your Wealth Like a Norwegian

Each tax year, you have an annual allowance of £20,000 to invest in Individual Savings Accounts (ISAs), which can be a Cash ISA or a Stocks and Shares ISA. This allowance follows a 'use it or lose it' principle, which encourages making the most of the available benefits. It's important to note that any unused portion cannot be carried over to the next tax year, so planning ahead can help maximize your opportunities. Importantly, any income or capital gains generated within these accounts are completely tax-free.

This is especially significant because interest earned in a regular deposit account is subject to income tax if it exceeds £1,000 for basic rate taxpayers, £500 for higher rate taxpayers, and offers no allowance at all for additional rate taxpayers.

At the time of writing, you have an annual allowance of £3,000 for capital gains. This allowance can be used for any investment accounts or the sale of a property that isn't your main residence.

## Dividends and directorship

The current dividend allowance is £500, which means it is possible to earn up to £500 in dividends without paying dividend tax. This is particularly important for Directors of limited companies who also hold investments, as dividends from the company and from other investments are treated the same for tax purposes.

If you are a director of a limited company, you can opt for Relevant Life Insurance, a type of life insurance that the company can pay for, benefiting your family. The premiums paid by the company are deductible for corporation tax purposes, making it a cost-effective option compared to paying for life insurance out of taxed income.

Additionally, as a director, you can contribute up to £60,000 (based on current rules) to your pension annually, and this can

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be offset against corporation tax under the 'wholly and exclusively' rule. It's advisable to consult with an accountant for more detailed guidance on this matter. This strategy is a highly effective way to build your retirement savings, especially if selling the business is difficult or if you are the primary asset of the business. Based on the example from a previous chapter, it would take approximately eight years to generate £500,000 (assuming the money is not invested and without considering inflation). However, it's important to ensure that your business has sufficient cash flow to make these pension contributions.

## Inheritance Tax



Inheritance tax is perhaps the most despised tax of them all. Anything above your allowances is taxed at 40%. Yes, you read that correctly—40%. The good news is, with proper planning, you can significantly reduce this tax burden. Former Labour Chancellor Roy Jenkins famously described

inheritance tax as "a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue."

Inheritance tax can become quite complex and could easily fill an entire book with its rules and regulations. Therefore, I won't delve into further details here, aside from noting the tax rate and emphasizing that it can be significantly reduced with the right strategies. This is an area where you need to consult your financial advisor – or wait for me to write a book about it!

While inheritance tax in the UK is widely disliked, it's worth noting that it's not as punitive as Norway's wealth tax

### Grow Your Wealth Like a Norwegian

(Formueskatt). This tax is imposed annually based on your total wealth. For the purposes of the wealth tax, sometimes referred to as the fortune tax, the value of all your assets is summed up. These assets include property, investments, vehicles, cash/savings, boats, caravans, and more.

For those who are asset-rich but income-poor, this tax can be particularly burdensome, as they may need to sell off assets just to pay the annual tax bill. So, while Norway has many positive aspects, the wealth tax can be a significant financial challenge for some.

Not everything is completely wonderful about Norway!

## Chapter 10 – You’ve lived a great life, now what?

As we near the end of this journey together, I hope you’ve found the principles in this book helpful in making sensible decisions, accumulating healthy savings, and perhaps creating a financial legacy to pass on.

From personal experience, I know that even in open and transparent Scandinavian societies, discussing financial matters with family can be emotionally challenging but necessary. To prevent my parents from dealing with my financial affairs if something happens to me, I have a will that clearly outlines my wishes, and I have appointed sensible individuals to manage my health and wealth through Lasting Powers of Attorney (LPA). Additionally, I've organized my financial details so my family can easily access and manage my digital life if needed.

Organising your digital life doesn’t have to be complicated. A short introduction letter explaining where everything is, and using a password manager, can ensure your loved ones can easily access your accounts and delete them if necessary.

### Wills

Discussing death is never easy for families. However, with the complexities of digital assets and modern family structures, creating a will has never been more important. A clear will that states your wishes and organizes your financial affairs can greatly ease the emotional burden on your family during such a distressing time.

When writing your will, you’ll appoint an executor who can also be a professional company acting jointly with someone

else. This reduces the pressure on the executor and ensures a seamless process.



*Example:* Suppose you own a house, have savings, and a few investments. Without a will, these assets might not be distributed according to your wishes. By specifying in your will that your house should go to your spouse, your savings to your children, and a portion of

your investments to a charity, you ensure your assets are allocated as you intended.

## Intestate

In England, if you don't write your own will, the government has a default will in place, known as dying "intestate." This follows standard rules and limits on what is passed to your loved ones, potentially causing disputes among those who may feel entitled to your assets or passing assets to individuals you didn't intend to benefit. To wind up the estate, you'll need to apply to the courts to become the administrator.

*Example:* If you pass away without a will and have a spouse and children, the situation can become complicated. Your spouse will receive the first £270,000 of your estate and then half of what's left. The rest will be shared equally among your children. This may not reflect what you wanted, especially if you had specific gifts in mind for certain people or charities. Proper will planning can help reduce inheritance taxes on your estate and protect your legacy for those you want to benefit.

## Lasting Powers of Attorney

As we age, we may lose the capacity to make our own decisions regarding health and wealth. There's a common myth that a spouse can automatically make decisions on behalf of their partner, but this is incorrect. Without a Lasting Power of Attorney (LPA), joint assets may be frozen until you are appointed as a deputy—a process that is time-consuming and expensive. It's far quicker and cheaper to write and register LPAs before they are needed.

*Example:* Imagine experiencing a sudden illness that prevents you from managing your finances. Without an LPA, your spouse or family members would need to apply to the Court of Protection to gain authority to make decisions on your behalf, a process that can take months and incur significant legal fees. By having an LPA in place, your appointed attorney can immediately take over the management of your finances and healthcare decisions without any delay.

While an entire book could be written about the importance of having a valid will, various trusts available, and the implications of not having LPAs, the most crucial takeaway is to keep an up-to-date will and register LPAs. Doing so saves loved ones from emotional stress and is more affordable.

I strongly encourage using the services of a will writer or estate planner for organizing wills and LPAs. The “Do-It-Yourself” approach may be cheaper, but the process is nuanced and time-consuming, especially for LPAs. If not done correctly, the time and money spent can be wasted, so it's best to get it right the first time.

## Bonus Chapter 11 – Avoid Schemes

In an ever-increasing digital age, scams are on the rise, including Ponzi schemes promising lucrative returns. Getting involved in these areas can quickly undo the good work you've done by following the principles outlined in this book. These schemes may vary in appearance, but they often share common traits: time sensitivity, limited "seats" to create a fear of missing out, and promises of unreasonable returns. Remember the saying, "if it's too good to be true, it probably is."

We often read headlines about people being scammed out of large sums of money. Such incidents can destroy lives and tear families apart. Before parting with your money, have a private checklist: Is the firm reputable? Are there reviews online? Is the firm registered with the Financial Conduct Authority (FCA)? What do friends and family think about it?

Even in a global world, Norwegians are not immune to these schemes. However, cultural skepticism and strict consumer laws in Norway make it harder for fraudulent businesses to operate.

Bernie Madoff, once the esteemed chairman of the Nasdaq stock exchange, masterminded a colossal financial fraud that would go down in history as one of the biggest scams ever. His elaborate scheme captivated investors while hiding a web of deception that ultimately unravelled, leaving a profound mark on the financial world. His Ponzi scheme defrauded investors of an estimated \$65 billion over nearly two decades. Madoff's firm, Bernard L. Madoff Investment Securities LLC, promised consistently high returns through a supposed trading strategy called "split-strike conversion". However, this strategy was a facade; Madoff was using money from new investors to pay returns to earlier investors

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Madoff's scheme collapsed in 2008 during the global financial crisis when too many investors tried to withdraw their money, revealing the lack of legitimate investments. He was arrested in December 2008 and later sentenced to 150 years in prison for securities fraud, money laundering, and other charges. The fallout from his scheme had devastating consequences for thousands of investors, including individuals, charities, and institutions. Netflix has a documentary about Madoff called "Madoff: The Monster of Wall Street".

Madoff's story is a powerful reminder of why it's important to do your homework before investing. It shows that you should check if investment opportunities are real and be careful of offers that seem too good to be true, especially those promising high returns with very low risk.

## Multi-Level Marketing (MLM)

Companies operating under MLM aren't technically scams. They sell legitimate products and services, with the idea of recruiting others as distributors or customers, promising passive recurring income. Many have experienced an old friend or colleague reaching out with an "exciting opportunity," which often turns into a presentation about joining an MLM.

I, too, have been involved in a couple of these schemes. The allure of passive income and an improved lifestyle is enticing. However, MLMs operate on a simple mathematical equation where the numbers don't add up, and someone will always lose out, feeding the pyramid. While MLMs are legitimate businesses with actual products, the Netflix documentary "Betting on Zero" highlights the pitfalls.

## Pyramid schemes

Pyramid schemes are like multi-level marketing (MLM) schemes but are illegal. They primarily focus on recruiting new

members rather than selling a product or service. New recruits pay fees to join, and this money is used to pay the earlier members. The scheme collapses when there are no more new recruits, leaving many members with significant losses.

## An overview of the difference between MLM and Pyramid schemes

|                | MLM                                                                                                                                                                                                             | Pyramid Scheme                                                                                                                                                                                                                                 |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Legitimacy     | MLMs are legal business models where companies sell legitimate products or services                                                                                                                             | Pyramid schemes are illegal and fraudulent. They focus on recruiting new members rather than selling actual products or services                                                                                                               |
| Revenue Source | The primary source of income in MLMs comes from selling products or services. Distributors earn commissions from their own sales and a percentage of the sales made by their recruits (often called downlines). | The primary source of income in pyramid schemes comes from recruiting new members who pay to join. Each new recruit pays an entry fee, which is then used to pay the earlier participants. There is little to no emphasis on selling products. |

|                  |                                                                                                                                                               |                                                                                                                                                                                                                                                                                             |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Structure</b> | MLMs have a hierarchical structure where participants earn money based on their sales and the sales of their downlines. The focus is on product distribution. | Pyramid schemes have a hierarchical structure similar to MLMs, but the emphasis is on recruitment. The scheme relies on a constant influx of new recruits to sustain payments to earlier members. When recruitment slows down, the scheme collapses, leaving many participants with losses. |
| <b>Example</b>   | Avon, Amway, and Herbalife are well-known MLM companies. These companies sell products directly to consumers through their network of distributors.           | The notorious Ponzi scheme orchestrated by Bernie Madoff can be seen as a type of pyramid scheme, though it involved fake investment opportunities rather than a direct selling structure.                                                                                                  |

## Investment scams

### ***Fake Cryptocurrency Schemes:***

Cryptocurrencies have become a popular investment, attracting both legitimate investors and scammers. Fake cryptocurrency schemes often involve creating new, fake cryptocurrencies or fraudulent Initial Coin Offerings (ICOs). Scammers promise high returns on investments, using

sophisticated marketing tactics to lure investors. Once they collect enough money, they disappear, leaving investors with worthless digital coins.

*Example:* In 2017, a fake cryptocurrency called "Bitconnect" promised high returns through a lending platform. Investors were encouraged to lend their Bitcoin in exchange for Bitconnect tokens, which were supposed to generate significant interest. Bitconnect was a Ponzi scheme, and it collapsed in early 2018, resulting in substantial losses for investors.

### ***Pump-and-Dump Schemes:***

Pump-and-dump schemes are fraudulent activities that manipulate the price of a stock or other asset by disseminating false or misleading information. In these schemes, perpetrators "pump" up the price by spreading positive rumors and persuading unwitting investors to buy the asset. Once the price reaches a certain level, the scammers "dump" their shares, selling them at this inflated price. This sudden sell-off typically leads to a sharp decline in the asset's value, resulting in substantial losses for the other investors who were misled.

*Example:* In 2019, a group of fraudsters used social media to promote a small, obscure company, falsely claiming it was on the verge of a breakthrough. They bought shares at a low price and sold them after the price surged due to increased interest. When the truth came out, the stock price crashed, and many investors suffered heavy losses.

### ***Binary Options Scams:***

Binary options let investors guess how the price of different assets will move in the future. In this type of trading, people predict whether the price will go up or down within a set time. If they guess correctly, they can make money; if they guess wrong,

they might lose money. This trading is simple and has a clear risk and reward structure.

However, scammers often create fake binary options platforms that manipulate results to make sure investors lose. These platforms might refuse to pay out real profits, claim there are technical problems, or ask for extra fees to withdraw money.

*Example:* In 2017, the Israel-based binary options firm "BinaryBook" was uncovered for swindling investors. The company employed aggressive sales tactics to persuade potential clients to deposit significant amounts of money, which were ultimately lost through rigged trades. Many victims reported that, despite appearing to make profitable trades, they were unable to withdraw their funds.

## Forex trading

Foreign exchange trading itself isn't a scam; it's a legitimate method used by banks for international trade. The issue arises with social media videos portraying luxurious lifestyles achievable through mobile trading. These videos often lead to signing up for costly courses promising to teach you how to achieve the same success. While these courses provide good content on market analysis and technical setups, the real money is made by recruiting others to sell the courses. The information in these courses can often be found for free online. If you wish to get involved, consider using demo accounts, which operate like real accounts but use "monopoly money," eliminating the risk of financial harm.

## Day trading

With the accessibility of online trading and platforms. It's increasingly popular to trade your own accounts with stocks and shares. The experts at banks make money by trading, however, there's a popular statement online 90/90/90. 90% of retail traders lose 90% of their money in 90 days. A good

documentary of trading gone wrong is “Gamestop” on Netflix. Please note, this is different from investing in funds which was mentioned in a previous chapter.

Day trading means to spread bet or trading contracts for difference on platforms. You are essentially betting whether a stock will go up or down in price. These are complicated financial instruments.

## Phishing Scams

Phishing scams are deceptive tactics designed to steal your sensitive information, like usernames, passwords, and financial details, by pretending to be reputable sources. They often appear as emails, texts, or websites that closely resemble trusted organizations. Stay vigilant and protect yourself!



### ***Common Phishing Tactics:***

**Fake Emails from Banks:** Scammers often send emails that appear to be from your bank, asking you to click on a link to verify your account information or update your details. These emails may use official logos and language to look legitimate.

*Example:* Be cautious of emails that appear to come from your bank, particularly those with subject lines such as "Important: Account Verification Required." These emails often include links that lead to fraudulent websites designed to imitate your bank's official login page. If you enter your login credentials on these fake sites, scammers can gain access to your actual bank account. Always verify the source before clicking on any links and consider visiting your bank's official website directly.

**Tech Support Scams:** Individuals engaging in fraudulent activities often impersonate technical support representatives from reputable organizations such as Microsoft or Apple. They may initiate contact through phone calls or messages, asserting that the recipient's computer has a virus or an unresolved technical issue. Subsequently, they request remote access to the computer in order to rectify the purported problem.

*Example:* You get a call from someone claiming to be from Microsoft, saying that they've detected a virus on your computer. They ask you to download a remote access tool so they can fix the issue. Once they gain access, they can steal personal information or install malicious software.

**Spear Phishing:** Spear phishing is a form of scam that specifically targets individual individuals or organizations by using customized messages designed to deceive the recipient.. These messages often contain

personal information to make them appear more legitimate.

*Example:* An employee at a company receives an email that seems to be from their CEO, asking them to urgently transfer funds to a specific account. The email addresses the employee by name and contains details about ongoing projects, making it seem authentic.

**SMS Phishing (Smishing):** Scammers send text messages that seem to be coming from reputable companies, asking you to click on a link or call a number to resolve an issue with your account.

*Example:* You receive a text message that appears to be from your mobile carrier, stating that there is a problem with your recent payment. The message includes a link to a fake website where you're asked to enter your payment details.

**Clone Phishing:** Scammers create a nearly identical copy of a legitimate email that you've previously received, altering links or attachments to redirect you to fraudulent websites.

*Example:* You receive a concerning text message that looks like it's from your mobile carrier, informing you that there may be an issue with your recent payment. This message includes a link to a website that is designed to look legitimate, where you're asked to enter your payment details. It's understandable to feel uneasy about this situation, as it can be alarming to receive unexpected messages regarding financial matters. Always take a moment to verify the information to protect yourself.

***Tips to Recognize and Avoid Phishing Scams:***

**Check the Sender's Email Address:** When assessing the legitimacy of an email, it's important to examine the sender's email address carefully. Scammers frequently employ addresses that mimic real ones, often using subtle variations or minor misspellings. This can help them appear more credible, so vigilance in checking these details is crucial.

**Look for Generic Greetings:** Phishing emails frequently employ generic greetings such as "Dear Customer" rather than personalizing their messages with your name. This lack of personalization is a common indicator of fraudulent communication.

**Beware of Urgency:** Scammers often play on our emotions by creating a false sense of urgency to push us into quick decisions. Stay alert! If you receive emails or messages demanding immediate action, take a moment

to pause and think before you respond. Your safety is worth the extra second!

**Verify Links Before Clicking:** Hover the mouse cursor over email links to see the URL before clicking. Be wary if the URL looks suspicious or doesn't match the legitimate website.

**Check for Grammatical Errors:** Phishing emails frequently display spelling and grammatical errors, which is a common red flag for recipients. In contrast, legitimate companies usually take the time to proofread their communications, ensuring clarity and professionalism. Recognising these mistakes can help individuals identify potentially fraudulent messages.

**Avoid Providing Personal Information:** Reputable companies typically do not request personal information such as passwords or credit card information through email or text messages. It is important to protect your

personal information and never share it in these formats. Always be cautious and verify the source of any request for sensitive data.

**Use Two-Factor Authentication (2FA):** Enable 2FA on your accounts whenever possible. This feature significantly strengthens security by introducing an additional form of verification that complements the initial password. By requiring a second verification step—such as a code sent to your mobile device, biometric recognition like a fingerprint or facial scan, or answers to security questions—we can create a more robust authentication process. This enhanced security measure not only protects your account but also provides peace of mind, knowing that unauthorized access is much less likely, allowing you to use your information with greater confidence.

**Keep Your Software Updated:** Maintain your digital devices updated with the latest security patches. These updates not only enhance performance but also protect your personal information from potential threats. Don't let outdated software put you at risk—stay secure and ensure your devices are running at their best!

**Verify Directly with the Company:** If you come across an email or message that seems suspicious, it's important to take precautions. Contact the company directly using the details found on their official website, rather than using any details provided in the potentially fraudulent message. This will help ensure that you are communicating with a legitimate source.

**Report Phishing Attempts:** Report phishing attempts! Consider, for example, contacting your email provider, the company being impersonated, or appropriate authorities.

## Fake charities

Scammers may set up fake charities, especially in response to natural disasters or other emergencies. They prey on people's generosity and compassion, taking money that is intended to help those in need. Always verify the legitimacy of a charity before donating.

*Example:* During a natural disaster, you might receive an email or see a social media post from a "charity" asking for donations to help the affected people. The information may have a link to a fake donation page that looks legitimate. Once you donate, the money goes to the scammer instead of the cause you intended to support.

### ***Tips to Avoid Fake Charities:***

**Verify the Charity:** Check if the charity is registered with relevant authorities, such as the Charity Commission in the UK or the IRS in the US.

**Donate Directly:** If possible, donate directly through the charity's official website rather than through third-party links or social media posts.

## Romance Scams

It's truly heartbreaking to see how scammers exploit individuals on dating sites and social media by creating fake profiles. They prey on the emotional needs of their targets, building what seems like a genuine romantic connection. Once trust is established, these scammers often deceive their victims by fabricating emergencies or claiming they need money for travel expenses to visit them. The impact of these scams can be incredibly devastating, leaving victims not only financially strained but also emotionally hurt. It's essential to be aware of these tactics to protect ourselves and our loved ones.



*Example:* You may have met someone on a dating site who claims to be a successful professional living overseas. After building a relationship, they tell you about a financial emergency and ask for money to resolve it. Despite promises to repay you, they disappear once they receive the money. A version of the romance scam was aired by Netflix called “Tinder Swindler”. The man used manipulative techniques to scam vast sums of money from the women he was involved with.

***Tips to Avoid Romance Scams:***

**Verify Their Identity:** Be cautious of people who avoid video calls or meetings in person. Use reverse image searches to check their profile photos.

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**Be Skeptical of Requests for Money:** Never send money to someone you haven't met in person, regardless of how convincing their story might be.

**Take Your Time:** Scammers often try to rush the relationship. Take your time to get to know the person and look for any red flags.

## Lottery and Sweepstakes Scams

Victims are informed that they've won a large sum of money but need to pay a fee or provide personal information to claim their prize. Legitimate lotteries do not require winners to pay upfront fees or provide sensitive information to collect winnings.

*Example:* You receive an email stating that you've won a significant amount of money in a lottery you didn't enter. The email asks for personal information and an upfront fee to process the winnings. After paying the fee, you never receive the prize.

### ***Tips to Avoid Lottery Scams:***

**Question Unexpected Wins:** Be wary of winning notifications from lotteries or sweepstakes you didn't enter.

**Check for Red Flags:** Legitimate lotteries do not ask for upfront fees or sensitive information. Verify the organization before responding.

**Report Suspicious Activity:** If you suspect a scam, report it to the Federal Trade Commission (FTC) or Action Fraud in the UK.

## Timeshare and Vacation Scams

Scammers offer fake time shares, vacation packages, or rental properties at attractive prices. Victims pay for the deal

and find out later that the property or offer doesn't exist or is vastly different from what was promised.

*Example:* You find an online listing for a beautiful vacation rental at a great price. After making a payment to secure the booking, you arrive at the location only to find that the property doesn't exist or is already occupied.

### ***Tips to Avoid Timeshare Scams:***

**Research the Seller:** Verify the legitimacy of the seller or rental agency through reviews and ratings.

**Use Reputable Platforms:** Book through reputable travel websites or platforms that offer customer protection.

**Get Everything in Writing:** Ensure all agreements and terms are documented in writing and avoid making payments via wire transfer or cash.

The schemes mentioned above are not exhaustive. The key takeaway is to be mindful of their existence and avoid them to prevent financial detriment.

While it's possible to succeed with some of the schemes mentioned above, it's crucial not to put all your eggs in one basket. These schemes can financially ruin individuals, families, and friendships.

By staying informed, sceptical, and cautious, you can protect yourself and your financial well-being from these predatory schemes.

## **This scheme is not a scam**

One “scheme” that has consistently resulted in increased living standards and a better lifestyle is **education**, as covered in a previous chapter.

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