SEVEN MYTHS ABOUT MONEY

AND THE TRUTH ABOUT FINDING FINANCIAL FREEDOM

WORKBOOK

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01

MYTH 1

THE SAVING MYTH

SUMMARY

The conventional advice that saving money is the path to wealth needs a serious reality check.

Most people think saving = earning interest = getting richer. But with inflation often running higher than interest rates, money in savings accounts is like to lose value in real terms in the future. Not ideal.

This doesn't mean you shouldn't save - having cash for emergencies and specific goals is crucial. Just don't expect saving alone to make you wealthy.

What's the alternative? **Focus on earning more**. While there's a limit to how much you can save (you can't spend less than zero!), there's no cap on how much you can earn. Whether through your career, business ventures, or developing valuable skills, increasing your income is the most powerful financial lever you can pull.

Of course, you still need to be smart with what you earn. **Mindful spending** - regularly evaluating where your money's going and making intentional choices - helps ensure you're not wasting the extra income you generate.

REFLECTION

Choose the statement that most closely represents you.

STARTING STRUGGLER	ANXIOUS SAVER	UNCERTAIN SAVER	WARY SAVER	INFLATION-PROOF
I am not saving any money and I am unsure how to start	I am struggling to save money and I am worried about the future	I am actively saving, but I am concerned about the impact of inflation on my savings	I am saving some money, but I am not sure if it is enough to keep up with inflation	I am confident that my savings are growing at a rate that outpaces inflation

REFLECTION

QUESTIONS

What are your current saving habits and motivations?

Look through your last month’s expenses; what could you have cut out without much sacrifice?

REFLECTION

What other aspects of your spending could be reduced without sacrificing your quality of life?

ACTION STEPS

- [ ] **TRACK YOUR SPENDING**

  For a week or two, diligently record every expense, categorising them to identify spending patterns and areas where you can potentially cut back.

- [ ] **IMPLEMENT THE TWO-WEEK RULE**

  Before making any non-essential purchase over a certain amount (e.g., £30), wait two weeks to see if the desire persists. This helps to curb impulsive spending and ensure you are truly valuing the purchases you make.

- [ ] **BRAINSTORM WAYS TO INCREASE YOUR INCOME**

  Dedicate time to exploring potential avenues for earning more, such as seeking a raise, acquiring in-demand skills, pursuing a side hustle, or researching alternative career paths.

- [ ] **AUTOMATE YOUR SAVINGS**

  Set up an automatic transfer to move a portion of your income into a savings account each month. This ensures consistent saving without relying on willpower.

02

MYTH 2

THE EARLY RETIREMENT MYTH

SUMMARY

The "FIRE" (Financial Independence, Retire Early) movement has it backwards. Living like a monk in your 20s and 30s so you can quit work forever at 40? That's a recipe for regret.

Not because early retirement is impossible - with enough sacrifice, you probably could do it. But because most people who manage it end up miserable. There's only so much golf you can play before you start craving something meaningful to do with your time.

The better path? Break the connection between time and money.
Think about it: in a normal job, you're swapping your hours for cash. Work more hours, make more money. Stop working, stop earning. But there are three ways to escape this trap:

- **Level 1: Embrace it (for now) -** Use your current job as a training ground. Learn valuable skills, take control where you can, and lay the groundwork for what's next.

- **Level 2: Loosen it -** Move into consulting or contract work where you're paid for results, not hours. This gives you more flexibility and usually higher earnings too.

- **Level 3: Break it -**
Create assets that make money while you sleep - products, businesses, investments that don't need your constant attention.

The goal isn't to never work again. It's to have the freedom to work on what you want, when you want, from wherever you want.
That's true financial independence.

REFLECTION

Choose the statement that most closely represents you.

ESCAPE DREAMER

I dread going to work each day and am desperate to escape the 9-to-5 grind as quickly as possible

FREEDOM SEEKER

I dislike my work and am actively seeking ways to achieve financial independence so that I can retire early

FLEXIBLE PRAGMATIST

I am indifferent towards my work and would consider retiring early if financially feasible

BALANCED VISIONARY

I enjoy my work but look forward to reducing my hours or transitioning to more fulfilling work in the future

WORK DEVOTEE

I am passionate about my work and cannot imagine retiring early

REFLECTION

QUESTIONS

If retiring early is a goal, what are your motivations for wanting to do so? Can you achieve them while still earning?

What aspects of work do you enjoy, and which ones would you change?

REFLECTION

How can you leverage your skills and experience to create value for others?

What other alternative work models, such as freelancing, consulting, or entrepreneurship, are you open to exploring?

ACTION STEPS

WRITE EVERYTHING DOWN

I've found there's a world of difference between "thinking I should spend less" and physically writing down every purchase. It's like tracking calories - you suddenly realise those little bits add up.
Just take one month and write down everything (yep, even that £2 coffee). Don't judge the numbers - just notice what you notice.

SET FIRST, SPEND LATER

I save a fixed amount the second I get paid, but here's the key: I don't budget for what's left. If it's there, I can spend it.
This is surprisingly effective because you know the important stuff is already handled. No guilt!

DO A SUBSCRIPTIONS SWEEP

Go through your bank statements and cancel anything you're not using. Not "I might use it one day", but actively using NOW.
I found three unused subscriptions just last week. Auto-renewal is sneaky like that.

QUESTION YOUR BIG THREE

Housing, transport and food make up most people's spending. A small change here beats obsessing over coffee and Netflix.
Here's what worked for me:

- Moved closer to where I spend time (saved on transport)
- Batch cook when I'm in the mood (saved on takeaways)
- Renting rather than buying gives me flexibility

USE THE TWO WEEK RULE

For anything non-essential over £30, I wait two weeks before buying. This kills most impulse purchases dead.
The weird thing? When I DO buy after waiting, I enjoy it more because I know I really want it.

GET GOOD, NOT PERFECT

Here's the thing: I don't count every penny. Some months I spend more, some less. But these habits mean I naturally spend less than I earn without the stress of strict budgeting.
The key is starting small. Pick ONE of these to try this month. Which one speaks to you?

03

MYTH 3

THE RISK-MINIMISATION MYTH

SUMMARY

Most financial advisers are obsessed with protecting you from risk. But here's the thing - if you want to actually get ahead financially, you need to take some calculated risks.

It comes down to understanding your three core money motivations:

- **Protect Against Disaster -** Making sure you don't end up homeless or bankrupt if things go wrong. The basics.
- **Maintain Your Lifestyle -** Keeping what you've already got, adjusting for inflation. Not getting poorer.
- **Improve Your Status -** Making real progress. Getting genuinely richer over time.

Traditional advice focuses almost entirely on protection and maintenance. That's fine if you're already on a path to wealth and just want to stay that way.

But if you want to improve your situation? You need a different approach. One that balances protection with the pursuit of genuine growth.

The trick isn't avoiding risk entirely - it's taking the right risks at the right time, while keeping enough safe to sleep at night.

This is why the standard "60% stocks, 40% bonds" portfolio isn't right for everyone. Your investment strategy needs to match your personal balance between protecting, maintaining, and improving.

REFLECTION

Choose the statement that most closely represents you.

CONFIDENT INVESTOR
I have a clear understanding of my risk tolerance and am comfortable with the level of risk in my investments

CAREFUL PLANNER
I am aware of the need to balance risk and return, but I sometimes struggle to make investment decisions

RISK-AVERSE
I am risk-averse and tend to focus on protecting my capital, even if it means accepting lower returns

UNCERTAIN INVESTOR
I am uncertain about my risk tolerance and often feel overwhelmed by the complexity of investment decisions

FEARFUL AVOIDER
I avoid investing altogether because I am afraid of losing money

REFLECTION

QUESTIONS

What are your top financial priorities?

How much risk are you comfortable taking with your investments?

REFLECTION

How would you define financial success?

What is your time horizon for achieving your financial goals?

ACTION STEPS

☐ **STEP 1: DETERMINE YOUR BUCKET SIZES**

Visualise your ideal asset allocation across the Protect, Maintain, and Improve buckets based on your risk tolerance, financial goals, and current circumstances.

☐ **STEP 2: IDENTIFY YOUR PRIMARY FINANCIAL MOTIVATION**

Reflect on which of the three money motivations resonates most strongly with you at this stage in your life. This awareness will help you guide your investment decisions.

☐ **STEP 3: RESEARCH DIFFERENT ASSET CLASSES**

Educate yourself on various asset classes that fall under each bucket, such as cash, bonds, stocks, real estate, and alternative investments. Understanding their characteristics and potential risks and rewards will help you make informed investment choices.

☐ **STEP 4: ADJUST YOUR INVESTMENT STRATEGY**

Review your current investment portfolio and make adjustments to align it more closely with your desired bucket sizes and risk tolerance. You can gradually shift your allocation over time or consult with a financial advisor if needed.

04

MYTH 4

THE HOME-OWNERSHIP MYTH

SUMMARY

A lot of people think buying a home is their ticket to getting rich. I used to believe this myself, but experience has taught me it's more complicated.

A home is primarily about protection rather than wealth building. Yes, you get the benefit of leverage and a hedge against inflation. But most of the money you pour into it - interest, mortgage payments, maintenance, insurance - isn't really "building wealth". It's just the cost of having somewhere to live.

That's not an argument against buying. Having a secure base is incredibly valuable, and there are good psychological reasons to want to own your home. Just don't trick yourself into thinking it's a genius investment move.

For most people, a home falls squarely in the "protect" bucket rather than the "improve" bucket. It preserves wealth rather than building it. If building wealth is your goal, you'll want to look at income-producing assets instead.

I put my money where my mouth is on this: I rent my home but own investment properties elsewhere. That won't be right for everyone, but it shows how differently you can think about property once you separate the emotional aspect of having a home from the financial aspects of building wealth.

What matters is being clear on your reasons. If you want to buy a home for the security and stability it provides, great! Just don't expect it to make you rich in the process.

REFLECTION

Choose the statement that most closely represents you.

SETTLED STRATEGIST

I am content with my current housing situation and have carefully considered the pros and cons of owning vs. renting

OPEN EXPLORER

I see the benefits of both owning and renting and am open to exploring different housing options in the future

PRESSURED RENTER

I am currently renting but feel societal pressure to buy a home, even though I am unsure if it is the right decision for me

OWNERSHIP IDEALIST

I am fixated on the idea of owning a home and believe it is the only way to achieve financial security

DESPERATE BUYER

I feel trapped by the high cost of renting and am desperate to buy a home, regardless of the financial implications

REFLECTION

QUESTIONS

What are your motivations for wanting to own a home?

How would owning a home impact your financial situation and your ability to invest in other assets?

REFLECTION

What are the potential risks and rewards of renting versus buying in your desired location?

ACTION STEPS

- [ ] **CHECK YOUR ASSUMPTIONS**

  The idea that "renting is dead money" while "buying builds wealth" is outdated. I used to believe this myself, but the rapid house price growth of the past few decades was driven by falling interest rates - which is unlikely to happen again.

- [ ] **KNOW WHAT YOU'RE OPTIMISING FOR**

  I rent because I value flexibility. I can move whenever I want, and I'm never stuck somewhere because "the market's not right to sell".
  But if you value having complete control over your space and want to put down deep roots, buying might make more sense.

- [ ] **RUN THE REAL NUMBERS**

  Don't just compare your rent to a mortgage payment. Factor in:
  - Maintenance costs (about 1% of property value per year)
  - Insurance and taxes
  - Transaction costs if you need to move
  - What that deposit could earn if invested elsewhere

- [ ] **KEEP YOUR OPTIONS OPEN**

  Avoid maxing out what you can borrow just because the bank offers it. You want the flexibility to invest in other things - and ideally still sleep at night if interest rates go up.

- [ ] **THINK LONG-TERM**

  Your needs will change. Maybe you'll want to downsize, or move abroad, or start a business. Don't trap yourself in a position where your home dictates your life choices rather than the other way around.

05

MYTH 5

THE COMPOUNDING MYTH

SUMMARY

The story we're told is simple and seductive: start investing early, let compound interest work its magic, and you'll end up wealthy without much effort. Warren Buffett is often used as the poster child for this idea - after all, he made 90% of his wealth after age 60.

But there's a problem: it takes DECADES to see any meaningful benefit from compounding.

Let's look at a typical example:

- Start at age 20 investing 10% of a £30,000 salary
- Get 5% pay rises each year
- Earn 5% investment returns annually

After 40 years (age 60), you'd have £844,000. Pretty good! Your investments would be growing by £40,000 per year.

But at the halfway point (age 40), you'd only have £161,000 - and two-thirds of that would just be the money you put in. Your investments would only be growing by about £7,500 per year.

This isn't an argument against investing - compound interest is still incredibly powerful over the very long term. But if you want to meaningfully improve your life before retirement age, you need other strategies too:

- Focus on increasing your earning power
- Build assets that produce income sooner
- Make active investments with more immediate payoffs

The lesson? Set up your "compounding machine" to work in the background, but don't rely on it as your only path to wealth. You need to be more proactive if you want results in years rather than decades.

REFLECTION

Choose the statement that most closely represents you.

STRATEGIC INVESTOR

I have a long-term investment strategy and understand the power of compounding

IMPATIENT OPTIMIST

I believe in the benefits of compounding but sometimes struggle to remain patient and disciplined

CAUTIOUS DOUBTER

I am sceptical of the hype surrounding compounding and am unsure how to incorporate it into my financial plan

IMPULSIVE TRADER

I am impatient to see my investments grow and often make impulsive decisions that disrupt compounding

PESSIMISTIC INVESTOR

I am disillusioned with compounding because I have not experienced the "miraculous" returns promised

REFLECTION

QUESTIONS

How much time do you realistically have to benefit from compounding before needing to access your investments?

Do you have a plan in place to consistently invest over a long period?

REFLECTION

What are your expectations for market returns over the next 5, 10, and 20 years?

How comfortable are you with the potential for market volatility and temporary losses in your investment portfolio?

ACTION STEPS

CONSTRUCT A COMPOUNDING MACHINE

- [ ] **STEP 1: EFFORTLESS INVESTMENT**

  Set up automatic contributions to eliminate decision fatigue and ensure consistent investment.

- [ ] **STEP 2: CONSISTENCY**

  Maintain a regular investment schedule, regardless of market fluctuations.

- [ ] **STEP 3: AUTOMATION**

  Use automated investment platforms and recurring buy orders to minimise emotional interference and maintain discipline.

- [ ] **STEP 4: DIVERSIFICATION**

  Spread your investments across a range of asset classes to reduce risk and enhance long-term returns.

FOCUS YOUR EFFORTS ON "EARNING" FOR LARGER GAINS

- [ ] **INCREASE YOUR EARNING POTENTIAL**

  Don't rely solely on passive compounding to accumulate wealth.

DON'T NEGLECT OTHER INVESTMENT STRATEGIES

- [ ] **TAKE SMART RISKS WHERE YOU HAVE AN EDGE**

  Consider "improve" type investments.

06

MYTH 6

THE DIVERSIFICATION MYTH

SUMMARY

The classic advice of splitting investments between stocks (60%) and bonds (40%) worked brilliantly for decades. When stocks went down, bonds went up - giving you protection when you needed it most.

But 2022 showed why this might not work anymore. Both stocks and bonds had their worst year in living memory - at the same time. This might not have been a one-off freak event:

- Low interest rates changed how bonds behave
- High government debt means interest rates can't go too high
- Global markets are more connected than ever

This doesn't mean diversification is dead - it means we need to think bigger. Consider:

- Different geographies
- Real assets like property
- Alternative investments
- Cash for opportunities

The key isn't following a magic formula - it's understanding what different assets do and how they might behave in different conditions. Protection comes from owning things that react differently to the same events.

REFLECTION

Choose the statement that most closely represents you.

DIVERSIFICATION MASTER

My investment portfolio is well-diversified across a range of asset classes

OVEREXPOSED INVESTOR

I understand the importance of diversification, but my portfolio may be overexposed to certain asset classes

FOCUSED INVESTOR

I primarily invest in stocks and bonds, and I am starting to question the effectiveness of this approach

CONFUSED ALLOCATOR

I am confused about diversification and unsure how to allocate my investments across different asset classes

CONCENTRATED INVESTOR

I do not diversify my investments and am heavily concentrated in a few assets

REFLECTION

QUESTIONS

How diversified is your current investment portfolio?

Have you considered alternative investments to further diversify your portfolio?

REFLECTION

Do you understand the concept of rebalancing and its importance in maintaining diversification?

ACTION STEPS

THINK GLOBAL, NOT JUST LOCAL

Most people are far too concentrated in their home market. A global approach gives you exposure to growth wherever it happens - from US tech to emerging markets.

REDUCE RELIANCE ON BONDS

Bonds used to be the perfect partner to stocks, zig-zagging in opposite directions. That relationship has broken down lately, so it's worth reconsidering how much you allocate to them.

EXPLORE REAL ASSETS

Property is one option (whether direct or through REITs), but the key is owning "real stuff" that will always have value to someone. These tend to hold up better against inflation too.

CONSIDER GOLD

Gold can seem pointless - it just sits there! But that's actually its strength: when everything else is going crazy, gold tends to remain stable. Even a small allocation (5-10%) can help.

AUTOMATE AND REBALANCE

The whole point of diversification is protecting yourself from bad decisions. Setting up regular investments and annual rebalancing removes emotion from the equation.

07

MYTH 7

THE TOO-RISKY MYTH

SUMMARY

The evidence is clear: most professional fund managers fail to consistently outperform the market. But that doesn't mean you should never try to beat it.

The key is knowing when to diversify and when to focus:

When you have no edge:

- You're competing against professionals
- You lack specialised knowledge
- The outcome depends mainly on luck; diversify broadly and aim for average returns

When you do have an edge:

- You have expertise in a specific area
- You spot opportunities others miss
- You can influence the outcome; focus in and aim to outperform

For example: I diversify globally across stocks because I have no special insight. But I concentrate heavily in UK property because I understand the market, have useful relationships, and can actively improve returns through good management.

Market-beating investments will always involve your own time, skill and effort. If this doesn't appeal to you, don't worry about it; leave this bucket alone and focus on your earnings instead.

REFLECTION

Choose the statement that most closely represents you.

DIVERSIFICATION MASTER

I am comfortable with my current investment approach and understand the trade-offs between risk and return

RISK-AWARE EXPLORER

I am open to exploring different investment strategies, but I prioritise minimising risk

AMBITIOUS NOVICE

I believe in the potential to outperform the market, but I am unsure where to start

MARKET CHALLENGER

I am actively seeking ways to beat the market, but I need to improve my risk management skills

RISK-REWARD CHASER

I am willing to take significant risks in pursuit of high returns, regardless of the potential consequences

REFLECTION

QUESTIONS

Do you possess any specialised knowledge or skills that could give you an edge in certain investments?

How much time and effort are you willing to dedicate to researching and managing higher-risk investments?

REFLECTION

Are you comfortable with the possibility of failure and the potential setbacks it could bring?

What are your aspirational goals beyond financial security and maintaining your current lifestyle?

ACTION STEPS

☐ **FIND YOUR EDGE**

Your edge could be expertise (like knowing a local property market inside out), relationships (access to deals others don't see), or skills that let you spot opportunities others miss.

☐ **GO DEEP, NOT WIDE**

Once you've found your edge, double down on it. Understand the specific risks and potential rewards of that investment type, develop the necessary skills to make informed decisions, and carefully analyse potential opportunities.

☐ **SIZE YOUR "IMPROVE" BUCKET APPROPRIATELY**

Keep your core portfolio broad and boring. Then allocate a portion - maybe 10-20% - to areas where you have an edge. This lets you take meaningful shots at outperformance without risking everything.

☐ **STAY FOCUSED AND BE PREPARED FOR VOLATILITY**

Markets are emotional. Your edge only works if you stick to your strategy even when others are panicking or getting carried away. Having a clear process helps you stay rational when others aren't.

KEY TAKEAWAYS

RECOGNISE THAT SAVING ALONE IS NOT ENOUGH

While building a safety net is crucial, inflation can erode the value of savings over time. Focus on increasing your earning potential to fuel your financial goals.

CHALLENGE THE ALLURE OF EARLY RETIREMENT

Instead of striving to stop working altogether, seek to break the connection between time and money. Develop valuable skills, explore consulting or contract work, and consider creating assets that generate passive income.

DON'T BE AFRAID OF CALCULATED RISKS

Understand your three core money motivations: protect against disaster, maintain your lifestyle, and achieve aspirational goals. Allocate your investments across the "Protect," "Maintain," and "Improve" buckets accordingly.

RE-EVALUATE THE NEED FOR HOME-OWNERSHIP

While a home provides security and stability, it may not be the most effective wealth-building tool. Carefully consider the costs and opportunity costs associated with buying a home. Explore alternative investment options that might offer greater returns.

ACKNOWLEDGE THE LIMITATIONS OF COMPOUNDING RETURNS

While compounding can generate significant wealth over the long term, relying solely on it may not be sufficient. Boost your returns by increasing your earnings and exploring "Improve" investments where you have an edge.

GO BEYOND TRADITIONAL DIVERSIFICATION

The classic 60/40 portfolio may not offer adequate protection in today's volatile market. Diversify your Maintain bucket by considering assets like gold, real estate, and alternative investments to enhance its resilience.

FIND YOUR EDGE FOR IMPROVE INVESTMENTS

Identify investments where you have a knowledge advantage or a unique skill set. Real estate, stock picking, angel investing, and starting a business are potential avenues for achieving significant returns - but they all involve effort and risk.