Chapter One

Why Are We Here?

We have written this book as a pathway and guide to your financial security. Of course, no book on its own can act as the runway lights for such a complex and dynamic topic as an individual’s future financial health.

However, we believe that with the ACTIVE PARTICIPATION of our readers, we can get a good way down the road to safely securing the money part of people’s lives.

That’s a big boast. But it’s a boast grounded in a strong belief that everyone has it within them to become a successful investor. The trick is to step back from the daily mayhem and noise of stock and bond markets and to THINK about the big picture. And that’s what we try to do, and to inspire you to do also, in this book.

To think.

To think about where the world is going, where we as individuals are going within it – and to answer a really key question: how on earth am I going to pay for my future once my working years are over?

We as authors speak from personal experiences; we’ve had plenty of adventures in our investment careers, some good, some bad – and we share the lessons of these with readers. But there’s a really important lesson that we try to get across in The Top 10 Investments for the Next 10 Years, and that is:

Investment really isn’t that difficult!

The layers of complication that appear to make it so are quite often unnecessary.

Sometimes, it appears to us that the professionals who work in the investment business are that bit smarter, more gifted and better positioned to make money than the general public is. Bitter experience for many people shows that this perceived ‘superior skill set’ is quite often at the expense of their clients. So, our first task in this book is to strip everything back. Peel the onion down
to its centre – to the core of the process of investment. This is a key part of our strategy.

In these pages, we aim to demystify the process of investment. We will put down – in plain language – the ways in which we think you can build up a **solid and substantial** nest egg for future years.

We go over the exact ways that part-time investors can go about buying and selling the assets that make up their nest egg.

We have written this book – and have really enjoyed doing so – for people who aren’t employed by fund managers or by investment banks or the like. This book is firmly for the oft-ignored ‘retail’ investor – the individual who wisely wants to invest for the future. It is NOT a book for money folk – quite the opposite.

There is nothing wrong with those financial industry guys, but this book is designed to eat a little bit of their lunch! And most of them have rather too much food on their plates. To misuse an old saying: it’s about time the clients got their own yachts!

Of course, that’s a little tongue in cheek. We will try and circumvent the ‘professionals’ where possible; but sometimes they can serve a very useful and indeed necessary purpose. In this book we will guide you as to when you need to use a broker, a financial advisor or a fund manager, and when you can just do it by yourself – and thereby save money.

The most important thing is the long-term goal: to build up as much money as possible for you over the next ten years and beyond, using careful planning and strategic investment thinking. With this in mind, we take you through a series of chapters about the disciplines of saving, of making a plan, and of thinking clearly about future trends.

We know that for many people investment can appear to be a bit like black magic. We know that the terminology used in the investment world can be complicated; and for this and other reasons people quite often give up on investing on their own. They either end up using savings ‘products’ that perform poorly or are badly designed for their own specific needs – or worse, they end up doing nothing at all. So, for that reason, we use **plain** language to describe investment essentials. All of us are perfectly capable of creating a portfolio over time that matches our long-term financial needs – partly on our own and partly with the help of professionals.

In this book, which represents the distilled input of 40 cumulative years of investment experience, we aim to give you an ‘edge’ over the professionals.
We encourage all of you to make your own plans and we try to show you how, with some effort, you can stick to them and get richer than you ever thought possible.

But the word ‘effort’ is a key one. Without your active participation, dear reader, this book won’t do a lot to help you. Unless you read *Top 10 Investments* and it sparks some new momentum in your own personal financial planning, it will just be a wodge of bound paper on your shelf.

We don’t want this book to languish as a ‘comfort book’, one where people think that somehow, by osmosis or some other, more mystical process, its contents will filter through. They won’t.

Although this book is not a ‘how to’ manual in the sense of a home improvement instruction volume, it does lay out some quite specific steps for you to follow. These include:

1. **Recognition** that time is of the essence if our individual financial futures are to be secured.
2. An **understanding** that frenetic or ‘day’ trading in markets of whatever type doesn’t work – or at least not often.
3. An understanding that carefully thought out and long-range investment strategies **do work**. So it’s that long horizon that we should stick to – hence the ‘10 Years’ in our book’s title.
4. **Diversification** – a key feature of any successful investment strategy which will be heavily emphasized in subsequent pages.
5. That it is never too late to start – and **today** is as good as any day to kick off your planning! Quite often people put the vital task of financial planning to one side – and the longer they do so the harder it will be to catch up.

*The Top 10 Investments for the Next 10 Years* has been written to take you through a dynamic process and achieve three main things:

1. **Confront reality** – Are you fully aware of the financial misery that awaits many of us in our future retirements if we don’t do some planning and saving NOW? The fact is that many people make false assumptions about who is going to look after them in their old age. Bear in mind, most of us
are living longer and will need more care as we get older. We don’t mean to scare readers, but putting proverbial heads in the sand won’t pay for your retirement years. Nor will, as we detail later, most government or company pension schemes.

2 **Realize action is needed** – You need to do something about it NOW and develop your own investment *BigIdeas*. In our programme, these *BigIdeas* are the cornerstones of successful financial strategies. We need such strategies to counteract the potential financial crises that will confront anyone who doesn’t do something about the dangers of insufficient savings – and of over-reliance on government/company pensions.

3 **Plan and implement change** – Set out strategies where you can build your own *MoneyFountains* – and do so in part by using our tailor-made *DiagnosticGrid*. These terms might seem a bit facile and gimmicky – but the principles behind them are not. We all need to hit the deep seams of treasure in our investment goals – and we won’t do so by slavishly following the status quo.

That ‘treasure’ is our *MoneyFountain* – and the roadmap whereby we deploy our available assets to find the treasure is the *DiagnosticGrid*. These terms will become a lot more meaningful as the book unfolds, we promise you.

In the book we develop the concept of *BigIdeas* as a means of constructing the correct ‘portfolio’ of investments for your individual needs. We map out, as the title implies, our own ten *BigIdeas* – but we also encourage you to develop your own.

We then describe how *BigIdeas* can be the source of *MoneyFountains* – the investments that run and run – and pump out the long-term profits that will sustain our financial futures.

These *MoneyFountains* are the one or two *BigIdeas* that will be your own ‘home runs’. The *MoneyFountains* will differentiate your own portfolios from the also-ran mediocre performance of most ‘professionally’ run portfolios.

If you can build your very own *MoneyFountain*, then you can wave goodbye to financial worry. That’s what this book is designed to help you to do.
Our unique online DiagnosticGrid is available to readers to help them construct a mix of investments suited to their own requirements – matching time of life, economic circumstances and dependants.

The combination of BigIdeas, MoneyFountains and the DiagnosticGrid is one that, correctly used and followed, will give you a formidable advantage – the ‘edge’ over the professionals.

And actually, our programme is quite simple. Read on – and you’ll see what we mean. As we said at the outset, ANYONE, given application and discipline, can build a financial future that’s worth having.

But first, let us put this book into its context.

_The Top 10 Investments for the Next 10 Years_ is the follow-up to our 2006 book ‘_Wake Up!_’ in which we outlined some disturbing economic and political factors confronting our world. These factors were ones that we believed would imperil the comfortable post-war prosperity that most of us in the developed world have enjoyed for so long. Some of our forecasts – a deteriorating US housing market, rising interest rates and deteriorating credit conditions, as well as still-mounting tension in the Middle East – are becoming more evident as we write this follow-up book.

We don’t say this as a form of ‘told you so’ hindsight – but rather to emphasize that this world we live in IS highly challenged. But in a curious way, those very challenges provide us with some of the opportunities we outline later in the book.

Lest anyone think that our world outlook is exclusively gloomy and that we sit permanently swathed in a cloak of despondency, we need to say right at the start that this book is optimistic in tone. Yes, really!

We believe strongly that the following is true:

1. **Anyone** who follows our plan to a reasonable extent will be in a much stronger financial position ten years hence. We haven’t written this book to make money, but because we enjoy communicating our thoughts and practical solutions to a wider audience. We really think we can help people with our programme.

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Notwithstanding the real problems facing the world economy, most notably the pension crisis in the developed world, there are considerable grounds for hope. Diligent saving and a bit of application can and will lead to a strong – and long – financial future for those who make the necessary effort.

The Top 10 Investments for the Next 10 Years will act as a useful foundation to savvy financial planning and investment – BigIdeas are the bedrock of our thinking in this book. We want our readers to develop their own BigIdeas – and we show you how to do so.

We are of the firm view that it is never too late to save and never too late to plan. Look especially carefully at the piece on compound interest in this respect!

We also KNOW that we live in an era of enormous opportunity – a time of unsurpassed technological development, of widening global trade and development. We occupy this world during a period in which the potential for sustained and profitable development has never been better.

We also live in a period of unprecedented challenges; environmental, political and economic. Ironically, it is those very challenges that have provided us with the inspiration for some of our best BigIdeas. As just one example, climate change and its abatement offer huge money-making opportunities, which we detail in some depth later on.

Recapping our earlier point that this is the world’s golden age of opportunity – albeit a period likely to be interrupted by cyclical downturns – consider this amazing snippet of history:

It is a fact that until 1820 or thereabouts, the world’s economy grew at a glacial pace. It has been estimated that during the 800 or so years from 1000 AD to the onset of the Industrial Revolution, the world’s overall economic growth averaged about 0.05 per cent per annum, i.e. virtually no growth. Almost all of the world’s development beyond a hand-to-mouth rural existence has occurred since 1820.

The commercialization of steam engines, the exploitation of fossil fuels, the improvement in agricultural techniques and the explosion in population
growth – all of these have happened in less than 200 years. The world economy is now growing at about 100 times the rate of its pre-industrial period. In other words, the world’s economy is growing such that every 15 years or so it is DOUBLING in real terms. That is truly amazing.

We live in the most fortunate – but also, in many ways, the trickiest – of all periods in mankind’s history.

And the best is yet to come.