13 Insider Tips on Protecting Your Wealth

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It’s been a tough week.

Not on the markets, but in my private life.

Last weekend, a family friend (in their late 60s) contacted me, pleading for help.

> ‘*We are going to lose everything. Is there anything you can do?*’
>
> ‘*What do you mean, everything?*’
>
> ‘*Everything…the house, the lot.*’
>
> ‘*How?*’

Their son was a successful businessman. He needed capital to expand his growing business. The bank had offered finance but the

Their son promised to pay them 7% on the ‘dead’ money sitting in their bank account. Compared to bank deposit rates, the promise

For a couple of years, all went to plan. The additional income afforded our family friends a better life.

The son’s retail-related business began to flounder. He needed an injection of capital to tide him over until things ‘settled down’. Not

I know and you know this is just plain dumb, but, when it comes to money and family, the tends to play second fiddle to the heart.

The additional funding appeared to steady the ship for a year or so.

Anyway, you can see where this is going.

The business went belly up. Receivers appointed.

Our friends had ‘invested’ over $1 million (cash and home equity) into the failed enterprise.

Long story short, after sitting in on meetings with solicitors, accountants, banks and receivers, there was nothing I or anyone else co

The receiver’s post-mortem has shown the son was actually robbing Peter to pay Paul. Hiding the extent of the problems from his pa

The fruits of a lifetime of work have been lost in the space of a few short years. The family is shattered.

When it comes to my advice, the three Cs apply: Conservative. Cautious. Cynical.

And for good measure, you can throw in a B…for ‘boring’.

For this I make no apologies. Over the past 30 years in this business, I’ve seen too much. Most of it is bullsh*t dressed up as ‘oppor

Don’t get me wrong — I’m not averse to the thrill of making a dollar. It’s just that I need to know what the cost of the ride might be…t

An extra few percent reward versus the risk of losing your lifesavings…no further research required. Case closed.

It's the old 'an ounce of prevention is better than a pound of cure' approach.

In our friend's case, no amount of cure is going to remedy their terminal loss of capital. If they'd talked to me before deciding to invest in their son's business, then we could have applied an ounce of prevention…on the proviso they'd take the prescribed advice.

The heartache, anxiety and betrayal they're experiencing now could have so easily been avoided.

Today, I'd like to share with you a chapter from my book, *How Much Bull Can Investors Bear?*

If I could turn back time, this is the one chapter I would insist our friends read.

The Aussie Recession Survival Guide: How to protect your wealth in a fast-shrinking economy

In this urgent investor report, *Markets and Money* editor Vern Gowdie shows you why Australia is poised to fall into its first 'official' r

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Hopefully, this can be your ounce of prevention.

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Guiding principles to keeping it simple

'*Life is really simple, but we insist on making it complicated.*'

– Confucius

Having money is a life changer. Depending on how you handle it, those changes can be either good or bad.

What you find out when you accumulate capital is that the world of money is vastly different to the world of no money.

There are plenty of traps for the unwary.

For instance, a market fall of 50% doesn't matter so much if you have $10,000 invested. A loss of $5,000 is not life-altering.

Whereas, if you have $5 million invested, losing $2.5 million could significantly alter a lot of plans.

Many a dream life has been shattered by a significant loss of capital.

There are so many traps out there that it's impossible to give you a definitive list of things to be wary of.

To keep it simple, here's a checklist to guide you:

1. If it sounds too good to be true…it usually is. Promises of higher returns always come with hidden risks. These risks can destr
2. Are you looking to invest in the latest hot thing — property, shares, gold, mortgage fund, or whatever? If what you are conside invariably turns out to be an astute decision.
3. Keep an eye on fees. How many fingers are in your investment pie? The more people that are taking a slice here and there, th
4. Listen to your gut. If someone cannot explain to you (within a few minutes and in plain English) the investment concept and th
5. High risk does not equal high return. So often people are told the trade-off is low risk/low return and high risk/high return. Rubb
6. If ever you hear that something is 'a once-in-a-lifetime opportunity', put those running shoes on again. My standard reply is: Yo a huge discount. But no one was spruiking this news. The real opportunities are not the ones some incentive-based salespers
7. Never bet the family home on an investment. I've seen retired people advised to borrow against their home and then lose the h
8. Who is advising you and what is their motive? I'll repeat again: When it comes to the horse race of life, self-interest will always

9. Control your emotions. Do not react out of fear or greed. This is impulsive and primal decision making. Go away and think abo
10. Maintain an interest in what the global economy and markets are doing. You do not have to become an investment guru, just b
11. Never be afraid to take a profit. No one ever went broke selling at a profit. Yes, you will pay capital gains tax, but that is only a
12. Every single investment has risk. Find out what it is and see if you can accept the risk. If you cannot identify the risk, then this
13. Make sure your estate planning is current. Your Will should reflect your intentions; these intentions should be conveyed to you

Creating, retaining and advancing wealth is a process that involves discipline, patience, a commitment to continuing education, and an application of sound risk management techniques.

I've seen plenty of people create, inherit or win wealth, but then lose it all because they fail to follow one or more of the retention checklist rules.

You need to avoid becoming one of them.

If you are fortunate enough to accumulate wealth, people may call you a lucky bastard. But management and judgement, not luck, will determine what happens to your capital.

When it comes to investing, the motto of 'think a lot and act a little' is well worth remembering.

Cheers,

Vern Gowdie,
For *Markets %26 Money*

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