Book 1 of 2

An insider peek into the financial lives of two fictional friends

How small decisions impact our financial wellbeing

Sieg Prigge

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Disclaimer and Note to Reader

Disclaimer

The information in this book does not constitute advice as defined by the Financial Advisory and Intermediary Services Act, No.37 of 2002. More information can be found at: https://www.gov.za/documents/financial-advisory-and-intermediary-services-act.

Before making important investment decisions in their financial planning, readers should obtain advice from a professionally qualified financial adviser.

Note to reader

The characters and names in this book, and their respective family members, are not real people and their names have been chosen from a list of names commonly used in the English language. It is impossible to choose names that will satisfy all possible readers.

This book has been written with two similar characters and their families, in relation to income, to illustrate the effect of financial behaviour on their wealth over time.

What to Expect

We all receive different cards in life. When you play poker or most card games, you did not choose your cards, they were dealt to you. The same happens in life. You do not get to choose your birth date, where you were born, your parents, your upbringing, or your opportunities as a child. These are the cards you received in life. It is up to you to play the best game you can with the cards you were given.

It is up to you to take the cards life has dealt you and make the best of them. At some stage in your life, you will realise you have choices, that those choices have consequences, and that the consequences can either be positive or negative. Are you not maintaining your car? Expect expensive maintenance issues down the road. Are you not brushing your teeth? Expect tooth decay. Consume more food than you need? Expect to pick up some unwanted weight around unwanted areas.

Some choices in life are easy and others are more difficult. Choose which side of the difficult you want to be on. Do you want to catch a cricket ball each month, falling from the sky, or do you want to wait for a heavy 6 kg bowling ball to fall from the sky every couple of years because you neglected to catch the regular, easy-to-catch cricket balls? Catching cricket balls might hurt your hand a little, but the unexpected bowling ball will surely have a chance of wiping you out.

To put it another way, do you want the stress of a monthly debit order to save for your children's education, or do you want to chance not being able to give your children a tertiary education when they need it?

As you read this book, I want you to look at the subtle differences in the decisions made by Mark and George. At this stage, I do not want to give away who is catching cricket balls and who waits for the bowling balls. It will be very subtle, but you will see a negative effect showing over the years with either Mark or George.

This book is not about a money-making scheme, or a business idea, or making millions overnight through some secret recipe. It is about reality, and real life. It is about making the best choices throughout life, to maximise your financial well-being with what you have at your disposal. So, you can play your best game, with the cards that you have received. No matter what your occupation, education, or background, this book will show you what financial decisions do to your long-term financial well-being.

This book should help you make wiser practical financial decisions. It will show you the difference between good and bad financial and lifestyle choices, and the effects they have on your financial well-being over the course of your lifetime.

I have been practicing as a financial adviser for more than a decade and have seen many people's financial decisions and how it affects them over time. I hear stories, I listen, I advise, I capture figures to do planning for my clients and I meet the families and understand people's financial decision-making (most of the time). Money has an emotional connection, and not all people make financial decisions rationally.

In 2017, when I first thought of writing this book, I felt it was important to share a fictional example of how people handle their money, but with a non-fictional style.

I thus decided to create two main characters, Mark and George, whose lives you will follow in this book. You will see their personal budgets including their assets and liabilities, and view two individuals becoming two families, how they make financial decisions and how it affects their financial lives.

It will be like getting the chance to see someone else's life, in a simulated environment, Sort of like a cheat code in a video game, where you can see what will happen over many years in advance without having to go through the trouble of experimenting with these ideas yourself.

In this book, you will learn that buying a new house or a new car is not just about the price you pay for it, but that other factors like opportunity-cost, and that the time-value of money also plays a role. You will see examples of good and bad decisions: sometimes you will not even realise it was a good or a bad decision until much later in the book.

This book covers both characters' lives until age 39, while the second book published after this version, will cover from age 40 onwards and will also illustrate their transition from pre-retirement into retirement. It is also at retirement where many people can run into financial difficulties.

As time goes on, the effect of financial decisions tends to increase exponentially –either positively or negatively, depending on the decisions made days, months, or years earlier. The younger you are, the more time leverage you have on your side to build exponential wealth, but also the worse decisions can work against you with exponential negative effects on your future wealth. I cannot recall how many times people have uttered the words, “I wish I knew this earlier” and “I wish I started earlier”.

To simplify the reading of this book while keeping the financial integrity, I have rounded figures in some cases.

Annex A at the back of the book shows how I dealt with:
• Loans and debt
• Depreciation of assets
• Growth rates on savings and investment products

The most important thing is that I have applied these factors consistently to both Mark and George and their respective families.

With depreciation you will see I didn’t use accounting standards or tax-deductible depreciation rates. For example: A vehicle may be depreciated over 5 years to a zero value when it comes to tax and accounting, but a vehicle is not worth zero after 5 years for the average individual who can still sell his vehicle. I used a more conservative approach to reflect reality whereby a vehicle still has about 45% of its value after 5 years. Vehicles depreciation rates will differ in real life depending on the brand and type etc, but I had to use some sort of standardization to treat both characters the same. The depreciation also accounts for money spent on maintenance and wear & tear over that period to reduce the complexity of reading this book. Refer to **Annex A** depreciation tables.

You will also read some behind-the-scenes comments and chats between family members and friends of Mark and George about each other. This is to add character and to showcase some of the perceptions family and friends might have around money. It also illustrates how peer pressure or attention can lead to financial decision-making, for example, buying a boat to get your peer group's recognition. This doesn't mean that you should not have a boat as a hobby or part of a vocation you might have, but one should be aware of one's own emotions when making financial decisions. We live in a consumption-driven, status-aware society which influences financial decisions without us realising it. Ask the 16-year-old teenager in school who does not have the latest sneakers or cell phone amongst his or her peer group how this affects their perceived status.