Wouldn't it be great to be free from financial worries? To be able to live as you choose instead of working your life away?

You can achieve this if you understand how the economy works, how consumerism seduces you into debt, and how to use the tools at your disposal correctly. Financial independence is too important to let others manage for you.

Author Morten Strange – financial analyst, citizen economist and naturalist – retired at the age of 33. He shows you how to manage your money so that you, too, can be financially free, and free to do what you love. From understanding the mechanics of financial products to spreading your risk between bonds, shares and property, here are practical tips you can apply immediately.

What sets this book apart is its focus on the current economy and the ominous direction that it is taking. While most analysts focus on short-term solutions, **Be Financially Free** takes a global view. In this time of impending ecological limits and the end of economic growth, what will you need to do to achieve – and *protect* – your financial independence in the long term?

Illustrated with charts, diagrams and case studies, this revelatory book will empower you to build a resilient portfolio and mindset for a future of freedom.

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MORTEN STRANGE

BE FINANCIALLY FREE

Marshall Cavendish Business

"a fantastic piece ... of common sense economics, wisdom about life, and how to achieve financial independence"
— **DR MARC FABER** ("THE GLOOM BOOM & DOOM REPORT")

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how to become salary independent in today's economy

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Preface

"If there's a book you really want to read,
but it hasn't been written yet,
then you must write it."
— TONI MORRISON

A few years ago I attended a lecture at the Singapore Botanic Gardens by Ashleigh Seow about tiger conservation in Malaysia. Ashleigh has a university degree from Australia in politics and economics, but he has reinvented himself as a naturalist. At the event he called himself a "citizen scientist". He said that science was too important to be left to the scientists; we citizens had to participate.

I thought of that. I was a naturalist at the time; I published nature books. But I was getting more and more interested in finance and economics. So now, like Ashleigh, except the other way around, I have reinvented myself. Now I consider myself a "citizen economist". Economics and finance is too important a subject to be left to the professionals.

I wrote this book for two reasons: To share with my friends and with the public in general my experience in finance, and to say to you, You can do it too! You can set yourself free – free from consumerism and financial worries, free to do what you really want. But it won't happen automatically. You have to understand how to do it and use the tools at your disposal correctly. In this book I show you how to do that. The final choice, how you want to prioritise, is up to you.

The other reason for the book is: I want to share the insights I have gained about our current economic situation. My experience with economics and social affairs goes back some 50 years – I actually vividly remember the oil crisis in 1973 and the stock market crash in 1987. Living through these events is different from studying them in a business course textbook (I have crammed a few of those too). Together with my interest in natural resources and the environment, I have come to the conclusion that all is not as it appears in the economy of today.

We are reaching some limits, and that is why I devote the longest chapter in the book, chapter 10, to dealing with these limits. These limits have a direct bearing on your ability to become – and stay – financially free. I feel I have to share this material with others. It is amazing how these factors are consistently left out by mainstream financial analysts and political decision-makers. The facts are staring us in the face, but they are ignored by most. I urge you to take the time and study chapters 10 and 11 carefully. Armed with this new insight, you will be better equipped to protect yourself against the limits we are facing, to position yourself financially, and to gain your freedom from consumerism and economic worries.

Some practical matters: The monetary references here are mainly in $, meaning US$ or USD. Where I refer to Singapore dollars, I will make that clear with S$ or SGD. Currently US$1 is about S$1.40. I don't cite every single statement I make; this is not an academic work and much of what I write is easily checked on the internet. For specific – possibly contested – assertions, I use a basic reference to the source. I also don't list every single person or book I refer to, so as not to clutter the material, but I do explain who and what most of them are, so that you can go on and explore in more detail if you like.

Before printing I showed the manuscript to a few people to get their input and their reaction – I thank them all, especially Dr Marc Faber, who allowed me to use his comments in the book.

On the television show MythBusters, two dudes in northern California test the validity of various myths suggested by the public. The myths are either busted, plausible or confirmed.

Here are some economic myths that we often hear:

- You can make money by trading financial futures.
- Higher GDP is good for everyone.
- Population growth is positive for society.
- Electric cars are good for the environment.
- We will get back to economic growth soon.

All these statements are repeated incessantly by mainstream economists and financial commentators. But I will bust these myths. Sometimes it takes an outsider to see things clearly, a citizen economist. I will show you that financial futures and options trading is zero-sum, and only the trading platform is sure to make money; higher GDP is sometimes bad; population increase stifles development; electric cars are bad for the environment; and most importantly, economic growth as we know it cannot go on forever.

But there is one myth that I will confirm: You can make your money grow – if you invest in a good company of honest and hardworking people who provide a competitive product or service that others are willing to pay for. And by controlling your spending at the same time, you can soon be free forever. I will show you how to get there.

Good luck!

Morten Strange
Singapore
April 2016

1

Retire at 30?

"There must be more to life than having everything!"

— MAURICE SENDAK

A lucky break

When I was 25 years old I lived in Aberdeen, Scotland. The Granite City, they called it – many of the old buildings downtown were built out of large solid stone blocks. People spoke with a funny accent, but they were always nice and I liked it there. I bought a small apartment on Jamaica Street. It was on the top floor and had slanting ceilings near the outer walls.

That was in 1978. I didn't spend that much time in the apartment, though. I worked offshore on the oil rigs and platforms in the North Sea. In between jobs I was at the office and workshop to prepare for the next offshore assignment, and to train on all the new equipment we had. We collected and analysed down-hole data from both exploration and production wells. Each job was usually on a new location, so I travelled a lot and met a lot of different people during that period.

On one of the rigs I chatted with an American guy, who was a few years older than me. He told me he had just been through a divorce and was planning to marry again. So I tried to be a bit supportive and said: "They say the second marriage is usually better". He replied: "Don't believe it – that was my second wife

I just divorced." Anyway, he planned to retire before he was 30. I thought that sounded pretty cool. I loved my job, and I really had nothing better to do. But just the thought of it – the power of being financial independent at 30 – it stayed on my mind.

I quit my job in the UK two years after that. I wanted to work overseas. I had saved some money and put myself through a training course in oil well drilling and completion. Since we worked so closely with the drilling crews in the service business, I felt I had to know more about that part of the business. But that was in Stavanger, Norway, and I didn't want to live there. I wanted to see the world.

There was lots of work in the Middle East at the time, but the region just didn't appeal to me. Nothing but sand all around. Expats living in gated camps with nowhere to go after work.

My wife at the time had heard of Singapore, and she urged me to find a job there. Other oilfield wives had told her it was Heaven on Earth. I wasn't sure where Singapore was – I confused it with Hong Kong and Shanghai. We didn't have smartphones with Google Earth installed at the time.

Sometimes you just get a lucky break. If you keep trying and keep looking for opportunities, the breaks will come to you. Singapore was one of mine. Warren Farley hired me from the Core Laboratories Ltd office in England, and I will always be indebted to him. Landing in Paya Lebar one night in October 1980, I found a country full of prospects and possibilities, and with the most beautiful and diverse natural world you can find anywhere.

No, I didn't retire at 30. But I did take the option to retire from the oil industry some years later in 1986. I was 33 years old then. Life on the rigs had lost its allure. I tried to move into middle management for a while, but I just didn't really believe in our mission anymore; I had lost the passion for the oil industry. If you don't have the passion, don't do it, it's not worth it. I have done many things since then, but I never worked in industry again.

How is that possible? How can you retire at 30, or 33? You can, and I am not talking about some young kid who establishes an internet company, sells it off to Google for millions of dollars and then buys a ticket to the International Space Station. Those cases make the headlines, but they are not many. The rest of us have to do it the hard way: By working for other people, living within our means and investing wisely.

But I am not the only one in the world to have done this, to quit the corporate life early. Lots of people I know retired from their careers early in life. Or they changed direction and found a new and more fulfilling path. As we shall see later, for some macro-economic reasons it might have been easier to do this 30 years ago. Interest rates were higher then and taxation was lower. But you still can – if you put your mind to it, and if you want it bad enough – do as Johnny Paycheck did, and say: "Take this job and shove it."

The key to financial freedom

There are three things you need to do to gain financial freedom and retire early. You need to:

1. Make some money
2. Spend less than you make
3. Save the rest and make it grow

Make more

I will not dwell on the first point here too much. Most people realise when they set out in life that they have to have a good income. In fact, most young people study really hard, try to get into the best schools and look for jobs where they can make lots of money. It comes fairly naturally to most people and yes, it is important.

But I would argue that it is even more important how you manage the money that you do make. It seems obvious enough when you think about it, but it is surprising how many people get it wrong at that stage.

That's because, even if you make millions, it won't be enough if you spend even more. Think of all the people who made a boatload of money, lived in style … and then went bankrupt.

In fact, many of the people I know who retired early did not even make that much cash during their working careers. I was never that highly paid. When I started that job in Aberdeen, I was just a wireline assistant and a trainee engineer, even though I actually had two years of offshore oilfield experience working in the Norwegian sector of the North Sea, where I made much more money. I liked the job in Scotland because I got to work with the latest technology, and the great crew of American colleagues taught me everything they knew. I was paid by the week, and one Friday afternoon my boss, Eddie Rankin, asked me if I had been paid that week. I hadn't, and our accountant in the small front office had gone home. So Eddie asked me how much I made, and I said, "80 pounds per week, around 60 pounds after tax." He took a big bundle of banknotes out of his pocket and peeled off 60 pounds for me. I was paid with my boss' pocket money!

Sure, your income is important. Of course you should try to maximise it; and if you do well, it will help you reach your financial freedom faster. I sold photographs of birds when I was young, and it gave me an extra income. I authored a few small bird books, and the revenue from public lending rights turned out to be substantial. Wherever I went, I would take pictures and write an article about the place for travel and nature magazines. When I started working in the oilfields, I photographed the rigs and the work we did on them, and sold the photographs to newspapers and book publishers. I don't recall ever seeing another person with a camera among the oilfield crews in those days.

This is just an example – obviously that business model has gone the way of the Polaroid camera, i.e. it has disappeared. You can't make money from selling photographs today. Everyone has his or her own camera, and photographs in general don't really have a commercial value anymore. But there are now other opportunities. The same technological developments that destroyed one business model have generated many new ones. Via the internet it is now possible to make extra money from home, working freelance as and when it suits you, whether it's in writing, design, web development, online tutoring, data entry or social media marketing. Writing a blog and endorsing products, playing video games competitively – such ways of making money would have been inconceivable in the past.

So there are lots of ways you can enhance your income. If you work for someone else, do overtime or volunteer to work over Christmas and New Year for a little bit extra. Do double shift. Pick up extra projects and freelance assignments that come along. Go through your stuff and sell off what you don't need online.

Don't listen to them

All this is good, making some money. But like I have emphasised, this is not the key to financial freedom. The key is to spend less than you make.

It is not as easy as it sounds. Every day you are being bombarded with exactly the opposite message: Buy stuff! Sales agents contact you and urge you to buy cars, insurance, property. These agents go to school to learn a whole range of techniques to persuade so-called "prospects" (that is you) to buy stuff they don't really want and don't really need. There is a whole industry out there teaching sales people how to sweet-talk customers, in order to "close the sale" fast.

You probably don't even notice it, but each time you open up the morning paper, check your smartphone, browse the internet on your computer, listen to the radio or click through the cable TV stations at night, advertisements are trying to get you to buy more stuff. Most of which you can easily live without. Does it work, advertising? Of course, otherwise the companies wouldn't do it. And governments wouldn't find it necessary to restrict advertisement for products they find objectionable, like cigarettes and booze. You could argue that advertisements for cars should be banned as well, as more cars add to road congestion, pollution and the 1.24 million people killed in traffic every year.[1] But we are not quite there yet.

In 2015 the Monetary Authority of Singapore (MAS) proposed tightening the requirements for financial institutions and insurance companies when they sell their products in public places such as shopping centres and MRT stations.[2] MAS was afraid that the sales people would aggressively push credit cards and life insurance schemes on the unsuspecting public, poorly prepared to resist the sales pressure. It is nice that we have the government to protect us from unscrupulous sales people. But wouldn't it be even nicer if we all developed enough financial savvy and common sense to say no?

I don't want to pick on advertisers. I have worked with many of them; in fact, I spent many years working in marketing and sales myself. Like the rest of us, marketing people are just out there trying to make a living. They are very much part of the modern economy. All I am saying is: Don't listen to them. Don't be swayed by their slick commercials. Let all the others buy this stuff if they want to. You should ignore them all and stand firm. Don't buy that watch or car or handbag or diamond ring or soft drink just because some company with a clever presentation wants to convince you that you cannot live without it. You don't need it. Free yourself from manipulation and peer pressure. Buy a dividend-paying stock with your extra funds instead, and watch your money grow to secure your freedom.

A case study

As I mentioned, I know lots of people who did more or less what I did – retired early or simply just quit their jobs and found something more meaningful and rewarding to do. My wife and I were at a lunch at the Shangri-La Hotel recently and virtually everyone around the table fell into that category. There was a nature photographer and his wife there, who both quit the corporate life early to do what they loved and still have a reasonable standard of living; he travelled the region taking pictures of wildlife, she spent more time with their kids. The wife, a former banker, said to me: “The secret is to control your spending.” It was music to my ears!

And if you need any more convincing than this, consider Iain Ewing’s story. Iain was born in Scotland and grew up in Canada, where he graduated from the University of Toronto with a degree in philosophy and English literature. In 1985 he got a job at the Singapore Polytechnic teaching media skills, and as a pastime he became active in the Nature Society of Singapore. He had a passion for nature, environmental issues and especially for bird-watching. I met Iain on birding excursions that I conducted in those years for the Nature Society; he was in his prime, active, handsome, well-spoken. He came to Singapore with just a shirt on his back and his four-year-old son Tejas to take care of, his marriage in India having broken down.

So far nothing extraordinary about that, right? But Iain was unusually knowledgeable and articulate. You could immediately sense that he was a driven and ambitious individual. He felt his supervisor at work was holding him back. He wanted more out of life than “just” being an ordinary teacher.

True enough, in 1991 Iain started his own company, Ewing Communications Pte Ltd, which he grew over the years to become a major player in training corporations and government organisations in media skills, presentation techniques and sales. During that time, Iain worked incredibly hard, and by the end of that decade he had become somewhat of a big shot. He had built his company from out of nothing into a sizeable organisation with some 12 employees; he bought his own office building, and he and his staff did lectures and seminars here as well as in many other countries. Iain said later in 2008, during an interview with the *Sunday Times*, that he came to Singapore with S$33,000 in the bank and grew that to S$20 million by carefully spending less than he made and investing wisely. At that point he was free, financially independent.

2008 was also the year Iain was diagnosed with cancer. But he could now use his freedom to do what he liked. He scaled down his workload gradually and started travelling the world, this time looking for beautiful wild locations, birds and animals, from Svalbard in the Arctic to the Antarctic and many wild places in between. Usually in the company of his son. His last trip was to the Galapagos Islands in August 2014. He lost his battle with the disease in October that year. Throughout his ordeal, Iain kept up a remarkable spirit and he often told me how happy he was about the way he had turned his life around, and about the freedom he enjoyed by not having to worry about money.

So, if the key to financial freedom is spending less, let us see how you can go about that in more detail.

2

Spend Less

"It's not how much money you make,
but how much money you keep."
— ROBERT KIYOSAKI

Why would you … spend less?

I am not the only penny-pinching adviser out there urging people to spend within their means. We are many of us. In fact, some members of the public are a bit tired of us. I have seen comedy programmes on television occasionally poking fun of the goofy-looking financial adviser running around with his oversized pocket calculator shouting, "Time is money!"

I will accept that. I know it is hard to control your spending. Like everyone else, the first thing I bought when I started making a bit of money on the North Sea was a car, of course! An Opel stationwagon that I could sleep in when I drove out to photograph birds during my days off. When I transferred to Scotland, I moved up and bought a Ford Mustang V8 to go with my oilfield image; it was the only one of the American muscle cars at the time that was delivered with a right-hand steering column for the UK market. Today I don't own a car, though I occasionally drive my wife's Toyota Prius hybrid; that goes to show how times change!

Sure, if you are young and finally make a buck, you want to spend it, I can understand that. But what if you don't have the money, but still want to buy that really cool thing? Should you borrow money to buy it, i.e. spend more than you make? I strongly urge every young person never to do that. It is the surest way, not to financial freedom, but to financial prison.

By limiting your spending to what you make, it may seem like you're denying yourself many of life's pleasures. But that's not the case. What you're doing is *delayed gratification*. Yes, for the moment you are deprived of that pleasure, but it is for the sake of a greater future reward.

This is a process that has to be learned. A baby doesn't know how to delay gratification. It must have food immediately if it feels hungry. You cannot tell a two-year-old that you will now take his toy tractor away, put it over here and then Baby can play with it when Baby is four – even if you promise *two* tractors instead of just one when the time comes. Try it and see what happens, then you will know what I mean.

But as we get older, we learn to manage our needs and to delay rewards and enjoyment. It is something you have to make a conscientious effort to do. When you get your bonus, try not to spend it at all. Put it in the bank and do nothing. When you have some capital, invest it and watch it grow. I have met people who could do that, and I have met people who couldn't. In my experience, the people who waited and saved their money ended up in a position where they could buy many more nice things than the people who couldn't wait.

Like I said, I am not the only one with this bright idea, that you should save instead of spend. An excellent source of inspiration is *Your Money Or Your Life* (by Vicki Robin and Joe Dominguez), which offers a detailed guide to "transforming your relationship with money" in 9 steps. In *Life Or Debt*, Stacy Johnson provides a complete hands-on, step-by-step programme to get out of debt and secure financial freedom.

I can confirm much of what Johnson preaches from my own experience. However, I find his 205 ways to save money a bit over-the-top and most of his ideas are things we do anyway, like bargaining for discounts and keeping the family car tuned. So I have come up with a simpler 13-step guide[1]:

13 ways to spend less

(1) Shop wisely. In the supermarket, use a shopping list and only buy what's on the list. Take advantage of special offers, but only for items that can be stored and which you would need to buy in the future anyway. Don't buy that box of candy just because it is on sale; but if your favourite washing powder is on offer today at three-for-the-price-of-two, buy a few boxes and store them away.

(2) Sometimes pay more now to save later. Cheap is not always better; quality items tend to last longer and save you money in the long run. That cheap, nice-looking frying pan may appear OK, but if you have to throw it away next month because the Teflon coating is gone, it wasn't such a good deal after all. Sometimes quality food or an organic alternative is better for you, so by spending more now you save on hospital bills later!

(3) Buy used. The old mantra: Reuse. Why not support the Salvation Army by buying used stuff from them? Refurbished old furniture has a lot of character. Reusing is also good for the environment. Baby stuff and children's clothes you can usually get for free; pass them on when your child grows out of them. Get over the hang-up that you shouldn't use stuff from dead people; that is exactly what you should do. Use your parents' or grandparents' old plates and cutlery and wristwatches and jewellery. These antiques have a lot of history, and you respect and commemorate your family by using their things. I have never spent money on a handphone in my life, although I have had a few given to me. The phone I use now is a Doro PhoneEasy 605 from Denmark that I selected out of my mother's estate when she died in 2012. We had a local SIM card installed that I top-up now and then, and I enjoy using it.

(4) Buy yesteryear's technology. In 1999 I bought the latest digital camera model, a Nikon Coolpix 990 with 3.34 megapixels. If memory serves me right it cost around S$1,700. Three months later Nikon came out with a newer model, with more features and more storage capacity, and the price was S$1,400! Today you can buy a digital camera with much better features for a few hundred bucks. My wife and son both have a collection of these. Me, I still use the old Coolpix. If you are a gadget-lover, good for you. The rest of us can save a lot of money by not buying the latest smartphone or smart TV or smart car. Wait till the older and simpler version is put out for stock clearance sale. I am sure it will do the job for you, and it will help you be free so much sooner.

(5) Attend free events. In Singapore you can catch free concerts at the Esplanade outdoor theatre, the Botanic Gardens, and the Conservatory of Music, to name a few venues. Museums regularly open their doors to certain groups or for special events. Why pay for something you can get for free? In fact, the free events can be nicer to attend than the paid ones, with their informal atmosphere and hassle-free access.

(6) Get knowledge and skills and entertainment for free. When I was a kid, we had door-to-door sales people visiting us, proposing that we subscribe to various encyclopedias. My mother wasn't stingy with books, so she bought a five-volume set about animals of the world, one on art, one on music, another one on the history of the world, etc. Soon our living room was half-filled with bookcases and nicely bound works. I learned a lot from those books, but my, they took up a lot of space. Long after I left home, my mother invested some DKK40,000 (about $5,700) in *Den Store Danske Encyklopædi*, an enormous work in 24 large volumes with its own storage cabinet.[2] When she died in 2012 her extensive book collection had no commercial value whatsoever; we gave it all away. Today all this knowledge and so much more is available online for free, continuously updated. Imagine the money (and the space!) young people save by not having to pay for reference books, dictionaries and encyclopedias.

And you can take this one step further and find free classes and training courses online in virtually anything you might want to learn or do. Need a guitar tuner? Don't buy one, find one on YouTube. My son uses his mother's iPad mini as a keyboard, we don't have to buy a piano for him! Young people find movies and music for free online; I am not sure if it is all legal, but that is what they do. I still have some of the LP records I bought in the 1960s and 70s, and the turntable I used then still works. We still occasionally watch DVDs on a DVD player. But my kids will never have to spend all that money on music and movies or haul all that stuff around with them ever again. Their world can fit into a thumbdrive.

(7) Don't pay to exercise. It is silly to pay for a gym membership when you can get the same result for absolutely free. Your condo or your housing estate surely has an exercise ground; otherwise find one in a nearby park. To stay fit, you really only need two exercises, which together will work all your muscle groups as well as your cardiovascular system. (1) Pull yourself up by your arms (chin-ups); if you can't do that, just hang by your arms like a gibbon and lift your knees up as high as you can. (2) Walk up steps. That's all! Forget all those torture machines and intricate weightlifting and running devices they have in overpriced health clubs. If you want to be featured in the "Hot Bods" section of your local newspaper, you might consider those. For all the rest of us, the best way to stay in shape is to walk up any staircase you come across – and Singapore has a lot of them!

(8) Stay healthy in general. This is the best way to save money. I know, we are not all blessed with perfect health. I have known fit and slim non-smokers who developed cancer or fell over one morning and died of a cardiac arrest. Your health is very much a game of chance, but you can do a bit to improve the odds. Don't shoot yourself in the foot by smoking or over-eating or over-drinking. You don't need that, and you just harm yourself and the environment with your indulgence. Life is too precious. If you are healthy, you not only save money by not gorging on things you don't need, you are also more productive and end up making more money.

(9) Don't buy insurance. I am serious, it will work against you. Don't buy life insurance or house insurance or travel or comprehensive car or health or any other insurance. I will come back to this in more detail in chapter 9 when we consider how you should balance your investment portfolio and organise your finances.

(10) Don't gamble. I know this is not for everyone. Even fairly sensible people I know like to buy a few 4D tickets from time to time or bet on a football game. That is your choice. But you should know that overall as a group gamblers always lose, and I will prove that mathematically later on in chapter 4.

During my army days in Denmark I loved soccer. Denmark was playing the mighty Soviet Union in a big game in Copenhagen, and I considered betting on the game, because I was sure Denmark would surprise everyone and win, and the odds that the bookies offered were good. But I didn't. In the end Denmark did win 2–0, but I didn't feel frustrated that I'd missed out. In fact, I was glad I didn't bet – the winnings wouldn't have made any difference to me. I got so much more enjoyment from money I had *earned*, from serving in the army or from selling photographs and magazine articles as I did back then in my spare time. So I felt very relieved that I didn't bet after all, and have never considered it again since.

I went to a casino once, with a colleague who liked to gamble a bit. He was a computer programmer and liked number games, although he should have known that you cannot beat the house consistently. I didn't try, although I did have a free drink; in general I didn't feel comfortable there at all. That was a great decision I made back then in the 1970s, never to gamble, not even for fun or for "free". I urge you to do the same; it will be a relief for you. The great danger is becoming addicted to gambling. When you're addicted to something, you become its slave. Addiction is the opposite of freedom.

(11) Do it yourself. Do you really need that maid or gardener or repair man? It can be fun to do things for yourself, to mow the lawn or repair a broken cabinet. Yes, you will need a few tools, but they will last you a lifetime.

As for maids ... I know, some families cannot function without one. But 8,000 households here have two or more. In total there were some 214,500 maids in Singapore in 2013 according to the Ministry of Manpower.[3] It seems excessive. In my estate I see maids down in the car park washing the family car every day at 7am, Sundays included – is that really necessary? You can run your car through a car-wash once a month for $5; or better still, wash it yourself. We had a part-time cleaner in our household for a while; but when she quit a few years back, we found that it was actually easier and more convenient if we did our own cleaning, and cheaper too of course.

(12) Turn off your water heater. Even when you are in a cold climate, cold showers are better for you as they build up your body's resistance and immunity system. My older sister back in

Denmark had problems with flu and sinus issues for many years until she discovered the wonders of winter swimming. You know, in extreme cases participants go out on the sea ice and break a hole to swim. Now she swims all through the year in the freezing cold Nordic waters and feels much better. In the tropics, a water heater makes no sense at all. Why have a warm bath and sleep in air-conditioning when a cool shower and sleeping with a fan is much better for you, as well as for your finances and the environment?

(13) Drive slowly. Sometimes when I am early for an appointment I drive as slowly as I can. Someone wants to get into my lane? I let them. I keep a long distance from the car in front of me so that I can decelerate gradually at the red lights. I try to never come to a complete stop. The rule is that I am not allowed to impede traffic, just to follow it as slowly as I can in the middle lane. I listen to the news and relax; it is almost pleasant to drive this way. Sure, I will miss a light occasionally, maybe two or three over the course of the journey. That is still less than 5 minutes wasted and it doesn't really matter; our hybrid car shuts down and doesn't consume energy when stationary. I save a lot of fuel and wear on the pads by hardly having to brake at all. I get no speeding tickets. I am also less likely to get into an accident and have my car and myself dented, so I save on insurance and medical bills as well. And best of all, not only do I save money, but I feel a lot less stressed and frustrated. Try it for yourself one day.

On top of these 13 ways, Stacy Johnson in *Life Or Debt* goes one step further and urges us to never use credit cards! This is a tall order in a place like Singapore where most people carry a wallet full of cards and use them extensively to get discounts and freebies. Let's face it, leaving your credit cards at home wouldn't work here. However, Johnson does have a point that using cards makes it too easy to make impulse purchases. Most would agree that paying with cash is psychologically a bit more painful. So try to use cash more, especially in smaller family-owned restaurants or shops where the 2–3% that the bank charges the vendor for the credit card service might make a real difference to their bottom line.

Some of the money you save this way might appear like irrelevant amounts. I don't think any saving is insignificant. What is important is that you develop an attitude of respect for the numbers and make them work in your favour. Benjamin Franklin said: "Beware of little expenses; a small leak will sink a great ship." His portrait adorns the US$100 bill today.

There is one additional advantage to not spending too much on stuff. Stuff is a time-waster, it slows you down. I have moved a lot in my life, and the more stuff you have, the harder it is! Everything gets more complicated – the storing, the packing, the hauling around. Eventually you end up throwing most of it away anyway, and then it just ends up taking up space in the Semakau Landfill or whatever your local dump is called. Every time you get a new item or gadget, you find yourself fiddling with it and reading the instructions for hours. Well, some might enjoy that, but personally I would rather spend my time playing with my son, studying economics or going for a swim.

My best advice is: Simply ask yourself a question every time you are about to buy something. Not "Would I like to have this?" but instead: "Is there any way I can live reasonably comfortably and do my work without this?" If the answer is yes, don't buy it.

The paradox of thrift

Yes, I am aware of this: If we all suddenly started to spend less, what would happen to the overall economy? Wouldn't it shrink? Wouldn't everything come to a grinding halt if we all only bought what we needed? After all, we all depend to some extent on the overall health of our national economy.

This occurrence is called "the paradox of thrift" and has been considered by economists since John Maynard Keynes popularised it in the 1930s, though it had been identified in various forms by thinkers long before him. In his book *Economics*, Paul Samuelson devotes three pages to the phenomenon. The paradox is that in times of deflationary pressure and less than full employment in the economy, thriftiness by individuals could "reduce the amount of actual net capital formation in the community", to use Samuelson's words. The result is that the population's total saving might paradoxically *fall* – because of lower incomes and a weaker economy – even though people were individually being virtuous and thrifty.

This fall in aggregate demand and savings can be mitigated, however, for example by increased government stimulus of the economy (see the next chapter for details). A country with excess savings could also increase exports to other countries that might consume more, and in this way export itself out of the slowdown. Recently, Germany has done something to that effect.

In his 2014 book *The Age of Oversupply*, Daniel Alpert makes a case for higher savings. He writes: "The developed world must generate a higher rate of savings to cover internal investments rather than to continuously rely on capital inflows initiated at the whim of offshore investors. Furthermore, economies that invest more of their incomes tend to grow at faster rates. Consumption-driven economies therefore tend to crowd out investment spending, and that is not something that should be perpetuated in the age of oversupply."

Nevertheless, politicians sometimes give us the impression that it is somehow unpatriotic to save. This was famously put forward by George W. Bush, who after the 9/11 attacks in the US in 2001 urged all Americans to go out and shop and spend and eat, to help the American economy recover.

What can you say to this?

1. Do right by yourself. Set yourself free, not just from financial worries but also from the social pressure to consume. Let all the others go out and spend. They can contribute to the aggregate demand and keep the wheels of the economy turning. Of course that won't work if everybody thought this way, but from experience I can say that this is highly unlikely. As we shall see later, there simply aren't enough resources in this world for everyone to be rich. So make sure you protect your wealth. If other people do not understand this point, then let them go ahead and spend heedlessly – they'll be contributing to the benefit of the economy and humanity.

2. And then again, that is the other thing: Is all that spending really so great? Overconsumption is destroying the Earth. It might be a good thing if we all slowed down a bit. Rainforest depletion, habitat reduction, biodiversity loss, water shortage, global warming… all this can be traced back to overpopulation and too much consumption and wastage of food and energy and resources. So if you look at it this way, the patriotic thing is now to spend less.

3. And finally, we are all so scared of a recession. What if a recession (or "degrowth", to use a better term) is not so bad? What if we just say: Bring it on! As we shall see later, there are researchers like Herman Daly, Saskia Sassen, Tim Jackson and Richard Heinberg who think that a slowdown of global economic activity is unavoidable and in fact in some ways desirable. Regardless of the outcome, things are likely to get tough in the future, so do yourself a favour and build up the financial muscle to fight it out.

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"*Be Financially Free* by 'citizen economist' Morten Strange is not just a good book, it is a fantastic piece of entertainment, common sense economics, and wisdom about life, and how to achieve financial independence, and to 'live', as Pablo Picasso said, 'as a poor man with lots of money'. Strange will not win a Nobel Prize with *Be Financially Free*, but he has my respect for having written a highly readable, funny and cynical financial essay, which actually makes sense."

— Dr Marc Faber

Financial analyst, international fund manager,
and publisher of the *Gloom Boom & Doom Report*