



THE BAREFOOT INVESTOR

The Only Money Guide You'll Ever Need
by Scott Pape

Book Summary

Chapter-by-chapter summary of the key takeaways derived from the book.

The book is available for purchase from Amazon [HERE](#)



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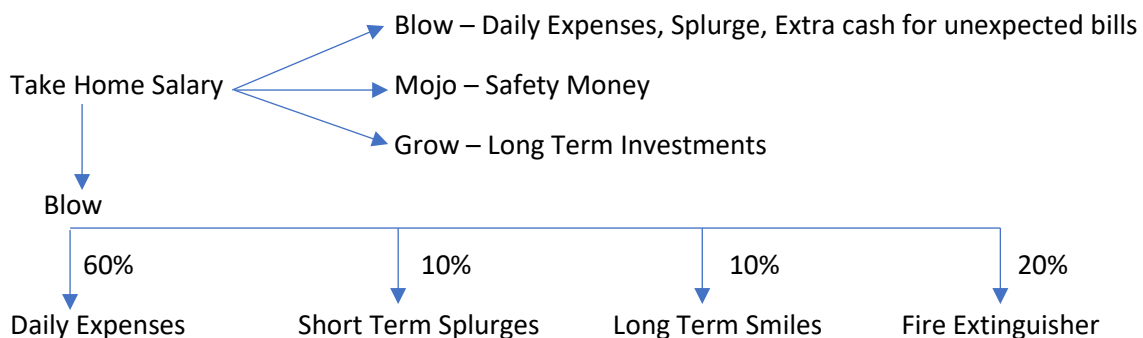
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Step 1 & 2 Monthly Date Night/Set up Buckets

- Schedule Monthly Meetings
- Set up online Bank Accounts
 - No Fees
 - No ATM Fees
 - ING Everyday Account has zero fees and no ATM fees
- Set up two Everyday Accounts
 - First account called Daily Expenses
 - Second account called Splurge
- Open two High Interest Accounts linked to your Everyday Accounts
 - First one called Smile
 - Second one called Fire Extinguisher
- Open final separate High Interest Account called Mojo
 - Can be an offset account
 - Open with a minimum of \$2000
- Couples should have joint accounts
 - Each has a card for the account
 - Can spend a maximum of \$400 without the consent of partner

How to distribute your take home salary:



Blow

Daily Expenses = Living expenses; food, shelter, utilities, transport

Estimated distribution of funds from your take-home salary:

- Housing 30%
- Utilities 5-10%
- Transport 5-10%
- Insurance 5%

Mojo

- A high interest account opened with a minimum of \$2000.
- Only for emergencies



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- Used to give you financial confidence and freedom

Grow

- Where you will build your wealth with investments
- Double your money every 7-10 years

How to make some easy money:

Superannuation

- If you are under 45 chose the high growth option
- Only make extra contributions after you have purchased your family home
- Find a low-cost fund
 - Fees totalling less than 0.85%
- Obtain a PDS of your current Super Fund and compare it to Host Plus Balanced Index Fund
 - Fees 0.02%
 - Invests in
 - 1/3 ASX Stock Exchange
 - 1/3 International Shares
 - 1/3 Cash and Bond Investments

General Insurance

- Only insure against things that can kill you financially
 - Home
 - Robbery
 - Car
 - Travel
 - Hospital
 - Death or Disability
 - Inability to work
- Choose to have a high excess
- Don't just accept the premium each year, make a phone call and ask
 - I would like to increase my excess
 - How much will that reduce my premium by
 - Find the current best offer your Insurance is offering to new customers and ask for it

Health Insurance

- If you are under 31 you probably don't need it
- If you are earning under \$90,000 as a single or \$180,000 as a family again you probably don't need to have health insurance
- If you are earning above those salaries as a single or a family then you should have it to avoid the extra tax associated to that higher salary, which is about the cost of having insurance
- Only have top level comprehensive hospital insurance
- No extras or combined
- Ambulance cover is good to have as well
- Compare Private Health at privatehealth.gov.au

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Income Protection Insurance

- Usually supplied by your superfund
- Have cover for at least 10-12 years of annual income if you have children
- If you are a stay at home parent, it is also a good idea to have Life Cover and Total Permanent Disability Insurance
- Find a fund who will cover you for Life, TPD and Income Protection and ask them to
 - Provide a quote of 12 times your annual salary, combined Life and TPD Insurance
 - A quote on Income Protection of 75% of your salary until the age of 65
 - Say you can wait 90 days for the claim to be paid out
 - You also want to pay the insurance separately or cover the costs by making extra deposits into your Super Fund
 - Ask for a copy for you to read over before you commit

Step 3 Pay off Your Debts

- Line up all your debts excluding your mortgage
- Call your bank for a lower rate
- Tell them you have a comparison rate of 0% for 18 months with zero transfer fees with CitiBank
- If they don't offer a lower rate or you know you can definitely pay off your debts within 18 months it is worth transferring to CitiBank, if not just get the lowest rate possible
- Start by paying off your smallest debt first
- Pay off debts using money from your 'Fire Extinguisher' account which is 20% of your take home pay
- Ensure you continue to pay the minimum repayments on your other debts to not incur any further fees

Increase Your Income

- Work to be the best at what you do and commit to it

Improving your 9-5 Job

- Be busy and learn everything you can, don't waste time bitching and complaining
- Prepare before your annual appraisals
- Read your position description and make a list of goals to achieve for each category and achieve them over the next 12 months
- Present these goals to your manager at your appraisal
- Take note of what he thinks of the goals and take on board any suggestions
- Put your goals into a calendar and review daily
- Generally speaking, the highest paid positions are those either in a managing role/people leader or in the marketing role to sell the product

Option two: turn your passion into profit

- Turn your passion into your career
- Build your business whilst you still have a secure job and pay check coming in
- Work for free if needed

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- Make a list of people in that field or who could be of great benefit and make it a goal to meet these people
- Market yourself and find influential people to achieve your goals

Step 4 Buy Your Home

Saving for your deposit

- Save a 20% Deposit
- You need this amount to avoid Mortgage Insurance
- Use your 'Fire Extinguisher' account to save for the deposit
- Buy a home you plan to stay in for some time
 - Invest in paying off that loan first
 - Then after, invest in stocks and super
- Look for a home you like and buy it
 - Put a letter in the mailbox giving them an offer and say that you are looking for a home to grow your family in and that you really love their place
- Do your own research on property
- Always borrow less than the bank will offer
- Repayments should be less than 30% of your take home pay
- If planning on having children factor in the drop in income and the increase in expenses
- Only buy a house with a family member if planning on living in it for more than 10 years
- Don't have a guarantor for your deposit
- Calculate how long it will take you to save a 20% deposit buy using your savings each month
- Try and earn an extra \$10,000 in the next 12 months
- Learn to live off one wage

Step 5 Increase Your Super to 15%

Stock Market

- Both AFIC and Argo have managed to outperform managed funds
- Start early and reinvest dividends and let your investment keep compounding

Self-Managed Super Fund Lite

- Research funds and find one that
 - Offers a Direct Investment option
 - Has low fees, around \$180/year
 - Has quality insurance options
- Use your money in super to invest
- Host Plus
 - Choice Plus
 - Allows you to invest in the ASX 300
 - ETF's
 - Term Deposits

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- You require a minimum of \$10,000
 - At least \$2,000 in one of Host Plus investment option
 - Costs \$180/year
- Combine Choice Plus with Indexed Balanced Fund and buy shares within your Super
- SMSF Lite have limited Stock Options
- Invest for the long term
- Pay off extra repayment on your mortgage as well as building your personal share portfolio at the same time
- By increasing your super to 15% it will act as a backup if all your other investments fail, as well as being a good tax dodge
- Call your Superfund and ask the following
 - A salary Sacrifice Super Form to give to your employer
 - Enquire about tax deductions for people who are under the age of 75 who satisfies the work test who can claim tax deductions on personal super contributions
 - If you earn less than \$51,200 ask how much you need to add to your super each month to receive the most from the government co-contribution

Step 6 Boost Mojo to 3 Months

- Use your fire extinguisher account to transfer three months' worth of living expenses into your mojo account
- This is only for emergency and is to give you some peace of mind if you are to lose your job or your house burns down etc.

Step 7 Pay off Your Home loan

- Don't get a plan with all the bells and whistles, keep it basic
- Always stick with the lowest variable rate, this is mainly to avoid fees associated to breaking a fixed term contract
- Get the cheapest rate possible, make a phone call to your bank and ask the following
 - Obtain the current uBank home loan mortgage rate
 - Tell your bank that you have applied to switch to uBank
 - Ask to match interest rate
- If you need a mortgage broker use a cash back mortgage broker, they keep the once off fee given to them from the bank for signing you up but the ongoing fees that most mortgage brokers receive from the bank on top of that once off fee they give back to you
- Use your fire extinguisher to make extra payments

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Step 8 Investing for our Children

- Don't invest into a bank account
- Invest in shares
- If on lower income invest shares under your own name
- If on higher income invest using an Investment Bond

Lower Income Earners under \$37,500

- Invest in solid LIC's like Argo or AFIC
- Set up a share trading account under your name but have your child's name as a minor
- The shares belong to the parent
- You will need to declare any income
- You can earn up to \$18,200 a year before you have to start paying tax
 - You would need at least \$300,000 in shares before you would receive this much
- You will receive franked credits at tax time
- Ensure you take full participation in the Dividend Reinvestment Plan

Higher Income Earners over \$37,500

- Use an Investment Bond
 - Can invest in Managed Share Funds
 - Free of Capital Gains Tax after 10 years
 - Don't need to declare income
 - You pay the 30% business tax within the bond
 - You can compound your investment each year by 25% tax free
 - Invest in Investment Bond with low fees
 - Don't use ASG
-
- For young children put three jars in their room labelled, Spend, Save and Give
 - Any money they receive get them to distribute it evenly between these three jars
 - For older teenagers open them three zero fee bank accounts each named, Spend, Save and Give

Step 9 Leave a Legacy

- Create a document that has all your accounts, passwords, will, funeral plans, bill accounts, birth certificates, passports, etc.
- Ask your parents the following questions either on voice record or video
 - How did you meet
 - What does "being a parent" mean to you?
 - What are you most proud of?
 - What advice do you have about money, life, and happiness?
 - How would you like to be remembered?
- Write a personal letter to your spouse, family and loved ones
- Store all this in a safety deposit box or somewhere that it won't get destroyed