Expand Your Dough

HOW TO GET YOUR MONEY WORKING HARD FOR YOU ON THE STOCK MARKET

ANN The Wealth Chef WILSON

WEALTH RECIPE #2

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BEFORE WE JUMP INTO THE FUN STUFF, I WANT TO KNOW: "WHAT DOES INVESTING MEAN TO YOU?"

- Does it mean having a financial advisor that you hand your hard earned money over to HOPING they'll make enough for you so you can educate your kids or be able to stop working so hard one day
- Does it mean pouring your money into a pension, a Superannuation, a RA or a 401k and HOPING that when you retire there will be enough to at least feed you?
- Does it mean putting money away in the bank every month and HOPING you'll earn some interest so your money doesn't get eaten away by inflation? (Not mentioning all the fees they charge before that)

When it comes to something as important as your financial well being, knowing you'll be safe and secure in your retirement and having the money you need before then to provide the best for those you love and have some fun along the way, just HOPING it'll be okay is a gamble you should not be prepared to make.

I want you to be certain that you'll never have to worry about money, that you'lll never have to rely on family or the charity of strangers or worse - the government to be okay.

Investing to me means converting hard earned money into an asset that works even harder, growing in value and earning income which in turn gets invested so I know for certain I have all the money I need to live the lifestyle I want now and in my old age.

Like i said... Juicy stuff

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This book will show you how to move from gambling with your financial well being and just hoping it will all be okay to having a solid, safe and certain investment strategy which you can rely on to provide you with exactly what you need. You'll be able to relax knowing your money is working hard for you (not your advisor or the bank) and best of all you'll discover how to put your whole strategy on autopilot so you can spend your time living life and not worrying about money.

You're going to learn how to safely and effectively invest in the stock market in the easiest, simplest and most effortless way. You're going to learn all about index trackers too and how to use them to beat the returns most people get through an advisor. Index trackers are seriously cool investments which those in the know (including Tony Robbins, Warren Buffet and I - Ann Wilson | The Wealth Chef use to get 70% + more on our investments.

Oh, yes: with this knowledge you get to spend money on the gift for yourself that just keeps on giving!

One thing that is absolutely crucial to understand is that the first and most important bill you pay every month is you!

The first slice of every first piece of income which comes into your life, gets to stay in your life and goes straight into your investment pot to be converted into assets that then work hard for you.

There are a few key things to understand when embarking on this journey:

- You have a right to keep some of what you earn!
- You have a right to make some of what you earn work for you!
- You have a right to keep on making what that money earns, work for you too!

okay, okay, it's not just a right, it's a must.

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Easier said than done? Perhaps you really want to Pay Yourself First and get your money invested but (as is the case with many people) there just isn't any money left over, after you've finished paying everyone else.

You see, therein lies the problem: you pay everyone else first. You are minding everyone else's business except your own.

In other words, you're putting everyone and everything else ahead of you and your goals. If this is happening in your money world, then there's a good chance it's also happening elsewhere in your life.

Remember: you and your wealth should be the most important expenditure for you, every month.

Even if you're unsure as to whether you'll have enough money to cover your other bills, you must still pay yourself first.

You see, when you do this, you not only trigger that magical wealth accelerator - compounding - you also increase your own self-worth and self-esteem by valuing yourself enough to keep some of what you earn.

In addition, you trigger your imagination, resourcefulness and creativity to either generate more income to pay for your bills, or reduce your cost of living. Commit now, therefore, to making yourself the most important bill you need to pay each and every month.

Now you're going to learn how to get that investment pot working for you in the easiest, effortless and most automatic way possible! Wealth Recipe Number Two - Expand Your Dough is all about keeping some of the money you've earned and investing it in an environment where it can flourish, undisturbed, so it can do what money is meant to do: grow for you.

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CHAPTER 1: THE RECIPE
IT'S SIMPLE, BUT IT WORKS!

The Expand Your Dough Recipe, like Recipe Number One, is so simple that many people fail to believe that this is all they require to become financially free. But it works!

Here Are The Steps:
Step 1 Invest a fixed amount of money every month into a stock market-based fund via an online investment platform.

To do this, simply set up an automatic investment plan where money is withdrawn automatically and regularly from your bank account and invested in a stock market-based fund on your behalf.

Step 2 Reinvest any investment returns. Any income the investment pays out, must be automatically reinvested.

Most funds have either an income or an accumulation option. Select the accumulation option, which automatically puts the income back into your asset pot and just buys more of the fund for you.

Step 3 Leave it alone to grow.

Step 4 Once a year, increase your monthly contribution, either in the same fund or in a new fund, in order to build up a portfolio of funds.

Step 5 Leave it alone to grow.

that's it. i told you it was easy!

CHAPTER 2: THE AUTOMATIC INVESTMENT PLAN

These are the advantages of your Automatic Investment Plan (AIP):

- You only have to "think and act" once.
- You can track and manage it anytime, night or day, online.
- You benefit from Dollar Cost Averaging (see below).
- You benefit from lower investment costs, thus putting more money in your asset drawer (see below).
- Your AIP has more money added every month, automatically.
- It's fun to watch your Wealth Feast grow!
- Your asset wealth pantry drawer gets filled by itself and so your net worth increases.

Now, let's break this down a bit:

Decide On The Amount Of Money You're Going To Invest Every Month From Pot 1 - Your Investment Pot - Into Your AIP.

Why a regular fixed amount each month? you may ask.

Well, a fixed regular investment triggers another great wealth cooking process, called Dollar Cost Averaging.
Cost averaging works as follows: each month you invest a fixed amount of money and that money buys a number of units in the fund which you've chosen. The number of units you receive each month depends on the price of the units on the day you buy them. When the price of the units goes up, you receive fewer units and when the price of the units goes down, you receive more. Over time, the average cost of all the units you've bought will be lower than the average price of the fund's units over the same period.

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If your eyelid remote control has just triggered and you're starting to switch off, please come back! This section is the one where you need to become aware, above all, of any tendency you may have for Analysis Paralysis. Yes, that Wealth Feast-destroying sickness that causes us to sit on fences instead of making decisions, to lose opportunities because we keep telling ourselves we need to know, to understand it a bit more, first. The best way to learn is by doing. And the best way to go about it is to start by committing yourself to increasing your financial literacy and knowledge as you go.

About the Dollar cost averaging: it isn't essential that you understand exactly how or why it works, you just need to know that it's good for your wealth. Obviously, I'm not telling you to blindly follow everything I'm saying - I'm just saying that sometimes you can move forward with only a broad understanding. I don't know about you, but I only have a broad knowledge of my car's power steering system, for example, but this doesn't prevent me using my car or hamper my driving pleasure!

Besides the lower average price of the units, there is an additional great factor to cost averaging: you don't have to worry about the ups and downs of the stock market - known as volatility - or trying to time when to buy. Timing the market is when you try and buy low and sell high. And trying to time the market by jumping in and out, means keeping a constant eye on events - not to mention the fact that we'll probably get our timing wrong more often than not, anyway! Trying to time the markets is an octopus strategy, often ending up in Analysis Paralysis and you doing nothing. Cost averaging is also great because you actually get all excited when the market goes down! While others are panicking and diving off the cliff like a bunch of lemmings, you can celebrate, knowing you're getting more for your money. Remember, you are in this investment for the long-term, so you want to buy as many units as possible. As Warren Buffet said, "If you expect to be a net investor during the next five years, should you hope for a higher or lower stock market during that period?"

Many investors get this one wrong. Even though they're going to be net buyers of stocks for years to come, they're elated when stock prices rise, and depressed when they fall. This reaction makes no sense. Only those who will be sellers of shares in the near future should be happy at seeing stocks rise. Buyers want sinking prices. You want the stock exchange to be having a massive sale when you're investing. You want to buy when the price is going down, because you'll get more and, in the long-term (when the unit price has grown) you'll end up with a better return.

You Select The Fund Of Your Choice And Set Up Your Automatic Investment Plan.

Research online brokers and open an investment account. Compare the costs, flexibility and options available from different online investment brokers and investment platform in your country.

AIPs are easy to set up. Most unit trust and Exchange Traded Fund (ETF) providers also have regular investment plans which you can subscribe to. It's simplest and cheapest to set up your AIP online, but you can also do so through a financial adviser.

So, What Should You Buy?

I recommend you start your equity investing in a unit trust or Exchange Traded Fund (ETF). The objective of your AIP is to keep it simple: low investment costs, very little management required from you, and risk kept at a minimum.

When you buy a unit trust or an Exchange Traded Fund, you're actually buying a piece of a whole basket of shares. You don't have to select the individual shares, and your investment is spread across all the shares in the fund you buy, which automatically diversifies your investment.

In other words, the risk of your investment going down due to one individual share going down, is diluted significantly.

I also recommend that you invest in an Index Tracker fund. Why an Index Tracker? Back to my investing hero, Mr Buffett: the best advice Buffett has for small investors is to put their money into an Index Tracker Fund because of its broad diversification and low costs. To quote: "A very low-cost index is going to beat a majority of the amateur-managed money and professionally-managed money funds."

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CHAPTER 3: THE INDEX TRACKER

As investors, there are only two things which we can control: the fees we pay, and the assets we invest in.

An index tracker is a low-cost, simple investment fund that mimics the performance of the stock market. In order to understand how it works, it's useful to know a little about stock market indexes: an index is a method of tracking how well a stock market, or a particular sector of it, is performing. It enables investors to assess how well they're doing, by comparing their own performance against it. They can see if they're out-performing (doing better than the index) or under-performing (doing worse).

Each index is made up of many different companies. When you hear on the news that "The Dow Jones is down 100 points" or the "Footsie has risen 50 points today", the news anchor is referring to the stock market indexes of the New York Stock Exchange and the London Stock Exchange, respectively. But what does a rise of 50 points actually mean?

Say the index rises by 50 points from 5,000 to 5,050, or 1%. This means that the value that the stock market is placing on all of the companies within that exchange index, has gone up by 1%.

The price of each company is determined by the buying and selling of its shares on that specific day. There are literally hundreds of different indexes across the world. As well as tracking the markets of whole countries, there are also indexes which track individual industries or sectors, such as retail, industrial or property or large geographical regions such as Europe, Africa or the Far East.

In the US, the main indexes are the Dow Jones Industrial Average (the Dow), the Standard & Poor's and the Nasdaq (where most technology shares are listed). In the UK, it's the FTSE which tracks the performance of the largest companies listed on the London Stock Exchange, and in Australia the main index is the ASX: the Australian Stock Exchange. Others indexes you'll come across include the Nikkei (Japan), the Hang Seng (Hong Kong), the Dax (Germany), the CAC (France) and, the JSE (South Africa).

An index tracker is a fund that holds shares in the same proportion as a specific index. So, a FTSE 100 tracker, for instance, attempts to mimic the performance of the 100 largest companies listed on the London Stock Exchange. When the components of an index change, the index tracker will adjust its holdings accordingly. An index tracker, therefore, differs from most other funds - collectively referred to as 'Managed Funds' - where it's the fund manager who decides when and which companies are bought and sold.

Whether index trackers are better than managed funds is the cause of fierce debate in the world of investment. For me, the evidence is fairly clear-cut, as it shows that index trackers beat the vast majority of managed funds over the long-term.

A study by research firm WM Company found that 82% of managed funds failed to beat the market (the index) over the course of twenty years. While you may think that sounds bad, it's actually even worse, because this figure only includes funds that survived for the entire twenty years.

Many poorly-performing funds are shut down or simply merged into other funds. This means that the chances of picking a fund now that will do worse than the market over the next twenty years, is likely to be a great deal higher than 82%, and is probably, in fact, well in excess of 90%.

John Bogle, founder of the US-based fund giant Vanguard, backs this up. Bogle looked at the returns of investing $10,000 over a 25-year period: if you'd invested the money in an actively-managed retail fund 25 years ago, your $10,000 would have grown to $48,200. However, putting the same amount into a broad index-tracking fund with low fees would have grown it to $170,800 - a huge difference of $120,000!

This difference is made up of high fees, kick-back commissions to advisers, the costs associated with churning of the portfolio (which is when the fund manager buys and sells too much), and poor market timing.

Some people believe that it's possible to consistently pick one of the few funds that will beat the index. I don't want to spend all my time following every managed fund and every fund manager, to make sure I select the few funds that beat the index and this is why I like index trackers.

Buffett also warns investors to "Beware the glib helper who fills your head with fantasies while he fills up his pockets with fees". In my view, a vast majority of the financial industry is made up of these glib helpers!

So Why Do Managed Funds Perform So Badly As A Group?

Taken together, managed funds are, essentially, the market. This means that collectively, they hold their investments in pretty much the same proportion as an index tracker does. Before taking costs into account, therefore, you'd expect a managed fund and an index tracker to produce the same sort of return. When you take costs into account, however, two key differences emerge between index trackers and managed funds:

Firstly, charges for managed funds tend to be a lot higher than those for index trackers. A typical managed fund charges around 1.5% a year, whereas the average index tracker charges around 0.5% and some charge even less.

These differences may sound small, but they compound each year and give index trackers a huge advantage over the long term.

The second difference is that managed funds trade more frequently. The typical managed fund turns over around 50% of its holdings each year, meaning that the fund manager buys and sells at least half of the stocks in the fund each year. Each buy or sell, called a "trade", costs money.

The dealing costs associated with this trading activity give managed funds an additional handicap to overcome when pitched against index trackers, which tend to have an annual portfolio turnover of less than 20%.

If an index tracker were to perform, say, 1.5 percentage points better each year than a managed fund because of the lower costs, what difference could this make to you?

Let's say you put $1,000 into a tracker and $1,000 into a managed fund. The index tracker grows at 10% a year; the managed fund at 8.5% a year. After ten years, your managed fund would be worth $2,261, but your tracker would be worth $2,594. Over twenty years, the managed fund would grow to $5,112 and the tracker would be worth $6,728. So, your extra 1.5% return a year results in 24% more cash for you at the end of twenty years!

In addition to a higher expected return, index trackers have one final major advantage over managed funds: they are much simpler to operate. Essentially, you just pick your tracker and leave it to do its job for twenty years or even longer.

If you prefer the managed fund route, however, not only do you have a bewildering number to choose from in the first place (several thousand, in fact!), you also have to continually monitor the fund's performance and even pick another fund should its returns fail to inspire or its manager departs for elsewhere (a fairly common occurrence).

All things considered, I believe that an index tracker is the most suitable initial investment vehicle for the Wealth Chef and the ideal place to start your equity investing.

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CHAPTER 4: SIMPLE STEPS TO SETTING UP YOUR AIP

These Are The Simple Steps To Set Up Your Aip:

Commit To A Specific Amount To Pay Yourself.
You can start an AIP with most investment houses with very small regular investment amounts. Just be aware of your trading versus investment costs. Remember that the habit of paying yourself first is more important than the specific amount of money right now.

As you see the money grow in your investment account, your motivation to add more will increase. And once you've mastered Recipes One and Four (the Debt Destroyer), you'll realize you can increase the amount significantly, without lowering your standard of living.

Select Your Index Tracker Fund.
Choosing an index tracker is relatively simple. There are a few things to consider:

- Which index it tracks.
- What type of fund it is: Unit trust or ETF.

The charges.

- I suggest that you start with the primary index for the country you live in. From there, you can add trackers for other geographic regions and sectors.
- Your target will be to have four or five different trackers in your whole portfolio.

What Type of Fund?

- Most index trackers are either unit trusts or ETFs - Exchange Traded Funds. Unit trusts are priced daily and can be bought directly from a fund manager, via an online discount broker or financial advisor.

Experts have found that two factors, cost and asset class, determine the bulk of our investing returns. This is the reason I'm a big fan of Exchange Traded Funds (ETFs), which are ultra-low-cost index funds that trade on the share market, just like other shares.

ETFs are traded on the stock market, and therefore, their prices change continuously throughout the trading day.

More and more, index trackers are becoming available through the huge growth of the ETF industry.

Your decision as to whether you go for a unit trust or an ETF, should be based on ease of investment and costs.

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CHAPTER 5: TWO TYPES OF FUNDS

There are two types of funds you can select: Income Funds and Accumulation Funds.

Income Funds are set up so that when income is earned by an investor, the fund manager pays that income out to the investor in the form of a cash payment. In the case of shares and funds, the income is a result of dividends being paid out by the companies which you own in the fund. While you're building your Wealth Feast, you do not want this paid out.

Accumulation Funds, on the other hand, automatically reinvest all income earned by an investor back into the fund. This is usually reflected in an increase in the unit or share price of the fund.

Funds make the distinction between Income and Accumulation status in two different ways: some funds have two separately created and operated funds (e.g. XYZ Growth Fund Income and XYZ Growth Fund Accumulation). In other cases, there's just one fund and you make a selection of either reinvesting your income or having your income paid to you in cash.

Automatic reinvestment is also cheaper as you don't get charged broker fees or transaction costs for the reinvestment. Keeping your investment costs as low as possible is another Wealth Chef skill - Financial Competence.

What about investment property? Yes, the same reinvestment recipe applies: all net income you earn from your investment property must be reinvested back into your Wealth Feast!

Make your Wealth Kitchen a bustling, happy, place, full of little Wealth Chefs in the form of your investment returns, whipping up your feast for you. And please don't kill these wonderful workers by robbing yourself!

What Are The Costs?

- When selecting your specific index tracker, look carefully at all the costs involved: look at the total expense ratio (TER) of the fund you're considering. You should be selecting a fund with a TER of 0.5% or less. Also look at your trading costs. This means the cost of buying the fund. Keep your average trading cost as low as you can by selecting an online trading/investing platform with competitive costs and by buying your investment in big enough lumps to keep the percentage cost of each trade less than 1%.

Complete The Application Forms And Start Your Aip.

- You can start your AIP with most of the major funds, online. Get the forms, fill them in and get going! Also, make sure you set up a direct debit from your bank account on the day after your income comes in, so that you're paying yourself first.

Automatic Investment Plans are given different names by different institutions. Don't worry about the name, just do it! Simply decide how much money you're going to pay yourself each month, select your online platform, select your index to track, set up your AIP and commit to it.

With regards to paying yourself, if this is new to you and you're still getting to grips with reducing your cost of living (not the standard of living), I recommend that you set up your AIP direct debit directly from your main bank account. Keep it simple.

If, however, you want to start building up your savings pot and additional investment capital to, say, put a down payment on an investment property in addition to your AIP, you should open up an investment account separate from your everyday banking account. Set up an automatic transfer from the bank account where your income gets deposited into your investment and savings account.

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Set it up for the day after the income is deposited. This transfer must include your AIP monthly investment amount, as well as your additional investment and savings amounts. Your monthly AIP direct debit is then set up from your investment account.

Just make sure that the bank fees associated with the additional account justify this strategy and that you won't be able to dip into this account easily!

If you really want to accelerate your investment fund, have your income deposited into your investment savings account and then set up an automatic transfer from your investment account to your everyday account for exactly the amount of money you have budgeted to live on. This way, any increase in your income or bonus payment goes into your investment pot and you keep living happily off the same budget which you've already set up.

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CHAPTER 6: DON'T ROB YOURSELF!

Now, the key to making this really work for you is: don't rob yourself, reinvest your investment returns!

Imagine going to an ATM machine, withdrawing money and then putting a gun to your own head and forcing yourself to hand the money over to the first person you can find. Yes, as ridiculous as it sounds, most people have mastered the art of robbing themselves.

How do they do this? They start off well: they set up an investment plan just as in Recipe Two and invest a little money. Then it all comes to a grinding halt when they sabotage their entire freedom feast: as soon as the money is doing what it's meant to do - i.e. making more money - they rob their wealth pot and give it to the first retailer they can find.

If you're baking a cake and keep opening the oven door to check on it, taste it and see how it's doing, you soon end up with a flat flop! Well, money is just the same: if you spend your investment returns too early, you remove the power of compounding and take yourself right back to a Level 1 Money Cook.

Wealth Chefs have mastered the recipe of letting their money do exactly what it's meant to do. They see every dollar as a seed to be planted to earn hundreds more, which can then be replanted to earn thousands more.
Expanding dough only works effectively as a long-term plan and it requires compounding and time to work its magic and transform your little contributions into a magnificent feast.

Am I saying you are to never spend the money being generated in your AIP? Well, yes and no.

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In the short-term, you won't be touching your AIP contributions nor the money it earns.

In the long-term, this becomes your Freedom Feast and you'll be feasting off it happily, once it has grown up to a size where it can sustain itself. The money you invest in your AIP is the Foundation of your Freedom Feast. It needs to remain in your wealth pot so it can grow.

Please understand that contributing to your AIP for a couple of years isn't going to change your life. However, contributing to your AIP and reinvesting ALL your investment returns until your AIP has reached your identified Financial Freedom Feast Net Worth will change your financial life forever!

The most exciting thing about mastering Expand Your Dough is that it accelerates your wealth growth and will allow you to retire early and feed yourself from your Freedom Feast for the rest of your life. By reinvesting all your investment returns, you're creating a whole army of little wealth chefs to do the hard work for you.

Letting your money work and reinvesting your investment returns is a critical component of this recipe, which you need to master for your long-term wealth success.

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YOUR NEXT STEPS

Just this recipe alone will make you significantly richer. Each and every month, your asset wealth pantry drawer will be getting fuller and fuller and you'll be able to rest assured that you're creating your Financial Freedom Feast.

Now you can decide to take this information and run with it (which I highly recommend) or you can supplement it and add more to the mixture. Here's what I mean specifically:

1. Read the book and implement the teachings
2. Come and join the free online training where we go in-depth into the best way to invest, the platforms to use and how to choose the stocks

- click here for the training

3. Join the PIMMS online program, where we walk the journey with you from beginning to end and show you how to maximize your passive investment strategy

- Join the online program

ABOUT ANN

Ann Wilson - best-selling author of The Wealth Chef, trainer, speaker, entrepreneur and financial empowerment activist – helps people master this vital life ingredient called money and use it to create freedom of choice so they can live the life they really want.

Ann's first career was as a civil engineer during which she worked all over the world on mega transport infrastructure projects including Hong Kong's West rail programme, the Panama Canal widening, being Head of Asset Management on the London Underground's multi-billion-pound upgrade programme and GM Commercial on South Africa's biggest infrastructure roll out programme.

Achieving all she wanted to in the engineering world and having created her own financial freedom by learning how to invest and create assets – Ann left the infrastructure world and instead focused on helping thousands break free from debt, financial restriction and anxiety by teaching people how to manage money better and create real wealth generating assets so they too could know real freedom. In the process she became a bestselling author, an internationally renowned speaker and created a successful online training business through which she has helped thousands of people master their money stuff and create their own financial freedom.

Contribution is very important to Ann and 100% of the royalties from her best-selling Hay House published book, The Wealth Chef, are donated to The Small Enterprise Foundation - a foundation dedicated to eradicating poverty by empowering women through micro loans combined with financial literacy and 10% of the profit from her training programmes goes to Caring4Girls an organization providing sanitary pads to girls in poor communities so they can attend school.

She has been featured in The Sunday Times, The Sunday Express, Psychologies, Glamour, Cosmopolitan, Woman's Health, The Huffington Post among others and is regularly interviewed on radio and TV.