Making money, MAKING SENSE

From very humble beginnings Alvin Hall has become a well respected financial expert, broadcaster, author and teacher. He shares some of his wisdom in theVINE.

I got involved in finance when I was working as a publicity director at a public television station and was being treated very badly by the manager I reported to. I would call my former college roommate to talk to him about the situation. At some point he suggested that I leave the job and come to work for him at his father's Wall Street training firm. At first I was only mildly interested, because I hoped to continue my career in publicity. But after some thought and blunt advice from some close, caring friends, I took the job believing that a new start in a different career in a new city might lead to better things. And it really did!

I studied literature in college. It was only after I moved to New York that I discovered, much to my surprise, that I really enjoyed teaching and writing about how money and investments work. I've always been reasonably good at mathematics and enjoy learning new information. In my own mind, making money has never been at the centre of my life or career. Learning, teaching, and writing are what I think are my core skills. And art, of nearly all kinds, lifts and stimulates my spirit and imagination. I've always been more arts-oriented than money-oriented. But I'm also very practical and realistic. I need to earn money in order to participate in the arts I love.

I'm no different from many people who grew up really poor without any understanding of money. When I first started to earn real money, I spent it. Credit cards and store cards expanded the venues in which I could indulge. I bought myself anything I wanted or thought I wanted. I had beautiful things (many of which I still own), but not a penny in savings. When it became crystal clear to me that such irresponsible financial behavior was the road to emotional stress and financial ruin, I stopped myself. I took control of me. I got a second job to pay off the credit cards, and slowly but surely put myself on a better financial track. I began to save regularly and diligently, no matter how small the amount. Most importantly I made sure I gained self-insight and wisdom from my mistakes, which I vowed never to repeat.

I'm the oldest of seven children, six of whom are still alive. My childhood was happy, despite the poverty. I learned how to wash clothes (without a washing machine), catch and scale fish, pluck a chicken, skin squirrels, and can fruits and vegetables when I was quite young. I never felt as if any of this work was a burden or took anything away from my childhood. I loved school. It was my great joy and respite. I was my grandmother's special little boy and I always knew I was loved. (I have never once doubted how much my grandmother loved me.) However, by age nine or ten I knew deep inside of myself that I was not going to stay in the little village where I was born. I didn't know how, but I knew I was going to figure out a way to get away from that place.

I wouldn't really want to choose between being an author, broadcaster or teacher because the three appeal to different parts of me. I find all three satisfying in different ways. As an author, I like the solitary magic of turning an idea into words that communicate my ideas effectively and inspirationally to the reader. As a broadcaster, I like working with the creative team and seeing how people with different ideas and backgrounds can work positively together to create a great radio or television program. As a teacher, I like working directly with people to share my knowledge and experience with them. I feel very fortunate that, in my life and career, I've been able to do all three for many, many satisfying years.

My first book was a commodity-futures training manual in 1983 or 1984. Since then I've written 12 or 13 books. My children's book, **Show Me the Money**, (published by Dorling Kindersley) is one of my favorites. It was cited by several educational organizations as one of the best children's books when it was published in 2009. It has been translated into 20 languages, including Mongolian and Kazakhstani. I happened to be in Japan when the Japanese edition was published. My book, **Your Money or Your Life**, is one in which I invested a lot of myself. So when it won the WHSmith People's Choice Award, it was one of the happiest moments of my writing career. The US edition was nominated for an NAACP Image Award in Instructional Literature in 2010—which was a wonderful surprise. I love my book, **What Not to Spend**. (It has been reissued as **Spend Less, Live More.**). The hardcover edition is a singular beautiful personal finance book and I loved working with the talented photographer David Loftus, who also photographs many of Jamie Oliver's books. **Plan Now, Retire Happy** is a book I really like because the information is so solid and it reflects many of my own concerns when I was writing it. And now I'm completing **The Stock Market Explained**, a subject I've taught and talked about for over 25 years.

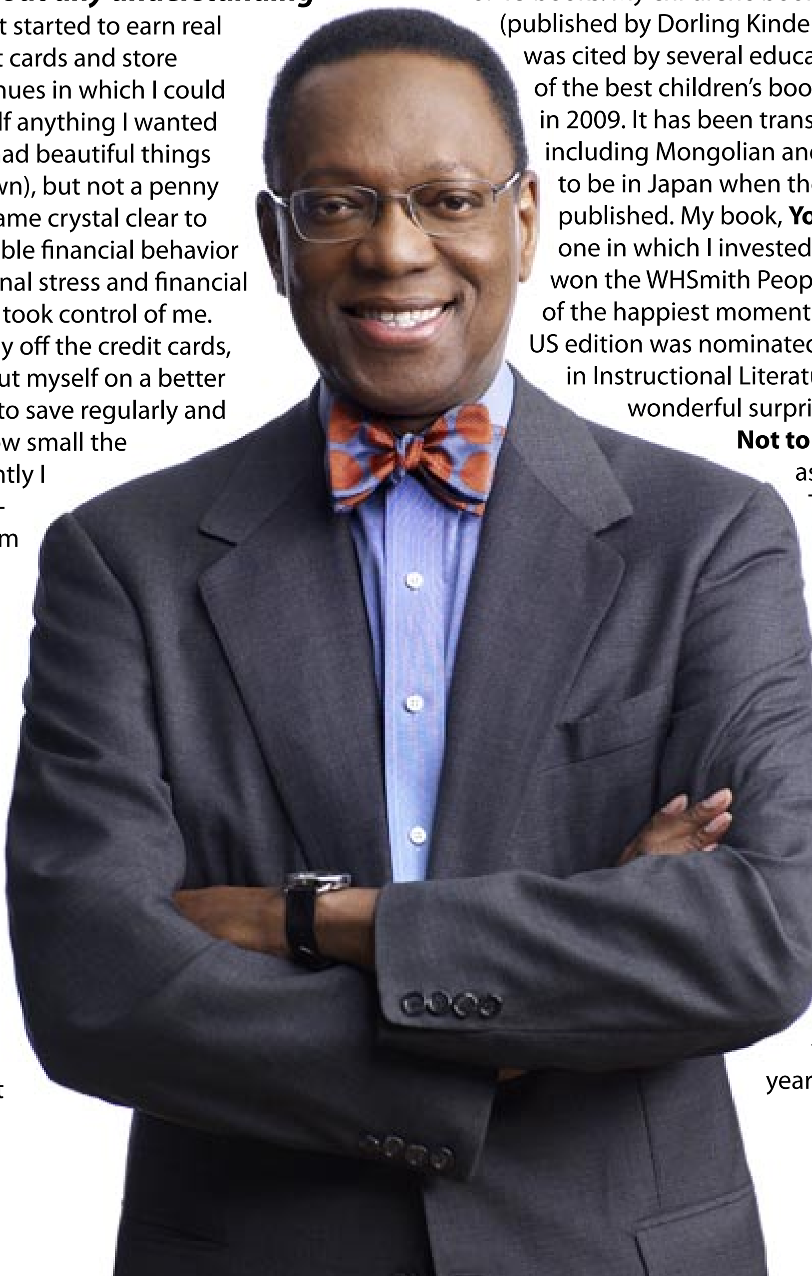


Photo credits: Jim Franco

I knew that this financial crisis would be this bad. Property prices, the stock markets, people's pursuit of material culture, CEOs' sense of entitlement, and financial greed had reached such a crazy level that it could only end badly.

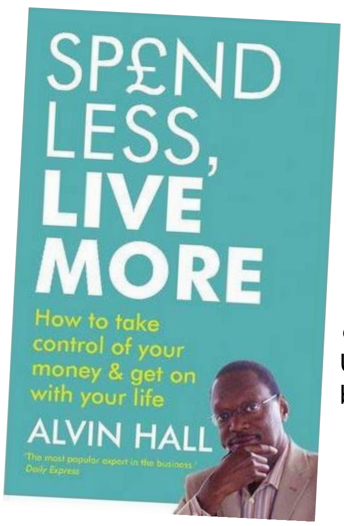
Even I have had a few impulse purchases. Who hasn't? However, I've also returned many of the impulse purchases after some cool-headed reflection realizing the negative impact on my finances.

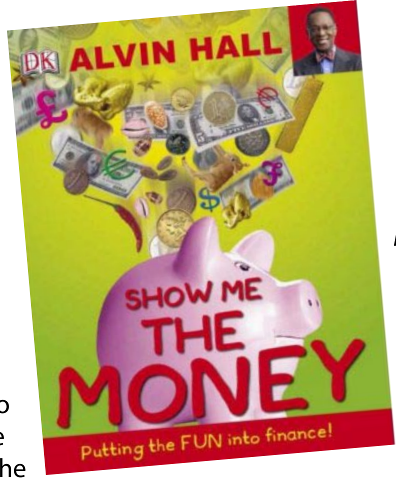
What makes me happy is spending relaxing vacation time with my close friends and being content. Winning also makes me very happy. As a kid I won the school spelling bee and I can still recall the thrill. When I graduated from college, I won the award for the best commencement speech. I am not an immensely competitive person, but I like the recognition that comes with winning.

There are two pieces of advice that I would say are the best I've been given. The first is "You are all you will ever have. Protect what you have." My grandmother said this to me when I was leaving home for the very first time ever to go to Yale in New Haven, Connecticut. I have said those words to myself innumerable times in all sorts of situations. The second great advice was "Always plan for the worst because it's likely to happen, eventually." This advice has been essential to my survival through many unexpected events, like getting laid off from a job, September 11, 2001, and the bankruptcy of Lehman Brothers, all which could have had a devastating financial impact. I always try to have a sufficient cash cushion and a well-thought-out Plan B that will enable me to survive, without panicking, until I can create the next opportunity or until it comes my way.

It's extremely difficult to change the bad financial habits of a lifetime. Usually it takes a truly traumatic event to get a person to even acknowledge that the habits are destructive and to consider making changes. And as soon as they become comfortable or stable again, they will most like revert to the old bad habits.

It's so simple to get into the habit of saving, but people <u>feel</u> it's complex. Make saving the <u>first</u> thing you do with the money you earn and then live off the rest. That's what I learned to do years ago. Most people have problems saving because they make it the last thing they do with their money. Set up a savings account into which the money is automatically transferred out of your current account on a set date, such as the day you get paid. Making saving automatic makes it easy. The second key is to view your savings as untouchable. Do not yield to the temptation to spend your savings. The only time you would dare touch it is in a real emergency.





I don't subscribe to the 'spend it now' way of thinking. Long ago I learned that people who say this are stubbornly embracing what I call a "fake fatalism." Do they really believe they will die early? Do they want to die early? In their last minutes on Earth, will they rush (or be carried) to Selfridges to buy just the right outfit to expire in? What happens if they live a long time instead? How will they take care of themselves? Do they want to be a burden to others? I don't try to counter a person who proffers the "spend it now" justification. I just raise questions that hopefully will stay with them and slowly start them thinking about their money habits from a different point of view.

Having a credit card is not a bad thing. It's just a piece of plastic, after all. It's what a person does with the credit card that can be bad. The key is to use credit wisely and don't charge more than you can afford to pay off each month. In today's world, having a credit card has become essential. I certainly could not travel for business as much as I do without having at least two or three credit cards. It's almost impossible to book a rental car or reserve a hotel without a credit card. Also I would never pay cash for a big-ticket item or a piece of electronics. I like the consumer protection that comes with a credit card. You don't get that when you pay cash.

Luckily I've travelled the world and know that a cashless society is not possible. A cashless society assumes that the technology to make this possible is at everyone's disposal. Just travel around America in the Deep South today and you'll see that we have a long, long way to go before the electronic connections essential for a cashless society will reach many poor people's homes. Now add to that the number of places in the developing world that don't have electricity or reliable communications systems. In reality, a cashless society is a nice academic dream that denies a certain socioeconomic reality.

The economy moves in cycles—it always has and it always will. Most people lose sight of this fact, as they did during the last period of prosperity. They thought property prices and share prices could only go up. Such continued growth is not sustainable. Also, the longer it continues, the more greed and entitlement start to motivate people's actions. A pullback or economic downturn is inevitable because everything was so overheated. What this period has taught everyone is that the severity of the economic downturn can be much more severe than anyone anticipated. It will take time and shared sacrifice to move us, collectively, to the next phase, which is recovery. Unfortunately, it will take longer than people want to believe or are prepared to make allowance for.

ALVIN HALL'S 5 WAYS TO GET OUT OF DEBT

1. Set a firm deadline for when you want to have your debt paid off. This is important. Having a set goal (as opposed to an open-ended one) means you're more likely to accomplish it.

2. Make the necessary cutbacks in your spending in order to allocate as much money as you can to paying off your debts. Know that these cutbacks will not last forever, but only for the fixed period of time you've set for yourself.

3. Pay off the debt with the highest interest first. It's costing you the most money in interest charges. So allocate as much money to paying off this debt first, while only making the minimum payments on the rest. Once the debt with the highest interest rate is paid off, begin paying as much money as you can to the debt with the next highest rate.

4. Build in small, low-cost treats (every quarter or every six months) that you give yourself only if you reach, or - even better - exceed your scheduled goals.

5. If you feel overwhelmed or trapped by your debts, seek advice from a registered debt counseling organization like Citizens Advice, National Debtline, or CCCS. But remember you have to work <u>with</u> these organisations to fix your problem.

ALVIN HALL'S 5 WAYS TO INVEST

1. Realise you're putting your money at risk. You could lose some or all of it. There is no such thing as a risk-free investment.

2. Know a) how much you are willing to lose on your investment before you will sell it, b) the amount of money you want to accumulate, or c) the time horizon over which you plan to hold the investment. Basically, if you're investing for the long - term you can ride out the inevitable ups and downs of the stock market. If you're investing for the short - term you should take little risk with your money—and no risk means you don't want to lose any of it.

3. Don't invest based on tips from a friend or someone who is "in the know." Such information is usually more rumor or opinion than fact.

4. Start with unit trusts or exchange-traded funds. The investment products are suitable for small investors because many are diversified, which protect the investor against stock-specific risk—i.e., the risk of being overly invested in one company.

5. Periodically review and, when necessary, reallocate your investments to make sure they are on target for your specified investment goals.