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MILLIONAIRE EXPAT

How to Build Wealth Living Overseas

THIRD EDITION

Andrew Hallam
Bestselling Author of *MILLIONAIRE TEACHER*

WILEY

Millionaire Expat

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Third Edition

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Only a fool would take his wife on a multi-month cycling tour . . . while trying to write a book. An even bigger fool would attempt the same thing during a 17-month adventure in a camper van (trying to drive from Canada to Argentina). I have done both. Note to all single women: if you believe your future spouse might try such a stunt, run. Fortunately for me, my wife didn't just stick around she helped with every aspect of this book's production (and every other book I've written). Named after the Hawaiian fire goddess, Pele sometimes spewed lava in my general direction while I pretended it was normal to write books from bicycles and vans. And although I'm not fully rehabilitated, I'm a better man for it. So Pele Hallam-Young, this book is dedicated to you. You're amazing. I love you more every day.

Contents

Acknowledgements		xiii
Introduction		1
Chapter 1:	Grow Big Profits Without Any Effort	7
	Why Average Returns Aren't Normal	11
	When the Stock Market Beats Real Estate	12
	What's Inside a Global Stock Market Index Fund?	13
	Undressing Stocks with 50 Shades of Gray	13
	The Stock Market Stars as the Great Humiliator	17
	Fast-Growing Economies Can Produce Weak Returns	19
	Bonds Are Protective Nets for Jumpers	21
	Can You Lose Money with Bonds?	23
	Chapter Take-Away	25
Chapter 2:	Don't Start a Fight with an Escalator	27
	Yes, the Financial District Loves You!	28
	Global Investors Getting Fleeced	30
	Chapter Take-Away	32
Chapter 3:	Where Are the Customers' Yachts?	33
	Global Investors Bleed by the Same Sword	34

American Expatriates Run Naked 36
Why Brokers Want to Muzzle Warren Buffett 37
Financial Advisors Touting "The World Is Flat!" 38
Hedge Fund Money Spanked for Its Con 40
Why Most Investors Underperform Their Funds 42
Are Most Financial Advisors Bad People? 43
Chapter Take-Away and Tips 45

Chapter 4: Expats Should Avoid Snakes In Suits 49

The deVere Group Faces Trouble 57
British Expats: Can I Trade You That Diamond for a Big Lump of Coal? 58
The 10 Habits of Successful Financial Advisors . . . Really? 59
When Your Advisor is a Sales Commando 60
Welcoming Sharks into the Seal Pool 61
Masters of the Insured Death Benefit Illusion 65
Free Fund Switching Isn't a Perk 66
Making Millions off the General Public 66
Fooling the Masses with Numbers 67
When High Fees Meet Gunslingers 68
Chapter Take-Away and Tips 69

Chapter 5: Self-Appointed Gurus and Neanderthal Brains 73

Why Most Investors Should Hope for Falling Markets 77
Are You Cheering for the Right Team? 77
If You're Just Starting Out, Pray for Stocks to Sputter 79
Should You Worry When Stocks Hit All-Time Highs? 82
The Only Thing That Matters 82
It's Not Timing the Market That Matters; It's Time in the Market 84
High Unemployment and High Stock Returns 85
What Can You Miss by Guessing Wrong? 87
Should You Invest a Windfall All at Once? 89
When Investors and Advisors Sabotage Their Rides 89
Are Women Better Investors Than Men? 90
Collar Your Inner Neanderthal 91
Chapter Take-Away and Tips 92

Chapter 6: Investment Advisors with a Conscience 95

Do You Have a Ninja's Discipline? 96
Qualities of a Good Financial Advisor 96
Investment Professionals Worth Considering 98

Why Many Global Expats are Naming Their Newborns Mark 111
Why are the Entry Points Often High? 113

Chapter 7: Thirty-four Questions Do-It-Yourself Investors Ask 115

1. How do I Purchase ETFs or Indexed Mutual Funds Through a Brokerage? 115
2. What's the Best Brokerage To Use? 116
3. What's the Difference Between an Exchange-Traded Index Fund (ETF) and an Index Fund? 117
4. Do Non-Americans Have to Pay US Estate Taxes upon Death if They Own US Index Shares? 118
5. What's a Sector-Specific ETF? 119
6. Should I Buy an Index that's Currency Hedged? 120
7. What's the Scoop on Withholding Taxes? (For Non-Americans) 121
8. Will You Have to Pay Currency Conversions? 123
9. Should I Be Concerned about Currency Risks? 124
10. Do the Unit Prices of ETFs Show Which are Expensive or Cheap? 125
11. If I Have a Lump Sum, Should I Invest It All at Once? 126
12. I'm in Some Expensive Products, but They're Currently Down in Value. Should I Sell Now or Wait? 126
13. What If I Find a Higher-Performing Bond Index? 127
14. What If I Find a Cheaper ETF? 128
15. Should I Be Most Concerned about Commissions, Annual Account Fees, Fund Costs, or Exchange Rate Fees? 128
16. How Little Can I Invest Each Month? 129
17. Stock Markets Are High. Should I Really Start Investing? 130
18. Should I Buy ETFs from Vanguard, iShares, Schwab or Another Low-Cost Provider? 131
19. Can Muslims Build a Portfolio of Shariah-Compliant Funds? 132
20. What Percentage Should You Have In Stocks and Bonds? 133
21. Could You Build a Portfolio of Socially Responsible Index Funds? 139

22. Why Doesn't My Brokerage Offer the Funds I Want? 140
23. Why Hasn't My Bond ETF Risen in Value? 141
24. What If My Bond ETF Is Priced in a Different Currency? 142
25. Are Cryptocurrencies, like Bitcoin, Good Investments? 142
26. Should I Buy a Real Estate Investment Trust (REIT) Index? 144
27. Should I Buy a Smart Beta ETF? 146
28. Should I Invest in Gold? 147
29. Don't Small-Company Stocks Beat Larger-Company Stocks? 148
30. What If You and Your Spouse Represent Different Nationalities? 150
31. Why Should I Rebalance My Portfolio? 151
32. What Are The Best ETFs To Buy? 152
33. What's the Difference Between an Accumulating ETF and a Distributing ETF? 153
34. Should I Buy An ETF or Index That Pays High Dividends? 153

Chapter 8: Couch Potato Investing 157

Don't Bonds Tie You Down? 158
Are You Worried That Bond Interest Rates Are Low? 159
Where Do You Plan to Retire? 160
Are You Retiring in an Emerging-Market Country? 162
The Magic Of All-in-One Portfolio ETFs and Index Funds 162

Chapter 9: Model Portfolios for American Expats 167

Do You Currently Invest with Vanguard? 168
Couch Potato Investing with Vanguard 169
Simple Investing with a Vanguard Stick Shift 172
Vanguard's Admiral Series Global Two-Fund Portfolio Solutions Socially Responsible Investing 174
Americans Using Interactive Brokers 176
ETF Portfolios with Interactive Brokers 176
Socially Responsible ETF Portfolios 176
Don't Contribute Illegally to Your IRA 176
What Exactly Is an IRA? 179
Could You Retire And Never Pay US Taxes Again? 180

Chapter 10: Portfolio Models for Canadian Expats 183
Socially Responsible Investing for Canadians 185
Swap-Based ETFs—The Ultimate Legal Tax Dodge 186
What About RRSPs, TFSAs and RESPs? 188
Children's Education Savings Plans 189
Canadians In Europe 191
European Country Residents not Affected By This Rule 191
For Most Canadians Living In an EU Country 192
One Drawback To Non-Canadian Listed ETFs 193
Repatriation: If You Decide To Move Back 194

Chapter 11: Portfolio Models for British Expats 197
Are The Extra Commission Fees Worth It? 200
The Downside of Vanguard's LifeStrategy Index Mutual Funds 203
Portfolios of Individual ETFs: For Walking British Buddhas 204
How Important Is UK Stock And Bond Market Exposure? 206
Socially Responsible Investing For British Expats 208
Are You Really Ready To Do This? 210

Chapter 12: Portfolio Models for Australian Expats 213
Socially Responsible Investing For Australians 214
What If You Don't Want High Exposure to Australian Shares? 217
The Repatriation Benefit of Aussie-listed Shares 218
Tax Laws: Created By The Rich For The Rich? 219
Now Look Deeply Into That Mirror 220

Chapter 13: Portfolio Models for Europeans and Other Nationalities 223
The Home Currency Bias 224
Investors Who Might Not Want Any Home Currency Exposure 226
Socially Responsible Investing 229

Chapter 14: Setting Your Bulls Eye 231
What's a Better Definition of Wealth? 233
What's This Ailment Expatitis? 233
Three Decades And Counting With The 4 Percent Rule 234

You and Your Money Can Both Last Longer 237
Part II Retirement or Semi-Retirement In A Low-Cost Country 239
This Personal Decision In Not For Everyone 240
When It's Not About The Money 241

Chapter 15: Retire A Decade Early In Latin America 245
Mexico: Hot Beaches, Cool Mountains And The World's Best Expat Social Scenes 246
Costa Rica: Happiest People, Best Wildlife And Environmental Leaders 252
Panama: Idyllic Islands, Popular Mountain Towns and Retirement Discounts Galore 256
Ecuador: Friendly People, Great Climate, And An Ultra-Low Cost Of Living 261

Chapter 16: Retire A Decade Early In Europe 267
Portugal: Crashing Surf, Gorgeous Scenery and Europe's Best Weather 268
Home Sweet Home 270
From Canada to Portugal for an Easier Pace of Life 271
Spain: Spectacular Beach Walks and Skiing In The Same Day 274
Aerobatics Pilot Chooses To Fly 275
Couple Enjoys Life on Less Than €9000 a Year 275
If You Don't Have A Pension, How Much Money Would You Need? 277
Eastern Europe: The World's Best Low-Cost Secret 278
Climate and Safety 279
Why Georgia's Becoming The New Hot Spot 280

Chapter 17: Retire A Decade Early In Southeast Asia 285
Retiring In Malaysia: Beauty In The Sun 286
Can You Handle The Heat? 286
Top Quality Medical 287
Retiring In Thailand: The Land of Smiles 289

Conclusion 295

Low-Cost Retirement Country Resources 297

Index 303

Acknowledgements

If I were hit by a bus, I can imagine my wife eventually venturing back onto the dating scene. But I'm pretty sure she wouldn't date a writer. I can hear the checklist in her head right now: adventurous, check; handsome, check; caring, check; intelligent, check; writer . . . oh shit. Writing is an anti-social gig. The best part (for me, anyway) is gleaning stories from people that I can share and learn from. But then, as all writers do, I spend thousands of hours trying to make sense of it all. Only 0.01 percent of authors earn enough compensation to exceed a minimum hourly wage. I made that up. But it's probably true.

So, I have to thank my wife, Pele Hallam-Young, for helping me with this book. She encouraged me. She helped with edits and ideas. And she worked tirelessly as my time manager, taking on tasks that I was "too busy" to do because I was writing a book. OK, so writing this thing did have some perks.

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The group includes several warriors for the cause, of which there are far too many to list. But I want to acknowledge Tuan Phan, whose name alone likely draws shivers from the creeps who sell investment linked assurance schemes. The tireless Facebook poster and presenter might know more about these products than anyone in the Middle East. He knows far, far more, in fact, than the people who sell them. I'd bet my portfolio on that.

Elie Irani and Steve Cronin are also indefatigable activators who inspire me to keep moving forward. Elie created a fabulous *Getting Started Guide* for the SimplyFI community and Steve (who organized my first public talk in Dubai) continues to help people on the Facebook group, and with his blog and workshops at, *Dead Simple Saving*.

To say I've also been inspired by PlanVision's Mark Zoril is a serious understatement. After introducing Mark to the expat community, he has worked tirelessly as an angel on their behalf. Knowing how many thousands of people Mark has helped also pushes me to try and keep up.

If there's something I want to convey more than anything else, it's this: we need each other. I'm not just talking about writing a book or managing money. We can all help each other in every capacity: socially, physically, emotionally and financially. So thank you, everyone, who contributed to inspire and help me. I'll keep doing my best to pay that forward.

Introduction

Our taxi crawled along the 3-lane highway. But from what I could see, Egyptians don't care much for lanes. Five cars squeezed, side-by-side, along a road designed for three cars abreast. I wondered if there was an accident ahead or whether this was normal mid-afternoon traffic. We were on the outskirts of Cairo, Egypt, driving into the old city. "Hey, check this out!" my wife laughed. Ahead of us, to our right, a bus driver yelled at a guy in a car. It was hot, and our taxi's air-conditioner was on its last legs. But at least now we had entertainment to keep our minds off the heat and the clogged traffic jam.

Tempers soared between the two drivers. And when the clogged traffic stopped, each guy sprang from his vehicle to wage a verbal war. Fueled by anger, they gesticulated and spat as they screamed at one another. I thought a physical fight would start. But before it could, passengers in the bus began screaming at their driver because, in his rush to jump from the bus, he had forgotten to pull his emergency brake.

Traffic was now moving, and the driverless bus gained speed on the downhill grade. The driver then sprinted for his bus, barely getting to the door and jumping in. He slammed on the brakes and averted smashing into a stopped car ahead.

Almost every traveler has a story (or ten) to share. The world, after all, is filled with wondrous sites, people, cultures and quirks. But expats witness far more than most. When choosing to leave their home countries, they enter other worlds. Some prefer ultra-modern cities like Hong Kong, Singapore or Dubai. Others seek African, Asian or South American cities with a bit more grit. These often contrast old ways of life with a growing modern touch. You might see a woman in Hanoi, Vietnam driving a top-of-the line Mercedes Benz, followed by a guy carrying a fridge on the back of his scooter. Plenty of expats move from place-to-place. Others settle down, sometimes moving to Europe from North America, Australia, New Zealand or South Africa.

But expats often face financial risks when moving overseas.

You might wonder what I'm smoking if you're on a cushy expat package. After all, there's a large league of expats in Southeast Asia and the Middle East who make bucket loads of cash.

They left their home countries to teach at international schools or work abroad in industries such as banking, information technology, oil, cosmetics, pharmaceuticals, and shipping. Many work for firms like Coca-Cola, Facebook, American Express, Johnson & Johnson, Google, Microsoft, and Exxon Mobil.

Not all expats (including millions in Europe) make massive sums of money. But even those that do face financial risks.

In 2003, when I left Canada to teach in Singapore, I kissed goodbye to a defined benefit pension. Had I continued with my former job, I could have paid off a home, contributed modestly to investments, and received pensionable income for life.

By comparison, most expats run naked. Many don't realize they would need more than a million dollars in the stock market or multiple mortgage-free rental properties just to equal, for example, the retirement benefits earned by most public-sector workers in the United States, Britain, Australia, or Canada.

Such benefits are globally waning. But they're still a reality. Governments offer additional monthly cash: Social Security (for Americans), Canadian Pension Plan for Canadians. In fact, most developed world countries offer retirement benefits for their respective home-country workers. But it's different for expats. Few expats contribute to their home-country social programs once they've moved abroad. Without maximizing contributions to these plans, they can't fully open their mouths to such morsels once they've retired.

One of my former colleagues learned this the hard way. She's American. But she taught overseas for most of her career, so she contributed little to US Social Security. While working abroad, she earned a lot of money. She furnished her large apartment with fine carpets. She bought beautiful jewelry. She enjoyed flashy holidays—often flying business class to five-star resorts. Unfortunately, she didn't save much. Today, my friend is back in the United States, renting a room in somebody else's home. She's 73 years old and struggling far below the US poverty line. As Warren Buffett says, you only know who's swimming naked when the tide goes out.

In sharp contrast, I also taught with a couple that retired with about $5 million in their investment account. That's a lot of money—especially for teachers. They paid for their two daughters to go to college. They own a mortgage-free home. They lived well as expats and retired fully clothed. But they were great planners.

In this book's first two editions, I described the most common investment products sold to expats in Asia, Africa and the Middle East. These rank among the world's worst financial schemes. They pay eye-watering commissions to the folks who sell them, which is why they're so prolifically sold. Over the past few years, I've given plenty of talks in Europe. With Europe's strict financial regulations, you might feel protected walking into a European bank and asking them to manage your money. But to my horror, banks in countries like Germany and Switzerland (just to mention two) also typically sell the same crap. These schemes are great for the banks. But investors get burned. And these investors are often trapped. If they want to sell, they are required to pay massive penalties (which, in the end, are almost always worth paying).

This book explains how to avoid these stinky schemes, explaining how to invest in a diversified portfolio of low-cost index funds or ETFs. I'll show where you can open your investment account, while describing how to make investment purchases for different nationalities. The strategy I describe beats the returns of most professional investors. Best of all, you won't have to watch the stock market, follow the economy, or read the dull business pages of *The Wall Street Journal*.

This strategy takes about 60 minutes a year. Don't believe me? Good. Don't believe anyone who talks to you about money. That goes double for a financial salesperson. Consider everyone a shark, until proven otherwise. Use the Internet as you read this book. Confirm all my sources.

Does 60 minutes a year sound like too much time to spend on your investments? No problem. You could hire a scrupulous financial advisor or a robo advisor firm. I list some in this book. They would build you a portfolio of low-cost index funds or ETFs. Nobel Prize winners in economics recommend these products. Warren Buffett does too. In fact, Mr. Buffett says that when he dies, his estate will be invested in index funds.

I'll explain what index funds are and how they work. I'll also show you how to buy them.

Millionaire Expat (3rd edition) outlines how to plan for your future. How much money should you invest, based on *your* future needs? How much of your investment portfolio can you afford to sell during each retirement year?

Several expats, however, might say, "I would love to retire, but I can't afford it." In some cases, they didn't save enough. Others saved well, but they were rooked into long-term investment schemes that didn't make them decent profits. But such people shouldn't fret. I'll describe some desirable locations where you could retire on a shoestring. You could live (full-time or part-time) in a low-cost country, spending a fraction of what it would cost to live in the United States, Canada, Australia, New Zealand or much of Europe. I also provide tips for younger, global nomads who are keen to travel the world while working online.

As an expatriate, you can build lifetime memories by experiencing more of what the world has to offer. You can live better, earn more, and provide for a generous retirement. You'll just need a plan. Fortunately, you're reading it.

Chapter 1

Grow Big Profits Without Any Effort

Once upon a time, in a land far away, there lived a young farmer. His name was Luke Skywalker. Don't get confused by his *Star Wars* namesake. That was just a movie.

Luke had a farming mentor, an awkward little guy with a massive green thumb. His name was Yoda. "Use the Force you must, young Skywalker," he said. "Add new seeds to your crop fields every year. The Force will grow those seeds. They will flower and spread more seeds and those seeds will grow."

"Which seeds should I plant?" asked Luke. "Buy the bags that contain every type of seed for every type of vegetable," replied Yoda. "You'll never know which vegetables will grow the best in any given year," he said. "Plant them all, you should. Let the Force look after the rest. But watch out for the dark side."

Luke wasn't sure what Yoda meant by *the dark side*. He just knew that Yoda was a mysterious little dude. So Luke bought a bag that contained every seed. He planted every one, and his crops began to flourish. Some years, his carrots grew best. Other years, his lettuce, parsnips, or beets took center stage. Sometimes, droughts and a searing sun hurt his crops. But his crops always came back, stronger than ever.

This is how the stock market works. You can buy a single fund called a global stock market index fund. Like a bag of seeds representing multiple plants, it contains thousands of different stocks, representing dozens of different markets. It contains American stocks, British stocks, Canadian stocks, Australian stocks, and Chinese stocks. In fact, a global stock market index contains about 7,400 stocks from at least 49 different countries. Nobody trades those stocks. With a global stock market index, you own all of those stocks. You would also have access to that money, any time you want.

Some years (much like the garden during a drought), the proceeds recede. But just like that garden, the stock market always comes back stronger than before.

Imagine if someone had invested a lump sum of $1,200 in the global stock market, starting in 1970. They then saved an additional $3.29 per day, adding that amount to their investment at the beginning of each year. Between January 1970 and December 31, 2020, that person would have added a total of $61,200 (see Figure 1.1 and Table 1.1). If they equaled the return of the global stock market index during those 51 years, that initial $1,200 investment—plus a further commitment equal to $3.29 per day—would have grown to more than $1.8 million. Between January 1970 and January 2021, global stocks averaged a compound annual return of 10.07 percent per year.

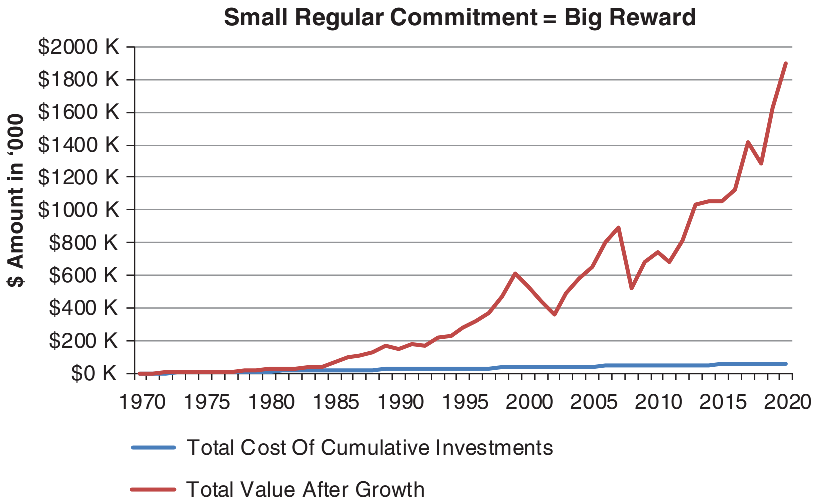

Figure 1.1 Global Stock Market Growth
SOURCE: Morningstar Direct.

Table 1.1 Global Stock Market Growth

Year Ended Dec 31	Annual Return	Total Cost of Cumulative Investments	Total Value after Growth
1970	−2.25%	$1, 200	$1, 173
1971	18.52%	$2, 400	$2, 812
1972	28.21%	$3, 600	$5, 144
1973	−8.96%	$4, 800	$5, 776
1974	−21.09%	$6, 000	$5, 505
1975	32.44%	$7, 200	$8, 880
1976	8.97%	$8, 400	$10, 984
1977	3.32%	$9, 600	$12, 588
1978	24.22%	$10, 800	$17, 128
1979	12.33%	$12, 000	$20, 588
1980	21.85%	$13, 200	$26, 548
1981	−3.19%	$14, 400	$26, 863
1982	6.61%	$15, 600	$29, 918
1983	25.37%	$16, 800	$39, 013
1984	6.47%	$18, 000	$42, 815
1985	51.83%	$19, 200	$66, 827

(continued)

Table 1.1 (*continued*)

Year Ended Dec 31	Annual Return	Total Cost of Cumulative Investments	Total Value after Growth
1986	45.35%	$20,400	$98,878
1987	10.06%	$21,600	$110,146
1988	20.56%	$22,800	$134,238
1989	24.15%	$24,000	$168,147
1990	−12.00%	$25,200	$149,025
1991	18.42%	$26,400	$177,897
1992	−4.10%	$27,600	$171,754
1993	25.25%	$28,800	$216,624
1994	6.19%	$30,000	$231,308
1995	20.73%	$31,200	$280,707
1996	13.73%	$32,400	$320,612
1997	15.33%	$33,600	$371,146
1998	27.58%	$34,800	$475,039
1999	29.04%	$36,000	$614,539
2000	−13.80%	$37,200	$530,767
2001	−17.86%	$38,400	$436,958
2002	−18.75%	$39,600	$356,003
2003	38.08%	$40,800	$493,226
2004	18.27%	$42,000	$584,758
2005	11.52%	$43,200	$653,460
2006	23.11%	$44,400	$805,953
2007	11.16%	$45,600	$897,231
2008	−41.72%	$46,800	$523,605
2009	30.40%	$48,000	$684,346
2010	8.62%	$49,200	$744,640
2011	−7.99%	$50,400	$686,248
2012	18.34%	$51,600	$813,526
2013	26.59%	$52,800	$1,031,361
2014	2.02%	$54,000	$1,053,419
2015	−0.44%	$55,200	$1,049,979
2016	6.53%	$56,400	$1,119,821
2017	−2.25%	$57,600	$1,394,068
2018	18.52%	$58,800	$1,258,000
2019	28.21%	$60,000	$1,595,348
2020	16.61%	$61,200	$1,895,913

Source: Morningstar Direct.

Your Investment Time Horizon Is Longer Than You Think

A few years ago, I met a 50-year-old Canadian woman who lives and works in Ethiopia. "I need to take bigger risks with my money," she said, "because I'm only going to be investing for 15 years. I want to retire when I'm 65." She failed to realize, however, that if she retires at age 65, her investment duration isn't 15 years. If she lives until she's 85, her investment duration would be 35 years. Investment lifetimes have two phases. That's why she shouldn't take unnecessary risks.

The first is an accumulation phase. This is when we're working and adding money to our investments. The second stage is a retirement (or distribution) phase. The day we retire isn't the day we sell our investments, hold a massive party with the proceeds, and drink tequila until we puke. We need to keep our money invested, so we can sell pieces of it to cover our costs of living. That money should keep growing so we can continue to live off its proceeds (see Chapter 14*).*

That's why a 50-year-old investor's time horizon could be 35 years or longer. A 40-year-old investor's time horizon could be more than 45 years.

Why Average Returns Aren't Normal

If we look at various 30-year investment periods, global stock markets have averaged 9 to 11 percent per year. But individual calendar year returns that land precisely within that range are about as normal as a two-headed poodle.

During my lifetime, it has happened once. Global stocks gained 10.06 percent in 1987 (See Table 1.1).

It's much the same for the US stock market. Between 1970 and 2020, US stocks recorded calendar year gains between 9 and 11 percent just twice. In 1993, they gained 10.1 percent and in 2004, they earned 10.9 percent. The rest of the time, stocks soared, sank, or sputtered.[1]

US stocks averaged 10.68 percent between 1970 and 2020, but single-year performances were schizophrenic. On 10 occasions, US stocks recorded annual losses. On the flip side, stocks gained 25 percent or more during 12 other calendar years. Stock market volatility is normal and it always will be.

What Is the S&P 500?
The S&P 500 is a common measurement of the US stock market. It includes 500 selected large-company stocks. The composition of the index doesn't change much year to year. Some people measure the growth of US stocks by the Dow Jones Industrials. It represents 30 massive stocks, selected for their size and robustness. Sometimes, people reference the Wilshire 5000. It tracks more than 6,700 publicly traded US stocks. It's the most complete measurement of how US stocks perform. But over long periods of time, the S&P 500, the Dow Jones Industrials, and the Wilshire 5000 produce similar results.

When the Stock Market Beats Real Estate

I'm a huge fan of investment real estate. Buy a two-, three-, or four-unit home and reap income from every tenant (single family homes are far less efficient). Once you've saved for the down payment, let the tenants pay your mortgage.

This isn't a book about real estate investing. To do the topic justice would require a whole new book. But I do want to show how stock market growth might be better than you think.

Take one of the world's hottest real estate markets: Vancouver, British Columbia. Referencing figures from the Real Estate Board of Greater Vancouver, CBC News reported that the average detached Vancouver home sold for $368,800 CAD in 1994. By 2021, it was worth $1.83 million.[2] That's a massive gain of 396 percent over 27 years.