How to Get Rich Slowly and Stay That Way

Theo Marinis considers the lessons from history to get investors through volatile times.

By Theo Marinis

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The ancient Greeks would quickly recognise the parallels with cryptocurrency and the story of young Icarus. Icarus, for those readers unfamiliar with ancient Greek mythology, became too excited by the fact he was able to fly, ignored his father's instructions and flew too close to sun, causing his wax-made wings to melt, and plummeting to his death.

Cryptocurrencies, real estate — the year past has seen many investors burned by the promotion of get-rich quick schemes, usually by social media influencers (or 'fin-fluencers' as they've been dubbed).

As investors, we need to step back from irrational exuberance and consider history.

Paul Volcker was an American economist who served as the 12th chairman of the Federal Reserve from 1979 to 1987 and was widely credited with having ended the high levels of inflation seen in the United States throughout the 1970s and early 1980s. He recognised that the only way to stop the rampaging inflation dragon was to step on its neck and to wait for it to die; there is no quick solution.

Unfortunately, as it thrashed around, many good people would be injured financially.

I believe that in order to take the steam out of the markets and slow post-pandemic overspending we are facing another "recession we had to have". From 2020, wealthy investors around the globe have hoarded cash and after the lockdowns they want to make up for the hard times we have all experienced.

My hope is that 2023 is going to be a little like 1983 when inflation in both retail and primary markets is low, particularly in light of the sharp price increases recorded in most recent years.

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Nobody has a crystal ball but as an economist with almost 40 years' experience in financial services, I have a few simple messages to avoid flying too close to the sun and create long-term wealth.

- Engage with a financial adviser and make a financial plan.
- Aim to buy a home of your own.
- Maximise your superannuation. When you get a pay rise, split it 50/50 between an increased super contribution (up to the $27,500 pa Concessional Contribution threshold) and remember this includes employer SG contributions. If you don't have the extra cash in your wallet, you never miss it.
- If you get a bonus, make a Non-Concessional Contribution – and go on a nice holiday with what's left. You probably deserve it.
  Pay your credit cards monthly in full.
- Look at protecting your lifestyles with insurances and make a Will.

None of the above is rocket science. It is simply good, general life advice.

Being conservative is the most important. Get rich quick schemes work 100 per cent of the time for the promoter, not the investor. If something sounds too good to be true, it probably is.

A little over a year ago I met with a young man aged 29, engaged to be married and who, having just finished his PhD, had received a permanent academic appointment. He disclosed he had been "early to the crypto party" having bought $10,000 worth of coin – which at the time was worth a staggering $900,000.

He asked me what he should do.

My advice was that he should redeem his cryptocurrency holdings and use the proceeds to buy a house. He countered with "but what if it goes higher – what if it doubles like my friends say it will?"

As everyone now knows, 2022 will go down in history as the cryptocurrency crash. But in January 2023, this young man has a nice deposit of $300,000 worth of Bitcoin for a downpayment on a new home.

Where you can find the magic which will help your wealth creation regime fly is in compound interest and using the tax and superannuation laws to your advantage later in life, when it comes to set up your retirement. This is when you will get to spend all the money, rather than when you were working for it.

I have always lived by journalist Edna Carew's maxim: 'Get rich slowly and stay rich'.

Theo Marinis is Managing Director of Marinis Financial Group.

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