

Financial Five a Day podcast

Episode 3 – Barney Whiter

George Callaghan, Barney Whiter and Martin Higginson:

GEORGE CALLAGHAN: Hello and welcome to the Financial Five a Day podcast with me, George Callaghan, professor of economics and personal finance at the Open University and--

MARTIN HIGGINSON: Martin Higginson also at the Open University, a senior lecturer in economics and personal finance.

GEORGE CALLAGHAN: In this podcast series, we'll be using the concept of Financial Five a Day to invite all of us to think more purposefully about improving our financial nutrition in much the same way that the fruit and veg Five a Day campaign shifted habits on healthy eating. We invite you to listen and to learn about the money stories of our guests and be inspired by their tips and guidance.

MARTIN HIGGINSON: We would especially like it if these stories encourage you to reflect on your own money habits and perhaps make some changes yourself, helping you to become more conscious and purposeful around money, although we must note that we are not offering regulated financial advice.

GEORGE CALLAGHAN: Our guest today is Barney Whiter. Barney writes The Escape Artist blog which offers a clear-headed guidance on how to navigate our consumer society and advise readers to develop more independence and clarity around their financial decisions. Barney, could you tell us about your own money story?

BARNEY WHITER: Yeah. Thank you for having me. So I would trace it back to 1981 when I was 11. And my parents had just moved and they'd just done the classic thing of buying the biggest house that you could possibly get the bank manager to lend you money for. And in 1981, there was a recession in construction. My dad worked in construction and the interest rates went to 17%.

So that's not a very comfortable financial place to be if you're my parents at that point in time. And so I saw the pressure that applied to my parents. I kind of picked up on the stress. We were never in poverty on the street, but it felt like that was possible to me at that young and impressionable age.

And so my dad stopped buying beer, started brewing his own, newspaper got canceled. We didn't go on holiday that year, blah, blah, blah, blah, blah. So I just saw that it was possible to tighten your belt, and I also saw that it was a bit scary to be in debt. And so from that point onwards, I decided that I would try to never end up in that situation where I was worried about money and in debt, et cetera.

So I overreacted to that. And then I engineered my life around avoiding that when I was an adult. And so when I went to university I did economics and learned everything I could about money. I trained as a chartered accountant, moved to London, worked in what you might call the city of London. I spent 20 years in corporate finance, going deep, deep, deep, deep into money and I guess high finance.

But whilst I was doing that I never took my eye off my own money journey. And I'm like, OK, well, if I'm going to earn all this money, I'm not going to just splash it up the wall. I'm not going to just inflate my lifestyle. I'm going to build wealth and I'm going to make sure that I get a house and clear the mortgage as soon as I can so that I don't end up in the disaster that I thought my parents could have avoided.

MARTIN HIGGINSON: So it's really interesting how that younger self has definitely influenced your whole approach to personal finance. And I remember those interest rates hikes really well because I'm a little bit older than you, Barney, and actually I was hit by that interest rates. So I do remember it.

In terms of your own challenges around money, it sounds like you've navigated very well because you've been very clear in terms of your own, making sure you're not overspending perhaps, things like that, but have you faced any particular challenges over that journey?

BARNEY WHITER: I'm not sure I would recommend my way to everyone else and I'm not sure it was as smooth as a journey as I just made it out to be in that line. That's a 30-second sound bite. It's a series of disasters, essentially.

[LAUGHTER]

So my problem was I came at money from a place of fear, a place of financial anxiety, a place of scarcity. And so my big challenge was to not only I get better at earning money but also at some point learn to let go of what drove me in the first place, which was fear and anxiety and worries about not being enough.

I held down a job in corporate finance for 20-odd years. And there were plenty of really, really difficult times in that. It's a very cyclical industry. It's an industry that's known for ridiculous

deadlines and burning people out, et cetera. So I had multiple career crises and existential crises along the way.

GEORGE CALLAGHAN: And Barney would you see the emotions of fear and anxiety that you've described are common amongst the UK population?

BARNEY WHITER: Well, the two most powerful emotions that drive everything in relation to money are fear and greed and those are universal to the human experience of money. I was unusual that I was like-- my background tilted me more towards fear than towards greed. So my upbringing I talked about that scare in 1981, but also my parents were very sensible generally in terms of how they earn their money and spend their money.

So greed wasn't really my problem, fear was more my problem. But if you look around the population, generally, you can see what happens when you give a normal person a lot of money because we call that the lottery. And so every week a new normal person given a lot of money and we see how that ends, [LAUGHS] and it's generally badly.

[LAUGHTER]

Because that person generally has never learned to master themselves, their emotions, their behaviors around money. And so the average person probably has a bigger problem with greed than with fear. But everyone's different, everyone's got a unique set of challenges, everyone's got their own problems and issues. And so because I do a lot of financial coaching, it hammers home to me on a daily basis that everyone is different.

When I first started blogging and writing, I would say things like, well, everyone's too greedy and everyone spends too much money, da, da, da. And the longer I go on the more I realize there's always exceptions, everyone's different, and everyone's got their own sort of neuroses around money.

MARTIN HIGGINSON: That element of fear and I've seen-- maybe I kind of side part to that is also anxiety around money, fear and anxiety. You have touched upon it, but if you can somehow let go of that or accept it or whatever you need to do, what does that open up in terms of opportunities do you think?

BARNEY WHITER: If you start from a sort of fear basis and you're a bit like me, what you need to do is cap your downside first. So you need to take homelessness off the table. I'm exaggerating for effect, but I decided that it was important that I never be bankrupt, never get my house repossessed, and therefore that meant avoiding debt.

I never spend on credit cards. I have them set up on autopilot so they get paid off in full every month so you don't start racking up this huge interest. So don't use consumer debt, use mortgage debt wisely. And I personally chose to get out of mortgage debt as soon as I could.

And by doing that, essentially-- I mean, I cleared my mortgage when I was 32 just because I was just so, so, so, so ridiculously focused on it. It was like my number one goal. And at that point, I'm like, OK, well, I've capped my downside, now I can focus on the upside, now I can focus on opportunities.

Once you've eliminated your downside you can be braver at work. You can be braver in your business. You can be braver in your career. You can take on projects that are a bit riskier. You could become a founder of a startup, for example, or you could do a job that was more volatile and less secure but you just enjoy it more. So once you've protected yourself from the downside all sorts of opportunities open up to you.

GEORGE CALLAGHAN: Barney, wonderful comments on how individual personal finances and yet we all live within a consumer society that bombards us with messages related to constantly purchasing stuff, to change our status, enhance our status. How as an individual try and survive, never mind thrive, in this consumer culture?

BARNEY WHITER: Well, you have to recognize it's a scam like consumerism is a gigantic scam that is perpetrated on everyone. And how do I know it's a scam? Everyone will say we're all living hand to mouth and yada, yada, and it's impossible to save, et cetera. And so the UK savings rate is something like 4% or 5% across everyone.

And yet what we saw during the lockdowns is essentially when you remove people whose ability to go out to the restaurants and pubs and cinemas and theaters and casinos and all this stuff, the savings rate for the UK went to I think 33%, 34%. And so we know that it is possible to save 33% of income on average for a country because that's exactly what happened a few years ago.

And I'm not saying that everyone should live like a monk. I'm not saying everyone shouldn't go to the pub or go to the restaurant, et cetera, but you have to be aware that the overall system of consumer capitalism is designed to tempt you 24/7/365 to spend your money. That's what the system does.

And so if you are going to accumulate any wealth, if you're going to keep anything for yourself, you have to essentially put a limit on the extent to which you're influenced by the messages of consumerism-- advertising, marketing, peer pressure, keeping up with the Joneses. And it's

basically up to everyone where they want to sit on that spectrum. I mean, I'm kind of at the extreme end, so I'm like, it's all a scam.

[LAUGHTER]

But some people want to buy, whatever, their Prada handbag.

MARTIN HIGGINSON: I think I'm probably towards the same end of the spectrum as you Barney, to be honest. So you've talked about this consumer society and you said people need to maybe at least engage with the fact that it exists and that there may be psychological pulls or motive, pulls which get people to spend money when they may not need to necessarily.

I'm just wondering in terms of money habits, how might you get them to-- or what suggestions might you have to start challenging that? I think you said people need to challenge it or at least they need to look at it in fresh eyes. Is there something they could do, not necessarily a daily habit but a general habit to confront that?

BARNEY WHITER: Yeah. So one thing is just be aware of the possibilities. Essentially, the financial independence blogs that sprang up in the last whatever 5, 10 years, they're a bunch of individuals who just show what's possible in terms of building wealth and retiring early and all this sort of thing. And so whether or not that is for you that sort of extreme approach, it does show what's possible. It does show what's possible.

Just opening your eyes, being aware that there is another way rather than living paycheck to paycheck, that is a big part of the battle. And generally, it works when people find a blogger or a YouTuber or someone who's done something like that that they can relate to and that resonates with them. That works well.

So that's one thing you can do, which is just find some examples. There are lots of good books out there. Your Money or Your Life would be a classic. Another one would be The Millionaire Next Door. Those books are like gateways to another world.

MARTIN HIGGINSON: Education, isn't it? It's making yourself aware that you're not on your own in that sense there.

BARNEY WHITER: Your Money or Your Life in particular is the gateway from consumerism to financial freedom. It's just a whole different way of looking at the world. The whole title refers to your money or your life, which was the choice that highwaymen used to give people before they robbed them, and people would generally give up their purse or their money to keep their lives.

The point the author is making is that by working 9 to 5 all of your life and spending all your money, you're choosing your money over your life. It's like you're not handing over your wallet, you're saying, no, kill me. Those books are great gateways to nonconsumerism, if I can put it that way.

MARTIN HIGGINSON: Yeah. That's helpful.

GEORGE CALLAGHAN: Barney, one of the oldest personal financial journey, maybe step one is that people can generate a monthly surplus. So in other words, they've got some money left at the end of the month. And perhaps step two might be building up a modest savings pot of three or three months regular outgoings. Then step three might be to think about investing.

And what you tend to find is that between [CHUCKLES] step two and step three, in other words, shifting from a savings mindset to an investment mindset, it's actually quite challenging for a lot of people. They will say things like, it's too risky for me. How might we demystify that and encourage more people to shift from savings to investment or at least to add investment to their personal finance?

BARNEY WHITER: Yeah. Well, with saving into a bank account you're guaranteed to lose. You're just guaranteed to lose. So I don't see what's safe about being guaranteed to lose because essentially tax and inflation will guarantee that that money that's just sat there in a bank account will not keep up with inflation. If that's safety, well, I think I'll rather have risk, thank you very much.

Essentially, the way I describe cash in a bank account to people is that's like when you go to a wedding or a party and you see one of those ice sculptures and there's a drip tray underneath the ice sculpture and it's like that swan or whatever that ice sculpture is melting. So you can't see it disappearing because it's slow and it's gradual, but it's guaranteed to disappear by the end of the night.

That's your cash in your bank account because that's what inflation and money printing is doing to the value of your cash. So we have no choice. If we want to preserve wealth, build wealth, grow wealth, you have to invest in real assets, real productive assets that grow their value. And so that means primarily the stock market or property.

MARTIN HIGGINSON: So great picture as well to visualize that, isn't it? So summing up for a lot of young people perhaps some of the challenges are actually more difficult, I think. I mean, you're talking about your younger self earlier and when you were growing up and perhaps what you've learned and what you might have changed your mind about.

But I'm just wondering thinking about younger people, maybe 18 to 25-year-olds, for example, do you think what you've described applies them equally to older people who might have a little bit more flexibility? Your general approach to personal finance, do you think it applies across the whole age range?

BARNEY WHITER: Well, I get a little bit frustrated with traditional personal finance. And one of the reasons is everyone just starts from a what can you do with the money that you've got left at the end of the month. Well, what if you haven't got a job? What if you're 18 or 21 and you've just graduated or just left college and you haven't got a job? Well, that's all irrelevant.

So to me, you have to take a holistic approach to life investing, personal finance, your money, the whole shooting match, and you have to build value in yourself. If you're 18 to 25 before any of this money nonsense, you got to get a job. How do you get a job? You have to have some education, some skills, some hard work, some applications.

And this is the key thing right now. You have to look after your mental health. The younger generation have experienced a mental health disaster. Obviously, not all of them, but it's terrifying when you look at the stats for the wellness of that generation. And so that's why I include-- I write a lot about health mindset wellness because it's all linked.

MARTIN HIGGINSON: I'm really glad you said that Barney because money has its part in that mental health and anxiety as well for younger people, isn't it? So that's really well phrased.

BARNEY WHITER: So one of my little catchphrases is you can't cure money worries with money alone. So I often see older people who have done everything right. They've held down the job and they've saved their pennies and they've avoided debt and they've invested their money wisely, et cetera, et cetera, et cetera and they're fine, but they're still anxious, they're still worried about money. And ultimately, you can't cure financial worries with money alone. At some point, you have to work on your wellness and your holistic overall health.

GEORGE CALLAGHAN: Absolutely. Really interesting point, Barney. Just to round things up, what have you changed your mind about in relation to money?

BARNEY WHITER: What I've changed my mind about is the importance of avoiding a scarcity mindset. So all throughout my journey I was sort of squirreling my money away. And that's fine. It'll take you so far, but that's like playing football with a defense and no offense. It's like not having any midfield or attackers.

So essentially what you have to do to do money properly is to balance attack and defense. So yes, it's important not to waste money and fritter money away and don't have umpteen

subscriptions for Netflix, et cetera if you don't use them. So it is important to save your pennies and plug the gap. But if you just focus on that, you're in a scarcity world. And so you need to be able to focus on the mindset that allows you to progress in your career and achieve more.

MARTIN HIGGINSON: Brilliant. Thank you, Barney. Thank you so much. That was very interesting discussion.

BARNEY WHITER: Pleasure.

GEORGE CALLAGHAN: So, Martin, Barney is quite the escape artist. There are some really, really interesting points. I mean one of my main takeaways was when he was saying that you can't solve money problems solely with money and we have to have a holistic perspective on this.

MARTIN HIGGINSON: Yeah. So he talked about the holistic side. And again, as others have said bringing it back to emotions because I think one of the things he said was based on his upbringing and the slight financial pressures in the household is he approached money with fear. And he actually said creating a bit of a barrier to actually doing things he would have done differently, actually.

GEORGE CALLAGHAN: And he threw in fear and greed, so concentrating on perhaps not the most positive of human emotions. And he also nodded in the direction that greed is in a sense created and reinforced by the consumer culture and how as individuals the first step is to actually wake up to the fact that we do exist in this consumer culture.

MARTIN HIGGINSON: Yeah. And when we asked him-- it's OK to say that, but how do we when we're confronted with the kind of marketing machines of commerce, et cetera? And I thought he made a really good point is you're not alone. There are lots of people out there who've written about the consumer society, who've written about the power of heuristics, how we're tempted to buy things through mental shortcuts.

And he said go out there and look at some books. And we talked about Money or Your Life, didn't he? which is a classic. But read blogs. Read his blog, for example. And you're not alone. So don't feel it's fine, I'm being told to look for the scams, but how do I do it? There are others out there to help.

GEORGE CALLAGHAN: And he was also very humble. He acknowledged that he might be on quite an extreme end of the frugality spectrum and that's not for everyone. What he was saying is for most of us, there is space to save a bit more.

And then he was really quite powerful on how you wouldn't want to put all of your money in savings because of inflation which can erode the purchasing power of your savings, and that really what we need to be doing is perhaps once you've built up a contingency fund is to begin to think about investment.

MARTIN HIGGINSON: Yeah. He was clear about putting all your money in the bank. You may think it's safe but actually, you're losing. You're losing because of inflation or tax perhaps. And on that savings point, it was interesting, wasn't it? because he also said how people may not think.

Things are tight, I can't save, and yet in lockdown, he was saying people were saving about a third-- some people, not everybody. Some people were actually saving a third of their income because some of that temptation to spend had gone. And so he's not saying don't go out to the pub, don't go out to restaurants, but you can save more.

GEORGE CALLAGHAN: And then when you look back over his life and work as he changed his mind about, it was to try and engage with this scarcity mindset that there's never quite enough. And he's reframed that. Maybe it's still a lifelong process to a growth mindset. And in a sense, that's what you and I are attempting to do through this pod is to acknowledge that there are financial challenges ahead, but through agency and energy there's actually a lot that people can do.

MARTIN HIGGINSON: Yeah. Absolutely. That whole area of we can do something, we're not stuck. So that was great, George. Really interesting discussion.

GEORGE CALLAGHAN: Thanks, Martin.

MARTIN HIGGINSON: Thanks, George.