The Australian Finance Podcast Episode Transcript

Episode: Property Vs. Shares | Money & Regret Ft. Andrew Page
Release Date: 23/08/2021
Speakers: Owen Rask & Andrew Page
Duration: 41:02

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Episode transcript:

Owen: Andrew Page, good day, mate. Welcome to the Australian Finance Podcast.

Andrew: Owen, I'm pleased to be here, mate. Always a pleasure.

Owen: Yeah. It's always great to chat. To those who don't know, Andrew and I are mates. We go way back to The Motley Fool days. But, Andrew, you've since started a website called Strawman, and I bet that some of our listeners are already quite familiar with it. Tell us a bit about Strawman. When did you start it? Why do people go there, like thousands of people go there, why? What is it? What's good about this place?

Andrew: Well, it's funny. It's like a lot of things. It's sort of you have an idea and then it evolves and you pivot, and you tweak, and that kind of thing, but it was actually launched a public beta version back in early 2018. I guess the problem we were trying to solve is that, and I'm sure a lot of your listeners know this, there's a lot of stuff online when it comes to opinions on investing and finance and the rest of it. It's just a very noisy place and it's just really hard to know who to trust. You know, everyone's Warren Buffet on Twitter. Do you know? And so, I was like, maybe you are or probably you're not. But we wanted to sort of have a platform where people could share ideas, test their own thinking. All that kind of stuff. But we just put accountability around it. You got like a play money stock market portfolio that you can pay to portray the ASX and have a bit of experience and hopefully help you gain a bit more confidence with all that kind of stuff. But also to help build a track record and build credibility. And just recently really in the last few weeks we've launched Strawman Premium. And the way they think about that is really we get rid of all of the tech jargon. It's just we're an investment club. We're an online investment club and like any investment club whether it's around the kitchen table like us, you're on a platform online. It's just about connecting self-directed investors together, sharing ideas, leveraging the collective experience and wisdom and intelligence of the crowd. And hopefully, aiming people to make more informed decisions and get better results. That's what we're all about.

Owen: You can go online. You can get a free account on strawman.com. Hey, why is it called Strawman? It sounds like a scarecrow.

Andrew: This is like a fundamental belief of mine when it comes to investing is that the best way to improve an investment idea is to challenge it. It's very bruising to the ego, but I kind of feel like, "Look, dude, you're either right or you're wrong." Right? And if you're wrong, the stock market is going to show that to you. It will reveal that to you in the course of time, one way or the other, and that's going to result in a painful financial loss. If it's wrong, I want to know before that happens. I would rather that it be my ego that gets a little bit bashed and bruised rather than my portfolio.

The idea with Strawman or the name of Strawman is that we want people to challenge ideas. Yeah, put up your idea. What do you think has worked fine? Tell us how much you think it is worth. What's the investment thesis? What are the risks around that? And then hopefully people can come and sort of shoot it down in flames in a very respectful, polite way. I'm probably not doing a great job of selling here but it is immensely powerful. In fact, we run this thing called the Strawman Index. We just affix the portfolios of all of our members and just segregate them together. And it's done something like 40% compound return over the last 3.5 years. I think the big part of that is because of this collaborative environment. We've got one where people can challenge each other. Again, respectfully, kindly, but with that view in mind of trying to get a fair amount of idea of your investment case.

As I say it either knocks it over in which case you either sell out or do invest in the first place. That is a huge win. Or it helps strengthen that idea. And when that's the case, because even if you got the best investment idea in the world, it's never going to go up in a straight line. And so, it helps you with your emotional fortitude, it helps you stay true when things get scary and volatile. When you get a great investment, you buy it at a sensible price, and then the market being the market hands you a big serve of humble pie. It drops 20% the next day, or we have a global pandemic, or an Icelandic volcano erupts, or any kind of external factor happens. It gives you the conviction to actually, "I'm not going to sell. This is great. In fact, now it's cheaper. I might even buy more. Whereas, you and I both know mate that generally speaking human nature is such that in most cases what you want to do is you will doubt yourself and you will sell. So strengthening that conviction through challenging is why. It's a long answer. But that's why it's called Strawman.

Owen: Yeah. I like it. And of course, I like it. It's great to see you having such success with it. I think it's just a minimum viable product as they say instead of [unclear].

Today's conversation is an interesting one because we're not actually talking necessarily about the stock market and investing which is for the most part our jam. Today we're going to talk about property. We're going to step over the fence and we're going to talk about the difference between renting and buying. I thought of you when Kate and I were talking about this because a few years ago you went on a bit of a Twitter, shall we call it rant?

Andrew: Let's call it what it is. Let's call a spade a spade.

Owen: It got picked up. I think it's picked up by the ABC. You got interviewed, and there was the stuff going on. Maybe just to start off can you just give everyone a big picture perspective. Maybe you can explain your journey. How did that Twitter storm come to be?

Andrew: Like you, mate, I've been investing in the share market for a long, long time. I walk the talk. I'm a firm believer. I think it's just the best arena to grow your wealth. Generally speaking, I think you and I both know this when you speak to most people, the share market is seen as a casino. It is seen as something that is really risky, and there's movies like Wolf of Wallstreet. Everything in popular culture sort of reinforces that. And let's be honest, I forget who said it. It might have been JP Morgan, the man. But if you treat the market like a casino, you'll get the same result. And most people do, right? It's this highly speculative, very risky kind of place. However, as you and I also know, if you take it seriously and you approach it conservatively, it's actually really, really great. All of the studies show this. There are some great charts out there that just show you. It puts the share market up against the other investment classes and it outperforms. It always has. It's more volatile. That's the price of admission. There's no denying that. You don't get anywhere. And that's why it's called, it's seen as riskier. But risk and volatility are two separate things, I would argue. But anyway, it's a great vehicle for long term wealth creation.

I'd been investing for a long time. Almost 20 years. And I thought, wait a sec, I've got most. When I look at my personal balance sheet, most of my money was in my house like most Australians. And houses are great, let's not be negative on housing. Housing is actually a wonderful investment in recent times. But I felt that, well, actually, I've got this debt against it. I could just sell the thing, take all that equity, invest it in the market. Again, sensibly and conservatively with a long term focus, and then rent. You know I love a good spreadsheet as you know Owen. I went down the rabbit hole and I reached the conclusion that even though rent money is "dead money" that given the extra capital I've now got deployed in the market on a net basis I'd actually be better off. In fact, I would compound my wealth faster. 10% on $10,000 is $1000. 10% on a million dollars is $100,000. The returns might be the same percent each wise but the dollar returns would be very different. And that was my hope, and that's actually been birthed out by my experience. On a dollar basis, we've done better than if we had just left our money in our house and just had this small amount leftover in the market. So that was the thinking and that's why I did it.

But the Twitter storm was one of regret because although that it has been true. What I didn't factor in, and this is the big mistake that I made and this doesn't fit neatly into a spreadsheet, is the emotional turmoil that comes with that. What you don't have as a renter in this country is security. If anyone is renting out there, I'm sure a lot of our listeners are. Good luck finding a landlord that will give you a lease that's more than 12 months. Maybe 2 years if you're lucky. We have had 5 houses in 7 years. We've never been in a house for more than 2 years. We get kicked out all the time. Now, let me stress. We're good tenants. I've never missed rent. We've never damaged the property. The reason we're getting kicked out is because the owner wants to sell, or renovate, or put their kids in it, or something. Fact is that weren't related to us. And that's what I didn't factor in. And we've got 2 young kids. We've got school zones and all that kind of stuff to consider. Just anyone who's moved knows it is the worst thing ever, moving. And so that was my regret and that led to the Twitter storm sort of like, hey, I sold my house to invest in the market. It's actually worked out well financially. It has not worked out well emotionally because we have no sense of home. We feel like every place we have is like an AirBnB. It's just been really, really frustrating. And so the Twitter rant was about sort of talking about that experience and just talking about the really associated silly policies that are around housing and renting that really disadvantage renters. You know, I think you're seen as a bit of a second class citizen as a renter.

The reason the ABC picked it up, this is the interesting thing that when… It was on 7:30, the journal kept on coming back to this idea of, "Wait, wait. You had a house?" "Yeah, yeah." "And you on purpose decided to sell?" "Yeah." That was the angle that they wanted to come at because it was just seen as like the most. No one does that. Why would anyone ever do that? It is an ideology in Australia. Home ownership is the dream. The great Australian dream. And so for anyone to, the story of people having trouble getting into the market is a well-known one. In fact, a very important story that needs to be told. But the story of the person who's in the market and voluntarily elects to leave the market. What? That's really weird. So, yeah, that's what that was all about.

Owen: There's a few interesting things there. We have one question from our Facebook community from David who asks, "Why even get a house at all or at least why get an expensive one when you factor in maintenance, renovation, council rates; shares historically win." Everyone is different but it's the feeling of security I guess that it provides especially for kids.

The first one you said before is about the money component of it. And you referenced investing effectively by taking that money investing in shares, right. Would that trade off? Just from a financial perspective. We'll get to the emotional side of it in a sec. But would that math still have worked if you are starting out as an investor? Because a lot of the people that think about housing in a negative way like trying to save their deposit. They're like they don't have a hundred thousand or a million. They have 5, 10, 20 grand. I guess if you're in that situation today, would that influence your decision? Would you still go and save your deposit for a house so you can get that leverage so you can get in. Does that make sense?

Andrew: Yeah, it does. This is going to be hard to do verbally, but the variables that matter here… The answer to your question is it depends. If you're going to buy a caravan at the back of Burke, it makes a huge amount of sense, right? Because you don't have to take on a lot of leverage or pay it off really quickly, and then you'll be rent and mortgage free. And then you have all your disposable income to put into the market. The maths just works out beautifully well. If on the other hand you want to buy a 3-bedroom, brickhouse in the west of Sydney or Melbourne or something like that, and you literally need $1.5 to $2 million dollars to buy that house. And you have to borrow 95% of that, and you have to pay mortgage insurance, and you have to pay rates, and you have to pay this, and all of this stuff. Then probably not.

The other big ex factor on that as well, you and I are sitting here right now with interest rates at the lowest levels ever been. And if they stay at this level for the next 30 years, then that is a big plus for property. If it doesn’t, let's say interest rates go up %1 or 2%. That changes things massively. Now, if we were at an interest rate environment of 8% and went to 9%. Well, that is less attractive. But when you go from sort of 1% to 2%, you’re literally doubling your mortgage repayments, so that’s the other thing. It depends is the answer. I would argue at this point in time that we have this as humans, and this happens as much in the market as it does in the property market is that we have a tendency to extrapolate. We look at recent history and we just push that forward. Here, people say our property doubles every 7 years, and property never goes down, and all these kinds of things. Well, actually, that’s not true. That’s another tweet I sent out. I went to the ABS and I went back as far as all the property records they have. Over the last 20 years, I’m going to forget the figure now, but something like 4% in gross terms not real terms. Not inflation adjusted terms. Still great investments. The great thing about property is it got utility. You can live in that house. You can’t live in a shares portfolio. So there are other considerations with all of that. But it is something that I think is dangerous for people right now to think I can comfortably take on a massive amount of debt and I will double my money. Particularly, I know people who rent but have an investment property. Now wrap your head around that. And they are happy to do it, even though they are not even making any money on it. In fact, they are losing money. In fact, Owen, they’re intentionally losing money because of this strategy called negative theorem. And they do that quite happily because if the price of the house goes up, if the capital value of the house goes up enough, you can actually make squillions. But this is true of anything, right? Imagine if I said to you, “Hey, Owen, I'm going to take all the money I’ve got. I’m going to take out a margin loan.” For those that don’t know, a margin loan is a loan that you use to buy shares. Margin loans just don’t let you borrow this much. But let’s say I found one that does. And I said, “I'm going to leverage myself up 95% like 20 to 1. For every dollar I’ve got, I'm going to borrow another 20 bucks, right? And I'm going to put that all in the share market.” You would think you are the craziest fool that ever lived. I don’t care what blue cheap quality shares you’re buying. Things can go wrong with that strategy.

And I would just urge people considering property that there's a couple of things if you’re doing that you need to be comfortable with. One, is that leverage works both ways. If property goes down, and believe it or not, I know it doesn’t feel like it has in Australia in the last decade or so. But the global experience and the longest historical experience is actually it does go down. That can wipe you out. You still have to pay back the amount of debt that you got, but your equity is absolutely gone. So you can lose a lot of money doing it that way. Here’s the other thing too, particularly when you factor in the real cost of ownership, that is you factor all of the money you have to pay just to keep the house with rates and maintenance and all the other kinds of things. Is that in fact even if it only goes up 1% or 2% per annum, you probably still behind as well. You’ve taken on a huge amount of leverage. There’s a massive interest component to that. Interest rates might go up. That’s really the talk on the market right now is inflation risk, and it’s a risk because if inflation goes up, the remaining interest rates go up.

It’s not about me sitting here today forecasting this stuff. I think this is where a lot of economists and financial punditry goes wrong. This will happen and it will happen to this extent and by this day. I'm not that smart. I can’t do that. I don’t think anyone can. But it is about saying, it could. And if it does, then what? So you always, in any investment, whether it’s in shares or property, I think you should as an investor spend a good deal of time thinking about, “Yes, obviously there’s a bull phase there. There is an investment case to do something.” But look at the case when not doing it and be comfortable with that as well. There might be an asymmetry here of sorts, but if everything goes swimmingly your way, you make a bit of money and that’s great. But if things go against you, for whatever reason, unexpected reason that was foreseen or not seen, what happens then? And we are in a situation I would say just talking in aggregate about the average scenario across Australia that if interest rate goes up by any material degree, if house prices fell to increase at the historical rate they have in the future, a lot of people are going to be in a huge amount of pain. Maybe it doesn’t happen and I don’t want to be silly enough to forecast it. But if it does, you need to be comfortable with that scenario. Particularly, if like a lot of people, you’re spending every last cent of savings you have just to service the damn thing. And this is something that even under the best-case scenario for a lot of people is that 20 or 30-year commitment with a mortgage to pay this off. So you never get sick, you never lose your job, nothing ever goes wrong. Great! You'll do okay. And I would say okay. You're not going to be shooting the lights out. Anyway, that's a long answer, but I think you need to think about all those things.

Owen: Yeah, fair enough. If you were 20 years old today or anywhere between 20 and 25, right, and you've got a [unclear] get a house or whatever, but you've got 25 grand. So you can make a choice. I could save up for the next 3 years and buy a house or I could start investing in shares knowing that I won't be able to access that money and I'll go rent. Just as simple as that. Which option would you recommend you would take?

Andrew: It's a hard one. I think, as I said, and this is where I went wrong, what you have to consider is the emotional side of things. If you do decide to go invest in the market and rent, unfortunately, you have to be prepared that there could be a lot of upheaval in your life in terms of having to move all the time. It costs a fortune to move and it's a pain. Your furniture never fits in the new house, etc. It's different too. I think if you're in the market for a 2-bedroom unit, it's a very different market than it is for someone who's after a house. We've got 2 kids, 8 and 11. We wanted a house. As I understand it, that's very different, it's a much more difficult market than 2-bedroom units which are just falling out of the sky at the moment. They're everywhere. You probably have a lot more security. You have to factor all of that in. And if you do this idea of going the property route, and by the way, there's nothing negative on it. There's nothing, absolutely nothing wrong with that. I would just say, just if you do go that route, just make sure you don't overstretch yourself because for all the reasons I just said, you don't want to be wiped out.

Owen: And now let's jump forward a few years. That was the younger person. Let's say you go back, and this is where we can touch on the emotional side of it. Again, is the decision that you made to take the chips off the table and invest, would you have made that exact decision again or would you have done something slightly different?

Andrew: I would have done something different. The hindsight is 2020. What I would have done is that I would have kept the house, and I would have drawn down against it. Now, that's still borrowing money to invest, but the advantage of doing it that way as opposed to doing it with the margin loan is that you don't experience what's called the margin calls. Margin loan, if your level of equity drops too much the broker will just force you to sell your shares. You become a fore seller. The alternative that I'm talking about it's actually held against the value of the property. Even if you suffer a 50% fall in the market because of a bad market or a crash or something like that. You are not a fore seller and you can be there for the recovery. In fact, you can probably put more in. I would have gone that way and I think if I had gone that way… I think if you add it all up in terms of dollars and cents I probably would not have made as much of a return but I would have a much less stressful life, and that's something.

Owen: Just to confirm to people there, typically in a margin loan that when you get a margin loan through your broker or whatever, it is secured against the shares in the portfolio. But if you use a line of credit, the bank is effectively saying, "If your shares don't work out and you can't repay your loan, we'll take your house." And that's better in some ways because then if the shares fall, which we know they do because of random durations, you don't have to then go and sell the shares which the broker would force you to do if you had a margin loan. There are pros and cons there should be sure. But if I was going to do it that's the way I would do it too assuming that you knew how to invest. The big asterisk here is you understand how to invest and you are prepared to invest in that way.

Andrew: I think actually there's a really great analogy. I think I invest in the share market the same way I would invest in the property market. That is with the view of probably 5 years plus having done a research of knowing the quality of the suburb, whether the foundations are firm, whether there are any white ants. The same kind of to stretch the analogy are there white ants in the balance sheet. What kind of suburb/industry is this business? Like you've got to approach it very, very sensibly. And it takes work as you and I both know. But, yeah, you really want to treat it seriously and properly.

Owen: Here's another question that came through from Shawn, our Facebook community. He said, "What do you think about accumulating investments and renting and so you can buy somewhere to live and pay a mortgage. Would you prefer to invest in shares and keep renting? What is your ideal scenario?" I guess you kind of answer that in a way.

Andrew: Ideal scenario would be that we have a European system where there are much more protections for tenants. Honestly, I don't know. It sounds a bit like I've got a persecution complex. Maybe there is a bit of truth about it. You are really treated as a second class citizen as a renter. It's sort of like anytime you ring up the real estate agent because something breaks, like, "What have you done?" It's a really horrible experience. We live in a world where if someone said that to me... Get this, Owen. I've actually put this to all of our inputs. I've said you got an investment property. I'm an investor, I get it. You want security. You want visibility of future cash flows. How about this? Let's sign a 10-year lease and within that lease I'll put in a clause that says that every year we increase the rent to either the rate of inflation or the level of every rental income in the city. Whatever is the most, I'll do that. You have a guaranteed clause of rental rises and I have a security of tenure. I know that I'm going to be able to live here. And if I know I'm going to live here for 10 years a lot of perverse incentives come into it. So often when friends or family come around and say, "Oh, look at this. You have a great space in the backyard. You're going to put up a nice garden." Or, "Oh, look at this. You could really do a lot with this space." Why would I? Why am I going to spend any effort, and time, and money to plan a nice garden and only be kicked out in a year? And then, probably lose a bit of bond because I've dug up the dude's backyard. It's really weird perverse incentives. Yeah, I think the system is broken in Australia when it comes to rentals.

Owen: What would they say when you put that?

Andrew: "No, we don't want that." I think the assumption is that you're going to do something stupid. You're going to ruin the value of their home. I don't know. I would sort of say, we pay you a lot of money each week to live here. It's our privilege to do so. Obviously, we don't want to destroy your house. It's your asset. I get that. I don't want to… By the way, I live here. I want a nice home. Not in my interest to ruin the place either. In fact, I want to make it nicer. But you can't. You can't do it. I mean, we've lost money because we put a picture on the wall. A little bit of paint chipped off. Or more often than not, the landlord has put some crappy kitchenware from Ikea or somewhere like that. And just in the day to day of using it the handle falls off. You lose bond on this. Dude, this is wear and tear. This isn't reckless. We're not cooking crack here in our house. People live here and every day they might drop a fork on the floor accidentally. That's why we pay you rent to compensate you for all of this. It's a really, really bizarre scenario. I forget what your question is.

Owen: No, that's fine. Here is an interesting question. Imagine that you're… I'm using a younger person analogy, as an example, sorry, because a lot of times younger people do feel the weight of the Australian dream the most. I think once you move on, once you buy a house, you realize it's not all it's cracked up to be. You're like, I wish I didn't stress about this so much.

Here's a question that was sent in. It says, "What should I do if I'm in my early 20s and I want to go do things like travel but I'm being pushed by people around me to buy a home." If you are in that young person's shoes, what would you say to get your parents off your back, to get friends or family?

Andrew: It's hard isn't it? It comes back to what I said before it is an ideology. It is a religion in this country. And people are coming at it from a really good place. Particularly the Berman because they've had such a wonderful experience with property. They want what's best for you. And they bought it when they were young and then they are now sitting on a gold mine. And they want you to have the same thing. Now, when they buy every trust price is 3x or 4x average income. In Sydney and Melbourne, every trust price is 12x average income. Even though they might want to complain that interest rates were high in their day, the multiples were very, very different. But, anyway, they are coming from a good place. So that's the first thing to acknowledge.

The other thing I would say is it's not a binary decision. As a Buddhist would say, there is a middle path in all of that. You can have the experiences that you want. Do a bit of travel and enjoy. What does Buffet say about, you know, you want to invest for the future but you don't want to do it too focused on that. He says like saving sex up for all day. You got to enjoy yourself on the way through. So there is a middle path here. I would sort of say, you don't want to be the kind of person who blows through their 20s and 30s without ever having saved a cent or having anything to plan for their long term financial future. You will regret that. I remember being 20, a long time ago that was, but you just think I'm never going to be 40, or 50, or 70. It's an eternity away. But, sadly, here's the reality, you're already going to die before then or you're going to get there. If there is one thing that we know in investing, you take away all the fancy, complex stuff. The best friend that you have is time. Time is the friend of compounding and compounding is the friend of wealth. And so you really want to do something now.

Yeah, on one hand you don't want to just blow through it all and have a great party lifestyle and then have a really miserable middle and older life. At the same time you don't want to be the person who only eats 2-minute noodles and toasted cheese sandwiches and puts everything on the market. Yeah, you'll be mega, mega reach when you're 50. But life has to be lived, right? Maybe you'll get hit by a bus tomorrow. I think there is a balance there. Whatever you do, just don't put yourself into a corner where you're so overstretched that you are losing sleep because you're worried about meeting your mortgage or payment. Or every time, the first Tuesday of every month when the RBA meets that you're just desperately refreshing your newsfeed to see if the RBA lifted the interest rates by quarter of a percent. Because if it does, you'll be on the street. You do not want that lifestyle.

Unfortunately, this is the problem that the boomers don't understand. I don't think that people in that scenario, the way that things are structured at the moment is that the only way you'd be getting into the market is if you're privileged enough to come from a family where mom and dad can give you a couple of 100,000 to help you do it. Or you get into massive, massive, massive amounts of debt. That's how you get into the property market. Or you just wait, and wait, and wait and save, and save, and save, and then finally maybe get it deposited and then buy. And then have this massive rock of debt around your ankle for the next 30 years. It's a massive dilemma. It is a huge dilemma. It's not easy.

The policy always keeps talking about housing affordability. And there is every single policy and approach under the sun to improve housing affordability. Let's cut through the weasel words, Owen. Housing affordability, if you want to improve it, it means pricing going down. That's what improves affordability. But if you do that, if you do anything that does anything to impact that, you're going to wipe out 2/3 of the country. You'll plunge the economy into a massive recession and you get voted out quicker than anything. This is the great unspoken truth that is out there. Everyone knows that this thing is broken. But what do you do? What do you do? We've encouraged so many people to sort of leverage them. We're one of the most highly leveraged property markets in the world. One of the largest property markets in the world despite our size. The only way to fix it is for prices to go sideways for a long time or the prices to pull back a little bit. And that is going to hurt a lot of people. So you let people access their super. You give grants to first timers. You do all these things. But there's a really perverse outcome to that which is all that does is make houses less affordable. Drives up prices. It's a really diabolical situation. I don't have any easy answers.

Owen: I would say the easiest answer for a lot of those people in that situation, and this is kind of the conclusion that I've come to a few times, is just invest. It doesn't matter where you do it or how you do it. Maybe except that I probably wouldn't put it in something like cryptocurrencies. But, go out and invest. Maybe a little bit. Yeah, a little bit is fine. But don't be saving your house deposit and shares to cryptocurrency or anything else that's risky. If you do go down that road, just find comfort knowing that you are actually doing something with your money. Even though you might be renting or whatever, you are actually doing something. And that is actually, emotionally, that is a really positive feedback. It might just be the case that it takes you 10 years to buy your own home, but at least you're investing and you're making money. You're putting money to work in the meantime.

I think another way people can do it is, if there is a couple, have your brokerage account set up. So you're buying shares and you're investing that way in ETFs so whatever you're doing. And then, also have a property account. You just automate just a little bit of money every month so you feel like you're getting ahead. I guess the one big concern for a lot of people is that because of that leverage you talked about earlier, the property market seems to be getting away faster than you can save up.

There is one more thing I want to talk to you about here, mate. When you think about where you are now, have you considered buying a house?

Andrew: Yes, I have. I'd like to really do it in the next couple of years. But it's the same. I'm 46, Owen. Depressing but true.

Owen: Very young.

Andrew: Thank you. Thanks for saying. It takes a little longer to get out of bed these days. I'll say that much. Well, my personal situation is such having started the business. It's actually much harder to get a loan. That's the other thing. The other one is that I'm actually on a pretty good thing with my investment. And the last thing that I want to do is sort of it would depress me a lot to have to sell everything and then put that into a house because I would gain security but then I would lose this beautiful compounding machine which is just doing really well for me. So I'm trying to personally get to a stage where I can do it without taking on too much. Ideally, I'd like to just buy a house without having cash. [unclear] That just doesn't happen. But, yeah, I might be in that situation speaking of extrapolation. But I might be in that situation in a couple of years if the market continues to be kind to me. In that way I can have my cake and eat it too.

Owen: Yeah. Well, that's exciting stuff mate. That's exciting.

Andrew: Can I just say though. It isn't going to be a waterfront property with six bedrooms.

Owen: What do you mean? You're the founder of a start-up and you're a professional investor. Sure it is.

Andrew: No, no. You know what? I'm actually a really simple person. I don't need a fast car. I don't need a boat. I just want a nice place where we can raise a family. Three bedroom big home. A bit of a backyard. Job done. I'll be as happy as Larry if I have that scenario. I'd much rather have that and be in a situation where there is no excessive leverage or risk that can wipe us out. So no matter what happens in the economy I can sleep pretty soundly at night doing that I'm not going to lose everything if interest rates go up.

The great thing about a house and having a small or non-existent mortgage on it is that thinking about the return there is insane. Because what you would otherwise be spending on paying an interest or paying on rent is in your pocket. It is a guaranteed return. I've got a couple of friends who have houses and they've got these massive mortgages against it and they have an investment property. And then they go, "Maybe I've got a bit more equity. I'll buy another one." Again, this sort of stacking things on top of each other works really well in an appreciating housing market. But my urging to them is, actually you know what, why don't you just spend that money and pay off your mortgage. Because being in a situation where you're mortgage free that is… Some of these guys are paying $800 a week in interest. Wouldn't you rather, I mean, think about having $800 in your pocket each week that you can invest or do whatever you would. That is a return in exactly the same way as anything else would be considered a return. Anyway, each to their own. But that life for me is a low stress life where I can live mortgage or rent free.

Owen: I think that's the key. I think it is good you talk about it. People listening to your story would probably think that you're a bit jaded and a bit critical. But I think that's right. Sometimes, in my experience with a home too, I don't really care for property to be honest. I'm going to share my story in a few weeks. Maybe that will be cathartic for me too in a few weeks. Yeah, I'm only one year into our house buying journey and I never felt the urge to buy one. I've got to admit that as great as it is being able to just knock down a wall if I really want to do that knowing that the consequences take 5 weeks to patch up. Much easy to not. I think from a financial perspective it always made sense to me to be an investor in the stock market. This has always made sense. All businesses. It doesn't have to be that's what we are doing [unclear] Or you can go and invest in a private business whatever. That has always made more sense for me. But I also understand the emotional side of things and where that comes from particularly with a family.

It's also interesting to hear how you kind of backed up the numbers. I think one of the things that we always get asked is saving more on a mortgage versus investing in shares. I think the big consideration that people have to take into account is just the tax where you pay tax or where you don't. If you pay off your mortgage or you have an offset account which is probably the way I'll do it. Have an offset account. You don't pay tax to save money on interest. But if you invest and you get dividends you do pay tax on capital gains and dividends. That's a fair trade off. But, yeah, we've covered that in another podcast as well with mortgage, interest rates.

Mate, I think this is awesome. I think we also didn't do a great job of introducing Strawman at the top of the show. I think people should go there. It's strawman.com. You can create a free account. For any of our investors in the audience, we've got tens of thousands of them, you can go on to Strawman. It costs you nothing to get a free account and you can have, like Andrew said, a play money account basically where you can pick which share that you heard about or which ETF that you heard about on the stock market. And you can say, "I'm going to put $10,000 of my fake $100,000 and let's see how it goes." I think it's a brilliant way to introduce people to the stock market. And it's so much better than the ASX game which is like 6-8 weeks. You can see how you would have done every year. Like you said, 3.5 years is where you're up to now. So you can try out that really daunting thing which is investing. Maybe you're thinking, do I save for a house or do I put my $5,000 or $10,000 in the stock market for the next 3-5 years. Let's go and start that journey by just opening a Strawman account and see what it feels like. Yeah, strawman.com is where you can find out more of what Andrew has been working on.

Andrew: Mate, can I just quickly add a couple. I know we're short on time. But I'll just add a couple of quick things on that. We've just transitioned to this premium model so the free site is going to be a little bit restricted in terms of the content that you can see there. We're in the process of polishing that up so please bear with us. What you can do which you've alluded to is you can pay to portray the market.

The other thing that you can do is that you can use Strawman as an investment guide. I really think that's more important in a lot of ways. What the share market can teach you the wrong lessons. I've got friends who started investing just by happenstance at the start of a bull market. It's very easy to convince yourself that you are Warren Buffet. It's that rising tide lifts all boats. In the share market you can be right for the wrong reason so you can buy a share and think you're really well. But for no reason that you deserve to do well on it. We just locked in the right place, right time kind of stuff. What I would encourage you to do… Unfortunately, premium is close at the moment. We're not accepting new members. If you go there and you open up a free account by all means have a bit of fun trading the market. But I would encourage you to, in these reports, write down the reason you're buying the company. Write down the risk as you see them. Write down some notes maybe managed. All the kinds of things that you might want to look at. By the way, I know you've covered this extensively with all of your podcasts so we're not going to go into it now. But do that as an exercise. We'll be far more valuable than just saying, "Oh, after three months I happen to be up on this highly speculative stuff." Which can give you a false sense of confidence. Trade it seriously and make sure that the things are going well for the reasons that you thought that they were going to go well. Not because it just happened to turn out that way because you can learn the wrong lessons in this game.

Owen: Yeah, but property doubles every 7 years, Andrew.

Andrew: Of course it does.

Owen: These rules matter. These rules of thumb. Wonderful, mate. It's always a pleasure to speak with you so thanks for coming and sharing your story. I really appreciate it.

Andrew: Always a pleasure. Thank you.