

**FREEDOM
FIRST**

MATTHEW KLAN

FREEDOM FIRST

ESCAPE THE INCOME TRAP, UNLOCK YOUR POTENTIAL
AND BE FINANCIALLY FREE, *NOW*

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For my family.

You make freedom worth fighting for.

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Introduction

Do you want to be financially free?

Plenty of people will answer yes; but what if I told you that we've been going about it backwards all along?

Decades ago in what feels like another life, I achieved what many people nowadays consider the ultimate: I'd studied hard, gotten into a good university and graduated with a professional degree that promised me a good career.

And then I made a decision I didn't really understand the importance of at the time, one that would shape my life from then on. Having achieved what society told me I should desire—the security of a good job, a secure pay cheque, with the promise of a secure retirement—I threw it all away and chose my freedom instead.

At the time, many people told me I was crazy. What was I thinking giving up not just a job but a career, and the guarantee of financial security? But I sensed back then what many people are starting to realise now: that the promise of security was only an illusion. I couldn't bear the thought of spending a lifetime working a job, hoping at best that at the end of many years I might be able to stop—perhaps in comfort, perhaps not.

When I first quit my job I wasn't rich.

I didn't have enough passive income to buy back all of my time—or enough capital saved to do the same—before I chose to do something different.

I could see that the path I was on wasn't going to buy back my time for another 40 years, and even then there was no guarantee. I'd known retirees who worked their whole life to buy back their time and still weren't financially free.

They had become dependent on the stock market, dependent on their pensions and, despite working hard their whole lives, they had only ever really learned one strategy, one skill for creating wealth: work and save. And if circumstances changed after retirement, derailing their carefully laid plans, then they had run out of time to repeat that strategy all over again.

I saw that it was more important to get onto a new path first, rather than just try to race to the end of the same path sooner: the path where you need to be rich, or at least moderately well off *first*, if you want to be financially free.

Because that's what both 'responsible financial planning' advice as well as 'get-rich-quick' advice tells us to do ...

You probably think that there is no similarity between responsible financial planning and get-rich-quick thinking. Most people think they're polar opposites: working hard and saving is the responsible path, while trying to get rich quick is the irresponsible path.

But when it comes to financial freedom they are both the same path: rich, *then* free!

Those who have low time preference and an aversion to risk travel on the path more slowly, while those with high time preference and tolerance to risk try to race down the path more quickly!

But the speed you travel at is irrelevant if you are heading in the wrong direction.

What do you mean by 'Freedom First'?

If you want to become rich so you can be financially free, you need to *start* by getting free *first*.

Freedom First is not about replacing *all* of your income before you can quit your job; it's not about building up your passive income or building up enough equity—which pays you income—before you can be free.

It's not about getting financially free in three to five years, instead of 30 years. It's not about getting financially free *fast*.

Freedom First is about *getting free first*.

Freedom First is a principle.

People say they want to get rich so that they can finally be free ...

I say you need to get free if you want to get rich in the first place.

The freer you get, the richer you'll become.

Although it might sound radical, the idea that freedom is necessary for the creation of wealth is not new: plenty of economists have pointed out the relationship between freedom and wealth when it comes to a nation's prosperity. American economist Brian S Wesbury has said, 'When freedom prevails, the ingenuity and inventiveness of people creates incredible wealth.'

But when it comes to an individual's ability to produce wealth, this incredible relationship has been ignored.

**“One of the greatest pains to human nature
is the pain of a new idea.”**

Walter Bagehot

Perhaps it has always been more profitable to sell people security, rather than freedom?

Saying you want to get free, then doing everything in your power to do the opposite—going into debt, chasing security, locking away your money, tying yourself down and becoming dependent on a job and on the market for decades at a time—is insanity.

**“Those who would give up essential liberty to
purchase a little temporary security deserve
neither liberty nor security.”**

Benjamin Franklin

It's obvious in hindsight that if you want to get completely free *financially*, the way to do that is to start by getting a little freer *first*, and growing from there.

Plenty of people have gotten rich, only to discover they are not free.

Plenty of people get rich in booms, only to lose it all in a bust.

What I'm most proud of is not that I got rich.

It's that I got free, *then* rich.

And when the market changed in 2007–09 and we saw the biggest correction in most people's lifetimes, and fortunes that were made in the boom were lost, I stayed free.

And got freer. And richer.

If you know that for the rich the ultimate currency stops becoming money after a certain point, and starts becoming both the *time* and the *freedom* to act, then it makes sense that you should aim to build up those assets from the beginning.

Buy back your time.

Strive to have more choices: free people choose, unfree people comply.

These are the things that really matter in the end, and so if you want to be rich *and* financially free, they are precisely the things that should matter in the beginning.

The two sides of Freedom First

There are two sides to Freedom First: getting free first and valuing freedom first.

You've got to *get free first* if you want to be able to unlock the creative potential of your mind, and have the time and the resources to take advantage of opportunities that you create or that come your way. (I'll explain this in part III of the book.)

But you also have to *value being free* if you ever want to get free in the first place (as I'll explain in part I). Plenty of people say they value freedom; some even say they put it 'first', but do they? If your only conception of financial freedom is having a lot of money, passive income or flashy cars and houses, you might want to think about whether you really value freedom at all.

And while there are two parts to Freedom First, there's a third part to this book as well. If you've ever felt that you truly wanted to become financially free, and have done everything you can to get there, but with no success, in part II I'll look at the traps that come from not being free that might be holding you back.

When I first quit my job, I threw myself into the task of learning everything I could about money, investing the time I'd bought myself and my savings in wresting at first a living, then eventually wealth from the market. Once

my endeavours had paid off and I managed to make myself rich, I tried to teach others what I'd learned. At first I shared the techniques and strategies I'd developed in a hostile market, hoping to help people make the most of the boom I saw coming, ahead of the correction I knew would be inevitable.

But having trained as a professional, without realising it I was sticking to the facts, the nitty gritty of what I was doing.

I came to realise that knowing *what* to do was not enough. While I had skin in the game, while I was living in the market, the people I taught were not.

And that made all the difference.

After more than 40 years of expanding credit and 90 years of inflating prices, and after watching bubbles rotate from one asset class to the next as newly created money from the government and banks sought out a home, for most people, constantly rising prices from shares to property had come to seem the norm.

Growing up with parents who had a job for life, when degrees were rare and valuable and pensions were secure, it was easy for many people to feel like we'd flattened out the world, rounded off the edges, and straightened out the curves and cycles: that we'd tamed the nature of the econo-system.

As a result of this, most people tended to think in straight lines and failed to see both incredible risks such as the global financial crisis (GFC), or the incredible opportunities that were on the horizon.

Freedom First is unique

I had the example of my own life, but it took me a long time to understand what lesson to take from it. It wasn't until I had been free for a long time, that I realised there was something fundamentally important about the decision I had made.

The idea truly is revolutionary: that if you want to be financially free, you've got to get free first—that freedom creates wealth.

The safe route, the secure route, hell, the responsible route is to tell people, 'get a good education and then get a good job. While you're in that good job you can think about learning to invest, maybe one day starting a business'.

The idea truly is revolutionary: that if you want to be financially free, you've got to get free first—that freedom creates wealth.

Except in the real world that very rarely happens.

By the time people have worked hard enough to get a good job locked down, they have often run out of the energy or the time to explore anything else. Our youthful years are gone and we are just happy to pay the bills and have some time off. But what if a good education doesn't lead to a good job in the first place, or when it does, that job is not even that secure?

What if our safe, secure path was just a historical aberration?

For most of our history we were more like small-business people than modern employees: small farmers who settled the lands; artisans and guild members who travelled from town to town plying their trades. Tribespeople who herded, or hunted, worked skins and bones and traded with other tribes thousands of miles apart, long before we had written language.

It's not trading, exchanging, bartering and creating that are abnormal. It's not learning skills on the job and growing and changing as the world around you changes that are without historical precedent.

No, the thing that is absolutely unnatural is for a whole nation of people for several generations to be raised to expect that it's normal to get up in the morning and head out to work in somebody else's factory, or more recently somebody else's office; to start work when they say, and continue until they say you can stop—what you can do, and what you can't do, is decided for you—all in exchange for a little time off each week, a short break each year and, provided you take on debt, a roof over your head and a 'comfortable' life.

The only historical precedent I can think of that comes close to matching our culture of mass employment is a culture of mass slavery.

Freedom: something everyone can value

Most financial advice seems to fall into two broad groups that appeal to what people already value. It's either low-end nuts and bolts: 20 good tips to not be poor; or big picture: how some famous entrepreneur started out sleeping on a couch and went on to build a fortune, often losing a fortune and building another along the way (which doesn't sound that secure or free to me—who wants to get rich in a way that means you could lose it all?).

Each is only covering half of the story: either good financial defence with no offence, or good offence with no defence.

Each of these largely appeals to people who already have the personality to do these things. Some people love to share tips on how to cut coupons, others

to ‘fire up’ and ‘get excited’. Even if you could nudge your personality in one direction, you can’t be both of these people.

I was neither of them. What I was, was someone who valued being free, and what I realised was that I was driven by a motivation that anyone can tap into, regardless of personality: a motivation that could take care of your financial offence, as well as defence, and drive you to do the things that make you financially free.

Some of those things may seem counterintuitive. In this book, I’ll share why you shouldn’t save for retirement, or for emergencies; why rent money is not dead money; and why you need to buy back *your* time if you want to buy back *more* time.

I’ll introduce concepts such as Freedom Escape Velocity and the Freedom First Wealth Creation Formula. I’ll teach you the *real* tax secrets of the rich, and explain tax in a way so simple you’ll wonder why nobody has described it that way before.

I’ll show you counterintuitive ways to save and pay off debt and build active income and active growth, as well as teach you why things like earning a steady pay cheque could be costing you your freedom and your chance to build wealth.

I’ll show you how debt, dependence and income trap us into straight-line thinking and blind us to growth, as well as how to quit your job sooner than you ever thought possible.

Reading the stories of other successful people, I quickly realised that most people don’t really understand what it was that drove them to success. Some have plenty of theories—but for the majority, their own motivations can be hard to divine. Which is why it took a while for me to understand what was different about what I valued, and why so many people say they want to be financially free first, while heading in the opposite direction.

But you don’t have to take my word for it.

Instead of just my story, in this book I’m going to share with you the story of a young woman I met who, like a lot of people, wanted to be free, but having grown up in a society that encourages the opposite didn’t know that she could be, or how to go about it.

It’s one thing to think that I had discovered something powerful based on my own life, but it wasn’t until I saw that it could be applied to others that I could be sure that Freedom First was truly a unique and universal principle.

Prologue

16 August 2007

My phone rang just as Melissa stood up to order us a second round of coffees. I had met Melissa a few weeks earlier at kung fu. With plenty of time on your hands, you find yourself taking up some interesting hobbies.

While kung fu was a bit of fun for me, on one of the few occasions we'd had to speak, Melissa had told me that she had taken it up after beginning a new job in real estate that required her to go out by herself and show houses to strangers.

It was in one of those breaks between sets that she had asked me the question I always find difficult to answer when I first meet someone—'So what do you do for a living?'

I'd said something to her about how I used to be a physiotherapist. I'd found in the past that, if I tried to explain to people that I'd retired in my twenties and now I just managed my investments, I would be met with blank stares or disbelief. People are much more comfortable if you can just quickly give them a job title so they can size up where you belong in society.

Rather than stare blankly, Melissa had been curious, which is how I'd come to be having coffee with her in the middle of a weekday.

As she left the table, I checked my phone. It was my broker.