Top 10 Tips for Successful ISA Investing

ISACO

LET'S BUILD WEALTH TOGETHER.

Stephen Sutherland
ISACO's Chief Investment Strategist
and author of *Liquid Millionaire*

My name is Stephen Sutherland and my passion in life is investing. I was one of the fortunate ones to have instant success when I first got serious about the stock market, and it was that success early on in my trading career that made my love and curiosity for the market strengthen. It's now in my blood and I live, eat and breathe the market 24/7. Some would say I'm obsessed, and maybe they're right.

I feel as if what I'm doing is what I was put on the earth to do. Finding something I love to do – and something I'm good at – has helped us to stay ahead of market indexes since 1997*.

Beating the market is something most professional fund managers fail to do and the majority of financial advisers also share similar shocking statistics**. Knowing that we are one of the fortunate few who have beaten it, I have to say that we feel truly humbled that you're considering following our lead.

Of course, there are no guarantees that we will always stay ahead of the market, but because we've managed to beat the market since the late nineties, we feel confident we can continue to outperform as we move through time.

Now that we've been introduced, I want to first of all give you an overview of our Stocks and Shares ISA investment strategy. I have done this by presenting it as our 'Top 10 Tips'. It's good to note at this stage that many of the 10 tips covered are used by real life ISA millionaires.

This is a transcript of an interview I had with Mr Andrew Sacker in April 2011.

**Source: Yahoo Finance: Cumulative return (Dec 31st 2007 - Dec 31st 2012) Stephen Sutherland 55.4%, FTSE 100 14.6%.
**Morningstar – The study of the decade

Interview Start

Interviewer: Andy Sacker (AS) interviewer
Interviewee: Stephen Sutherland (SS)
Date of interview: 7th April 2011

AS: Hello, this is Andy Sacker, the founder of Wealth Secrets Interviews. Today I'm going to be talking to Stephen Sutherland who is the Chief Investment Strategist at ISACO. Stephen is going to be sharing his top 10 tips for successful ISA investing. Hello Stephen and welcome.

SS: Hi Andy and very nice to speak to you again.

AS: Stephen, can you take us through your top 10 tips for successful ISA investing please?

SS: Yes. Let's start off with some basics. It's been proven that ISAs can help you become a tax-free millionaire. That means you can ignore all those beliefs that say it's not possible to make that much cash in ISAs because it is possible and it's been documented. It's also true that ISA millionaire numbers are steadily increasing.

If you type 'ISA millionaire' into Google, you'll find articles on people who are real life ISA millionaires. That's exciting. But how do you become an ISA millionaire? What are the things you can do that lead to success? Successful ISA investing is just like baking a cake – you need all the right ingredients.

AS: Are you able to explain in a bit of detail exactly what these ingredients are?

SS: Yes, and there are 10 essential ingredients to take into consideration. Just one of numerous things that makes ISA investing so compelling is our research indicates that right now, the stock market is presenting an opportunity not seen in almost 30 years. And over the next decade we believe we will see a stock market boom. Stocks and Shares ISAs are a perfect vehicle to help adventurous growth investors to profit from the boom.

AS: That sounds exciting! OK, so I believe you have your top 10 tips for us today.

SS: Yes, and the first one is 'Make a Compelling Goal'. It all starts with setting a very clear objective and your goal needs to be exciting. Make it a goal that helps you jump out of bed in the morning. And once you've made that goal you need to make a commitment to the attainment of it. Your commitment to achieving your goal needs to be a never go back decision.

AS: Can we go on to your second tip, Stephen?

SS: Yes, it's 'Be Active'. We've found that the most effective strategy when investing in ISAs is to time the market. In other words, instead of using a buy and hold strategy, you need to be active.

AS: Can you expand on that, Stephen?

SS: Yes, I can. When we talk about timing the market, what we've found is that buy and hold is a flawed strategy. A good example of why buy and hold can really hurt investors involves a period of time in the late nineties. In 1999, the stock market was seriously roaring. We'd just experienced an almost 20 year bull market and, even though over that twin decade we witnessed some bear markets, 1980 to 2000 was a strong 20 year upwards trend.

At the end of 1999 many small investors who didn't know how the market works were unfortunately investing right at the market top. This group of investors had been wrongly told by their advisers that buy and hold works.

Many of these unscrupulous advisers were recommending their clients get into high growth, high risk technology funds. When we look at what's happened since then, we know that over the last decade investors have experienced the great bear market of 2000-2002 and the horrible bear market of 2007-2009. This means we've had two very severe bear markets in the last decade. That's not good news for buy and hold investors who bought at the wrong time.

These investors who bought at the top of the market in 1999 and held will still be in a loss. Yes, zero growth in last 12 years. That's shocking. These investors are told by their advisers that buy and hold is safe. However, when people buy at the wrong time – as most people do – it can be disastrous. Is it any wonder that many private investors lose faith with financial advisers?

This is why it could be a good idea to learn how to time the market. The timing method we use is not perfect but it does help us get it right about 80% of the time. What we know is it's impossible to get in right at the bottom and it's also impossible to get out right at the top.

But what we do know is this: the method we use to time the market has managed to catch the start of every single bull market in the last 50 years.

The way we catch the start of bull markets and spot market tops is to analyse the trend of the market by watching the price and volume action of the four main US stock market indexes.

We look at price and volume action on charts because it helps us track the investment behaviour of institutional investors. In other words, we can see what these institutional investors are doing with their money and that helps us to get in sync with their trading activity. We want to trade with their money flow not against it.

Institutional investors are the 800lb gorilla investors such as banks, building societies and other financial institutions. This includes pension fund managers, hedge fund managers and insurance company fund managers. Institutional investors buy companies such as Microsoft, Cisco or Intel in huge amounts. In other words, they buy and sell millions of shares. This means institutional investors are not your small investor.

It's a fact that institutional investors are the people who control about 75% of the stock market's future direction. That's a really important thing to know and is very useful for helping you to understand how the market really works.

This means when institutional investors are buying or selling, you can see their level of buying or selling activity by looking at price and volume activity.

Let me give you an example of how this works: When institutional investors are selling heavy – meaning volume of trade is much higher than average – it's not good for the market's health. In other words, institutional selling weakens the market. It's like when a woodcutter takes a cut out of a tree, it's going to make it weaker and make it more likely to fall.

When institutional investors sell, we become more defensive. When we see a lot of institutional selling in a short period of time, it can often force us out of the market and into the safety of cash.

On the flip side, when we see the market rise on heavy volume, it means we are seeing institutional buying. When institutional investors buy, it strengthens the market and makes it prone to future rises. If you see a lot of institutional buying in a short space of time, it tells you the people who control about 75% of the market's future directions are going all in.

What this means is institutional investors' investment activity can help you spot the start of new bull markets and the beginning of new bear markets.

When we believe a new bull market has started, we search for a quality investment fund. Once we've bought it, we stay in the fund as long as it's beating the market. Our market benchmarks are the Nasdaq Composite and the FTSE 100.

To summarise, my second tip for successful ISA investing is to be active. Instead of playing buy and hold and trying to guess the best time to buy, we wait for the price and volume activity to confirm that a new bull market has begun. We then aim to accurately move into the market by buying a quality investment fund.

After the bull market has run its course a bear market begins. After the bear market ends a new bull market begins. This is simply a boom and bust repeated cycle. It's always happened in the past this way and it will continue to happen like this in the future.

Bull markets generally last two to four years and so when the bull has run its course, we aim to quickly move out of the market and into the safety of a cash based fund. In other words, we park temporarily in cash and wait patiently for a new bull market to start.

Bear markets tend to last nine to eighteen months and so they are much shorter than bull markets.

AS: Let's recap, Stephen. Your first tip was to have a compelling goal and your second tip was to be active. Can you share with us your next investment tip please?

SS: Yes. The third tip for successful ISA investing is to 'Buy Quality Investment Funds'. When we search for funds to buy, we focus on the ones being managed by exceptional fund managers. The key here is to make sure the fund manager has proven they can beat the market in the short and the long-term.

Let me explain how this works. When we buy quality investment funds, we make sure the person managing the fund has outperformed the market in the long-term, and in the short-term. How do we do that? First of all you need to have a benchmark. A benchmark is something to measure the fund manager's performance against. Does that make sense?

AS: Absolutely.

SS: Outperforming the market means beating a benchmark such as the FTSE 100, the S&P 500 or the Nasdaq Composite.

About 90% of fund managers underperform the S&P 500 which has averaged 13% per year over the long-term. Returning 13% on average every year is pretty good and probably the main reason why so many fund managers fail to beat it. Even though 90% fail to beat, 10% do beat it and these are the fund managers we focus on.

We use the Nasdaq Composite as our main benchmark which has averaged 18.3% over the long term. That means it's tougher to beat than the FTSE 100 or the S&P 500 and so the Nasdaq provides us with a real challenge.

When looking for a quality fund manager, we discover if the fund manager has good long-term performance and the way to do that is by comparing their performance with the Nasdaq Composite.

Let me share with you the Nasdaq's performance so that you know what we measure against. The Nasdaq gained 50% in 2003, 8.6% in 2004, 1.4% in 2005, 9.5% in 2006, 9.8% in 2007, 43.9% in 2009 and 16.9% in 2010.

We generally ignore how the manager performed in the market down years but if they beat the market in those years too, it's a bonus. In 2008, the Nasdaq dropped 40.5%.

When trying to determine how good a fund manager is, we measure how they've performed each year against the Nasdaq Composite. Remember that you want to see the fund manager beat the Nasdaq. For example, because the Nasdaq made a 43.9% in 2009 and a 16.9% gain in 2010, you want to see the fund manager performing better than 43.9% in 2009 and better than 16.9% in 2010.

When we find exceptional fund managers we notice that they not only beat the market in one year, they beat it in multiple years and that means beating the market was no fluke.

When we find exceptional managers, we know this person could be an Alex Ferguson of the fund world, and because they've got a great track record the probability that they are going to perform well in the future is high.

As well as looking at how these fund managers have performed year on year (long-term), we make sure the fund manager has proven they can outperform the market in the short-term. The short-term analysis is very exciting because we see which managers are really in sync with the market. The best ones will be the ones who are holding the market's leading stocks and when we look at their recent short-term performance, we see that they have easily been beating the Nasdaq.

Some fund managers with great track records will unfortunately not be in sync with the market all the time. Let me explain why. Each fund managers has an objective and a mandate that they have to stick to such as only investing in Japanese stocks, British stocks or maybe American stocks. Some manager's mandates state they can only invest in a particular sector such as the technology sector or the basic resources sector. The important thing to understand here is that all fund managers have mandates and they have to stick to them.

This puts many top fund managers at a disadvantage because the big money can only flow into a handful of countries / sectors rather than it flowing into every country in the world and every given sector.

We differ from financial advisers in that we are totally impartial. We look to invest in exceptional fund managers who hold stocks where the big money is flowing right now. These are the ones we class as being sync with the market.

These are the ones who have not only proved they can beat the Nasdaq in the long-term – they are right now beating the Nasdaq in the short-term.

AS: That's extremely useful information. Can we move onto your fourth tip for successful ISA investing?

SS: Yes, my fourth tip is to 'Park in Cash during Bear Markets'. As I mentioned earlier, bull markets tend to last between two and four years and bear markets tend to last between nine and eighteen months. Bear markets are therefore much shorter than bull markets. Because three out of every four stocks move in the same direction of the market, when the market changes from an upwards trend (bull market) to a downwards trend (bear market), most investment funds will start heading lower at the same time that the market starts to head lower.

This means if you enter a bear market without first moving into cash you are going to get into big trouble. In fact, by staying invested during the bear market you could give back most of the gains you made in the bull market. That means you've got to act quickly and swiftly when bear markets arrive. Our rule is when the bear arrives, park in cash.

Many people, including a large number of financial advisers, don't know it's possible to temporarily park your Stocks and Shares ISA in cash. Using an ISA Cash Park is just like putting your money into a bank account. In bear markets we move into cash and we do it using Fidelity's ISA Cash Park.

An ISA Cash Park is a vehicle you can use to temporarily park your Stocks and Shares ISA. You park in cash when you believe the market is about to enter a bear market and we use these cash parks specifically for bear markets.

Moving out of a quality investment fund that's made you a lot of money and parking in cash takes real discipline. Parking in cash also needs bags of patience. Once you are out of the market, you've got to stick with your decision. You'd only change your decision if your analysis was telling you that something had changed.

The question of what sort of growth you are going to get on your money while parked in cash can be answered as follows: asking such a question is the wrong way of looking at it. The answer is it will grow at a similar rate to putting your money into a standard bank account.

However, when asked this question, what we say to our clients is it's not about making cash. These cash parks serve one purpose and it's not to grow your money. The main purpose of ISA cash parks is to protect and preserve the profits you make in the bull markets.

Anybody can learn about reading the market and understanding market cycles if you do your homework. Trying to guess what the market is doing by going off how you are feeling is going to get you nowhere. In fact, you're just going to get yourself in hot water. It's very amateur.

Our advice is to get your recommendations from people who know what they are talking about. It's a simple as that. Check their track record and make sure they have beaten the market over the long-term.

We've been fortunate to have beaten the Nasdaq over the long-term and the reason why we've done quite well, I think, is because we love the market and we love investing. Yes, we absolutely love it and we are all over it. It's in our blood, it really is. This is one of the things we really, truly enjoy. We like to think that the market is like a big puzzle and it's our job to solve it. However, the market's puzzle will never be solved. The market is always right and even though many see it as complex, with the right knowhow you can make a good profit over the long-term.

If you are going to follow someone, or receive investment guidance from somebody, make sure it's somebody who's not just passionate about the market but a person or company who has proven results. Once you find them, stick with them because they could help you to become quite wealthy without you becoming an expert yourself.

This method is not guaranteed. Some people contact us and ask our investment consultants questions such as, 'What am I guaranteed to return per year?' They reply, 'We can't guarantee anything'.

What I can say is that our aim is to beat the Nasdaq Composite which has averaged 18.3% over the long-term. What we also know is that we've beaten it in the long-term, so probability says that if we can continue doing what I've been doing in the past, and keep improving, we are likely to continue beating the Nasdaq in the future.

If we can continue to beat the Nasdaq, it means our annual return going forward is probably going to be double digit. But there is no guarantee. And there's also no guarantee what the Nasdaq will do either. What is almost guaranteed, however, is our performance will always be in relation to the Nasdaq's performance.

What's exciting right now is an opportunity that exists for adventurous ISA and pension investors. I mentioned this before but let me repeat one more time. The stock market has not made any progress in the last 10 years and markets can't keep going sideways forever. Because the long-term trend over the last century has been a very firm and very strong upwards trend, when markets have extended periods where they move sideways, eventually they have to play catch up and that means the market right now is due a move northwards.

If, over the next 10 years, the Nasdaq really takes off like we think it will, and you have a method of beating the Nasdaq, this up and coming decade could be a serious boom time.

AS: That sounds exciting. Does that mean we can now move to the fifth ISA investing tip?

SS: Yes, my fifth investment tip for successful ISA investing is 'Tax Shelters Equal Compounding Power'.

Before we talk about how useful ISAs are as a tax shelter, let's quickly go through the four tips we've learned so far.

My first was to make a compelling goal. Make your goal exciting and make it a never go back decision. Next I mentioned the importance being active. This means timing the market instead of using a faulty buy and hold strategy. When you are active, you aim to buy when the bull market begins and stay invested for the full duration of the bull market. In the bull markets, it means the market is in an upwards trend and this is when 75% of stocks and funds are moving upwards.

The bull markets are the time you aim to invest into a quality investment fund. Buying a quality fund is my third tip for successful ISA investing.

After the bull market has run its course, the trend of the market will change from upwards to downwards. This is when the bear market starts and this is the time you park in cash. Parking in cash during bear markets was my fourth tip.

OK, so now for my fifth tip which is: tax shelters equal compounding power. Many people don't realise that money doubles in value over a five year period if it's growing at 15% per year.

For example, if you've got a starting amount of £100 and it grows at 15% year one, 15% year two, 15% year three, 15% year four and 15% year five, your £100 will have turned into £200.

How this works confuses a lot of people because if you add all the five 15% gains together, the total is 75% and not 100%.

However, because you are leaving the money invested, it grows with compound interest. Because of the way compound interest works, it means in this case that the total growth adds up to 100% instead of 75%. Money's growth is 'supercharged' if it's left to grow over time.

One of the reasons why a lot of fund managers fail to beat the market is that taxes kill their overall returns. In other words, having to pay income tax and capital gains tax means their overall gains are dramatically reduced.

This is also what happens to many private investors who don't understand the power of ISAs. Because they invest outside their ISA they have capital gains tax to pay as well as income tax. After taxes have been paid, their bottom line is severely affected and many end up with a poor return.

Therefore, because you are using an ISA, you've got a tax shelter and by having a tax shelter, it gives you compounding power.

So if you've made a 20% gain for the year, you get to keep all the gain. Yes, all that 20% is yours. This means instead of getting an after tax return of 16% for the year, instead you get a 20% tax-free return.

By sticking with ISA investing each and every year, you end up making extra percentage points. OK – so now we can move on to my sixth tip for successful ISA investing which is 'Fight for Every Percentage Point'. This tip ties into the incredible power of compound interest.

You've got to fight for every percentage point and one way to do this is to use a fund supermarket like Fidelity's Fund Network. Cofunds is another fund supermarket and Hargreaves Lansdown also offers a fund supermarket service.

When you use a fund supermarket to trade quality investments in the upward trends and park in cash in downwards trends, you keep fees and charges to a minimum. Fees can be as little as 0.25% and in some cases you can make a trade with a 0% charge.

When you compare this way of investing versus the way that many uneducated investors use, you find that uneducated investors make the mistake of buying their investments outside a fund supermarket. Before they know it, they could be behind 5% or 6%. To summarise, when you use a fund supermarket, you keep costs really low.

I first invested in ISAs in 1997 and back then I had no idea how they worked. I bought my first ISA using a financial adviser and that was a big mistake.

Now when I invest into my ISA account I always use a fund supermarket and I never use a financial adviser.

Recently I invested the ISA full allowance for 2011/12 which is £10,680 and because I used Fidelity's funds network and refrained from using an adviser, my charges were just £6.94 in total which works out at less than 0.1% of the £10,680 investment I made.

Many financial advisers won't tell you about fund supermarkets because it hurts the adviser's pocket by you knowing about them. Fund supermarkets do exist, they are easy to understand and they help you to save cash. And by helping you to save cash, it helps put extra on your bottom line rather than your advisers.

This helps with compounding power and helps you to outperform the market. This means you are able to achieve your goal faster than using the traditional route of buying funds through an adviser.

AS: Can we go on to the seventh tip that you've got for us, Stephen?

SS: Yes, the seventh investment tip is to 'Invest the Max' every year. Right from day one, make a commitment to adding the maximum ISA allowance for you and your partner and do this every single year. The maximum allowed has just increased from £10,200 per year per person to £10,680 per year. That means two people can invest £21,360 into the market every year; over a decade a couple can build up almost quarter of a million pounds and that's without taking into account any growth on their cash over that decade.

In the decade of 1990 to 2000, the Nasdaq averaged 24.5% per year. That's almost a 25% gain per year each year over that 10 year period. Because there is a high probability that the market is going to have a strong run over the next decade – just like it did from 1990 to 2000 – if you're following an investing method that is likely to beat the Nasdaq, there could be some good money to be made over the next five to ten years – and beyond.

AS: And that's when it gets really exciting.

SS: Yes, that's when your money could double at an even faster rate.

If you do get a higher rate of growth, it allows you to get to your goal much faster and that means becoming financially independent and retiring earlier than expected. But if the market is weak over the next decade, it's going to be tough to get strong performance.

Your performance is always going to be dependent on what the market does. What we know is that the market over the long-term keeps going higher and that means it's just a patience game. If you can develop patience you will reap the rewards. People need to fully understand that eventually the market keeps going higher. Stay with this for the long-term and keep adding each and every year.

It's so important that you invest the cash each and every year, leave it in and don't take it out. My advice is to try to invest the maximum. If you can't afford to invest the maximum annual allowance, invest as much as possible. If you do invest the max, you are going to thank me in the future because it will be one of the best decisions you've ever made.

Once that money is invested you need to view it in the same way you look at money used to pay for your mortgage. In other words you have to think, The money's gone –disappeared. That's how you've got to look at it.

If, for some reason, you find it impossible to invest the full allowance, you invest what you can and make a commitment that you will beat the amount you put in this year with a larger amount next year. By making a commitment to investing every year and investing more than you did in the previous year, before you know it, you and your partner will be investing the full allowance.

If you are a person who feels they are not earning enough, the only way you are going to be able to invest the maximum each year is to earn more money and getting the average wage rise such as 2% or 3% a year, is unfortunately not going to cut it. I've got a better way that can help you increase your earning ability: When you give your earning ability a shot in the arm, it makes it easier for you and your partner to put in the full allowance. I'll talk more about how to do this when we get to my ninth tip.

AS: This is great. OK, let's move onto your eighth tip for successful ISA investing.

SS: Yes, my eighth tip is 'Stay the Course'. This tip means never cashing in your chips until you reach your long-term goal. If you do cash in early, you run the risk of living with regret. I've seen this happen time and time again. It's horrible and it's tragic. To win with ISAs and become an ISA millionaire, you have to stay with this for the long haul – and what I mean by long haul is forever. Yes, commit to investing in ISAs forever. This philosophy works for me, it works for my brother, it works for our team and I know it works for our clients. Aim to invest your full allowance into ISAs every single year and make sure your partner is aiming to do it as well.

Aim to never cash in until you reach your goal. If your goal is a million pounds then don't think of taking from your account until you reach the magic million. Try not to touch it for any reason. Your aim is not to use your ISA pot for weddings, funerals, a new conservatory, the kid's education, a new car, a kitchen or a big heated spa to impress your friends. If you want to spend money on events, your children, new toys or upgrades, have separate accounts for them.

By having separate accounts you will refrain from the mistake of dipping into your ISA account – you just have to think differently than your typical ISA investor. Your ISA account needs to become your financial fortress account. With this account you put in and your aim is not to take out. This is the winning strategy. This is the strategy that helps you to reach your goals which results in living a very comfortable retirement. It's simple: Your aim is to never touch it, ever!

Where many uneducated investors go wrong is they immediately withdraw from their ISA account as soon as it starts to build up, and this foolish withdrawal usually happens during a personal financial crisis. We all have these crisis periods which are the times we scramble to try to find cash to help remove the crisis.

We say to ourselves, 'What can we do, what money can I find?' And because it's so easy to cash in our ISAs, we cash them in. This is a huge mistake. It's a mistake because it can take many years to build up a sizeable ISA account and if you decide to spend it, you then have to start your account from scratch. That's a killer. That really is heartbreaking.

People who do cash in early will at some stage in their life really beat themselves up when they realise the mistake they've made. They'll think, 'What did I do? Why did I do that? What was wrong with me? What was I thinking?'

The message is clear: Everybody who is currently not investing in ISAs should be investing in ISAs. They are powerful and extremely effective at helping you grow tax-free wealth.

To summarise, my eighth tip for successful ISA investing is stay the course. Aim to not touch the money until you reach your goal and add as much as you can each and every year. If you touch the money before getting to your intended goal, or you decide one year not to put in your annual ISA allowance, you could end up with regret.

Also, I'd like you to think about this: imagine how you would feel if you arrived at the later stages of life and then looked back knowing you knew all these things about ISAs but hadn't done anything about it. That would be crazy.

What I'm sharing with you today is a professional ISA investment strategy. It works. That means you now have in your hands a proven effective strategy for building long-term wealth. If for any reason you don't already have an ISA, open one up today because it's never too late.

AS: I'm glad you really emphasised that point, because it is so critical.

SS: Yes, it's just one of those things that needs to be drummed into all of us. Let's move on to my ninth tip for successful ISA investing which is 'Add Value'. By continuously increasing your value, adding the full ISA allowance each and every year becomes easier to manage.

Adding value is directly related to a person's value to the market place. This is not the same as human value. As human beings we've all got equal value, but what I'm talking about here is financial value and this is where all human beings have different financial values. Everybody and anybody's financial value can increase; it is never set in stone and it can always move higher. That's the good news.

With your financial value, I'm talking about what financial value a person has in relation to the market place. How much are they worth? How competent are they at their job? What sort of knowledge has been acquired for the person to effectively carry out their job role? How difficult would it be to replace that person? How many hours have they invested into mastering their job role? All these questions help you to understand that the more advanced the skills, knowledge and experience, the higher the financial value.

That's the reason why a person paid to flip burgers is paid a minimum wage and a high-flying CEO of a publicly traded company is often paid millions. The way this works is to do with how much value you add and the more value you add, the more you get paid.

The rule is, people get paid for exactly what they are worth to the market place, and that means if you want to earn more, you have to add more value. If you love your job, just become better at it. Learn from the experts in your field and discover their secrets. Take extra training. Hit the books and take the classes. Do whatever you need to do to get into the top 10% of your field and you will be paid accordingly.

If you don't like your work, the next question to ask yourself is how quickly can you get out it? Our opinion is being in the wrong job is a waste of time and waste of life.

You've got to ask yourself the question, Do you enjoy what you do? If you don't enjoy what you do, why are you doing it?

When you enjoy what you do it's going to be much easier to increase your value.

In the nineties, I was working for my Dad's cleaning and maintenance business. It was a job I didn't like. Because I was working in an industry I felt was really boring, the last thing on my mind was increasing my skills and knowledge by reading books teaching me how to master the art of cleaning and maintenance.

But when I decided I was going to switch from cleaning to investing, I became very excited. I became good at investing because I loved what I was doing and I didn't mind spending numerous hours hitting the books and doing the courses. The secret I was fortunate to discover that could help you increase your earning ability is to find a job you love and become good at it. Become one of the best in your field. If you don't enjoy what you do, switch to something you do like – but if it's too painful to move jobs, just keep getting better at it.

AS: That's good advice. We're almost coming to the end of the interview. Stephen, can you share your final tip for successful ISA investing?

SS: Yes, when you to get to your goal you 'Set Up a Withdrawal Plan'. Each year you withdraw a percentage less than what you are able to grow your ISA money at. When you get this right, it means you no longer have to work, you can live a great lifestyle and you become richer each year.

For example, if you are competent at being able to grow your ISA account at, say, 12% a year and you draw down 4% a year, that means your ISA cash mountain is going to be growing at a greater percentage than what you are drawing down.

This means that if you did set a goal to achieve a million pounds, once you'd arrived at your goal you'd start a withdrawal program. The money you'd be withdrawing would be enough to pay for your comfortable lifestyle. By taking out less than what the account is growing at, you become richer. Once you hit your target, you stick with this winning formula of taking out less than what your money is growing at. When you get this right, your account over time is going to end up huge and you get to live a great lifestyle.

Shall I quickly go over my top 10 tips for successful ISA investing so we can wrap up?

AS: Yes, please go over your 10 tips, and once you've covered them you can move on to anything that you might have talked about that you feel is worth repeating.

SS: My first tip for successful ISA investing is to make a compelling goal. Successful ISA investing starts with setting a clear goal. Make your goal exciting, make a commitment to your goal and ensure it's a never go back decision.

My second tip is to be active. We've found the most effective strategy when investing in ISAs is to time the market – and that means instead of buy and hold you need to be active. My third tip is buy quality investment funds. We focus on fund managers that have proven they can outperform the market in the long-term and in the short-term. We always look for funds managed by exceptional mangers that are experiencing large money flows.

My fourth tip is park in cash during bear markets. Many people, including a large number of financial advisers, don't know it's possible to temporarily park your Stocks and Shares ISA in cash. In bear markets we move into cash using Fidelity's ISA Cash Park. My fifth tip for successful ISA investing is tax shelters equal compounding power. By using an ISA you skilfully dodge two sets of taxes: income tax and capital gains tax.

My sixth tip is fight for every percentage point. Use a fund supermarket to avoid excessive fees and excessive charging. My seventh tip is to invest the maximum every year. Right from day one, aim to add the maximum ISA allowance for you and your partner. My eighth tip for success with ISA investing is stay the course. Aim to never cash in your chips until you reach your goal. If you do cash in early, you run the risk of living with regret.

My ninth tip is to add value. Your job is to continuously increase your value. Adding the full ISA allowance each and every year becomes much easier to manage. And finally, my tenth tip is to set up a withdrawal plan. When you have reached your goal, each year you withdraw a percentage much less than what you are able to grow your ISA money at. When you get it right, it means you no longer have to work, you can live a great lifestyle and you become richer each year.

AS: Have you any final thoughts to share with us today?

SS: Yes. As I mentioned at the start of this interview, our research indicates that right now the stock market is presenting an opportunity not seen in almost 30 years. Over the next decade we believe we're going to see a stock market boom – and Stocks and Shares ISAs are a perfect vehicle to help adventurous growth investors to profit from that boom.

Interview Ends

Hopefully my top 10 tips for successful ISA investing will have helped to give you more insight into my approach to investing and will have maybe given you some ideas that you could put into practice. If you would like some one-to-one help and guidance, feel free to get in touch.

Our clients kindly say that my brother Paul and I are incredibly friendly, caring and highly responsive to their questions and requests for help, support and guidance. What's more, if you call or get in touch, I promise that you won't be charged a penny.

Email me direct at Stephen@ISACO.co.uk

My private line is 01457 831 642.

Your friend,

Stephen Sutherland

Stephen Sutherland
Chief Investment Strategist and author of *Liquid Millionaire*

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