The single, most important lesson I can give all yacht crew.

The good times seldom last forever. Yachting is a particularly fickle sector within the maritime industry. Yes the salaries are well above average compared to most industries and if you remain in steady employment for long enough then you can go on to do very well out of it.

Though the industry is generally in a pretty healthy state with more very wealthy people than in any time in history, and more yachts being built than ever before, and the vessels getting larger and larger, there are however an increasing number of people entering the industry to such a degree where the number of crew has significantly over taken the number of available positions.

Many will say that it's still very hard to find good crew, and that may be in part true, but the overall number of crew, good and not so, are now so high that there are not enough jobs to go around.

This is especially true at the top of the ladder with Captains. There are countless highly experienced Captains struggling to find work and being moved aside in favour of younger and less experienced ones.

You never know when it will all come to an end and you may well find yourself in a position that you never expected to be in terms of your earning potential vs what you may find yourself actually earning. Or simply you may have had enough of yachting after a fairly short period of time and want to move on but know that you are in most cases unlikely to be able to attain the relatively high often *tax free salaries that are possible in yachting.

*Always make sure that you know what your own tax responsibilities are relative to your own tax residency and wherever that you may be

that may want a slice of your income as well. Report accordingly to your own / any other relevant tax authorities.

Some states including the UK have very sensible tax rules for seafarers but you MUST know the rules, comply with them and MUST complete an annual tax return if you want to enjoy these benefits without long term and costly ramifications.

So before we get to is my “lesson”, please read the following caveat.

> *I am not qualified to give financial advice and it is not my intention to do so. You should seek proper financial advice form a suitably competent and qualified person.*
>
> *What I outline below is only intended to be an lesson in the power of this particular way of doing things and additionally making people who may not already be aware of, the advantages of the UKs ISA scheme.*
>
> *The first two paragraphs after this caveat, constitutes only general life advice, with a slant towards the fickle nature of our industry.*
>
> *Seek proper financial advice form a suitably competent and qualified person.*

From the earliest point possible when you enter the industry, save as much as you possibly can, and invest your money very wisely. You never know when you may need to fall back on your savings and investments. I speak from bitter experience.

The most important thing to understand in terms of how your money ***could*** work for you, is to get a real grasp of ***the power of compounded interest.***

Warren Buffet who if you don't already know, is the most successful investor in the world and has long advocated the power of compounding your money through interest / reinvestment.

It takes some patience as not a lot happens in the first few years, but when it does, boy does it ever work for you.

This example is showing only a SINGLE ONE OFF cash input of £20,000 in year one and NO subsequent cash input. See explanation below of why I have chosen £ 20,000 and a return rate of 19.7% for this particular example.

The table shows the accumulating value (second column) of your initial one off investment of£ 20,000 with an annual return of 19.7%. The annual gain is shown in the last column.

	Interest rate 19.70%		Annual Gain	
Start	£	20,000		
Year 1	£	23,940	£	3,940
Year 2	£	28,656	£	4,716
Year 3	£	34,301	£	5,645
Year 4	£	41,059	£	6,757
Year 5	£	49,147	£	8,089
Year 6	£	58,829	£	9,682
Year 7	£	70,419	£	11,589
Year 8	£	84,291	£	13,873
Year 9	£	100,897	£	16,605
Year 10	£	120,773	£	19,877
Year 11	£	144,566	£	23,792
Year 12	£	173,045	£	28,479
Year 13	£	207,135	£	34,090
Year 14	£	247,941	£	40,806
Year 15	£	296,785	£	48,844
Year 16	£	355,252	£	58,467
Year 17	£	425,237	£	69,985
Year 18	£	509,008	£	83,772
Year 19	£	609,283	£	100,275
Year 20	£	729,311	£	120,029
Year 21	£	872,986	£	143,674
Year 22	£	1,044,964	£	171,978
Year 23	£	1,250,822	£	205,858
Year 24	£	1,497,234	£	246,412
Year 25	£	1,792,189	£	294,955
Year 26	£	2,145,250	£	353,061
Year 27	£	2,567,864	£	422,614
Year 28	£	3,073,733	£	505,869
Year 29	£	3,679,259	£	605,525
Year 30	£	4,404,073	£	724,814

On off investment of £20,000

By year 19 of your investment you are already accumulating the equivalent of a Captain's salary (£ 100,275) every year form your initial one off investment of £20,000. That's £ 8,356 per month of gain.

Yes that does read £4.4 MILLION total value after 30 years.

Now to get a real picture of the power of compounding works long term, look at the next ten years !!!

Total value = £ 26,594,756 with an annual increase of £ 4.37 Million.

And if you are in the UK tax system and you invested your initial £20,000 in an ISA then it is all completely tax free.

That is a very healthy retirement fund and all generated for a single one off investment of £ 20,000.

Of course it all depends on the performance of the particular product you have invested in and even if you do not attain as good a return as the 19.5% I have used in this illustration, you can still accumulate a significant amount of money over a long period of time.

Year 31	£	5,271,675	£ 867,602
Year 32	£	6,310,195	£ 1,038,520
Year 33	£	7,553,304	£ 1,243,108
Year 34	£	9,041,305	£ 1,488,001
Year 35	£	10,822,442	£ 1,781,137
Year 36	£	12,954,463	£ 2,132,021
Year 37	£	15,506,492	£ 2,552,029
Year 38	£	18,561,271	£ 3,054,779
Year 39	£	22,217,841	£ 3,656,570
Year 40	£	26,594,756	£ 4,376,915

I have used the initial investment sum of £ 20,000 for very good reason.

If you happen to be tax resident in the UK, then this is the sum that you are currently permitted to put into what is called an Individual Savings Account or ISA.

This is a figure that the UK government allows any tax resident to invest each year that remains entirely tax free for the life of the investment.

No matter how much capital gain you get from an ISA investment, it will never be subject to any form of capital gains tax.

The annual ISA allowance is reviewed every year and has increased over the years to the current £ 20,00 per person per year.

I have chosen to use the annual increase percentage of 19.7%, again for very good reason. This is the actual average annualised return I am currently getting form one of my own investments, so it is an ac real (therefore realistic) figure to use as an example.

This particular investment product has only been running since 2010 and I did not start investing in it till 2014.

A single one off investment of £ 20,000 at the age of 20 could net you £4.384 MILLION by the time you are 50, and £26.5 Million by the time you are 60 on the basis of the return I am currently getting form this particular investment.

Imagine therefore if you continue to top up your investment by £20,000 every year throughout your yachting career which should be possible for almost anyone in the industry if you take € 2,500 as an entry level salary, if they are very careful with their money.

Sure you will also have to allow for inflation and whatever that decides to bring everyone's way, but even then using this example you will still have saved a substantial sum of money over the period.

I also completely advocate putting the maximum allowed into the UK ISA system every year as that will also help thwart the effects of inflation.

The most importin thing to do is to start at as early a stage in your career as possible. The reason I have shown the figures year by year and not simply by a one line 30 / 40 year projection is so that you can see at exactly what point the power of the compounding really kicks in after those first slow years. So the sooner you start to invest the and the lounger your investments run (assuming they continue to grow accordingly), the more wealth you will accumulate over a long period.

If you leave it till you are in your 40s to start doing this once you have wised up a bit from all the trappings in yachting that dilute your savings then, you will simply not have enough years invested to really reap the rewards of this exponential compounding.

I speak from real experience as I was not able to start investing till much later than I would have liked. Take proper financial advice, find solid long term investments, start as soon as you can, top up as often as you can, with as much as you can, keep a close eye on your investments as even the seemingly very best of investments can suffer and fund managers with exceptional track records can get it wrong.

Neil Woodford for example, a stellar fund manager over the last two decades has had to suspend his fund over the last 6 months or so to stop it collapsing.

I was invested in his fund and got out before it started to get too low and only suffered a reasonably minor loss. You must do your own due diligence and always watch your investments closely but at the same time realise that you must be invested in the long term for the power of compounding to work for you in a really meaningful way.

£ 1,000 invested in warren buffet's fund when it started in 1965 is now worth £ 18,000,000, if that had been the £ 20,000 in my example, that would be £ 360 Million.

The numbers speak for themselves.