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FINANCIAL FREEDOM BOULEVARD

Today we will talk about the Nine Steps To Financial Freedom. What I will do is give a clear game plan from start to finish, that will help you get from where you are, to financial independence (if you are not already there). Here are the steps:

- I. Vision
- II. Spending Plan
- III. Proper Life Insurance
- IV. Emergency Fund
- V. Debt Elimination
- VI. Retirement Planning
- VII. Children's College Planning
- VIII. Advanced Retirement Planning
- IX. Mortgage Acceleration

With the exception of the first two steps, the point is not to be anal about them and say that you absolutely can't begin one until the previous one is finished. This is a general order to follow. You should at least have a game plan to conquer each step before you move on to the next. Let us begin.

I. Vision

I'm sure that you have heard "where there is no vision, the people will perish". It's funny, a lot of people spend a lot of money on financial advisors to help them, but the question is this. Help you do what?! In order to reach a goal you have to **KNOW WHAT THE GOAL IS!** So before you begin, ask yourself these two questions.

1. What do you plan to do when you retire? Do you plan to travel the world, buy a dream home, move to a special place, or... do you plan on just getting by at retirement? Also, how much do you plan on leaving your descendents? At this point, you can figure out how much money you need to have, to do what you want to do.

2. When do you want to retire? Do you want to retire in 10 years, 20 years, age 65, tomorrow, or never? You have to know this. Now, you can figure out how much time you have to accumulate the amount of money that you need.

Ladies and gentlemen, if you don't know the answer to these questions, you can not begin to do anything! How can you save enough money to retire on time, if you don't

know how much money you need to retire, or when you need to have this money to retire? This concept may seem simple, but it is ESSENTIAL for you to reach your goal! It is also left out of most financial plans. So before you do anything at ALL, you need to sit down and figure these things out, otherwise everything else you do is going nowhere.

II. Spending Plan

The Spending Plan is just another fancy word for Budget (though it is not good to use that word because it invokes a needy mindset). This is the foundation of YOUR LIFE! You can read as many self-help books as you like, and you can have as many financial advisors as you like, but if you don't have a spending plan, you have NOTHING.

You need a spending plan that is written down in advance (not something just out in space). Write down how much money you take home every month and then decide what you want/have to spend on everything. Leave nothing out. This may take awhile but it is needed. Once you write down everything, you will then know how much money you should have left over each month.

III. Proper Life Insurance

Now that you know how much money you have per month, it is time to start taking that money and working toward your goal. The first thing you want to do to bulletproof yourself is to get the proper life insurance. There is a reason that this is so high on the list. Your most valuable financial asset in life is your ability to make money. This is very important IF you have someone (a spouse or children) who depends on your income.

If your car breaks down, or if you have a medical emergency, there are things that can be done. As long as you can still work and make money, everyone can still survive. But if you pass away your income is gone forever! This is worse than any emergency that can happen or any debt you can incur. This is why it is high on the priority list.

There are basically two types of insurance. One is whole life (or cash value) insurance, and the other is term insurance (basic insurance that last for a period of time). Consumer reports have, and still do, recommend term insurance as the most economic choice of insurance, as whole life (regardless of what type) can often take 5-10 or even more years to break even.

How much do you need? Generally, I would recommend 8-10 times your yearly income as a good face amount for your insurance. WOW! Why so high? Well, here is the reason. Let's say that you make \$40,000 per year. If you were to pass away, you could take \$400,000 (10 times \$40,000) and put it into a fund that pays 10 percent (which will give you \$40,000 per year) and not touch the principle. So what you have done is replaced your income.

That is the purpose of insurance. Now once you accumulate the \$400,000 yourself, then YOU NO LONGER NEED the insurance policy. So insurance is not to be had your ENTIRE LIFE. It is only needed until you can accumulate the money you need to replace the face amount. Generally speaking, you can increase the amount of insurance you need by the debt that you have, and you can decrease it by the amount you have saved. Don't let a high face amount scare you away from getting insurance. It is much better to be underinsured than it is to have no insurance, so purchase what you can afford.

IV. Emergency Fund

Here is where things get kind of tricky. Most people get #IV and #V mixed up. The first thing that most people do when they get extra money, is to pay extra on their debt. There is a problem with that. You keep paying money down on your debt, and just when you THINK that you are about to pay it off, an emergency comes up. Now you have to go right back into debt. An emergency fund will allow you to get out of debt and NEVER go back into it. A complete emergency fund is three to six months of your monthly expenses set aside in a savings account or a money market account. A good amount to start off with is \$1000 to \$1500 dollars. Once you get to that point, you can then just put away a few dollars a month until it gets where you would like it to be.

Keep in mind that a corporation's worst nightmare is an employee with an emergency fund of three to six months. They can't use or abuse you because you might tell them where to go and how to get there. You may even sue because you can afford a lawyer and/or time off work! As long as you remain **J**ust **O**ver **B**roke, your employer can do ANYthing to you and you can't leave. Don't ever think that this is not by design! But anyway, moving on....

V. Debt Elimination

The best way to get out of debt is not to get in it! Due to propaganda, this is very difficult, but yet achievable. Simply put, if you don't have the money to buy it, then don't! The best three ways to get rid of debt are to accelerate, consolidate and negotiate.

Acceleration is in reference to Debt Snowballing. Debt Snowballing is when someone has many different debts and they pay them off from the smallest to the largest or from the highest interest rate to the lowest. A lot of people make the mistake of putting a few extra dollars on many different debts. For example you could take \$100 and pay an extra \$20 on five different debts.

An example of snowballing would be taking \$100 and paying it ALL on the lowest debt, and then when the lowest debt is paid off, rolling the \$100 + the lowest debt payment on the next lowest until they are all paid off. This will save tons of money. Some say that paying your debt off from the highest interest rate to the lowest is best. Either way, snowballing saves a lot of money.

The next technique is consolidation. We've ALL heard about this. If you reach a point where you are up to your head in debt, sometimes the best solution is to consolidate by doing a refinance or a consolidation loan. The problem is that without discipline, you will be right back in the same situation again. As far as those "debt consolidation" companies go, a lot of the people who do use them end up going bankrupt anyway.

One of the more interesting techniques is to negotiate your debt with your creditors. A lot of people pay lawyers or companies tons of cash to do this, but those companies can't do anything that YOU can't do! You can negotiate your debt by yourself. More about this in the Credit Secrets Bible.

VI. Retirement Planning

Once you get your debt under control, you can then start focusing on retirement. Now here is another important point. A lot of people get retirement and college education planning (money for your child's schooling) mixed up. If you are not on track to retire comfortably then you have no business putting ANYTHING away for your children. There is a reason for this. If you have a child and he or she reaches age 18 and have no money, there are options (student loans, scholarships, grants, part time work... etc.)! BUT... If you get to retirement and you have no money, you have NO OPTIONS! You just can't retire.

Now I know that the propaganda rule book clearly states, "If you don't pay for your kid's college education, you are a terrible parent who deserves a slow torturous death!!" Brokers can use your heartstrings to get you to invest money with them that you should not be investing! If you pay for your kid's college education and have no money to retire on, then they have to come back and take care of YOU! So now they can't live their lives because you didn't prepare. You are doing them a BIGGER disservice by not having money to retire.

VII. Children's College Planning

After your retirement plan is set up, it is now time to move to children's college planning. This is basically another extension to your retirement planning. You can do straight investments, or tax free savings accounts (like 529's or different education funds etc...).

VIII. Advanced Retirement Planning

This is the point where everyone wants to be. This is the place where you have "blow" money. Now, it is time to take it to the next level, and start looking at things like leaving an inheritance for your children, or maybe you would just like to get rich. Either way, once you get to this point you can get into different types of investing, like stocks, which are more dangerous than mutual funds, and variable annuities, which are very secure but have higher fees than mutual funds.

IX. Mortgage Acceleration

Once you get done with all of this, you may then decide to pay off your house early. Now at this point, one may be wondering why this is not #V above. Isn't Mortgage Acceleration a debt? The answer is yes. The reason I put this last is because I don't believe in paying your house off early. No time. Not ever. Not at all. Why? Find out next month...

Until Next Time

Free Your Mind... Online,

Matt Mason

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