Follow the Path to Financial Significance

It's the end of the year and many people are reviewing their expenses and setting goals to improve their financial outlook. Last decade's recession gave many Americans a wake-up call when it came to their personal finances. As a result, more than 59 percent of Americans report they enjoy saving money more than spending it, and more than 80 percent say they're watching their spending very closely.[1] They're also making a habit of saving; three-quarters say they plan to continue to spend less in the years ahead.[1]

HOW TO SAVE MORE MONEY

Saving is just one component of achieving financial freedom. If you want to save more of what you earn, the first step is creating a budget. Although the majority of Americans report having a budget, the biggest stumbling block is sticking to it.

Why is it so difficult to stick to a budget?

1. Many weren't taught how. Budgeting and financial literacy are subjects that aren't taught in school. Many of us learn our financial habits from those around us, primarily our parents. If your parents didn't have a budget, it's very likely you won't have one and won't know where to start.

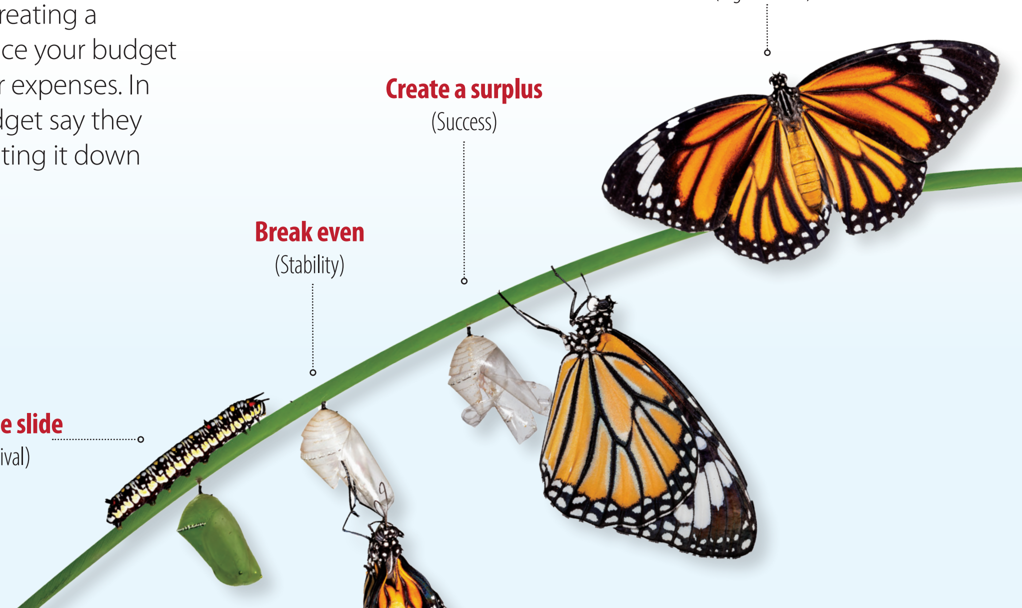
2. It seems tedious. The most difficult part of creating a budget is writing down all of your expenses. Once your budget is set, it can be tough to remember to track your expenses. In fact, more than 20 percent of people with a budget say they do all their tracking in their heads, instead of writing it down or using an app.[2]

3. Many don't want to feel controlled. Many people feel budgets are too restrictive. However, if you don't control your spending, you'll find your debt begins to control you.

4 STEPS TO FINANCIAL FREEDOM

If you want to take control of your finances and increase your wealth, it's important to assess where you are in the process. While some people may want to focus on paying off debt, others may be ready to put their money to work for them. Where you are in the process will provide insight into how you should proceed. Are you trying to stop the slide into debt or break even each month? Do you want to create a surplus or begin to build a fortune? Think of your finances as a caterpillar turning into a butterfly: it's essential to complete each stage before you move on to the next.

Sources: 1. Gallup, May 1, 2017
2. Time magazine, January 2015



STOP THE SLIDE & BREAK EVEN

These are the survival and stability stages of the process. When you're trying to *"stop the slide,"* you want to reduce your expenses. The less money you spend, the more money you can save. The first step is figuring out where your money is going and then prioritizing your spending.

Creating a budget is as easy as A, B, C

To create a budget, start by prioritizing your expenses.

A: Fixed expenses are needs you can't do anything about right now, such as taxes, your mortgage or rent, car payments and other loans, child care, etc.

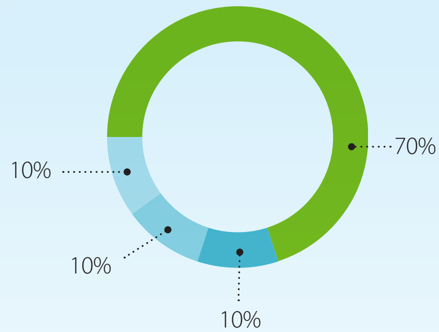
B: Flexible expenses are needs you can reduce now, such as your utility bills, groceries, cell phone, clothing, credit cards, etc.

C: Wants are things you can do without, such as entertainment, recreation, etc. Since these expenses are discretionary, this is where you should make cuts first.

CREATE A SURPLUS

Once you have your spending under control with a budget, you can work toward building a surplus in your savings account. One of the easiest ways to save more money each month is to treat it like another expense. Transfer a set amount to savings each month so you're not tempted to spend it.

Work up to the 70-10-10-10 budget:



70% of your earnings go to expenses

10% of your earnings go to charity

10% of your earnings go into aggressive investments

10% of your earnings go into conservative investments

BUILD A FORTUNE

After you've turned saving into a habit, you're ready to build your fortune. To do so, it's important to understand compound interest, which is the interest built upon interest. It's how an initial investment of $100 per month can turn into more than $350,000 over the span of 40 years. The wealthiest people understand the compounding effect and use it to their advantage, letting their money work for them.

3 Tips to Help You Pay Yourself First

1. **Make it automatic.** Sign up for your bank's automatic transfer program and move a set amount of money from checking to savings a day or two after each payday.
2. **Ask for discounts.** Many services, such as auto insurance, offer discounts if you belong to certain organizations or associations they work with.
3. **Think before you buy.** Resist impulse buys by waiting 24 hours before you buy an item. It may turn out you don't need it after all.