



6 tips to gain Financial Independence

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Financial independence typically means having enough income to pay your living expenses for the rest of your life without having to work full time. Some people achieve this through saving and investing over many years, while others build successful businesses that generate income without daily supervision. There are many ways to reach financial independence, and it's not just for the wealthy. Here are some tips that can make financial independence a part of your future:

1. Avoid consumer debt. Consumer debt is the bane of financial independence. If you use credit cards to buy consumable goods and carry a balance, then you are enriching the banks and not yourself. The first step toward financial independence is to get rid of high interest debts and free your money to work for you instead of the banks.

2. Ignore the Joneses. One of the many reasons we spend so much money on “stuff” is to keep up with our friends and neighbors. Is accumulating “stuff” really the reason we get up every morning to go to work? Most of us don't need a 3,000 square foot McMansion and luxury cars. A modest home and car will work just as well. Ignore the Joneses and build up your finances instead.

3. Spend much less than you earn. The real key to financial independence is to simply spend less than

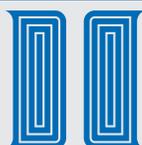
you earn. First, you need to track your expenses and see what you spend your money on. Then, you can cut the things you don't need, and keep lifestyle inflation to a minimum. Your goal is to work both sides of the equation to widen the gap between spending and income.

4. Pay yourself first. Make saving a priority ahead of everything else. Put money into your savings account before you pay the utility bills, buy groceries or even pay the rent. Paying yourself first encourages you to live on a smaller budget and it's a powerful saving habit. Funding an employer-sponsored 401(k) plan is a great way to get started. It'll be deducted right out of your paycheck, so you won't even miss it!

5. Keep investing. It's equally important to keep saving and investing over the long term. Ride out the stock market through the good and the bad years. As you near retirement, adjust your asset allocations to reduce risk and volatility.

6. Be flexible. Be flexible and adjust your spending accordingly. Some years are bound to be more financially difficult than others, and you need to be able to deal with them. If you're laid off, then cut expenses and adjust quickly - don't wait until you've used up your savings before you cut spending. Being flexible means you'll always land on your feet and live a less stressful life.

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