Achieving **Financial Independence**

WEALTH GUARDIANS

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Financial independence: You've worked hard throughout your entire career to achieve it. It means you only work if you'd like. You're not worrying about where your next income will come from. Your finances are currently stable. You can cover all your expenses using investment or passive income.

When you're talking about financial independence, you're thinking about a sound, safe, and comfortable retirement, right? One that means you have the freedom to do what you wish. To go out and live the retirement of your dreams.

Reaching financial independence is a pinnacle moment in a person's life. It's not easy, but with the right decisions, professional guidance, and self-control, you can make your future brighter. Here are some actionable tips for achieving financial independence that you can start implementing today.

Tips to Achieve Financial Independence

1 Create action plans that'll get you where you want to be.

Achieving financial independence isn't about one big plan coming to life. It's about completing a whole series of small plans on time. Finding your financial freedom will require time and research on the part of you and your financial professional to establish and achieve the goals you've set out.

Think of and create a list of these various goals, so they're officially established. That way, you'll be able to track your progress easier.

2 Calculate a financial independence goal.

There are a few easy calculations you can make to figure out how much money you may need to achieve your financial goals.

The first is the "4% rule", which states you can withdraw 4% of the total value of your investments during your first year of retirement. From then on, you'll draw the same amount (adjusted for inflation) each year—theoretically lasting you 25 years.

Another way to calculate your financial independence status is the age-based salary multiplier. Using this metric, you should have three years of your annual salary saved for retirement by age 40. At age 50, you should have six years' worth of salary, eight years' worth by age 60, and ten years' worth by age 67.

3 Save money, even if it's just a little.

It is generally beneficial to save money, as it can help in various situations. Even if it's not much, saving money creates healthy habits and ensures you're always making progress towards the overall goal: financial independence.

The key to saving more is self-control. The more frugal you are today, the more financially independent you'll be in retirement. Those added expenses—however small—do add up. The gas station soda, the cup of coffee before work, the dinner out when there's food at home… it can certainly put a squeeze on your financial future. You'd be surprised how much you can save by merely spending smarter.

4 Early on, develop an ICE egg.

It's not a nest egg. It's an in-case-of-emergency (ICE) egg.

Nearly 80% of American workers live paycheck to paycheck. That's alarming. One of the first financial goals you should have is to set up an emergency fund in case an unplanned event happens. It's suggested that your ICE egg cover between three and six months of living expenses.

5 The tax-advantageous route is a great way to go.

Not-so-newsworthy newsflash: Heavy taxes can reduce your overall income. Meaning it's harder to save and pay off debts. When you're thinking about your future, talk to your financial professional about tax-saving options that could result in less money for Uncle Sam—and more money for your retirement.

6 Do the (side) hustle.

Feel like earning more in your spare time? Consider starting a side hustle. Whether you want to start an Etsy shop, become an Uber driver, or be an Airbnb host, creating extra income on the side to save and invest isn't a bad idea. Depending on what your side hustle is, you may even find yourself with a future financial asset that you can sell for more cash.

7 Being insured means being smart.

I'm sure you've heard it before. The "It won't happen to me." It's a line that we've come to know a little too well.

The fact is, it's essential to talk about the what-ifs of life, and how you can help you and your family be protected. As you age and your family's wealth grows, it may be beneficial to review your insurance coverage to ensure it aligns with your current needs and circumstances. That way, all your assets are protected in case of the unthinkable.

8 Refocus your goals annually.

Creating and sticking to your financial goals is vitally important to your financial independence. With the guidance of your financial professional, the action plans noted in the first tip can assist you in developing a strategy for financial success.

But with everything in life, things change. Take the time to review financial goals with your advisor each year to make sure everything's going smoothly. It can be easy to get pulled in different directions financially, making this yearly renewal of your commitments necessary.

9 Keep learning about personal finance.

Your advisor is essential, but so is your knowledge. Make an effort to learn more about personal finance, smart spending habits, and retirement planning. Every bit of personal finance knowledge can help you think more strategically about your money. And thinking smart can equate to financial independence.

10 Downsize your life.

Do you have kids that are out of the house? Do you live in a town that has high taxes? Maybe you own a second property you rarely use? Whatever the reasoning may be, consider downsizing your life into a more modest and comfortable one. Downsizing or moving to an area with lower living costs is a great way to cut your overall living expenses, without affecting your actual lifestyle.

11 Avoid consumer debt.

Consumer debt can be a financial independence killer—especially credit cards with the ridiculous annual percentage rates. That alone can make you feel like you're playing credit card catch-up for decades.

Did you know that the collective debt for Americans is over $4 trillion? And yes, you did read that right.

Try to focus on becoming debt-free rather than the latest trends or credit card deals. Those credit card companies love to give you seemingly good offers, but it's generally best to disregard them. Instead, focus on your livelihood and financial well-being.

12 Remember the marshmallow test.

The marshmallow test was an iconic series of psychological studies from the 1960s. The experiment examined the power of delayed gratification to motivate preschoolers to stay under control—and it's an oddly compelling way to explain what it takes to achieve financial independence.

The test placed a marshmallow in front of children, and if they waited 15 minutes to eat it, they would be rewarded with two additional marshmallows to snack on. However, most children couldn't wait.

The results found that decades later, the children who did wait were more successful individuals overall. It's a great lesson in self-control, and at the very least, it shows you that if some 4-year-olds can practice delayed gratification successfully…you can in your finances, too.

Bottom Line

On your route to financial independence, it's best not to go at it alone. Regularly speak with your financial professional about your retirement planning, where you stand, and what changes you can make to improve. While no single piece of advice can achieve financial independence alone, these tips can serve as valuable information the next time you sit down with your advisor to plan for your future financial freedom.

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