



# BIG MONEY

**A PROFESSIONAL'S GUIDE  
TO FINANCIAL FREEDOM AND A RICH RETIREMENT**

# About the Author



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I achieved financial freedom after working a high income job in information technology by following a straightforward process of saving money and building wealth.

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# A Quick Word...

**Before reading this book, please understand that I am not a financial advisor,  
nor do I claim to be one, nor do I play one on television.**

Even if I were a financial advisor, I would never expect anyone to make big money decisions *without first personally sitting down with a trained financial advisor to discuss options*. A financial advisor will offer a customized financial plan based on your personal goals, risk tolerance and financial standing.

This information should not be treated as financial advice. The financial and investing information provided in this book is provided “as is” without any representations or warranties, express or implied. You must not rely on the information on this book as an alternative to advice from a certified public accountant, licensed financial planner or professional financial advisor.

This book is your guide to understanding what it takes to build a rich retirement. Before making big money changes or investments, talk to a trained financial advisor to get a tailored plan just for you.

Thank you, and enjoy.

## 1: Introduction to Achieving Financial Freedom

# The Simple Financial Freedom Equation

Financial Freedom is a math equation with two very clear and distinct parts: **making** money and **investing** money.

For most of us, we make our money by working marketable jobs or by running businesses in fields or areas that need our knowledge, expertise or strength. We provide value in exchange for pay.

If you are reading this book, you already know how to make money. You have a good job, earn a paycheck and you want to take that next step in your financial life. Now, let's address the other part of the equation.

Because, **it's not enough to just earn.**

Earning money is only a single part of what it takes to achieve financial freedom. The other part is building wealth.

Ultimately, the concepts of building wealth never change. They include:

- Earning consistent money by working marketable jobs or building businesses that provide value
- Investing money in appreciating assets like businesses, the stock market or in real estate
- In time, the value of our investments may increase, providing us with a positive return on the money we invest - aka: we build consistent wealth

**The problem:** Professionals are doing the math wrong.



## 2: Why Pursue Financial Freedom?

# Financial Freedom Gives You Options

What is “financial freedom”, anyway?

**Financial freedom means that you live a fully-funded lifestyle** that does not require a full-time job to support, though you may still choose to work a job you enjoy.

It means you have complete control over your life and the choices that you make. The money component is no longer the primary factor in your decision-making process and you are not forced to do things (like work) because you need the paycheck to fund your standard of living.

That’s an incredible feeling.

Financial freedom is also commonly known as **financial independence**, and it too implies that you are no longer beholden to a job to fund your lifestyle.

Instead, your savings and investments are big enough to sustain your lifestyle for the foreseeable future without holding a job. You may choose to continue working jobs

that you love, but the ability to quit work at a moment’s notice, without thinking about money, is what makes our lives truly “independent” and free.

### That’s What This Book Is About



This book is about financial freedom. It’s not a rags-to-riches story. It’s not about pulling yourself up by the bootstraps.

None of that.

It’s about using your income in a smart and effective way to build a future that’s free from money worries and stress.

## 2: Why Pursue Financial Freedom?

# Our Story of Financial Freedom



### Our Story of Financial Freedom

For 14 years, I worked a variety of very well paying jobs in information technology. In my 20s, I spent the majority of my time as a software developer writing computer code.

By my mid-30s, I led technical teams and took on higher-level managerial roles until one day I got the opportunity that I was waiting for. On a Friday, I was called into my boss's office and was promoted from

a software developer to the Director of the Information Technology department.

In one day, I jumped up several layers of management and was thrown into a role that not only boosted my responsibilities, but also boosted my salary. As a mid-30s guy, I was earning a six-figure salary and managing people twice my age.

Naturally, I drove a sports car and bought anything that I wanted. I lived the part.

**But, I was far from living a financially-responsible life. In fact, not even close.**

My money habits were sentencing me to a lifetime of W2s just to fund a burgeoning life of copious consumption.

At the time, I had no idea what financial freedom was. All I knew was that I was making a very decent salary and worked a position I felt was “prestigious”.

But, things slowly started to change.

## 2: Why Pursue Financial Freedom?

# Our Story of Financial Freedom

I will remember one Saturday morning for the rest of my life. I had thought it was like any ordinary Saturday, but it wasn't.

In my house in the suburbs, I walked into my garage and instinctively reached for the garage door opener to open the doors. A thousand times before, I'd punch the opener, hop in my car and go about my day. But this time, something stopped me.

Instead of opening the doors, I stood there in the dark and looked at what was sitting in the garage. On the left sat my brand new **Cadillac CTS** luxury car. And on the right was my 1999 **Corvette Convertible**. Squeezed between the two cars was my 2009 **Yamaha R1** sportbike.

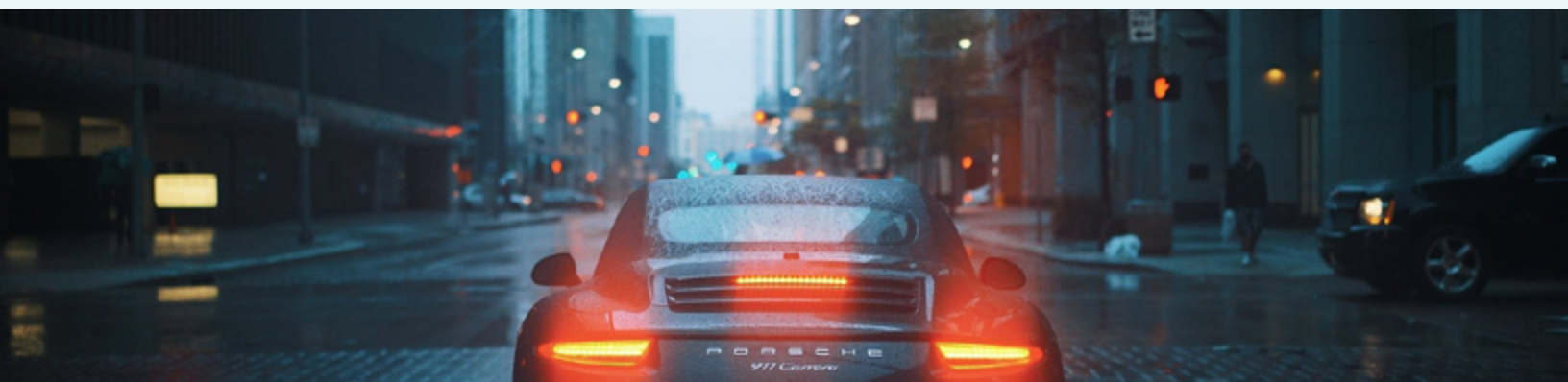
"I have it all," I thought.

Expensive toys. House in the suburbs. Nice job. But, something was wrong. Why were all these things not making me happy?

My high paying job was draining the life out of me. The stress was always there. Long hours, baby-sitting adults, getting calls late at night and on weekends that something broke. Work never shut off.

I thought those cars, my suburban house and everything I bought were supposed to fix everything. Make everything better. Help me forget about my job. The stress.

That Saturday morning, I decided I could not do this for the rest of my life. The nice salary was great, but if all the stuff in the world still won't make me happy, then what's the point of earning all that money?



## 2: Why Pursue Financial Freedom?

# Our Story of Financial Freedom

After making the changes I talk about in this book, my wife and I achieved financial freedom at the ages of 33 and 35, respectively. And, we quit our full-time tech jobs.

Now, we spend our days traveling the country in our Airstream travel trailer and living in our 800sqft off-grid home, based in the Arizona desert.

Retiring from full-time work at 35 won't be possible for everyone, and I enjoyed a lot of advantages in my life. First, I grew up in a loving and supportive family, setting me up with a support structure I used to get to where I am today.

I chose a high paying career field and earned \$55,000 a year in my first full-time position after graduating from college. Also, I had no student loans because my parents, who did not want me to start out my life deep in debt, paid for my entire education. I am eternally grateful to my parents for starting me off on the right foot.

But, I also made decisions consistent with my goal to achieve financial freedom and quit full-time work. This book talks about all those decisions and exactly what you can do to set yourself up for a worry-free future and a rich retirement.

Our off-grid home in the Arizona desert



### 3. The Problem With Income

# The Deceptive Income Problem

Too often, people assume those with nice incomes have a lot of money. It stands to reason, doesn't it?

They are "rich", right? But, that's not always the case.

In fact, there is a surprisingly large number of high income professionals who still live paycheck-to-paycheck. Though they might drive nice cars, wear expensive suits and go to pricey restaurants, those high-consumption habits systematically rob them of true wealth and the ability to achieve financial freedom. In this chapter, we talk about the high income problem and why it plagues so many of us.



### 3: The Problem With Income

# The Deceptive Income Problem

Here is a statistic that might be difficult for you to believe: One out of every four (or 25%) of families who earn more than \$150,000 a year live paycheck-to-paycheck<sup>1</sup>.

And, Americans with a net worth of \$100,000 to \$199,999 are much more likely to carry credit card debt, which is arguably the most debilitating type of debt in existence<sup>2</sup> due to high interest rates and how easy it is to spend money on credit.

Throughout my tech career as a high income professional, I worked with plenty of smart people who drove nice cars, wore pricey watches and took expensive vacays.

They looked the part by displaying their wealth, but were starkly afraid of losing their jobs (as I was!) due to the lifestyles they built for themselves that needed a consistent, big income to support.

Over the years, I quickly began to observe a pattern that remained very common throughout my career: people who earn

big money *do not necessarily have a lot of money*, and those who do have money tend not to display it.

#### **Earning an income is deceptive.**

All that money makes us believe that we are rich. Or, that “we can afford it”.

When we earn over \$100,000 a year, we believe that we can afford that big house on the hill, or drive that imported luxury car, or enjoy high-end restaurant meals every month, or take exotic vacations.

We tell ourselves that we work long hours and “deserve” to spend that money. We work in a high-stress environment and we should be able to reward ourselves with the nicer things in life, “every once in a while”.

Now, make no mistake about it: there is nothing inherently wrong with rewarding yourself. Or, celebrating the victories in your life. In fact, I firmly believe that it’s healthy to spend liberally on the things that you

### 3: The Problem With Income

# The Deceptive Income Problem

love and reward yourself handsomely for your accomplishments along the way.

There's nothing wrong with that.

But, when those “rewards” start to become an integral part of our lifestyle - in other words, we reward ourselves *all the time*, then we could find ourselves in a financial position of weakness.

Consider the example on the right. Joe earns a high salary, but saves very little. Jane, on the other hand, earns considerably less, but saves the majority of what she makes. Who do you think is in a better financial position? Joe or Jane? Note that

this is an oversimplified example, but it demonstrates the point.

<b>Name</b>	<b>Yearly Salary</b>	<b>Yearly Expenses</b>	<b>Annual Savings</b>
Joe	\$150,000	\$135,000	\$15,000
Jane	\$60,000	\$35,000	\$25,000

At first glance, it might seem like Joe and Jane are not that far apart. Jane might save \$10,000 more every year, but it's not that big of a difference, right?

Although a basic example, the differences between Joe and Jane are not that simple. Jane is in a better financial position for several important reasons.



### 3: The Problem With Income

# The Deceptive Income Problem

The differences between Joe and Jane are stark, and they begin with the power of compounding interest.

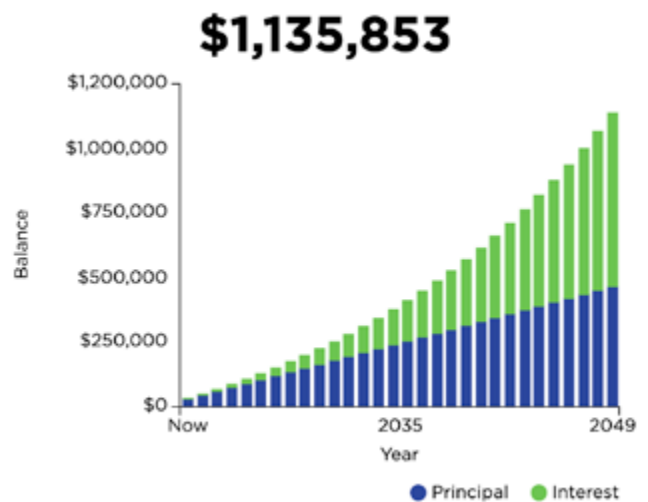
If Jane were to invest that \$25,000 in the stock market every year for 30 years, her retirement would look significantly more lucrative than Joe's. To prove it, let's use the compounding interest calculator available on the Nerd Wallet website<sup>3</sup>.

Jane's initial deposit was \$25,000. And, her annual contributions are also \$25,000. Over 30 years, and assuming a very conservative 5% rate of return, Jane will enjoy almost **\$1.9 million in retirement.**



Now, let's take a look at Joe's numbers.

Joe saves \$15,000 a year, and using the same 30-year, 5% rate of return calculation, our high income guy gets **\$1.1 million.**



Even though Joe earned substantially more over those 30 years than Jane (\$4.5 million vs. \$1.8 million), Jane's willingness to invest just \$10,000 *more than Joe* every year has resulted in a \$750,000 richer retirement.

And, that assumes no salary raises, bonuses or any other sources of income.

But, the differences don't stop there.

### 3: The Problem With Income

# The Deceptive Income Problem

Joe's other problem is his annual spending has created a lifestyle that will **consistently require a high income to fund**.

Spending \$135,000 every year means that Joe will always need a job that pays him enough to support that level of spending, which creates a potentially dangerous scenario if things ever go wrong.

Meaning, if Joe were to lose his high paying job in a recession, due to poor work performance, a change of management or any other reason, Joe will certainly find himself frantically looking for another position of *substantially equal pay*. Otherwise, he might lose his shirt. Or his house, or car.

After all, if Joe were to lose his job, finding another job that "only" paid \$105,000 will not quite provide the necessary financial resources needed to sustain a \$135,000 annual level of spending. As a result, he will be forced to make some tough choices.

Jane, on the other hand, spends much less

money every year. She earns less, but she also manages to save more than Joe. Her lifestyle is far less risky because it requires significantly less money to support.

After an unexpected job loss, Jane would not need to find a tougher-to-get high-paying job to maintain her standard of living - as Joe would.

And because she saves more money than Joe, she may not need to find another job *as quickly* as Joe, either, because she could potentially live off of her savings for a while.

This statement is tough for many of us to hear, but it is important to understand:

***"Earning a high salary does not mean that we are wealthy (or rich)."***

It does not mean that we have unlimited money to buy anything we want. It also doesn't imply that we can afford a big house, an expensive car and a nice boat, take exotic vacations and live like rockstars.

### 3: The Problem With Income

# The Deceptive Income Problem

#### So, what does having an income mean?

It means that we have an incredible, unique (and rare) potential to amass enough wealth, over time, to never have to stress or worry over money again.

Over the course of a career, saving the majority of a high salary will nearly always improve our chances of reaching the point of financial freedom.

On the contrary, spending the majority of what we earn (regardless of salary) puts us into a position of weakness because it leaves us with less money to save for retirement, or for a rainy day.

I think we plainly understand that we cannot achieve financial freedom if we spend the majority of our earnings.

A high salary is deceptive, and unless we use that income in a strategic fashion, it won't improve our financial life.

What strategies can we use to kick-start our retirement savings and use our income in a smart and effective way? And, how can we make decisions commensurate with our goal of achieving financial freedom?

In the next chapter, let's dive into the meat and potatoes of what it takes to achieve financial freedom with *any* income.



## 4. Achieving Financial Freedom

# Big Money: Your Guide to Freedom

This is where the rubber meets the road. In this chapter, we are discussing key impactful decisions that can transform your future for the better. We will talk about smart money strategies that take full advantage of a good salary to build wealth quickly, not forgetting that it is okay to reward ourselves and enjoy some of the nicer things in life along the way. Remember, this process should not feel like a “sacrifice”. It is meant to improve your life.

### In this chapter, you will learn about:

- How to use your income to boost your wealth,
- Why investing is much more important than saving, and
- What automation can do to put your financial life on auto-pilot



## 4. Achieving Financial Freedom

# Big Money: Your Guide to Freedom

**Financial freedom** requires three separate, but equally important, things:

1. Earning an income,
2. Investing the majority of it, and
3. Controlling your lifestyle

For most of us who have achieved financial freedom, it's that simple. If you are reading this book, you probably have a very strong handle on the income part of this equation.

That is step one. The next step is putting that money to good use. While there are certain tried-and-true principles of smart money management, this step will look very, very different for each of us.

Smart money management revolves not just around saving your income, but *investing the majority of it in appreciating assets*.

This is how wealth is built.

Saving money is great, but wealth expands, over time, when it is invested.

### What are appreciating assets?

An appreciating asset is ownership of something - be it a share of stock, a portion of a business or a piece of property, that increases in value over time.

For example, let's take a share of stock.

A share of stock that increases in value from \$5.00 to \$10.00 is an asset that appreciated in value - in this case, it doubled. If you bought that share of stock when it was worth \$5.00, you would have doubled your investment when it reached a value of \$10.00. Your wealth increased.

Keep in mind that *doubling your investment* is not common. Though it can and does happen, there is inherent risk with any type of investment. The stock market goes down. Recessions wipe out trillions of dollars in value from world markets. Real estate properties can depreciate in value. Businesses can lose money. Investments will not always be a winning proposition.

## 4. Achieving Financial Freedom

# Big Money: Investing Builds Wealth

As a result, all investors need to be keenly aware that investing in any asset is a risk.

**Though we hope (naturally!) to make a lot of money with assets that increase in value, *that will not always happen.***

When in doubt, talk with a seasoned financial advisor who will look at your personal money situation and offer tailored advice to help you achieve your money goals.

Over the next several pages, we will focus on the last two parts of the financial freedom equation. That is, the **investing** and **controlling your lifestyle** parts, as these are the parts that seem to be the toughest for a lot of people to master.

Most of us can always earn more money. And, there's value in that. The more that we earn, the more we have to invest and use to build a foundation for growth.

Income is a wonderful thing. It enables what we are about to talk about.

**Part 2 of the Financial Freedom equation is investing the majority of your income.**

What does this mean? It does not mean that we need to invest nearly 100% of what we earn. Of course, we need some money for our day-to-day expenses as well as a few extra bucks to enjoy life.

The money we use to enjoy life is called discretionary spending. It's spending that we don't NEED, but we spend it anyway because it contributes to our happiness.

This is money well-spent.

**In fact, let's make this point crystal clear:**

Financial freedom, in no way, requires a sacrifice of everything that you love.

When we feel like we're sacrificing the things that we love to do, we also reduce the chances that we will stick with it and keep saving. It becomes a negative draw on our minds. Achieving financial freedom should not feel like a sacrifice.

## 4. Achieving Financial Freedom

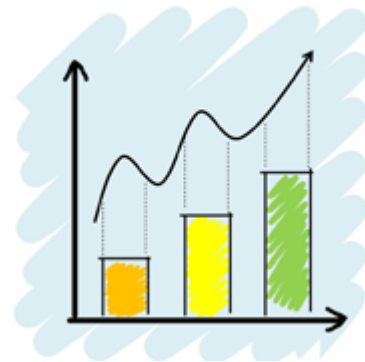
# Big Money: Investing Builds Wealth

But - and here is the kicker: the amount of money that you “should” invest will be different for each and every one of us, but if you are like most people, you could probably be investing more than you are.

Basic investment guidelines:

- **Your checking account is not an investment;** in fact, it's one of the worst ways to “save” because your cash will not grow inside a checking account
- **All real investments contain a risk;** know this going into any investment
- **Most investments are not “get rich quick”;** instead, they tend to grow (and sometimes shrink) over time
- **Be careful before getting into any “hidden jackpots” or lofty promises;** hidden gems exist, but they typically are not easy to come by

Although there are plenty of strategies out there, I am a big believer in “slow and steady wins the race”, and that’s been my personal investment strategy for years.



Here are several different examples of common investments:

**Savings accounts, CDs** (Certificates of Deposit), **Treasury Bills** and **U.S. Savings Bonds** are lower-risk investments, but they also offer a lower rate of return. Most high-wealth individuals do not solely rely on these types of investment accounts to build wealth, though they may include them in their overall portfolio.

**Mutual Funds** and **ETFs** are built for long-term investing and are a diversified set of stocks, bonds and securities in which investors collectively invest. These investment accounts provide a higher return potential, but they also include more risk.

## 4. Achieving Financial Freedom

# Big Money: Investing Builds Wealth

**Bonds** are debts in the form of loans made to companies (or governments, cities) that pay a set interest rate over time. Bonds are typically less risky than stocks.

**Stocks** are shares of ownership in publicly-traded companies. As investors buy stock, they also buy a stake in the company. Stocks are among the riskier investment options because if the company loses value, the value of its stock shares also decreases. But, if the company appreciates in value, each stock investor builds wealth.

**Real estate** investments include land, houses, apartment and office buildings and commercial complexes. Investors make money when the value of the land or the building increases in value.

**401(k)s** are pre-tax company-sponsored retirement plans belonging to employees. Many companies offer a percentage match of money contributed by the employee, making this an excellent option to invest. Note that there is no guaranteed return.

**Roth IRAs** are post-tax retirement accounts where money grows tax-free, making this another good option for investors to help grow their wealth. Note that there are contribution and withdrawal restrictions for both 401(k)s as well as Roth IRAs.

**HSAs**, or Health Savings Accounts, are hidden gems when it comes to investing, though they won't be available to everyone. A health savings account is a pre-tax investment account used for qualified healthcare expenses. Contributions are generally not subject to federal income taxes and money grows tax-free. If you don't use your HSA money for a medical expense by a certain age (in 2020, it was 65), withdrawals can be taken from the HSA without penalty.

**Brokerage accounts** are fully-managed accounts set up to allow individual investors to invest money in a variety of different stocks, bonds and mutual funds. These accounts are managed by the brokerage firm, but the money inside the brokerage account belongs to the investor.

## 4. Achieving Financial Freedom

# Big Money: Investing Builds Wealth

Many other investment accounts exist, like traditional IRAs, 403(b), 457, etc. Each account has its set of benefits and limitations, but a detailed discussion of these options is beyond the scope of this book. Investopedia.com is a good source for more information on all options.

Other types of more unique investments also exist, such as artwork, books or baseball cards, jewelry or antiques.

While these non-traditional investment opportunities often take knowledge and expertise in the specific field, ultimately, every investor hopes for their investment to appreciate in value over the course of time.

Regardless of the type of investment, appreciating investments build wealth.

**In this section, you learned about several investment types that are “pre-tax”.** Pre-tax, also known as *tax-deferred*, refers to contributions made before your income is taxed by federal and state governments.

These contributions also reduce your taxable income, generally by the amount contributed, making these investments great options for investors. Your 401k, 403(b), 457 and HSA investment accounts are good examples of pre-tax accounts.

For instance, if you earn \$100,000 a year, your normal income tax burden would include your entire salary, or \$100,000.

However, investing \$16,000 into a pre-tax investment account like a 401(k) reduces you taxable income by \$16,000. This brings your tax burden down to \$84,000. You only pay taxes on \$84,000 in “adjusted” income.

Next, let me discuss what my wife and I did to boost our wealth to achieve financial freedom at such a young age.

Both my wife and I worked well-paying jobs in technology for nine years and 12 years, respectively. My wife was better with saving and investing than I was, but we always followed these basic techniques.

## 4. Achieving Financial Freedom

# Big Money: Investing Builds Wealth

**Technique #1:** We always invested at least the company-sponsored match (which was generally 4%) into our pre-tax 401(k)s. The company match was literally free money, and many companies offer this match to help encourage their employees to invest and build wealth. Take advantage of this!

**Technique #2:** Toward the end of our full-time working careers (the last two or three years), we maxed out both of our 401(k) and Roth IRA accounts. This drastically reduced our taxable income and boosted our investments during a time when the stock market was strong and healthy.

**Technique #3:** We built an emergency savings account with several years of living expenses. Note that saving several *years* of living expenses may not be right for you, but we preferred to hold a little extra cash.

**Technique #4:** In addition to our 401(k) and Roth IRA investments at work, we invested post-tax income in a Vanguard brokerage account to further boost our investments.

**Technique #5:** We automated everything that we could. Contributions into our 401(k) accounts happened automatically straight from our paychecks. In addition, we set up monthly transfers from our checking account into our emergency savings and brokerage accounts to keep those funded. In addition, we paid off our credit cards automatically so we never ran a balance.

**Technique #6:** We used a great online tool called Personal Capital to help keep track of our entire financial picture, including our checking and savings accounts, our investments, home and property values and our mortgage. Having everything in one place made it easy to monitor our spending and keep ourselves honest.

**Technique #7:** We began using credit cards with the highest cash back and travel rewards points to take full advantage of the money that we were already spending. Check out the bonus section on how choosing the right credit cards can, believe it or not, help you to save money.

## 4. Achieving Financial Freedom

# Big Money: Investing Builds Wealth

Before continuing, I cannot stress this enough: before sinking your money into a potential investment, get a second opinion from a trusted financial advisor if you are unsure or confused about your options.

I can tell you that smart investments build wealth over time for a lot of people, but I cannot tell you what to invest in. The right investment for you will be impacted by several important factors, like:

- your risk tolerance
- your financial goals
- your overall money history
- how much you have to invest
- investment options at your job

As a dedicated professional, you have a unique opportunity to maximize each and every dollar that you earn by putting it to work for you (and spending it wisely).

You work hard for your salary. Now, put that money to work for you by investing in assets that appreciate in value over time.

**Pro tip:** Look for ways to fully automate your investment life.

For example, many companies allow their employees to establish 100% automatic contributions into their 401(k) or Roth IRA retirement plans right from their paycheck. Once set up, the automatic process runs all by itself, which makes investing for your retirement a straightforward and fairly non-complicated process.

If you are unsure about what options your company offers, talk to your HR department about your investment choices.



## 4: Achieving Financial Freedom

# Big Money: Investing Builds Wealth

Let's summarize what we learned in this section about investing.

**Wealthy people do not build wealth only by earning big salaries.** In addition, merely saving money (e.g., checking account) will not give money the opportunity to grow.

Wealth builds when our money grows.

**Investing a good portion of your income** gives your money the chance of growing over time. The more time that you give your investments to grow, the better the chances of your investments appreciating.

**All investments contain risk.**

**401(k)s and Roth IRAs are excellent long-term investment options** available at many employers. If you are unsure what your employer offers, talk to your human resources department for your options.

**Automate your investments** as much as possible. This removes the element of discipline from the equation and puts the achievement of your money (and life) goals on auto-pilot. This is essential.

**Talk to a trusted financial advisor** before making any big changes with your money or investing in new assets. The advisor will help you design a tailored financial plan to accomplish your money goals.



## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

Aside from investing your money, there is nothing more important to building wealth than controlling your lifestyle. Or in other words, limiting how much you spend (and the personal debts that you accept) to maintain your day-to-day life. The more that we spend on things like big homes or nice cars, season tickets to our favorite sports team and pricey vacations, the less money we will have to save, invest and build serious wealth.

### In this chapter, you will learn about:

- How your lifestyle affects your wealth
- Why many professionals DON'T build wealth, and,
- Simple ways to control your lifestyle and the money you spend



## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

Before reading this part of the book, do understand that this section is meant to be non-judgmental. After all, our lifestyles are deeply personal and rooted in our own happiness, so be sure to take an objective look at your life's expenses without placing blame, getting angry or being frustrated.

Our lifestyles affect our wealth in many fundamental ways. Simply put, the more money that we spend to maintain our standard of living, the less that we have to save and invest for our futures.

However, it is impractical (and unhealthy) to save and invest *everything* and leave nothing to spend on ourselves and families.

The amount of money we spend on our lifestyle, compared to the amount that we save and invest, is a **delicate balancing act**, and it will look different for each of us.

How can we maintain a standard of living that we are comfortable with, but still save and invest for a rich future?

**The key is to streamline your lifestyle to only those things that bring happiness.**

But remember: the things that we're currently spending our money on may not be sources of happiness. Do you recall the story I wrote at the beginning of this book? It was about my "toys" (a Corvette, Yamaha R1 race bike, etc) I bought in a previous life, believing that they brought me genuine happiness. As I found out, they didn't.

They were, however, meticulously draining my pocketbook of hard-earned cash. The insurance alone for my motorcycle was in the neighborhood of \$150 a month.

My lifestyle was expensive, and I funded that lifestyle with money that could have been saved and invested which, over time, had the potential to boost up my wealth.

The standard of living I lived by was not streamlined. I did not have a good idea of where my money was going and I refused to let myself fix that glaring problem.

## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

Streamlining your lifestyle is a three step process. Those steps are:

1. Know where your money is going,
2. Identify ways to reduce spending, and
3. Continuously monitor (ongoing)

In Step 1, **we start from the beginning by understanding exactly where our hard-earned money is being spent.** Believe it or not, money has a way of disappearing or hiding behind subscriptions that we no longer use or costly habits that we don't truly appreciate (or know are there!).

Without knowing precisely where our money is going, it is nearly impossible to identify where we can cut back in a way that doesn't sacrifice our happiness.

How do we figure out where our money is being spent? This process will take upfront work, but it will also get much easier after we go through all this for the first time.

Your bank and credit card statements are

your friend. And, not just your most recent statement, either. Log onto your bank or credit card websites, pull up statements for the past 6 months (at least), and go through these statements line-by-line.

I know, this process is tedious.

But, remember that after we do this once or twice, we won't need to dive through line items on our statements very often. As always, the first time is the toughest.

Make sure that you understand every expense (many descriptions are cryptic!).

Some online banking systems will help you categorize expenses to give you a better visual picture of your expenses. If they help, play with some of those tools to assist you in this process going forward.

This is a critical component in controlling your lifestyle. And, this is not the time to be judgmental. In step 2, we will learn how to decide what expenses to cut out.

## 4. Achieving Financial Freedom

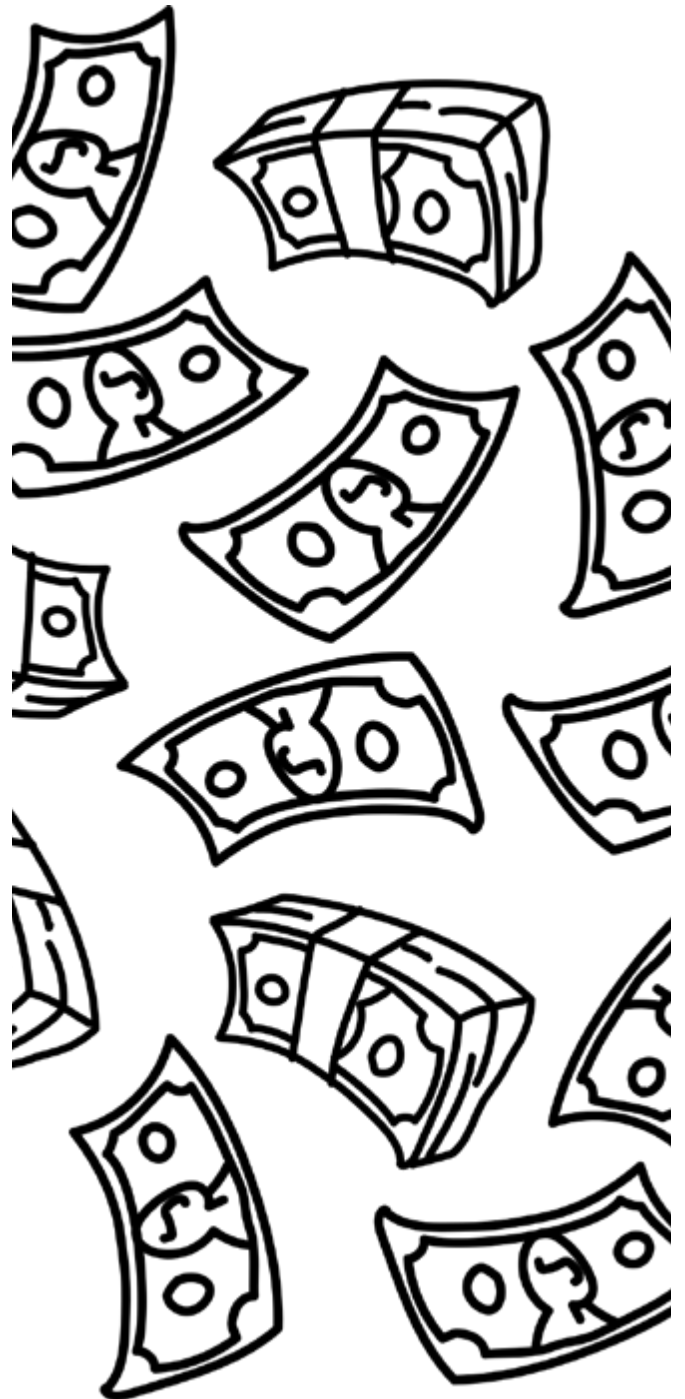
# Big Money: Why Your Lifestyle Matters

Here are a few important tips to help you as you dive through your statements.

**Look for recurring expenses.** These might include subscriptions to magazines, or memberships to clubs or websites, your cable TV package or anything else that gets billed on a regular basis. Highlight these expenses because we will use these in the next step of the process.

**Categorize everything.** Putting each and every expense into a category will help you to visualize at a higher level what areas of your life are costing you the most money. For example, common expense categories include restaurants, alcohol, groceries, travel, fuel, clothing, automotive repairs, home repairs and improvements, etc.

**Don't begin cutting expenses yet.** We will get to this step later. Instead, stay focused on getting through your bank and credit card statements and categorizing all of your expenses. This organization will make the next step much easier to handle.



## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

In Step 2, **we use the work that we just did to help us cut or reduce expenses that no longer make sense for us.**

This part of the process can be more time-consuming than the first, but it's equally important. Now, we get to decide what areas of life are most important.

By now, you should have a pretty good idea of where your money is going, broken down and added up by category. You also highlighted recurring expenses to make those easier to pick out, and those items will be where we start our culling process.

Recurring expenses are deceiving, and they often fly by under the radar because they happen automatically. We don't need to lift a finger to pay those bills, and therefore, we tend to forget that we're making those payments month after month.

How many of those recurring subscriptions do you actually use? Do you read all those magazines? Watch enough TV?

Before we continue, let's take a quick step back and talk about exactly what you are doing in this step.

You are not cutting *everything* out of your budget. **You don't need to ruthlessly nix each and every thing that you love** for the sake of saving extra cash.

After all, our lives must not feel like a sacrifice or we will never be happy with them, regardless of how much money we make or have in the bank.

Instead, this process is designed to:

- weed out those things/expenses that we no longer need (or use), and
- cut back on costs because we are now prioritizing different things

Think of this process as streamlining your lifestyle rather than slicing and dicing up your financial life as you know it.

Your state of mind is important!

## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

Okay, it's now time to get right down to it.

Keep in mind that **I cannot tell you what to spend your money on.** I can only aim to provide insight, based on my experience, on trimming your expense categories and maximizing how you use your money.

On the previous page, I talked about taking a look at your subscriptions. That's often the easiest area from which to cut back.

For example, do you watch enough TV to make your monthly payment worth it? If you also subscribe to movie channels, do you watch those, or could you cut back your service level to save some cash?

Or, are you reading every magazine that you subscribe to? Enjoying the wine from that club you're in? What about Netflix? Are you actually using it?

Read over the following questions to help you uncover areas of your life that are ripe for some efficiencies and cost savings.

Are your yearly vacations getting a little out of control? Could you cut back on where you go or what you do while on vacation?

Can you cook a little more at home rather than going out to eat so often?

Can you wash your own car rather than running it through the car wash? Or, cut your own hair instead of going to a barber? Make your own coffee at home instead of grabbing a designer cup o' Joe?

Are you buying a little too much alcohol or treating other people at restaurants too much? Picking up take out too often?

How about those weekly happy hours with coworkers after work? Are they getting a little too expensive?

Or heck, think bigger. Is your house more than you need? Is the interest on that auto loan worth the price of driving around in that car? Are you trying to look successful with pricey clothes and costly jewelry?

## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

To reiterate, I cannot tell you what to cut. But, here's a great way to think about your expenses. We're going to put things into perspective by asking ourselves a simple question about financial freedom.

*"How badly do I want the freedom of never having to worry about money?"*

Do you want that freedom badly enough to kill your cable or satellite TV package, or drive around in a modest car rather than an expensive import, or even make the giant leap of downsizing from your big house to a more economic option?

Remember: If the answer is "no" to any of those questions, that's fine. It's your choice.

But, understand that every little expense in your lifestyle is a representation of time.

More specifically, a *unit of time*.

The more money you spend, the longer it will take to achieve financial freedom.

A big house might require another 10 years of working. That nice car could keep you in the office for another three to five years. Your daily lunches out with coworkers or season tickets to your favorite sports team requires money that won't grow.

**It won't grow because you have chosen to spend it rather than invest it.**

These choices are yours and yours alone. Be aware of exactly what you are trading off so you can continue to spend on those things that make you happy.

For example, maybe those two high-value seasons tickets are worth another five years in the office, or your pricey cable movie package makes you happy enough to keep working another year or two. That's okay.

The key is to understand the trade-offs. With this understanding, you will be able to make the best decisions possible to save for your future while maintaining a good level of happiness for today.

## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

Once you have identified expenses that that can be cut or reduced, the next step is to make that happen. Many times, you can do this online, but sometimes, you will need to call and talk to someone.

And, this isn't easy for a lot of us. When we call to cancel or reduce our service, the phone representative on the other end will often try a hard sell to keep us on-board.

When we're calling to cancel, the hard sell might be stressful. But other times, we might be able to use this to our advantage.

Many telephone representatives, especially at cable or satellite TV providers, are authorized to offer **on-the-spot discounts** or price reductions to keep you as a paying customer. So, even if you love your TV service, it might be worth giving them a call with a concern over money. You never know...they may give you a discount.

With magazines, you might be able to reduce the frequency of deliveries to help

reduce your monthly costs.

Another trick to help you save some cash is to simply stay home more often. Staying home means we spend less money on fuel, less wear-and-tear on our cars and more time enjoying the place we call home.

**Take these one-by-one and try not to get overwhelmed.** Challenge yourself to get rid of a couple of bills a week - or if you're properly motivated, knock them all out in a day and then reward yourself later on with something special, like that bottle of wine that you've always wanted to open.



## 4. Achieving Financial Freedom

# Big Money: Why Your Lifestyle Matters

In Step 3, **we are going to keep a well-trained eye on everything that we're doing so we don't lose momentum.**

For instance, we do not want to spend hours diving through credit card statements and making tough decisions about cutting costs, but then fall right back into our old way of life next month.

We want our work NOW to stick with us, because over time, the changes that we are making today will help build a richer retirement down the road.

How can we continuously monitor our level of spending so we don't destroy everything that we worked so hard to put into place?

A lot of banks and credit cards have **alert thresholds**. Every time a money transfer or purchase exceeds a certain amount, you can get a text message or email with an alert. Use these alerts to keep yourself, and your family, honest about where money is being spend, and how much.

For several months, **go through your bank and credit card statements when you get them each month.** And, this is especially wise right after making changes to your spending level. Taking the time to go through your statements will make sure that your bills did drop (or get eliminated).

You might be surprised at how many mistakes happen when you change, reduce or cancel your services. Make sure these adjustments have been made on your bill.

Then, go through your bank statements every couple of months to make doubly sure everything is exactly as you expect.

Also, **consider redoing this entire process once a year.** You may find that you can easily cut more out of your lifestyle as you begin living on a reduced level of spending.

There are no real secrets to this step. The key is to stay consistent and to actually do the work. It will help to keep you and your family honest and to build wealth.

## 4. Achieving Financial Freedom

# What About Debt?

Thus far, we have not spent a lot of time talking about debt. But, reducing or eliminating debts will have a profound effect on achieving financial freedom.

**Your debts will kill your chances of build-  
ing wealth because they put us into a  
position of weakness. We owe money.**

But, that does not mean that all debts are automatically bad. For example, good debts can exist, and they include:

- Student loans for a marketable degree in a high paying career field,
- Low-interest mortgages,
- Business loans to help you build and maintain your own enterprise

Good debts exist, but for the most part, the goal is to get rid of as many debts as possible, especially those with high interest rates like credit cards and auto loans.

Debts make it tougher to build wealth because a portion of every dollar we earn is earmarked for someone (or *something*) else. With debt, we don't keep everything we earn, and it will take longer to be free.

How can you reduce or eliminate your debt in smart and effective ways?

First, **reduce discretionary spending** like going out to eat, paying for cable TV or buying expensive clothing. The more cash we save, the more money we will have to pay down our debts, fast.

There are a couple schools of thought about the order of paying down your debts.

One way is to focus on high interest debts first, then work your way down the line toward the debt with the lowest interest rate. This is called the “**Debt Avalanche**” method of paying off debt.

For example, paying off a debt with a 15% interest rate would come before a debt with a 5% interest rate. You would still make minimum payments on all debts.

Another way is to focus on the smallest debt and work your way up the line to the largest, gaining momentum as you go. This is called the “**Debt Snowball**” method and is a favorite of talk show host Dave Ramsey. Both methods work well for people.

## 4. Achieving Financial Freedom

# What About Debt?

Regardless of the method that works best for you, the key is to eliminate debt and maximize your savings and investment potential. Get rid of those debts!

The other side of this equation is thinking about debt in a whole new way.

On the previous page, I mentioned that not all debts are bad. It's true, some debts can greatly benefit us.

For example, taking out \$80,000 in student loans for a Computer Science degree can easily pay for itself several times over during the course of a career. After all, technology-related careers have a consistent track record of high salaries, and we can use those salaries to pay the debt.

Or, a business loan that helps us to invest in our budding enterprise can also turn our small business into a big company with 10x the cash flow. It happens all the time.

**The key is to only take on debts where we have a good chance of paying off the debt with *an improved financial position*.**

Student and business loans are good examples of *potentially* good debts. But, all debts won't all be good.

Arguably, most debts aren't good.

For example, **Americans have amassed over \$1 trillion in credit card debt**<sup>4</sup>. And, credit card debts never boost our financial position. We are not building companies or investing in our future selves.

We're just buying stuff.

Similarly, high interest auto loans rarely benefit us because we're driving around in a depreciating asset (cars depreciate very, very quickly). Even though our cars depreciate, we still pay the full value of the loan.

We do not tend to come out ahead with these types of debts. To achieve financial freedom, make it a point to:

- eliminate as many debts as you can,
- and never take on additional debts that don't improve your financial position

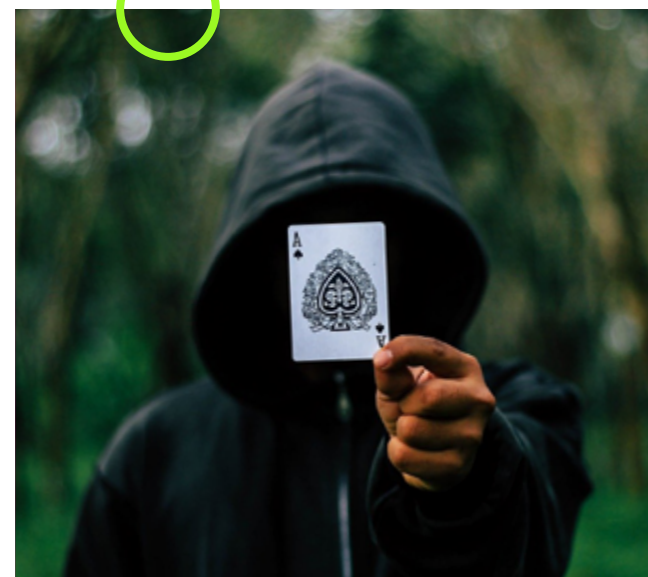
## 5. Have you made it, yet?

# How Do You Know You've Made It?

After putting into place the components that we need to achieve financial freedom - like improving our spending habits, investing our income and controlling our lifestyle, how can we determine when we have reached financial freedom? Are there any tools that can help us calculate when we've hit our mark, or when we can officially call ourselves "free"?

### In this chapter, you will learn about:

- How to define what "freedom" means to you
- How the Trinity 4% guideline is used to calculate success, and
- Online calculators that can help you visualize your financial picture



## 5. Have you made it, yet?

# What Does Freedom Mean To You?

Financial freedom isn't like a trophy. It is not something that gets bestowed upon you when you reach a certain point or win a competition. No, freedom is different.

### **Freedom is more organic than that.**

Financial freedom means something very different for each and every one of us, and only YOU can determine what being free from money worries means in your life.

Traditionally, financial freedom means that we have accumulated, over time, enough money in a combination of our savings and investments that **we never have to work another job again**. We don't need to actively earn income.

Instead, we live off of our investments and savings. We might sell stocks every year to fund our lifestyle. Or maybe we prefer to live off of dividends instead. Or even real estate income.

There are lots of ways to design your life of

freedom, and there is no right or wrong way. The important thing to remember is your life of financial freedom can (and should) be tailored and customized so it works best for you and your family.

You might choose to pick up seasonal work in a local shop. Or, perhaps you like to do consulting jobs every once in a while. Or, maybe you have a side hustle.

In other words, financial freedom may not mean that you're sitting on the beach and sipping margaritas all day.

Your version of financial freedom might include some work every now and then. Or, it may not have any impact on your full-time job. If you love what you do, there is nothing wrong with continuing to work after reaching the point where you no longer *need* that job.

Next, let's talk about one of the most common ways of determining when you have reached the point of financial freedom.

## 5. Have you made it, yet?

# Trinity 4% Guideline

In the late 1990's, three professors from Trinity University published a study that has become one of the most popular ways to simplify the math behind financial freedom. Here is how it works.

The study looked at the history of the stock market - including the Great Depression and recessions, from 1925 through 1995.

The study found, assuming the majority of our money is invested in the stock market, we can withdraw up to 4% of our starting net worth and stand a reasonably good chance of never running out of money.

This makes the math easy, and we can look at it using two different equations.

**Equation #1:** Multiply yearly spending by 25x. This is the amount of money you need to have before achieving financial freedom.

**Equation #2:** Multiply your investment portfolio by 4%, and that's the amount of money that you can spend each year.

Let's take a look at an example to help clarify how this might work for you.

First, let's use Equation #1. Let's say that you would like to spend \$50,000 a year, without earning any more income, after reaching financial freedom. If we multiply that by 25, we come up with a value of \$1,250,000:

$$50,000 \times 25 = \mathbf{1,250,000}$$

Using the Trinity 4% guideline, we would need to amass \$1.25 million before hitting our freedom mark. We could take 4% of \$1,250,000 each year and stand a good chance of never draining our portfolio.

Using Equation #2, let's assume we have \$1,000,000 invested. If we multiply that number by .04 (or 4%), we get \$40,000:

$$1,000,000 \times .04 = \mathbf{40,000}$$

This means that, assuming a \$1 million investment portfolio, we can spend about \$40,000 every year (4% of 1 million) and probably never run out of money, even during down markets or recessions.

This makes the math easy, but the Trinity study has a variety of drawbacks that we need to fully understand.

## 5. Have you made it, yet?

# Trinity 4% Guideline

**Here are some of the major drawbacks of relying on the Trinity 4% guideline.**

First, there are no guarantees in life. And, there is no way that *any* study, including the Trinity study, can accurately predict to any degree of certainty the future.

In addition, the Trinity study was published more than 20 years ago and could not account for differences in today's financial climate. For example, many investment fees are higher now. Healthcare costs are unpredictable and seem to be getting more unpredictable (and expensive).

And, people are living longer today than they were during the study's period. The Trinity research assumed a retirement length of 30 years, and today, there is a good chance of living much longer than 30 years after retirement.

Lastly, the study gives people a false sense of security. Believing the study, quitting your job and never looking back and assuming that the 4% "rule" will hold true for you could be disaster depending on circumstances outside of your control.

All that said, I still believe that there is value in the Trinity 4% guideline, with these two critical stipulations:

**It is a guideline, not a rule.** In other words, use it as a data point in your overall level of comfort with your financial situation. Or a starting point. Do not assume that the 4% rule guarantees a 40 or 50-year retirement without money worries. It won't.

**Re-confirm yearly.** My wife and I used the 4% guideline to determine a ballpark figure of what we need to accumulate before truly being financially free, but we also re-do the calculation every year to make sure that things haven't changed. If we find that we're running out of money quicker than we imagined, we could either find jobs to help boost income or slash our spending to 2 or 3% instead of 4%.

Especially in retirement, it is critical to keep close tabs on your spending and overall investment portfolio to ensure that you're not outspending your anticipated lifestyle or under-performing in the market.

## 5. Have you made it, yet?

# FIRE Calculators

FIRE, or *Financial Independence Retire Early*, is a growing movement of those who aim to achieve financial freedom and then quit their full-time jobs, often at a very young age - as I did.

Many folks in the FIRE community use the Trinity 4% guideline that we talked about in the previous section to determine when they are financially free, but others prefer to use one of the many FIRE calculators that are available online.

These calculators take your financial details (like retirement year, portfolio value, social security earnings, pensions, spending, etc) and run simulations to determine your chances of never running out of money in retirement (or after quitting your job).

**cFIREsim** - or *Crowdsourced FIRE Simulator*, is one popular option for this calculation. This calculator is available at <http://www.cfiresim.com>.

**FIRECalc** is another good option, though I've found this one to be more difficult to use than cFIREsim. This FIRE calculator is available at <https://www.firecalc.com>.

**Playing With Fire** is a very straightforward calculator that takes your age, your annual income and expenses, along with your net worth and asset allocation and calculates your anticipated retirement date in the future. It's available at <https://playingwith-fire.co/retirementcalculator>

The screenshot shows a web-based calculator interface with the following fields and values:

- ANNUAL INCOME**: Household income after taxes. Value: 100000
- ANNUAL EXPENSES**: Your current cost-of-living. Value: 30000
- CURRENT NET WORTH**: The current value of all assets, minus the total of all liabilities. Value: 20000
- ASSET ALLOCATION %**: Diversity of your investments.
  - stocks: 80
  - bonds: 15
  - cash: 5
- EXPECTED RATE OF RETURN**: Subtract inflation from rate of return.
  - stocks
  - bonds
  - cash

There are dozens of cool retirement and FIRE calculators available online to help you run the numbers. But remember, use these numbers as a data point in your overall strategy, not the one and only determining factor of when you can safely quit your job (if that's your plan).

## 5. Have you made it, yet?

# How We Knew...

Throughout this book, I talk about our story as an example of what can happen when we start making big changes to our money lifestyle. Here, let's round out our story with how we knew we were ready.

### **Note that part of our story involved early retirement, not just financial freedom.**

We both wanted to quit our jobs, for good.

We used the Trinity 4% guideline to help us figure out that spending about \$35,000 a year would be the goal. Before, my wife and I spent around \$65,000 a year.

We were confident in our number because we planned a big change to our lifestyle: *selling both homes and moving into an Airstream travel trailer*. Additionally, we had established small side hustles (like a blog and a YouTube channel) to help produce consistent (though small) cash flow.

**What we cut out:** I sold a lot of my toys, including the Cadillac, the Corvette and the motorcycle. We ditched our cable TV package and started doing our own pool work instead of hiring a pool guy. Also, our restaurant budget was cut back to \$50 a

month, and we challenged ourselves to buy both *cheaper* and *healthier* groceries.

**The resources we used:** Both my wife and I maxed out our 401(k) and Roth IRAs at our companies before quitting our jobs, and we did this by setting up automated transfers straight from our paychecks.

In addition, we used the Personal Capital tool to visualize and monitor our cash flow and to ensure that we kept on track to meet our money goals.

**Our life now:** My wife and I have been financially free for over three years, and in that time, our net worth has grown - thanks to our investments in the stock market and our side hustles.

We've learned to adapt our lifestyle to market conditions. When the market is doing well, we enjoy a little more flexibility with our spending. However, down markets force us to reduce our spending back down to our anticipated \$35,000 yearly budget.

We have the freedom to choose how much we spend. That is financial freedom.

## 6. Resources

# Helpful Resources

Included are some resources that will help you along the way to financial freedom. Note that some of these links are affiliate links, which means I get credit when you sign-up. I never include affiliate links to any product that I haven't personally used and recommend.

### Budgeting and Tracking

- [Personal Capital](#)
- [You Need A Budget](#)
- [Mint](#)
- [Count About](#)
- [Frugability Cash Flow Tracker](#)

### Retirement Calculators

- [cFIRESim](#)
- [Playing With FIRE](#)
- [Mustache Calc](#)
- [FI Laboratory](#)
- [Nerd Wallet](#)
- [FIRECalc](#)

### Websites

- [SteveAdcock.us](#)
- [Investopedia](#)
- [Mad Flentist](#)
- [Debt Snowball](#)
- [Debt Avalanche](#)
- [Mr. Money Mustache](#)

### Investments

- [Vanguard](#)
- [Fidelity](#)

### Apps

- [Digit](#)
- [Acorns](#)
- [Honey](#)
- [Credit Karma](#)

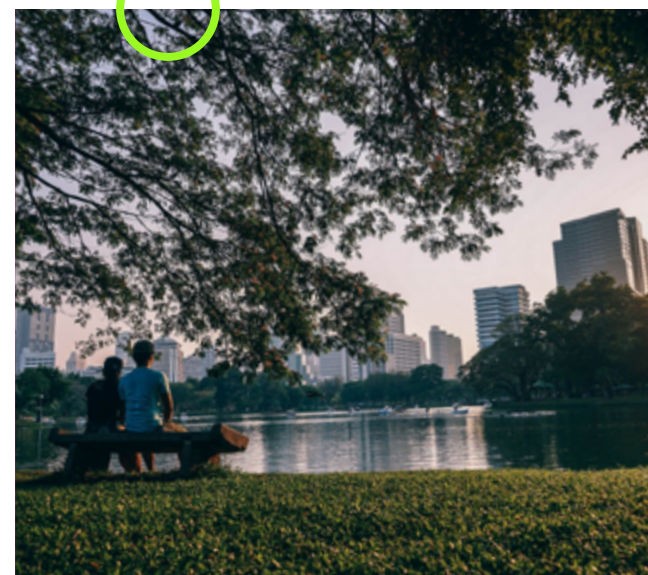
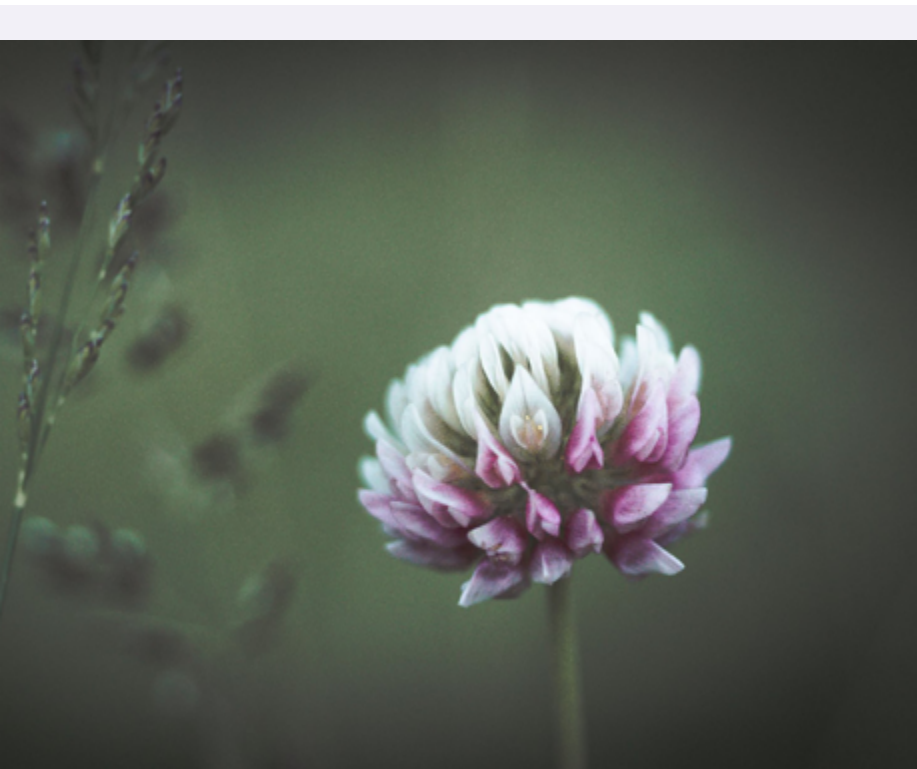
### Books

- [The Millionaire Next Door](#)
- [The Automatic Millionaire](#)
- [I Will Teach You To Be Rich](#)
- [Your Money or Your Life](#)
- [A Simple Path to Wealth](#)
- [The Cheapskate Next Door](#)
- [The Bogleheads' Guide to Investing](#)

## 7. Bonus Material

# Bonus Material About Living Smart

We have gone through the meat and potatoes of the book. By now, you understand that a good salary is only as “good” as we make it. The more we invest, the better our chances of building serious wealth, and with a streamlined lifestyle, we set ourselves up to reach that point when we no longer need to worry about (or work for) money. Now, let’s take a look at some bonus material to help you live a smart and determined life.



## 7: Bonus Material

# The 6 Unique Traits of High Achievers

We all want to be high achievers. Let's take a look at the 6 traits that all high achievers have in common.

**1: They show up.** They don't watch from the sidelines or call in sick (unless they really are sick!). They show up every day and do the very best job that they can.

**2: They don't "half-ass" their job.** They take their time, think about the task and ignore distractions.

**3: They ask questions.** High achievers don't assume that they know everything. They learn from those around them and surround themselves with smart people.

**4: They are mentally tough.** Very high performers are aware of their weaknesses and play to their strengths. They are confident, but not arrogant. They believe that they belong. They purposely and gently push the boundaries of their own limits.

**5: They want more.** High achievers are rarely content with their first achievement. They constantly want more. To improve.

**6: They ignore critics.** Everybody has an opinion, and it won't be possible to please everyone. High achievers do not try to impress everyone. Instead, they focus on their lives and push through the chatter.



## 7: Bonus Material

# How to Make Yourself Valuable

My dad always used to tell me that it's not that hard to look good these days. He was right, and here's what I've learned about setting yourself apart from the rest.

**1: Showing up is half the battle.** Believe it or not, just showing up (to work, to your engagements, and to everything) will distinguish you from everyone else.

**2: Build a diverse network of people.** The more people that you know - from all walks of life, the more opportunities you will have as you go through life. Every time. Each person from your network adds *value* and insight to what you provide, both inside of the office as well as outside.

**3: Be a part of the solution.** Offer solutions, not just problems. Resist complaining and support those around you.

**4: Learn.** Your college degree is only the beginning of your level of education. Most valuable people offer experience as well as knowledge, much of it learned outside of the traditional classroom. Read. Watch YouTube on topics that interest you. Take classes as time allows. Never stop learning.

**5: Listen.** You are not always right. Valuable people understand the insight that other people bring to the table (through experience and wisdom) and are willing to listen and learn from what they have to say.



## 7: Bonus Material

# 3+ Clever Ways to Boost Your Income

There is nothing wrong with increasing your income. Extra money means that we have more to invest (or, yes...spend!). Here are several ways to boost your income.

**1: Ask for a raise.** You might be surprised at how many people get raises just by asking for them. If your responsibilities have increased or you're becoming a much more valuable employee, consider asking your boss for a bump in your salary.

**2: Start a side hustle.** A side hustle is anything that you might do outside of your regular job for a little extra income. This might include selling antiques on eBay, or coaching people over the Internet, offer-

ing an online course on something that you know a lot about or anything else that generates a little extra income.

**3: All kinds of ways.** There are so many different ways to increase your income. You can sell your photography online (or in local craft or street fairs), drive for UberEats or Lyft, tutor local kids, Airbnb your lakeside summer vacation property, rent out one of your cars when you're not using it (yes, you can do this!). The ways to make a little extra income are nearly limitless, especially if you are creative enough to give them a try.



## 7: Bonus Material

# Do You Have An Emergency Fund?

An emergency fund is money that we have set aside for - *you guessed it*, something unexpected, such as an **emergency**, or a **job loss, medical expense, car repair** or anything else that needs some fast cash.

This money is easy to access, but not too easy. We use an interest-bearing savings account to hold our emergency savings (or “rainy day” fund). The money is easy to get to, but is outside of our checking account so we are never tempted to spend it.

How much should we have in our rainy day fund? Many financial advisors suggest at least 3 to 6 months of living expenses, but I always like to save more, just in case.

We routinely keep more than a year’s worth of living expenses saved here. In your case, talk to a trusted financial advisor for tailored advice that will fit your situation.

If you do not have an emergency fund, **start one as soon as possible**. Set up automatic bank transfers every month to help fund this account, and keep funding it until you have enough money to live on for several months.

If you already have an emergency fund, **consider boosting it** if you are not entirely comfortable with how much you have saved. This money is crucial. Do not neglect it by assuming nothing will go wrong.



## 7: Bonus Material

# The Milestones To Financial Freedom

Along the way, you might find that the pursuit of financial freedom is not an “all or nothing” thing. Meaning, most of us will hit several important milestones before we get to the end, and those achievements are important to recognize.

For example, **once we build up a nice emergency fund**, we've hit a significant milestone that has reduced our risk. We can now lose (or quit) our jobs suddenly and still be okay. Or pay for unexpected expenses without racking up debt.

**Reducing or eliminating your debt** (especially credit card debt) is a huge achievement and means you have much

more freedom to invest money month after month (because you are no longer paying off those debts, more money is available).

If you are able to **contribute the maximum amount to your 401(k) or Roth IRA** (known as “maxing them out”), you have set a solid foundation for growing wealth every year.

With enough invested, you also have **more freedom to choose your work options**, which is a wonderful milestone to hit. Need some time off? Or, don't like your new boss? Or, just want to try something else? With enough money saved, you are no longer beholden to your job and that constant cash flow to maintain your lifestyle.



## 7: Bonus Material

# What If Nobody Knew You Bought It?

We all do it, don't we? We buy things because we think that we want those things. And to an extent, that's true. But, that's not the only qualifier for a lot of us.

When I bought my Cadillac, I liked the idea of other people seeing me driving around in a Cadillac. Sure, I bought the car because I wanted it, but I also liked being seen in something that made me look successful. Was that shallow? Maybe.

Here are a few tips to help you to spend your money more wisely and for the right reasons. These techniques worked for me and they also work for a lot of people out there. Give them a try.

Ask yourself: **What if nobody knew I bought it?** Would you still make that purchase? That could be a car. Or jewelry. Or even a big house or a nice suit or skirt.

**Keep items in your online shopping cart for a day or so.** If you still want it, then buy it. Sometimes, the waiting period is all you need to realize you don't truly need it.

**How much longer you are willing to work in order to afford it?** I talked about this earlier - money is a unit of time. The more we spend, the longer it will take to achieve financial freedom. How much longer are you willing to work so you can buy that item? How many months...or years?



## 7: Bonus Material

# How To Save Money With Credit Cards

Credit cards have a ton of benefit, but only if we use them right. Some benefits we know about, but others are not nearly as well known. Let's take a look at how credit cards can help us save money.

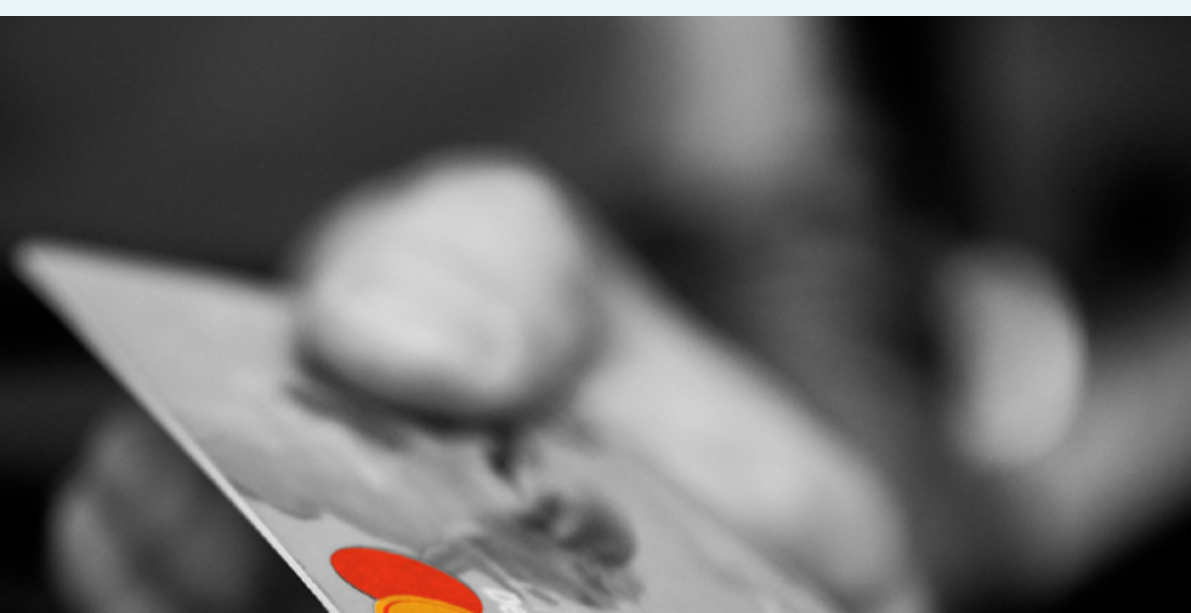
**Cash back and travel rewards.** Most of us know that some credit cards give rewards in the form of cash or travel points. Others give frequent flyer miles. Don't overspend just to accumulate these rewards, but take advantage of them whenever you can.

**Insurance.** Many credit cards insure your purchases made with the card, which means paying extra for items like extended warranties may not be necessary.

**Fraud protection.** Almost all credit cards offer sophisticated "zero-liability" fraud safety to help protect you from purchases that you did not make. Zero liability means that you are not responsible for paying for any illegal or fraudulent purchases.

**One-time bonuses.** Some cards will offer thousands of reward points or cash back after you spend a certain amount on the card. This is considered free money, but only if we don't spend *extra* on the card just to get the one-time bonus.

**Build credit.** The better your credit, the lower your interest rates (on almost any loan). Less interest is money saved.



# Thanks For Reading!

**I hope that this book is just what you needed to kick-start your path toward financial freedom. The journey is worth the effort.**

Follow me on Twitter at [SteveOnSpeed](#).

Read my website at [steveadcock.us](#).

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## Endnotes

1 <https://www.fa-mag.com/news/nielsen--even-many-high-earners-live-paycheck-to-paycheck-22704.html>

2 <https://www.cnbc.com/2019/12/18/credit-card-debt-is-worse-for-those-with-high-income.html>

3 <https://www.nerdwallet.com/banking/calculator/compound-interest-calculator>

4 <https://www.debt.org/faqs/americans-in-debt/>