

# Achieving Financial Independence

## ARE YOU READY TO BECOME FINANCIALLY INDEPENDENT?

Financial independence is a common expectation of graduating seniors in society, families and universities. Becoming financially independent is a learning process of developed, positive money management behaviors and habits. The first goal is to develop a solid foundation of strong core money management skills that you will build upon throughout your life. To assess your fundamental skills, take the following quiz – check one reply per question:

	YES	NO
1. Is your financial life well organized?	<input type="checkbox"/>	<input type="checkbox"/>
2. Have you identified yourself as a priority where your money is involved?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have you written down what you want your money to do for you this year?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you know all the specifics regarding any debt obligations?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you have a personalized budget?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do you plan how you will earn income, spend, and save on a monthly basis?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you track all your income, expenses, and savings every month?	<input type="checkbox"/>	<input type="checkbox"/>
8. Do you actively review your tracking and planning more than twice a month?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do you want to create wealth during your life?	<input type="checkbox"/>	<input type="checkbox"/>
10. Are you actively putting money aside every month for savings?	<input type="checkbox"/>	<input type="checkbox"/>
11. Do you have access to your own funds to address the cost of an emergency?	<input type="checkbox"/>	<input type="checkbox"/>
12. Do you know the interest rate, terms, and conditions of your credit card(s)?	<input type="checkbox"/>	<input type="checkbox"/>
13. Do you pay your credit card(s) on time every time?	<input type="checkbox"/>	<input type="checkbox"/>
14. Do you pay more than the minimum payment on your credit card(s)?	<input type="checkbox"/>	<input type="checkbox"/>
15. Do you know the debt ratio of your credit card(s) [debt over line of credit]?	<input type="checkbox"/>	<input type="checkbox"/>
16. When you use your credit card(s), do you know you can pay the bill in full when it comes?	<input type="checkbox"/>	<input type="checkbox"/>
17. If you are graduating with student loans, are you aware of how much you owe?	<input type="checkbox"/>	<input type="checkbox"/>
18. If you are graduating with student loans, have you developed repayment plans?	<input type="checkbox"/>	<input type="checkbox"/>
19. Have you pulled your credit report within the past year – do you know your score?	<input type="checkbox"/>	<input type="checkbox"/>
20. Do you feel you are ready to assume all responsibilities of your personal financial life?	<input type="checkbox"/>	<input type="checkbox"/>

### Scoring:

If you answered “yes” to more than 15 questions you are demonstrating strong money management skills. Congratulations! Remember to keep your fundamental skills strong through your life.

If you answered “yes” to 10 to 15 questions you are doing well managing your money; however, you could use some assistance to strengthen your fundamental skills. Consider scheduling a SMMC consultation. Consultations can be arranged to be conducted in person, over the phone or by email.

If you answered “yes” to less than 10 questions your fundamental money management skills need improvement. Call the SMMC to schedule a personal consultation at your earliest convenience.

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## ACHIEVING FINANCIAL INDEPENDENCE

**Financial Independence** is the ability to manage your money in such a way that you have sufficient funds to live your chosen lifestyle without assistance from others. In other words, enough money to meet all your needs. –J. Cummuta.

Notice that the definition does not mention amounts of money or the symbols of having money that we often attach to financial independence. To some people financial independence might mean not having to work a second job, or maybe just having sufficient income so their spouse or partner can stay home with the children; while to others it might simply mean not having to worry about bills.

What is your definition of financial independence? What would it mean in your life? More importantly, do you have the knowledge, skills, and positive habits to achieve and sustain financial independence in your life?

**Organization.** Don't agonize – organize. Bring order to your financial life by adopting a system that makes sense to you. Keep the system "alive" by actively pulling and shredding any materials not relevant to your life today.

**Financial Goals.** If you truly are a priority in your personal financial life than you should be able to define what you want to accomplish with your money in the short-, mid-, and long-term. At no time should someone else be telling you what you should be doing with your money and in what time frame. Remember it is your life you are living!

**Debt Management.** You need to know the numbers (the good, bad, and ugly) in your financial life. Accept responsibility for acquiring debt and demonstrate the self-discipline and maturity of creating and following a plan to pay off all debt.

**Balance.** Balancing the money you put in the bank every month with your spending and saving decisions is a balance you will need to maintain throughout your life – whether you are twenty-two or ninety-two. Succeeding at creating and maintaining balance in your financial life requires you to actively and consistently plan, track, and review how you earn money, spend money, and save money.

**Credit Cards.** Credit cards are not evil; however, they can be dangerous if not used wisely. Never forget that a credit card is not free money! It is a short-term loan which often carries the highest level of interest many Americans will face during their lives. Focus on paying your bills on time every time (in full if possible). If you need to carry a balance pay more than the minimum payment and have a plan to pay off the balance as soon as possible. Minimize the amount of debt you have on a credit card to the line of credit.

**Credit Report and Score.** We live in a credit-based society and at times you will be judged solely by the numbers in your life. You need to possess positive behaviors when managing credit. You have the right to pull one free report every twelve months from each of the three credit bureaus. Stagger your reports every four months and you automatically have created a free credit report reviewing system. Congratulations! The only website you should be using is **[www.annualcreditreport.com](http://www.annualcreditreport.com)**. All other websites are a paid service. Every time you pull a report review it thoroughly within five days. It is your responsibility to ensure the information in each report is correct – not the bureaus. Follow directions provided in the report to file for corrections. Do not procrastinate. Requesting a score requires a nominal fee and is not necessary every time you pull a credit report. Visit [www.myfico.com](http://www.myfico.com) for more information on how a score is determined.

**Student Loan Debt.** Again, you need to know the numbers. Print out your national profile at **[www.nslds.ed.gov](http://www.nslds.ed.gov)** to have a summary of your publically funded student loans. Add to this information all information you have for any private educational loans you secured through a private lender. This is your total student loan debt. Know the numbers and have a plan to repay and retire the debt sooner in your life than later. Do not be impatient – student loans are long term debt and often require several years to repay. Repaying student loan debt can only happen with a consistent repayment strategy and monthly financial commitment. As soon as you are able, pay off the debt!