

# Financial Planning for Financial Independence

*\*\* Your money is a tool that can help create the life you want \*\**

*\*\* Ridding yourself of conformity, limiting beliefs, and a scarcity mentality will get you there faster \*\**

## 3 Step Process to Take Control of Your Finances

### 1. Develop Intentional Spending

- Develop a budget and monitor it regularly
- Automate this process to help take control and find areas for improvement
- Focus on largest areas of spending (housing, transportation, food)

### 2. Build Strong Savings

- Save AT LEAST 10% of your gross income (before taxes and other deductions)
- Real magic starts developing when you achieve a 20%+ savings rate
- Find ways to increase income and/or cut expenses to save more

### 3. Become a Smart Investor

- Use low-cost, broad-based index funds for your portfolio investments
- Explore investments that can create passive income (crowdfunding, peer lending, real estate)
- Track your progress, but only so often

## Important Concepts

- **The 4% Rule** (aka, Rule of 25)
  - Represents a relatively safe, sustainable withdrawal rate for portfolio investment assets
  - 4% of total portfolio meets annual living needs (or, total portfolio is 25x living expenses)
- **Financial Freedom Formula**

$$\text{Annual Living Expenses} - \text{Annual Passive Income} \times 25 = \text{Nest Egg Needed for Retirement}$$

## Resources

- **Budgeting:** Mint (automated), Personal Capital (automated), You Need a Budget (automated)
- **Investing:** Betterment (automated portfolio investing), Roofstock (real estate investing), Vanguard (low-cost portfolio investing), YieldTalk (crowdfunding investment reviews)
- **Websites/Communities:** Bogleheads (portfolio investing), BiggerPockets (real estate investing), ChooseFI (early financial independence), Michael Kitces (financial planning)