PERSONAL FINANCE

for Beginners

A SIMPLE GUIDE TO TAKE CONTROL OF YOUR FINANCIAL SITUATION

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Personal Finance for Beginners

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Introduction – What is Personal Finance?

Are you having trouble sleeping at night because of unpaid bills? Do you want to improve the quality of your life? Do you want to live with peace of mind? This book will show you how financial planning can ensure the best long-term financial security outcomes and avoid the most common flaws.

Personal finance plays a significant part in the quest for financial freedom. This book covers how to manage your money through smart spending, assets, and savings, taking into account different life events and risks. Many facets of personal finances include finance, budgeting, pension plans, insurance, property planning, and some others. The term “Personal Finance” can mean the whole financial industry in the life of an individual. It includes all the institutions that provide a person with financial services. An individual who is financially educated can tell the difference between financial choices that are beneficial and detrimental to his financial future.

Personal finance affects even the little things needed, like transportation bills, foodstuffs and long-term priorities, such as savings and investment. Have you ever heard the phrase "Don't spend more than you make"? Well, it is the basic principle to start taking control of your financial situation and begin the road to smart spending and diligent budgeting.

Have you ever heard the concept of the “rat race”? You’re considered to be in the rat race if you have to actively work to cover your expenses. If this is the case, this book was made for you! To exit the rat race and achieve financial freedom, you have to first take control of your financial situation and start living the life you’ve always wanted. The key to escaping the rat race is to find a financial strategy that suits your personality, beliefs, and objectives in life.

Why personal finance is important

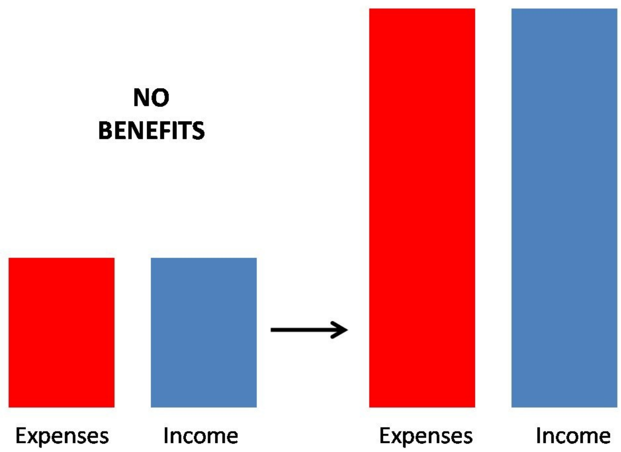
The future is extremely unpredictable. What you can do, though, is to train yourself best for it. Financial planning is a method to achieve the goals of your life by diligent financial management. It is essential to us all, and it is an amazing tool to strengthen, shape, and secure our future. Benjamin Franklin once said, "By failing to prepare, you are preparing to fail". It is, therefore, important that you plan your finances for a stable future.

The concept of financial planning provides guidance and an action plan for personal budgeting, savings, retirement, insurance, and other financial aspects. Essentially, everything relating to the economics of your lifestyle costs, savings, and investments is part of your finances.

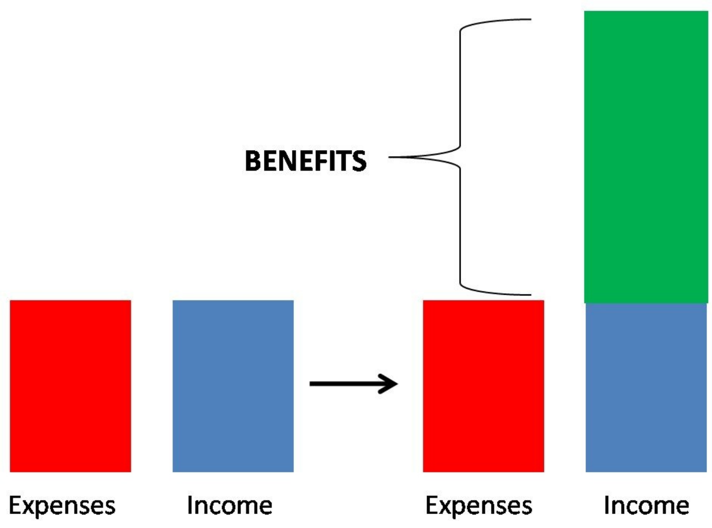
Let me share some important factors to help you understand the significance of your future financial planning.

Income and cash flow

Financial planning allows you to better track and expand your income resources. This allows your money to work for you and not the other way. It will enable you to multiply your money, whether it is short, medium, or long term, which you can use at the time of need. With careful preparation, you can monitor all your revenue aspects and work to build a solid financial base for your personal and professional lives.



If you are smart, income growth naturally will lead to an increase in cash flow. There are A LOT of people who have a very high income but they are barely getting by in their lives because they spend all the money they earn. **It is not about how much money you make, it is about how much money you can keep**. This is well exemplified in the next graph.
As you can see, the graph on the left presents no benefits because the expenses are on the same level as the total income. Now, if we see the graph on the right, we can see that it presents a far larger income than the one on the left. However, its expenses are also much more than the ones on the graph on the left, therefore, no benefits as well. On the other hand, if you increase your income but keep your expenses at the same level, you will have benefits, therefore, cash flow!



If you stick to this formula, you will start to take control of your finances and you will be closer on exiting the rat race. To do this, financial planning is required for your business and personal day-to-day activities to meet various responsibilities as and when they occur. You can easily identify tasks or duties that need more consideration through careful analysis of your spending patterns and budgeting. This will significantly help you reduce unnecessary expenses and then increase your total income resources.

Assure your family's future by providing them with stable income and smart investing decisions. Savings from diligent financial planning will prove very beneficial in difficult times. For instance, in cases of hospitalization or other tough times, a good insurance plan keeps you and your family safe. It also gives family members a solid financial base to succeed in the future.

Chapter 1 – Golden Rules of Personal Finance

We live in a world where overloading knowledge is part of everyday life. But perhaps simpler is better when it comes to personal financial details. Financial planning allows customers to determine if they are on their way to achieving their goals and outlines their route to total financial success. It's hard to know how personal financial success looks without a simple set of goals. Set your goals and then build a concrete step-by-step plan that will lead you forward.

Here are the golden rules of personal finance that everybody should know.

Distinguish needs from desires

Confusion wants to keep people in perpetual financial turmoil for their needs. Understand how simple human needs are –food, clothing, shelter, health care, trustworthy transport, etc. Ultimately, everything else is a desire. This simply means that we should actively choose what we want and not be constantly at risk of putting our financial security at risk. My advice to differentiate between a want and a need is to wait seven days to buy something. If on the seventh day you still want it, then you need it, if not, it was only a desire.

Set up the right mindset

Start changing your mind about money. Creating your wealth starts by controlling your spending habits. For example, some people save well, whereas others just spend all they have. Many people think you can only save if you have a high income, but the reality is that regardless of how much you earn, you can start saving now.

So, what's a healthy money mentality? Well, it doesn't matter how much you save at the beginning; what’s important is to start creating the habit of saving. Being knowledgeable about your spending and asking if you need the stuff that you spend on is also part of it.

When you start monitoring your expenses, I guarantee that you will be shocked to know where all your money goes! Decide what you think is good with money. Note, it's not about how much you have, but about what you can keep.

Know Your Financial Situation

One of the major personal finance issues is not understanding what your current situation is. Debt, in particular, is an environment about which people avoid being honest with themselves. To conquer debt, however, you have to face it, and you must know where all your money comes from, where you invest, and what you owe. To better understand this, let’s compare it to when you make a road trip. First of all, you have to know where you are in order to get to your destination. Once you know your initial location, you will be able to get to where you want to go. So, by having a clear image of your sources of income, your expenses and your debt, you will know where you are standing to get where you want to go. This can be done quickly by using an application or making lists on a computer or a piece of paper. You should make three columns to find out about your financial condition –money in, money out, and debt. Once you know your financial situation, you will strengthen it, and make changes.

Pay Yourself First

The phrase "pay yourself first" is often referred to as the number one golden rule of personal finance. Paying yourself first will put you under pressure to generate enough money to cover all your expenses. The aim is to activate your brain and force you to think about different ways in which you can generate more money. It will help you make the transition from “I can’t afford that” to “how can I afford that?” In the long run, it will make you wiser, improve your standards of living, and generate wealth.

Now, how does the method “pay yourself first” works? An easy way to do this is by setting aside a fixed percentage of your income into a savings account before expenses. This is, of course, contrary to general practice, in which all expenses must be paid first before you decide what you can save from the rest. I know, it can be tough at the beginning but the key is to get out of your comfort zone and search for other income streams. In these days, you can become a millionaire just by having little money and a laptop. If you don’t believe me, ask Mark Zuckerberg, founder of Facebook.

How much should you first pay for yourself? I'm going to say it depends on each particular case. You must begin with the preparation of your monthly budget. Look first at your monthly basic needs expenses. This includes food, housing, fees for public utilities, insurance, and other recurring costs. Deduct this to your total income expenditures.

Anything left gives you an indication of what you can do every month. If this number is too low, you should look at areas where your expenditures can be reduced. Some people can choose to pay a certain amount each month. This is suitable for people who earn a daily fixed income. Others may choose to pay their savings account a certain percentage every month. The amount they pay will vary based on the salary they earn on a per-time basis. This choice can be good for self-employed individuals. Whatever your choice is, you just have to make sure the amount you pay yourself is appropriate. At the same time, it ought not to be too much to bother yourself.

When you adopt these golden rules, your net worth will automatically increase. It might take the first few months to keep a close eye on things to ensure that the process works as intended. Remember, controlling where you spend your money will change your financial life instead of letting your expenses determine your choices.

Chapter 2 – Budgeting

Some people dream that they are wealthy, but they don't know how to get riches or where to begin. A good way to start is by creating a budget. Budgeting is critical because it will give you a clear picture of where your money is coming from and where it is going, therefore, you'll be able to control it. You can improve what you control and you can control what you measure. People who do not know how to control their expenses will slowly fall into debt every year. You can use this planning process to give priority to the things that matter the most and start the path on becoming financially free. The main purpose of a budget is to take control of your financial situation. It will help you determine your cash flow by making an outline where your income and your expenses are clearly stated. The result from the difference between your income and your expenses will tell you if you have a positive or negative cash flow and will help you determine the best strategy when saving and investing.

It is important that you set your financial goals in order to keep motivated during the saving process. Let's use the previous example of the road trip. Imagine that you prepare everything you need for the trip: your luggage, a map, some food for the road, and you pack it in the car. You turn on the engine and hit the road but then you realize that you don't know where you are going. Even with a map, if you don't know where you want to go, it will be useless. The same applies to personal finance. You can have the perfect budget and stick to it the seven days of the week but if you don't know why you are saving for, it will be pointless.

Imagine that you want to take an amazing vacation to the blue waters of the Caribbean beaches for a whole week and you estimate that it will cost you around $5,000 all included (round trip, food, hotel, etc.).You earn $3,000 each month as a result of your full-time job and, after expenses, you manage to save $500 each month. That means that you will have to save all your remaining money for ten months if you want to enjoy this vacation. This is just to give you an example of how a budget can be useful in meeting your financial goals. Other examples of financial goals are buying a new home, buying a car, saving for an emergency fund, investments, and anything you would want to save for.

My goal with this book is to help you get some financial education, so my advice on a good financial goal would be to save for investment. Rich people save to invest in assets which will then generate positive cash flow that will help them meet their financial goals. Let’s use the previous example of the vacation at the Caribbean beaches. You know you can save up to $500 every month and that you need $5,000 for your vacation. Now, instead of working for ten months and then spending it all in one week, you can save for some more time to make the down payment of a little apartment that you can rent to someone. With the rent money, you can continue paying the apartment and you can save what is left to take your vacation. By doing this, you will find yourself taking a refreshing piña colada in the blue waters of the Caribbean Sea knowing that when you return, you will have that long-term, extra income that you can later use for future investments. I know, it implies a lot more work, but you will have to do it if you want to become financially free and dedicate your life to what you truly enjoy doing.

Starting to live on a budget

As you may guess, starting to live on a budget is not easy. It implies many changes that may take a little effort at the beginning but, with time, you will get used to them. You will have to adjust your expenses which will translate into lifestyle changes. There are two main ways in which you can stay on track with your budget.

The first one is by taking up the practice of saying “no” to yourself and your family, as you strive to justify spending money on ”desires” that you are trying to transform into a “need”. Learn to live without these little sweets and indulgences that you have lived with over the years. If you concentrate on negatives it will be hard to stay on track on your budget. But that is why it is important to focus instead on the positive side.

The second way, and my favorite one, is not to close yourself to the possibility of getting the things that you want. Instead, you should ask yourself the question "how can I afford that?" As I mentioned before, this will boost your mind on finding ways to generate money and get everything you want. This, in the long-run, can generate multiple income streams and lead you to become financially free and improve your quality of life.

Benefits of budgeting

Up to this point, we have had an introduction to what a budget is and what you can achieve by effectively staying on track. Now, we will clearly state some of the benefits that you can have if you continue applying these good financial practices.

Avoid unnecessary expenses

When you feel that you do not have control over your money and always worry where it went and what has happened to it, budgeting will give you a hand. You can determine where your money needs to be spent, monitor spending, see how you do, and know when you need to stop. This is a huge opportunity to improve your financial future and gives you the potential to change now. Checking your budget every day or week will allow you to track how you are doing and prevent excessive expenditure.

The improvement in your spending habits can be a difficult task, but budgeting will allow you to make small, far-reaching improvements. Slowly you will begin to see changes in how you think about spending and how you spend your money. You will see results and will be able to reward yourself for sound financial practices. In the end, you will be able to easily distinguish between what you want and what you need in order to save more than what you spend.

How many nights you were not able to sleep well because you did not know how you were going to pay the bills? People who lose their sleep because of financial problems allow their money to dominate them. You must take control. If you make a wise budget, you will never lose sleep again thinking about your financial problems. Whenever you want to change your financial practices, you need to prepare and execute a strategy. A plan without action means nothing. By budgeting, you learn to make wise spending choices while also saving.

More Comfort

Just because you budget your money, it doesn't mean you can't spend it. One part of the budget is to prepare big expenses and splurges. Just because you're good with your money doesn't mean that you have to stop spending some of it. You can afford to spend a little extra on certain things, without feeling guilty or bad about it, through budgeting. Your budget allows for a few high price products now and then, without negatively impacting your monthly expenses.

Paying your bills on time

Late payments are never a positive sign. Paying late could lead to debt default and then to major financial problems. Budgeting will allow you to prevent missing payments on essential bills as you have already put the money aside. Your budget should ensure that every bill is paid on time because it is a top priority in your plan.

Achieving your goals

Attaining and achieving your goals can be a very satisfying and rewarding process. Having a clear and concise budget plan will ensure that you reliably and routinely achieve your objectives. You will accomplish the goal of saving for a car or enjoying a lavish holiday because you have planned on it. You can enjoy the results of months or years of hard work.

Building a rainy day fund and an emergency fund

Another benefit of living on a budget is that you will able to build a rainy day fund and an emergency fund. The difference between these two types of funds is that, typically, a rainy day fund contains between $500 and $100, while an emergency fund contains somewhere between three and six months of expenses.

A rainy day fund will allow you to make little unexpected payments without having to use your credit card and pay interest on small expenses. You don't know when it's going to rain and how hard the rain will be. An emergency fund will help you deal with a bigger crisis such as a job layoff or an economic crisis.

50/30/20 rule for budgeting

If you want to become financially free, you have to look deep into how you spend your money. Does that mean that you have to give up your coffee in the morning or curb your addiction to sweet candles? It's not really important. You can spend fun money, but there's a limit.

This is a simple way to classify your money into three types of expenditure.

- 50% of your income should be aimed at your needs. It covers housing expenses, food, transport, childcare, and so on.
- 30% of your income should be destined to pay your debt, saving, investments, and emergency funds.
- 20% of your income should be used to pay for things that you want, such as restaurants, entertainment, and luxury products.

Four steps of the 50/30/20 rule

Step 1. Calculate your post-tax income after deducting your taxes, Medicare and Social Security expenses.

Step 2. Restrict your requirements to 50% of your income

Your first step is to reduce the costs, which ensures that your needs are less than 50% of your after-tax income.

They include such things as...

- Rent or mortgage payments
- Auto loans and storage expenses
- Assurance rewards, food, and household supplies
- Cell phone bills
- Vital clothes and shoes

- Minimal credit payments

Step 3. Destine 30% of your income to save, pay a debt, investments and emergency funds.

This part of your after-tax income should be to pay down debt, save money, and invest. As your minimum debt payments are managed in the category of needs, creating an emergency fund is necessary as soon as possible. Use this 30% of your income to reduce your debt obligations once you have established an emergency fund. When the debt is gone (despite mortgages and car notes), resist the urge to spend 30% more. Save in a low-risk savings account, invest in your financial education so you can learn how to properly invest your money and get the best returns.

Step 4. Limit your wants to 20% of your income

Your last step would be to limit your desired expenditure. They include comfort and luxury items or products like:

- Luxury clothes and accessories
- Restaurants and food
- Holidays
- Phone arrangements
- Personal care
- Gadgets
- Toys

You cannot understand the value of a budget if you do not comply with its laws. The easiest way to stick to a budget is when you earn your money. Use it immediately to fund your needs (50% of your revenue) and your savings (30% of your income) after you obtain your paycheck.

Example 50/30/20 budget

Let's presume that every month your family receives $5,000 after taxes. Following the 50/30/20 rule, you could spend up to $2,500 in your monthly expenses, $1,500 should be put aside for saving, investment or paying off debt. The remaining $1,000 are available to spend as you wish. This rule is a good plan for those who don't want to follow a strict budget, but it's essential to remain consistent. You spend every month responsibly, giving you the freedom to enjoy yourself later in life.

Chapter 3 – Saving and Investing

Most new investors don't know that saving money and investing money are entirely different. Saving money ensures that it is usually available when we need it and that it has a low value-loss risk. You can save to build up an emergency fund, a rainy day fund, for your retirement, to go on a vacation, to buy a car or a house, etc. When we talk about investing, the first thing that comes to mind is money but, you can also invest time and effort. Investing usually has a long-term horizon and involves providing something with the expectation of obtaining a profit from it. You can invest time in learning a skill which will then generate you an extra income, you can invest in your financial education so you can afterward invest in the stock market or in real estate to begin making some serious money and begin your path to get out of the rat race.

Before beginning your journey to build wealth and achieve financial freedom, you must know these fundamental concepts because it can save you from much stress.

Saving

Saving money typically ensures that when it is needed, it is available to use it right away. For example, if you want to save for your annual family vacation, you might like to set aside $3,000 in savings at the end of the year in nine months. You then know how much you need to save on a monthly basis and the ability to spend the money without any charge on that precious holiday.

You can also save to deal with an urgent auto repair, an appendectomy in an emergency or sudden work loss. If the economy continues to slow down and you are at risk of losing your job, you should be fortunate if you have saved a great deal of money in your emergency fund to get through while you find a new job. If you are a mom, it is wise to put some money away as quickly as you can for your child's college fund. By the year, university education is getting more expensive. Saving for a college fund will minimize the need to take out a costly student loan to pay tuition fees for your son or daughter. When they finish college without having to pay student loans, you'll give them the best chance to raise money to buy their own house when the time is right.

Many of us won't save enough to purchase a house straight away; therefore, you're going to require a mortgage. In many cases, with a large deposit or down payment, better mortgage deals can be obtained. Such offers may include cashback incentives or reduced interest rates from your mortgage provider. These are available because your lower value loan often means that you are at a lower risk of lending money. Don't wait to save. Time is your best ally when it comes to saving money and achieving your financial objectives. You can start by saving relatively a small amount of money but, with time, it will accumulate and make a difference in the future ensuring that you meet all your financial goals.

Investing

Many people say that investing is too risky. Risk comes from ignorance; therefore, if you want to reduce risk, you have to know in what you are investing in. For example, if you want to invest in real estate, I strongly advise you that you first invest some time in studying the subject to avoid making rookie mistakes. This applies to any type of investment. One strategy often used by some investors is to diversify to reduce risk. There is a famous phrase which says “don’t put all the eggs in one basket”. Diversification won’t protect you from an economic crisis. An upcoming strategy is to control and focus your money to generate cash flow. This means that the best investments do not depend on the economy. To make this clear I will give you an example. Imagine that you invest in real estate and you get several checks every month while a friend of yours invests in the stock market hoping that the value of his stock will go up so he can see a profit, no monthly check received. One day, the economy collapses and the value of his stocks drops to the ground while you are still receiving your juicy checks every month. That’s the real deal!

The number one regret of investors is that they didn’t start sooner. Even if you feel you are too young to begin investing do not underestimate your abilities. These days, we have all the information we want within the reach of a simple click. Educate yourself and begin gaining experience as soon as you can because time is your ally. Remember, a plan without action means nothing. So, if you really are committed to exiting the rat race, start learning and gaining experience to reach your personal and financial goals.

If you want to learn more about the basics of investing you can check out my book Investing Basics where I uncover what successful investors do to profit from their investments in the short and long term.

Chapter 4 – Easy ways to reduce expenses

One of the most significant challenges in personal finance is finding ways to spend less money – so minimizing monthly expenses is the easiest way to do this. Here are a few methods for you to save money. One after the other without too much trouble, but you can save massive amounts of cash over time.

Balance Transfer

If you have high-interest rates of debt, a balance transfer could be a good option. Keeping it simple, a balance transfer is when you transfer your balance from a high-interest rate credit card to a low-interest rate credit card. The point of doing this is to decrease your finance charges, save money, and pay off your debt more quickly. The best balance cards offer up to 18 months of rewards, including 0% of Annual Percentage Rate (APR), and some offer even incentive programs. Using an offer of 0% APR will help you pay off your debt and save a lot of money on interest.

Automatic debt reduction program

Most repayment programs, in particular student loans, offer a decrease in interest rates if you register for automated monthly billing. Not only do they instantly save money every month, but they are also incredibly convenient and make sure you don't miss a bill or incur a late fee. If you find yourself in that situation, it would be a good idea to see if you can receive such an offer.

Record your expenses

Keeping track of your expenses will give you a clear image of where your money is going. Remember, it is not about how much money you make, it is about how much money you can keep. In this era of new technologies, it would not be wise to not take advantage of all the wonders that we have at our disposition. There are a lot of different apps that we can use to keep track of our expenses, so search for one and take advantage of it.

Create a budget

Creating a budget may not seem pleasant, but if you have trouble controlling your expenses, it is an excellent place to start in order to set some limits. There are a couple of different budgeting methods, and almost anyone can find one that works for them. This means making a comprehensive budget about how much you are going to save or invest, how much is to be spent on each area, and how much you are going to spend on possible or changing expenditures such as entertainment, food, and drink. If you don't want to go through a detailed budget accounting procedure for each dollar, a simpler approach could be used, such as the 50-30-20 rule. This budget considers 50% of your after-tax income for expenses, 30% for investments or savings, and 20% for other expenses. This strategy works well if you follow the constraints of an in-depth budget, but only if you are sufficiently conservative to reach your 30% investment/saving goal and limit your expenses in certain categories to the correct amount of your budget.

Use cash

You can make all the budgets that you want, but they are nothing more than a wish list if you do not stick to them. We all have had that experience when you are going to pay for something with cash and having the feeling of not wanting to let go, it’s horrible. Research has shown that people tend to spend less on cash, as they have the visceral experience of seeing and knowing that their money is spent. Using cash will also limit your expenses for you can't spend more money than what you actually have.

Shopping with a list

Shopping with a list is another right way to stop purchasing urges. We all have gone to the grocery store thinking about buying a certain number of items and ending up with a bunch of stuff we do not need; and pray to God that you are not hungry because, if you are, you’ll end up trying to buy the whole store. So, if you have a shopping list and stick to it, you will end up buying exactly what you need and spending what was necessary. This can be done in the food store, but also when you browse for something else. Holding a list of upcoming large purchases can be helpful when you can afford to wait for a sales period.

Bring your lunch to work

Imagine that you wake up in the morning, take a shower, and go to work. At lunchtime, you go out with your colleagues and spend, at least, $ 10. You do that five times a week, 52 weeks a year. Doing the math, it adds up to $2,600 per year spent on lunch. Now let’s picture a different scenario. You wake up in the morning, take a shower, prepare your lunch, and go to work. At lunchtime, you take out what you have taken from home, eat it, and go back to work. On average, a well-balanced homemade meal will cost you at most $5. Doing the math, it adds up to $1,300 per year. Therefore, the difference between eating lunch outside and taking a homemade meal is somewhere around $1,300 per year! Yes, that is just for preparing in advance what you are going to eat at lunchtime.

Share car travel

When you drive to work alone every day, see whether other people living nearby so that you can share travel and reduce your oil costs. Share a car during travel with your friends and colleagues definitely will help you to reduce your monthly expenses and, who knows, you might make new friends.

Cut your internet bills

Look again at your internet bills, would you find a better deal elsewhere? Should you live in a block of apartments? If so, you might be able to share a web link with others around you.

Figuring out how you can cut spending is not as easy as it sounds, as you may not know where you spend too much, and long-term habits can be difficult to break. You can save a lot of money more effectively by reducing your outflow and driving more capital to financial targets so that you can increase your net value and build income over time.

Chapter 5 – Creating an Emergency Fund

An Emergency Fund is the best way for you to take care of yourself or your future and alleviate uncertainty and financial difficulties when your life is eventually complicated. Like other financial problems, pre-planning is a significant element in the effective management of the challenges we all face in our lives. However, recent figures show very troubling results. According to Bankrate, 28% of people are reported to have no emergency savings, and a new study indicates that 49% of people between 18 and 44 years old have saved no money for emergencies.

The money set aside in an emergency fund shall not be used for expected expenditures, including electricity or Christmas gifts. It is money you have on a private checking account or savings account in a bank.

Many financial experts recommend that you save between six and twelve months of expenses in your emergency fund. If you lose your job, you will have enough money to get through for a considerable period of time before you get back on track.

How can you begin?

Build a separate high-yield investment account for unplanned costs. You can create an automatic transfer from your main account to your emergency account so the money will be put aside constantly and you will not even notice.

Debt repayment and emergency fund creation are essential in personal finances. Don't pay less than the minimum of any debt just for your emergency fund, but create your emergency fund as you pay your debt if your minimum payments are manageable. For example, consider putting 50% of your available funds into additional debt payments and 50% into your emergency fund until you have at least six months of emergency savings.

Reasons why an Emergency Fund is important

The first thing you need to know is that it is merely a savings account that only exists to save you from trouble. If and when something very bad happens –such as losing your job suddenly –a fund will help give you peace of mind because you can focus on solving this issue instead of losing your time thinking how to get through.

The second thing you should know is that your emergency fund is focused on how much you can save. Not everyone can save the same amount of money every month, and that's all right. However, six to twelve months of expenses is a good rule of thumb.

I know it sounds like a great deal of money, but remember you can break it down into small quantities for a certain period of time. Starting small will save big. Opening and depositing a savings account from $500-$1500 is a great start.

Breaking it into smaller quantities is a fantastic way to make saving less overwhelming, and once you have it up a little, it will be very nice to know that you have a safety net.

To ensure your family's financial security, an emergency fund is required. No one can save ample money to pay for all of his expenses if he has a difficult economic time, accident, or illness. You are at risk of losing your house, car, insurance, and others. Consequently, it is vital for every person to create an emergency fund to ensure that the money is available if necessary. Here are some benefits of having an emergency fund.

Financial stability

It allows you to control your stress level. No wonder that life in an emergency endangers your financial well-being and causes stress. If you live without a safety net, you live on the "financial" edge— hoping to get through it without having to lose something valuable to you. Preparing yourself with an emergency fund would help you to cope with any unforeseen events without adding financial worries to your list.

You do not have to obtain a costly payday loan and securities

Loans are expensive and risky, but if your back is up against the wall and you need quick cash, these loans may seem like a doable option, as they are not credit checks. However, you earn an interest rate that is higher than most conventional loans, and you run the risk of losing your vehicle by default with title loans. You don't need to rely on expensive alternative loans with an emergency fund to get through a difficult time.

No need for financial support

There is no need to be ashamed if you need financial support. But you want to keep friends and family out of your business, understandably. If you don't have any other option, borrowing money from them may be the only way.

Going to family or friends for financial assistance can become a problem because if you can't reclaim the money, it can wind or build friction in your relationship. With an emergency fund, all this can be avoided.

You will avoid high-interest funding

By comparison to the renter, you are responsible for your property for repairs and maintenance. Some repairs may require immediate attention, such as a major roof leak in the middle of the summer, a broken window, or a broken HVAC system. If you have no immediate savings on this expenditure, some repair companies provide on-site financing, and often you will apply irrespective of your credit history. Nonetheless, the issue is that this form of funding has an interest rate far higher than that provided by banks and credit unions.

Peace of mind

When you realize that you have a cash reserve, certain financial concerns can be alleviated. No one wants an emergency, but if one happens, you're prepared to handle most of your expenses. Most panics, headaches, and sleepless nights can be stopped because you don't have to think about how you will get through with an emergency.

Health freedom

Most of us do have health insurance, but there is too much it doesn't cover:

missed salaries, benefits, etc. With an emergency fund, you can get the best possible care because some hospitals need early payment.

Remember, planning for the future is always a good idea because you never know what life will throw. I would like to bring up again the phrase that Benjamin Franklin once said, "By failing to prepare, you are preparing to fail." So, don’t fail to prepare your emergency fund, save and enjoy your peace of mind!

Chapter 6 – Five Simple Money Management Tips

If you have good financial skills, life is much easier. How you spend your money affects your credit and your debt. What do you have to do to achieve long-term financial success? Below I will share with you some key tips for simple money management

Track your expenses

In our life, small expenditures quickly add up, and you spend all of your money before you know it. Start monitoring your expenses to find ways in which you can invest unwittingly. Save and write your receipts into an expenditure journal categorizing them so that you can identify the areas where you are spending the most.

Save 1/3 of your profits

So far, we have discussed several techniques to save money such as the 50-30-20 rule. If you think you are not ready or you don’t have the time for that type of planning, you can start by following this simple method. Financial experts suggest that you save one-third of your income if you can. Saving one dollar out of every three dollars that you receive helps you endure future financial challenges, such as layoffs, car repairs, home repairs, and other unexpected expenses.

Every month, deposit money into a savings account that will help you create healthy financial habits. You can even set it up so that the money will be moved from your checking account automatically to your savings account. By doing this, you will eliminate the risk of forgetting to make the transfer and spending all your money without even noticing.

Profit from tax return

Don't pay more tax than you need to—find out what taxation class you are in and apply for the tax return to the taxable individual for statements such as childcare costs, medical expenditures, and charitable donations.

Limit transactions from your credit card

Credit cards are the worst enemy of compulsive spenders. They simply turn to their credit cards when they run out of cash without worrying about whether they can afford to pay the balance. Resist the urge of using your credit cards, particularly on things that you don't need.

Establish a formal savings plan and spending

Find out how much you need to save to achieve your goals every month. Then determine how this money will come up. By having a clear plan, you will have total control of your financial situation. You can now decide how much to save for your goals, as you know your expenditures and revenue. Search for simple ways to save -such as lunch or cuts to entertainment and clothing. Notice that putting aside as little as one dollar a day would give you $365 per year to achieve your goals.

Chapter 7 – Seven Personal Finance Tips to Master Money

The most important thing you can do to boost your satisfaction and quality of life is mastering necessary personal finance skills. Here is the list of some personal finance tips that will help you master money and which should be learned by everyone.

Negotiation

Negotiation is a vital skill in getting the best deal whether you can purchase or sell anything, whether you consider a work offer or even the best salary and benefits. Most people don't want to bargain. The negotiated price should be paid, or the money provided by a seller or an employer should be acknowledged. But if you can bargain, you will potentially have a lot more dollars in your wallet than in someone else's pocket.

Here are other qualities of good negotiators:

When they can't get a reasonable offer, effective negotiators are willing to go. Wanting to get away gives you the confidence to press for what you want and to negotiate hard. You also learn different things from your past transactions that are working to help you make a better deal in the future. Remember, good negotiators understand the market value of what they negotiate and from the other side understand the offer. You will waste everyone's time, and you won't end up with anything if you are looking for an unfair offer.

Separate needs from desires

I know, we have already discussed the difference between needs and desires. We bring it up again because being able to tell the difference between them is a key skill in personal finance. For example, if you don't buy the new shoes that you are craving to buy, I'm sure life is not going to end. Will you miss your children's activities because you don't have any shoes? At some point, new shoes may be necessary, but if your old shoes are still in good condition, new shoes are a desire and not a need. Remember my previous advice, wait seven days before you buy something you think you need. If on the seventh day you still feel the necessity of buying it, then it is a need, if not, it was a desire.

Bringing down interest rates

More people are carrying debt— the total American credit card debt will be around $1 trillion this year. You could potentially end up paying 15 percent or more when you have credit card debt and do not keep an eye on the interest rate. Almost always browsing around can lead to better deals. I consider maintaining a favorable rate of interest as a personal finance ability, as you have to watch your account's interest rates and always find reasonable offers on balance transfers. This method will help you to save thousands of dollars in interest every year.

Invest in yourself and in assets

"Investing is risky", "you will lose all your money". These are all excuses from people who do not know how to handle risk. Ignorance is the number one reason why people lose all their money on the stock market or in a bad investment. To avoid being one of those people, you should invest first in your financial education. If you want to invest in the stock market, invest some money and time going to courses and reading some books about the subject. If you want to invest in real estate, ask people who have experience in the field to give you some advice, read books and study on the internet. Nowadays, we have unlimited information available to us 24/7, let's take advantage of it.

Once you have invested in yourself, you should start getting some first-hand experience on what you want to invest. It does not matter if you do not get the results you want the first, the second, or the third time. You learn or you succeed, you will only fail when you stop trying. Try to learn from other people ´s mistakes, it will save you some trouble. A good investor should aim for long-term investments. “Nobody wants to get rich slow”. This is a phrase once said by Warren Buffet, who is considered one of the top investors of all time. One of his virtues is that he knows how to control his emotions. He does not sell all of his stocks if the stock market goes down one day; he knows that in the long-term, the market will play in his favor.

Bargain Hunting

Some people are well known for their expertise in business hunting. The effective way of finding a bargain is buying at the right time. For example, I have always been surprised by how cheap winter clothing and jackets are priced in clearance sales in March. I purchased 90 percent off most of my winter clothes! This just requires patience and little planning.

Do it yourself (DIY)

It seems as though everyone who comes to my house charges from $60 to $100 an hour to make any reparation. I learned to fix and install simple plumbing, including sweaty copper pipes. I can also learn about electrical wiring and repairs. The more things you can do, the more money you can save.

Build knowledge for yourself rather than paying someone for you. You will save money and develop different skills. Besides, you will get a very pleasant sense of satisfaction when you get the job done.

Performance and Efficiency

Big changes come from small decisions. A small decision can mean making a single trip instead of taking several trips to do all the weekly shopping. Small decisions can mean using a more efficient car so you spend less on fuel each month. These little actions will pay over time. Another example of small decisions that can make a big difference in practice is energy saving. You can spend some time and a couple of dollars converting most of your light bulbs to LED. This will save you money each month, as lighting up your house costs now almost nothing.

The End?

When we talk about personal finance, the rules may have changed, but sound personal financial management has not lost its long-standing values.

Earlier generations have been able to gain the financial security that young people cannot rely on today: generous workplace benefits, steady rises in housing prices, and a supported social security scheme, simply put, the old "muddle" method will no longer be reliable. It is now entirely different from ever before to put it in terms of long-term financial security.

Anyone who starts can still achieve a very strong financial future only by taking the right decisions. It is not difficult to understand or do these things, but it is vital that they are correct, that they are consistent and that they are done in the right order. Mainly, if you start early, the risks are minimal, and the rewards are inevitable.

To finish, I will leave you with some of the most important lessons we learned throughout this book.

“You have to know where you are in order to get to where you want to be”

First of all, you have to assess your current situation and determine what you want to achieve. Once you do this you will know where you are standing and you will be ready to set your goals in order to start working towards them.

“You can improve what you control and you can control what you measure”

Once you know where you are and where you want to go, you have to take control of your financial situation through a spending plan or a budget. By doing this, you will have a map that will help you stay on the road towards your final destination.

“A plan without action is a dream”

Stick to your plan. It is as simple as that. You have to stick to your budget if you want to achieve your financial goals and become financially free!

“It is not about how much money you make, it is about how much money you can keep”

Keeping track of your expenses and your sources of income isn’t enough. You have to develop the discipline of making smart decisions when it comes to spending your money. There are a lot of people who earn a lot but spend everything they have and more! Do not be like these people and make smart decisions to exit the rat race.

“The number one regret of investors is that they didn’t start sooner”

It does not matter your age, the right time to start saving and investing is now!

“Invest in yourself”

Whether you are an experienced investor or a beginner, you have to invest time and money in yourself. By doing this, you will grow every day and gain control over your life.

“Big changes come from small decisions”

This applies from changing your bulb lights to LED to deciding to start investing. It is well known that a small good action can lead to a series of positive events that will add up and end up making a big difference.

“You learn or you succeed.”

It does not matter if you start your path towards financial freedom and you slip up. You have to get back up and get back on the road. This applies from staying on a budget to investing and to any aspect of life. Failure only comes when you stop trying. So keep your head up and work towards your goals in life.

What is it going to be in ten years? Will you look back at this moment and regret you did not start your path to financial freedom or will you look back and be proud of all of what you have achieved?

Is this the end? No, it is just the beginning…

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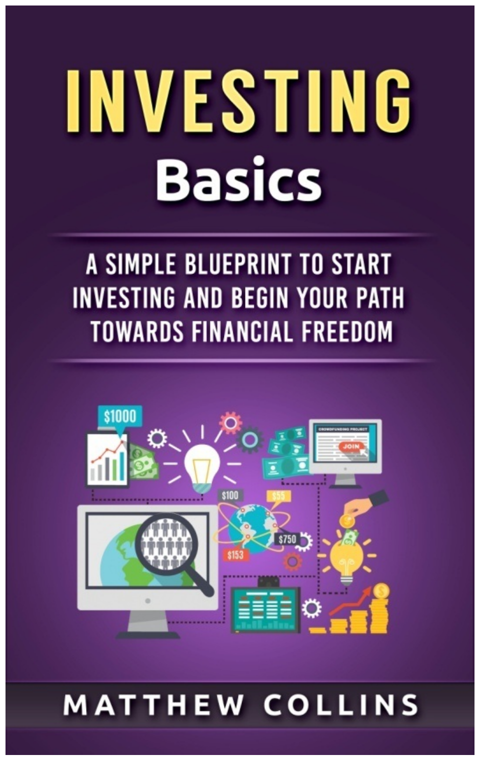

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