Title:
9 Steps To Get Out Of Debt - Part 9

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Summary:
Step 9 - Investing

This is the last article in our series on how to get and stay out of debt. So far you have learned the impact of debt, how to analyze your debt, reduce your interest rates, free up some extra income, pay off your debt, avoid falling back into debt, and insure yourself against unforeseen circumstances. This final article will show you how to invest financially into your future.

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So far, businesses have been making money off of you by lending you their money, now is your chance to turn this relationship around and make a profit off of them by lending them money. Welcome to the world of investing. There are many things people invest for, but by far the most popular is retirement.

We’ll start with the bad news, figuring out how much you are going to need for retirement. First, you’ll want to estimate how much you are going to need, or want in order to get by when you are retired. Granted, your expenses will most likely be lower because your home and other most other major expenses will hopefully be paid for by this season of life. I can’t give you a simple guide to tell you exactly how much you will need in this article, so I will leave it to you to estimate.

Now that you have this number, multiply it by fifteen, this is the amount you need to save. The reason for this is so you can live off the interest only, which will allow you to support yourself for the remainder of your life. This will also allow you leave an inheritance for your children. This will probably seem like an unachievable number, but don’t abandon hope yet; it isn’t as difficult as it first seems.

The reason this isn’t as difficult as it first seems is because of the magic of compounding interest. If you were to start investing $100 each month at the age of 20 at 10% return per year, by the time you are 65 you will have approximately $780,000. However, it’s very important to start as soon as possible. If you start at the age of 30 investing the same amount each month, you’ll only have $294,000. You’re not out of hope though, you’ll just have to invest more. If you start at the age of 30, you’ll need to invest approximately $260 a month to have the same $780,000 at the age of 65. As you get older the amount you’ll need to invest goes up significantly, but typically so does your income.

Where to invest your money is something you should really talk over with a financial advisor. I’ll provide some very basic tips, though. First off, never put all of your money into a single investment no matter how good you think it is. Nothing is guaranteed, and many people have lost everything by investing in a single company. You should always diversify. I would suggest five different investments, minimum.

Typically the higher paying investments are often the riskier investments, also referred to as aggressive. If you are close to retirement, you should avoid these and go with something much safer. If you have several decades until retirement, you can afford to ride out the ups and downs in the market and will usually come out ahead by investing in more aggressive stocks, early on. As you get closer to your retirement age, you should gradually start moving your money into more stable investments.

I hope you have enjoyed this article series and it has helped you to get your finances in order. If this article series has helped you, please pass it on to your friends and family so it can help them as well. For more advice, consider finding a personal financial advisor.