Foundational Information That Successful Investors and Savers Understand!

Like many other savers and investors, you may be worried that we are headed toward more challenging economic times. Successful savers and investors are usually more prepared to handle difficult financial periods because they understand some key foundational information. Maximizing a financially savvy lifestyle includes having proficiency in several areas. Understanding the basics of your income and expenditures, having credit and debt sense, and knowing how to invest and save your hard-earned dollars are just a few. An overall grasp on how to develop and maintain a healthy financial standing is vital to making the most of a financially savvy lifestyle. Your success can be enhanced with proper knowledge, planning, and a commitment to a well-devised plan. While there are many strategies that could help you reach the financial goals you have set for yourself, we feel that everyone, no matter what their age, work status, or income, will benefit from a good grasp of these following eight fundamental tips.

1. Equity investing is a long-term commitment.

Most people invest in equity markets to build wealth in either their retirement or their personal portfolios. Regardless of your goal, investing in equities should always be thought of as a long-term commitment. Historically, equities have rewarded long term investors. Seasoned investors understand that “investing” is more of a “long-term” activity, while “trading” is a more intensive, higher risk activity.

Having a long-term mindset helps experienced investors handle the stress of an unpredictable market’s ups and downs. In today’s highly volatile market, investors who have a long-term mindset and are tuning out or not being affected by the nightly news, endure much less stress and anxiety than investors with a short-term approach to their investments. Investing for the long-term means understanding that market turbulence is normal. Not reacting to media magnification can help you maintain a laser-like focus on your personal financial goals.

As the iconic long-term investor Warren Buffet said, "Nobody buys a farm based on whether they think it is going to rain the next year. They buy it because they think it is a good investment over 10 or 20 years."

2. Have a personal budget.

Many successful savers were first introduced to this concept when they were given their first dollar of allowance. While this may seem obvious and rudimentary, this is one of the financial principles that is most often forgotten or not followed. How many hopeful savers have devised a budget at the beginning of the year only to see it fall by the wayside before the first quarter of the year even ended?

Devising and following a spending plan that accounts for current and future income and expenses seems easy, right? Perhaps not. In a recent study conducted by The Penny Hoarder, over 55% of Americans don't use a budget to manage their money. In this same study, it was also discovered that 56% don't know how much money they spend each month.

Keeping a budget takes the guesswork out of spending and saving. It will help you plan for future purchases, determine what you need to put aside to reach savings goals, and what money you need to allocate toward daily living expenses.

Do you have a vacation or event you need to plan for in the next 12 months? Having a personal budget will help you determine how much and at what frequency you'll need to put funds aside for that trip or event. Seeing these figures in a tangible way can help make the decision whether or not to buy that unnecessary but certainly shiny new pair of shoes or impulse item easier. In creating your budget, you may discover many adverse spending habits that you didn't even know you had!

A budget will also help keep you from spending money that you don't have. Which ties into our third tip, only using debt wisely.

3. Use personal debt wisely.

Now more than ever, it's very easy to spend imaginary money with the click of a button or swipe of a card. It used to be easy with checks, but now with credit cards and a multitude of digital wallets like Venmo or Applepay, it can take only seconds to rack up thousands of dollars of unnecessary debt.

While some debt can be necessary and even provide some beneficial tax advantages, like a mortgage (of course, with a reasonable mortgage interest rate), possessing other types of debt or taking loans with higher interest rates can be one of the quickest ways to slow down or even stall your forward progress toward your financial goals. Avoiding any unnecessary or

Average Consumer Debt Balance in 2021

Mortgage	HELOC	Student Loan	Credit Card	Auto Loan/ Lease	Personal Loans	Total Average
$220,380	$39,556	$39,487	$5,221	$20,987	$17,064	$96,371

(Source: Experian.com)

non-essential debt is critical for preventing financial headaches that immediate gratification of even the best item cannot solve.

4. Try to maintain a three- to six-month emergency fund.

While income, necessary monthly expenditures, dependents, and lifestyles can differ, a good strategy for every saver is to aim for having at least three to six months' worth of expenses earmarked in case of an emergency.

These funds should be dedicated to assist you in the case of unplanned expenses or financial emergencies. For example, the loss of a job, unexpected home repairs, or emergency medical bills. You may be tempted, but remember, these funds are not for travel excursions or for an impulsive purchase!

Setting aside an allotted percentage of your paycheck each month into this emergency fund or if you received one, setting aside a portion of your tax refund, can help you maximize your emergency funds in an efficient and calculated manner.

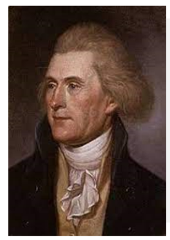
5. Properly plan for any future large expenses and have a strategy to pay for them that does not force you to liquidate equities.

Do you anticipate buying a new car in the near future? Are you hoping to pay cash for this car? Do you have a trip or vacation planned? Are you doing some remodeling in your home?

Planning to have appropriate cash reserves for these larger expenditures is more strategic than keeping your fingers crossed that your investments will rise and be the best source of funds the day you need them. Liquidating your investments at the wrong time can prove to be costly. Successful investors try to be intentional when it comes to large expenditures.

6. Live within your means.

Great savers typically live within their means. In tune with keeping a budget and not going into unnecessary debt, living within your means is easier said than done.



Never spend your money before you have earned it."
Thomas Jefferson

A good exercise is to write down your must-have expenses, such as housing, food, gas, medications and electricity. Don't forget to add a line for your savings and emergency fund. Then write down your non-negotiable "want but don't necessarily need" items, such as newest and latest electronics or streaming subscriptions. Ideally, the total cost of your necessary items should leave you some savings and breathing room. If you're finding yourself putting more and more on your credit cards and unable to pay them off every month, you're not living within your means. Best savers and investors monitor their spending habits and think about the future.

7. Enjoy your life!

Yes, Benjamin Franklin coined the famous phrase, "A penny saved is a penny earned." But don't forget that your hard-earned money should be enjoyed! Being diligent is important, but after you have accumulated a reasonable amount of savings, try not to eliminate all personal enjoyments just so you can squirrel away a few extra pennies. For some, this means taking that bucket list vacation or doing their favorite activity. For others, this could mean helping their children go to college or spoiling their grandchildren. For others, philanthropic work could be their passion. Remember, money allows you freedom, choices, and opportunities to enjoy your life.

8. Keep your complete financial future in view.

Don't lose track of your financial goals. The most critical step is to have a strategy and plan. The next step is sticking to it. As the steward of your wealth, we are here to help you on your financial journey.

If you'd like to have an assessment of your investment portfolio and overall financial picture, we can discuss this at your next review meeting or you can call us to set up an appointment. We understand that each client has a unique financial situation and will consider your distinctive needs and goals when providing any recommendations.

We pride ourselves in offering:

- consistent and strong communication,
- a schedule of regular client meetings, and
- continuing education for members of our team on the issues that affect our clients.

Our goal is to understand our clients' needs and then create plans to address those needs. While we cannot control financial markets, inflation, or interest rates, we keep a watchful eye on them. As always, we appreciate the opportunity to assist you and your financial matters.

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To add someone to our mailing list please call Jamie at (425) 646-6327.