



How to Live a Fiscally Sound Life

The topic of money and personal finances impacts all of us. Not having a solid financial plan can result in stress in many areas of life, especially for those who are married. In fact, it's been said that financial stress is one of the leading causes of divorce.

I have had lots of financial success in my life but only after having lots of financial stress. I can't fault my parents either, because I was taught to save and plan, however being a middle child, I was the one who always loved risk and lived on the edge financially.

I ended up spending much of my professional career helping people with financial matters, first as a real estate agent, and later as a mortgage banker and in the field of insurance. Over the course of my financial career I realized that I enjoyed empowering people by helping them understand how to manage various aspects of their personal finances. This is what led to me becoming a personal finance blogger.

Based on all that I have learned, I'd like to share with you my tips for living a fiscally sound life.

1. **Count the Cost of Every Financial Decision.** When starting out on a journey to make the best of your finances, it is important to realize that money really is time. When we spend money, what we spend has both a short term and long term cost. In the short term, we can relate an expense to the time it takes to earn the money we are spending. For example, I used to spend lot of money on a sushi dinner, then tell my wife I was going to drive for Lyft to pay for it. I then had to ask myself, is it worth spending 2-3 hours of my time to eat a nice dinner?

In the long term, we have to see every expense through the eyes of

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retirement because the money we spend today will impact how we live tomorrow. Sometimes it's hard to grasp this concept early on, but once you do, it will change how to spend money. For example, eating out 3 times a week could cost you easily \$60 per week. It may not sound like a lot if you make decent money and are not struggling to pay your bills. What you may not be seeing is that if you invested just half of that money over a 30-year period, it would give you an extra \$89,000 in retirement savings. Now that might not sound like a lot, but statistically America has not saved well for retirement.

2. **Know Your Numbers (Budget).** It amazes me when I talk to people who don't know how much their monthly budget is. To me, that says they are either not making enough money (and therefore always behind) or they are wasting money (making more than they need and not saving enough.) And I have been in both sides of that coin 😊

Knowing your monthly expenses is key because all you have to do is compare it to your monthly income and that will tell you if you are in an upward or downward financial pattern. If it's downward, you will want to fix that as quickly as possible (more on that later.)

In theory, budgeting is pretty simple; you have to bring in more than you spend every month. If you are spending more than you are bringing in, you have two choices:

- Cut back on some expenses to reduce your monthly expenses.

Here are some examples on how to do this:

- Reduce bad debts by paying off credit cards and other credit accounts (and commit to not creating new monthly debts).
- Identify expenses that you do not need and can cut out.

- Identify expenses that you can reduce (i.e. lower cable plan, eat out less, adjust your insurance deductible, etc.)
- Increase your income. Here are some tips:
 - Have a yard sale. If you need to pay off debts, this can be a great way to do this.
 - Get a part time job.
 - Ask for a raise. We only get what we ask for in life.
 - Start a home based business as a side hustle. This one you have to do with caution because if you are looking to increase your income, you want to be cautious about start up costs for your business even if it is a side hustle.

Here is an article on budgeting with a lot more suggestions:

<https://www.fiscallysound.com/budgeting-101-how-to-make-your-budget-work/>

3. **Create a Starter Emergency Fund of \$1,000.** According to a recent Market Watch article, 62% of Americans do not have any emergency savings. Many financial experts recommend starting out by building a \$1,000 emergency savings fund, and I believe its sound advice.

There was a time where my wife and I did not have a real savings fund put aside, however after taking Dave Ramsey's *Financial Peace University* course, we were able to establish one much quicker than we expected. I recall one day when my wife called me saying her car would not start. To make matters worse, I wasn't even in town; I was at a speaking engagement in Colorado. I called a friend who owned a shop and we had the car towed to his shop and found out that we needed a starter and that it would cost several hundred dollars. Our first reaction was one of stress because we weren't used to having an emergency savings, but then we both realized, "oh yeah... we actually planned for this." Now don't get me wrong, I still didn't like parting with the money, but the good news was that it didn't have to come out of our budget or get charged on a credit card.

Creating this fund can be fun, especially if you are competitive like me. I would make it a contest to see how fast and creatively you can generate this \$1,000. You can sell stuff, do side gigs, work extra hours, cut back on expenses, stop eating out, and lots of other things to make this happen. And you will feel so good having this financial cushion.

4. **Create a 6-Month Budget Reserve.** I don't know too many people who have accomplished this, but after creating your \$1,000 emergency fund, your goal should be to create a 6-month reserve. Many times life deals us a hand that we did not expect. If you are employed, you could get laid off without notice and even if you own your own business, you could lose a client or suffer a financial mishap that dramatically decreases your income. The more you can be prepared for life's curve financial curveballs, the more peace you will have when they come around.
5. **Plan for Retirement Early.** I wish I had understood that retirement planning starts as soon as you start working. I made the mistake on many occasions of cashing out a 401k and other retirement funds early on (usually to invest in a business venture).

I now embrace the F.I.R.E. (Financial Independence / Retire Early) movement which is a group of people committed to maximizing retirement savings, and minimizing spending, so you don't have to work forever.

My philosophy for retirement includes:

Building Residual Income – This is most commonly done via real estate investing or business ownership. What I like about this tactic is that for those starting on their retirement planning journey later in life, they can focus on building cash flow instead of building a next

egg, which would take much longer.

Paying Off Your Mortgage ASAP - Another one of my favorite retirement strategies is paying off your house early because housing is typically the largest expense in a monthly budget. Having your house paid off will reduce the amount of monthly retirement income you need. I can't tell you how many couples I consulted as a mortgage banker who were head towards their retirement years with hundreds of thousands of dollars in mortgage debt, and little hope for paying it off.

Long Term Care Planning - Lastly, planning for long term care needs is crucial in my opinion because without long term care protection, you can easily deplete your hard earned retirement savings.

6. **Preserve (or Rebuild) Your Credit.** Having good credit is important for a variety of reasons. With a low credit score you will typically pay higher interest for most financing (including your mortgage) and sometimes even your insurance. Worst of all is that some jobs require good credit, so having poor credit can keep you from getting the optimal job, or from getting professional licensing for jobs that require licensing.

Keys to preserving your credit are:

- Make sure to pay all of your bills on time and do whatever it takes to ensure that you do not have payments that are 30 days or more late as that is when your credit score begins to drop.
- Pay off your credit cards every month if you use them for rewards or other benefits.
- If you end up using them, make sure the balance remains no greater than 30% of the full line of credit.

The good news is that you can recover from just about any financial mishap, whether it's a foreclosure, bankruptcy, tax lien, or defaulted student loan. Recovery takes time, and each financial crisis takes a different approach and a different amount of recover time.

If you need help with repairing your credit, here is a link to our recommended credit repair provider:

<http://www.fiscallysound.com/credit-repair>

7. **Borrow Only From Yourself.** While it's best to do whatever you can to stay out of debt, sometimes the need to borrow money arises. It might be for a car, a home, school, or another seemingly great reason to borrow.

I want to share with you a powerful financial strategy that has been used by the wealthy and the financially savvy for years (I have used it for years myself). The financial vehicle I am referring to is a whole life insurance policy. What I like about whole life insurance is that you can create cash value within the policy and borrow from that cash value without penalty. If you need a loan (and you have accrued enough cash value) you can borrow money from yourself (from your cash value in my life insurance) AND pay the interest to YOU.

This money can be used for:

- Emergencies
- Purchasing a Car
- Education (College) Expenses
- Investment Properties
- Whatever You Need!

This strategy is often referred to as Infinite Banking and you can learn more about it here:

<http://www.fiscallysound.com/infinite-banking-concept/>

8. **Protect Your Assets.** There are three aspects of protecting your assets that I want to share with you.

- Having the proper insurance
- Spending wisely
- Investing wisely

Having the Proper Insurance

The more you read my blog, you will learn that I am passionate about insurance. I have learned that insurance is a great way to leverage a small amount of money to protect a larger amount of money. It's imperative that you have an insurance agent that is willing to discuss all of your options and help you learn the different between having minimum coverage and knowing that you are protected in the event of an accident.

Here is an example. Many years ago, I was in an accident where I was at fault. And if you are wondering, no cell phone was involved. ☺ I did look down for a split second as I was coming off of a stop light, and for whatever reason the traffic had stopped again. Toyota Corolla, meet Dodge Ram pickup. ☹ The bumper on the truck was bent down and I think the repair cost was around \$500, however my new Toyota was totaled. It was as that point that I learned about GAP insurance and how minimum coverage did not provide full protection. My agent told me that if I had hit a Mercedes, I would have been in a lot of trouble financially because I had chosen the minimum coverage. I ended up leaving that agent because he had failed to educate me until it was too late.

Other critical insurance products to discuss with your insurance agent are:

- **Disability insurance.** This protects your income in the event that you become unable to earn an income.

- **Long Term Care.** I mentioned this prior, but so many fail to protect themselves with it, I thought it was worth mentioning twice. It's not just about having health care need met, it's about the quality of the care you will receive based on what you can afford at the time you need it. Having this type of insurance will give you options for a better quality of care without depleting your long term / retirement savings.

9. Investing Wisely

Without a financial plan, it's easy for you to make poor investments, which hurts your long term (and sometimes short term) investment money.

Choosing an Advisor

Here is where it gets sticky. It's hard for me to make blanket statements one way or the other about who to choose as an investment advisor, but I want to give you some tips.

First, seek to be as knowledgeable as possible and ask lots of questions. If your prospecting financial advisor is annoyed that you are asking lots of questions as you seek to hire him or her to manage your finances, you know you have the wrong advisor.

Second, you need to know the difference between a fiduciary and a broker. A fiduciary is what most people want for the best outcome. It means that the advisor is seeking the best interest of you, the client. Fiduciary advisors typically charge a fee to manage your accounts. If the advisor is a broker, it means they are making a commission on any transactions they initiate for you. If you are in full control of your investments and want a professional to execute the transactions for you, then a broker advisor might be ok, just be cautious if they feel the need to move your money around a lot, as they get paid for every move they initiate.

Invest Cautiously

There will come a time that you will be presented with an investment opportunity that will sound good. It may even come from a friend with great intentions. I am not saying to not invest because I have had friends invest with me and do very well. What I am saying is to know all of the details before you get involved. Also, make sure you do your due diligence (Google will be your friend here) and make sure you get everything in writing. If at any point, something feels off, go with your gut. We all have an internal instinct that wants to protect us, listen to that inner voice. How many times have you said – or heard others say – “I knew better” or “I should have listened to my gut.” Yes... listen to your gut. And hopefully, you will find those aces.

Many years ago, I found one of those aces. I was working for a real estate developer and as a bonus, I got to purchase some land at wholesale cost (\$17,000). I borrowed that money from a friend because I didn't have it. I sold the land for over \$30,000 within 6 months and he got a nice return as well. His only comment was “let's do that again.”

10. Protect Your Loved Ones

This one is less about you, but about giving you peace of mind that those you love are protected (financially) in the event of your death. There are several strategies from simple to complex that can serve to protect your survivors. Sadly, many fail to take these actions due to fears that it will accelerate the inevitable. For the love of your family, don't buy into that fear.

Having a Will

I will start with a Last Will. I sincerely believe that everyone should have a Will (a standard Will and a Living Will) as this will spell out clearly your desires and keep the family feuds to a minimum. One of the best ways to have your Will prepared (in my opinion) is by having a Legal Services Plan that offers it. I am a member and

advocate for Legal Shield, which is a company that offers an amazingly affordable Legal Services Plan (as low as \$17 per month). And as a part of your plan, they will not only prepare your Will, but they will update it annually at no additional cost. This alone makes the plan worth it, so if you bought it just for that, you would be money ahead. You can learn more about Legal Shield here: <http://thefinamarkgroup.legalshieldassociate.com>

Life Insurance

Life insurance isn't one of those topics that people like to talk about, but I have to say that my perspective has changed, once I learn that I didn't have to die to use my policy. ☺

Earlier, I referred to a type of life insurance that you can build cash value in and borrow from, and that is what I highly recommend. You want to make sure the policy is structured so that it pays a death benefit so that your loved ones are protected, but know that it can also have other benefits such as borrowing from it when you need it. You will want to discuss your specific situation with your insurance agent to determine how much insurance protection (death benefit) you need to protect your family. Also know that with this type of insurance it is possible to structure is so that you don't have to make payments in your retirement years when you income will be lower. What's not to love?

If you want to talk to one of our trusted advisors who can help you understand the nuances of the program, please contact us using the

contact form on our website and we will have someone contact you. Here is a link to the contact form: <http://www.fiscallysound.com/contact/>

I hope you found that helpful. I'd love to hear your feedback, answer any questions for you, or refer you to a trusted provider from our network. You can reach me at Anthony@FiscallySound.com. You can also email me to ask me non-financial questions... I am always happy to help if I can. 😊

I wish you not only a Fiscally Sound life, but I wish you success in EVERY area of life!

Anthony Kirlew

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