

Financial independence is possible

By Rick Rodgers

The New Year is a great time to make positive changes in your financial life. While Americans are good at creating resolutions, we often find them difficult to keep. We resolve to lose weight, save money or end bad habits, but few of us stick with those plans for long.

If your goal is to be financially independent, and it should be, you need to make some changes in 2014 that you'll stick with for the rest of your life.

Here are a few suggestions for small resolutions that can have a significant impact on your financial future:

- Spend less than you earn. If you take home \$1,000 per week, you cannot spend more than \$1,000 per week. That seems simple, but a survey released by Bankrate.com in 2013 found 76 percent of Americans live paycheck to paycheck. Resolve to live on a budget that's below your means. You will never be able to out-earn your capacity to spend, so get your spending under control this year.

- Credit cards are a last resort. Spending less than you earn will cause your savings to grow. The savings account will be there when the car breaks down or the washing machine goes out, so you don't have to turn to credit to handle the emergency. Most Americans are not prepared financially for any type of unexpected financial burden. Your goal should be to have three to six months of living expenses set aside in a liquid account for emergencies.

- Invest for financial independence. This is not the same as saving for retirement. The goal here is to get to the point

financially where you no longer have to work to support yourself. Set aside some of the money you've worked for today. Allow it to accumulate and grow so one day that money will be working for you. Start by controlling spending so you have money to save and invest. Continue the process until the return on your investments exceeds what you earn by working. Financial independence gives you the freedom to choose to continue working, change jobs, work part-time or not at all. It is the ultimate financial goal.

- Pay less in taxes. Anyone looking for a place to cut expenses might start with their own tax return. Too many Americans pay more taxes than they should. Take advantage of tax retirement accounts through work and health savings accounts, if they're offered. There are tax credits available for children, higher education, dependent care and retirement savings. Many of these credits go unclaimed each year. Resolve to minimize your income taxes this year and put the savings into your new financial plan.

- Make a plan. Baseball great Yogi Berra said, "If you don't know where you're going, you wind up someplace else." This is especially true if you want to be financially independent. You need a short-term financial plan for controlling spending – a budget. You also need a long-term plan that establishes the level of savings you maintain, a plan to get out of debt and an investment plan that will take you to financial independence. The plan becomes your road map. There will be detours along the way; your goals and plan will need adjusting as you progress in life. Keep working at it. Don't be distracted by outside influences you can't control. You don't want to get to the end of your working career only to find you haven't saved enough to maintain your lifestyle and you still have a mortgage on your home.

Chinese philosopher Lao Tzu said, "The journey of a thousand miles begins with one step." Financial independence may seem like a thousand miles now, but start the journey in 2014 is

taking the first step.

Resolve to save something from every paycheck this year. Keep increasing it until you are saving at least 10 percent of your pay.

Take the first step in 2014.

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