

How to Become Financially Independent

We need a definition. What does it mean to be financially independent?

The world's definition of financial independence reads like this:

Financial independence is a state where an individual has accumulated sufficient wealth or passive income to cover their living expenses indefinitely without needing to rely on active employment.

A Biblical perspective might read like this:

Financial independence is a state of freedom wherein the believer has built upon the foundation of contentment a barn sufficiently filled to meet his family's needs and maintain a consistent pattern of good works.

Here are several important considerations as you live wisely and develop greater financial freedom:

1. Never trust in uncertain riches, rather trust in the living God (Proverbs 23:4-5; 1 Timothy 6:17-18; Matthew 6:25-34)
2. Avoid the love of money (1 Timothy 6:6-12; Luke 12:13-21)
3. Maintain a contented heart in every season of life; never lose sight of your Savior's instruction to lay your treasure up in heaven.

How to Build Greater Financial Independence

Can we get past the point of living paycheck to paycheck?

Millions of Americans, even those with substantial income, live this way. Of course, every young couple lives this way and some due to no fault of their own face this circumstance. The question becomes, “how do we move forward” or “how do we dig out of bad circumstances or avoid them to begin with?”

1. Keep the Lord first (Matt. 6:33; Haggai 1:1-11)
 2. Practice saving part of your income each week (One rule of thumb: 70-20-10; tithe 10%, save 20%, and live on 70%; saving money requires a plan, we call it a budget)
 3. Own a business if suited for the task, or make yourself a valuable employee (*consider a part-time job to generating income for savings*)
 4. Avoid consumer debt (*often debt is the product of unwise decisions and a whole lot of discontent; greater financial freedom is attained by living debt free; avoid impulse buying; save for spending*)
 5. Over time with the Lord’s favor save for future needs (**one word of caution: do not worry yourself attempting to save enough for every contingency in life; also, faithful stewards of the wealth God places in their hands draw a line on savings; ask yourself this question: when is enough enough?*)
 6. Be productive throughout life as you are able (*maintain active income as long as you can even when you are no longer dependent upon that income*)
 7. Always maintain a generous heart; walk in the Spirit of Christ (*there is no such thing as financial freedom for those enslaved to greed and selfishness*)
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Misc. Notes from anonymous sources

These are not my thoughts, rather just notes taken from those who, whether they know it or not, possess “book of Proverbs” wisdom.

"Getting to work early is such a common virtue of successful people that I'm tempted to call it the single most important thing you can do to change your life," my friend Michael Masterson wrote in his book *Automatic Wealth*. Michael is a self-made multimillionaire.

It requires no special skills to get up a half-hour or an hour earlier than you usually do. And most of the extremely successful people I know get their days started very early. It's a simple thing, but it could have a dramatic effect over time.

Have a different idea of retirement:

By *active* income, I mean money you make through your labor or through a business you own. *Passive* income, on the other hand, is what you get from Social Security, a pension, or a retirement account.

It's a very common mistake. Yet I've never heard retirement experts mention it. Nor have I read a word about it in retirement books.

When you give up your active income, two bad things happen:

1. You cut your connection to the source of that income. I'm not just talking about the business you had or worked for, but also about the people you knew. (These are valuable connections you might want to revisit someday. But with every passing month, it'll become more difficult.)
2. You debilitate your ability to make smart investment decisions because you're now dependent on passive income. (I'll explain this later.)

Here's how retirement is supposed to work: You save a portion of your income every month, let it grow in a tax-deferred investment vehicle, and accumulate a vault of wealth.

Then, 40 years later, you tap into that vault to fund 20 years of easy living. No work. No stress. Nobody to kowtow to.

Just traveling, golfing, going to the movies, and visiting your kids and grandkids.

Yes, it's a great idea. But it was never realistic.

Prior to the 20th century, retirement was a rarity. Most people worked until they could no longer work, then "retired" into their children's homes.

The only generation that experienced "the dream" was my parents' generation – the men and women who bought starter homes and entered the workforce after World War II. They had good timing, because the U.S. was entering a 30-year growth spurt in business and real estate.

They made and saved money, but the bulk of their retirement funds came from selling their homes in 1980 for 10 times what they'd paid for them in 1950.

For every generation since then, the promise of that kind of retirement has been a big white lie.

I'm not saying you should give up on the idea of retirement. I'm saying you should think of retirement differently. Instead of spending 80% of your time working for money and 20% having fun, you can spend 20% of your time working and 80% having fun – and be free from financial worries.

That doesn't seem so bad, does it?

And if you're smart about the kind of work you do, you can actually have fun working!

There are many ways for a retired person to earn a part-time, active income. You could do some consulting, start your own online business, or earn money doing any sort of purposeful work.

Adjusting your understanding of "retirement" to include some active income isn't a huge burden. You can end up doing a lot of the same things you envisioned before – but get paid for it instead of doing it for free.

So please, move beyond the big white lie of investing. A rewarding and enjoyable retirement – devoid of money worries – awaits.

How to Become Financially Independent (In Seven Years or less??)

The first thing you must do is accept the fact that you are solely and completely responsible for your current financial situation. Before you react defensively, read that sentence again... I didn't say you are the *cause* of your situation. I said you are *responsible for it*.

The next thing you must do is set realistic expectations. I've had people tell me that they don't want to make 10% or 15% per year on their money. They think returns like that are

"ho-hum." They want some incredible stock tip or **some secret get-rich-quick technique**. But when I hear someone say that, I think, "This person will never become wealthy."

The third thing you must do is thoroughly understand the difference between spending, saving, and investing. With every paycheck you get, cover your necessary expenses first (bills, mortgage, etc.). Then put some money toward saving. And then put some money toward investing. Then and only then – after you have "paid yourself" – should you add to your "spending" account.

The fourth thing you must do is recognize that your net investible income (the amount of cash you have after tithing, spending and saving) is the single most important factor in determining how quickly you will become wealthy.

Fifth, commit to adding to your income with a second income. Make an honest count of the number of hours each month you devote to television and other non-productive activities. Devote them to wealth-building instead. Cast aside the comfortable shoes of victimization. Put on the working boots of a financial hero.

New Article: older show the right attitude toward work

If You're So Rich, Why Do You Still Work?

I have a few friends who have "silly" wealth – more wealth than they could ever need or spend.

These guys are at retirement age or older... But for some reason, they work harder than just about anyone else I know...

Why are they working so hard? Isn't the dream to "bank" enough money so you don't have to work?

I called a few of these friends over the years and asked why. The answers were interesting...

One wealthy friend started out with this story to explain it...

I had dinner with an extremely wealthy guy last week who's 71. He just retired to the desert in Palm Springs, supposedly to play some golf. I asked him how it was going...

"Retirement is horrible," he told me. He said, "I do NOT enjoy sitting in the desert doing nothing. I don't have a clue what I'm doing out here. I don't think I can do this. I don't need the money... But I think I'll have to go back to work."

My wealthy friend described the same feeling... "I love what I do," my friend told me. "I don't want to stop."

I asked my friends specifically what it is that keeps them working so hard...

One said, "Nothing in life beats the thrill of coming up with a big idea and making it a reality."

Another said, "I like mentoring younger people... passing on what I do and seeing them succeed at it."

A few more talked about the thrill of a great opportunity and the chance to increase their wealth. "I know there's no economic reason for me to work," one friend told me... "But that doesn't mean I don't like to get paid."

I then asked these friends if they had any advice to help people join them in the "big leagues"...

First, they explained, opportunity doesn't knock. You have to create it. And when opportunity is close by, you have to drop everything and pursue it. The more you make those sacrifices, the better your chances of finding financial success.

Second, if you know more than everyone in the room, nobody can take advantage of you... So read a lot. Do more homework than anyone else at the table.

Finally, one friend told me, "Work to the task, not to the reward." Don't wash a car for the \$5 payment, for example... Wash a car because that's the task at hand – and do a fantastic job. Then you'll get noticed for your work and have a chance to move up in the world.

So why do these "silly-rich" guys still work? And how can you get there, too?

They work because they say it keeps them "alive"...

"If I stop working, I'll die," one of them told me. My friends believe that finding success is all about recognizing, creating, and seizing opportunities.

You make your own luck, they say, so create opportunities for yourself as best as you can.

If you do that enough times in life, you'll know you're giving yourself a legitimate shot at success... at having the kind of wealth that means you're working because you love to, like my friends, not just working because you have to.

**Note: Financial advice on how to prosper from those who do not know the Lord lack a Biblical perspective. Their whole focus is on this life with no eye on eternity. Furthermore, they often live selfish, self-centered lives heaping their wealth upon themselves. It is one thing to prosper from "book of Proverbs" wisdom, which even the lost can do, it is another thing to add to that wisdom the Spirit of Christ which keeps us from covetousness, compels us to be rich in good works, and to lay our treasure up in heaven—Pastor Rusty*