How to Achieve Financial Independence

By Paul S. Inselman, DC

Financial independence is not only for the rich. Most wealthy people probably did not start out wealthy; they probably began like you and me—paying for student loans, personal expenses, business expenses, braces for the kids, college costs, etc.

This article will give you a very clear outline of the steps that you need to take that will put you well on the road to financial independence. Achieving financial independence is about creating a plan, working the plan, and being held accountable to sticking to the plan. When growing your practice and your finances, it is important that you work with your advisers on two fronts: (1) to improve business skills and (2) to avoid or minimize mistakes. Please use the following list to determine if you are making mistakes, and if so, please make the necessary corrections as quickly as possible.

1. Not updating wills and beneficiaries – According to Consumer Reports, 86% of their readers hadn't updated their wills or other estate-planning documents within the previous five years.

2. Not telling family about financial information – In only 30% of households, both spouses knew major details about the family finances. I recommend that you create a master sheet with all of your account information, passwords, and websites, and keep that list with your will. Make sure that you update the list at least once a year.

3. Not maximizing retirement contributions – To achieve financial independence, it is imperative that you contribute the maximum amount to your retirement funds. It is also important to know the expenses of the funds and to minimize your expenses wherever you can. For example, mutual funds typically charge a much higher expense than exchange-traded funds (ETFs). Read more about retirement plans in steps 9 and 10.

4. Underinsuring – The same Consumer Reports article cites that only 36% of homeowners had purchased full replacement cost on their homeowner's policy; only 20% had an umbrella policy. It is also important to make sure that you have underinsured or uninsured motorist insurance if you are in a state that offers such coverage. Please check with your insurance agent to determine what is best for your individual situation.

5. Not having an emergency fund – Emergencies can come at any time. To protect yourself, you should have a minimum of one year's personal and business expenses in an account. Think of the security that an extra $30,000 or greater would give you. Start slow, just put $20 per week away—it adds up over time. Of course, if you can afford more, then go ahead and put more away.

> "Incurring credit card debt has been widespread in this economy."

6. Mismanaging debt – Debt is the killer of dreams. Incurring credit card debt has been widespread in this economy. If you are in credit card debt, it is imperative to put your cards away and don't charge anything else until the debt is erased. If you can't afford something, then do without it instead of charging it. Try to apply for a zero-balance transfer card and move your debt to that card. By doing so, it will allow you to put every dollar repaid toward principal instead of interest.

7. Not knowing how to run an effective, profitable business – If you are in business, then it is important to know how to run and mange that business. You must know how to read a profit and loss statement and balance sheet, and know how to create budgets. You must understand business jargon such as working capital, equity, expenses, liabilities, return on investment, expense ratio, income, good debt, bad debt, etc.

8. Not hiring the proper team – Acting as your own certified public accountant, attorney, chiropractic coach, or insurance agent is a surefire way of putting yourself in a position to make financial mistakes and waste money. Hire, pay for, and utilize the services of professionals. Over time, they will save and earn you more money than you think you could have saved on your own. One mistake in the area of taxes, legal matters, or practice building will cost you so much more in actual dollars or lost opportunity than you could ever save by doing it yourself. Space will not allow me to discuss what to look for when assembling your team. Feel free to contact me to discuss how to choose the proper attorney, accountant, insurance agent, and chiropractic coach.

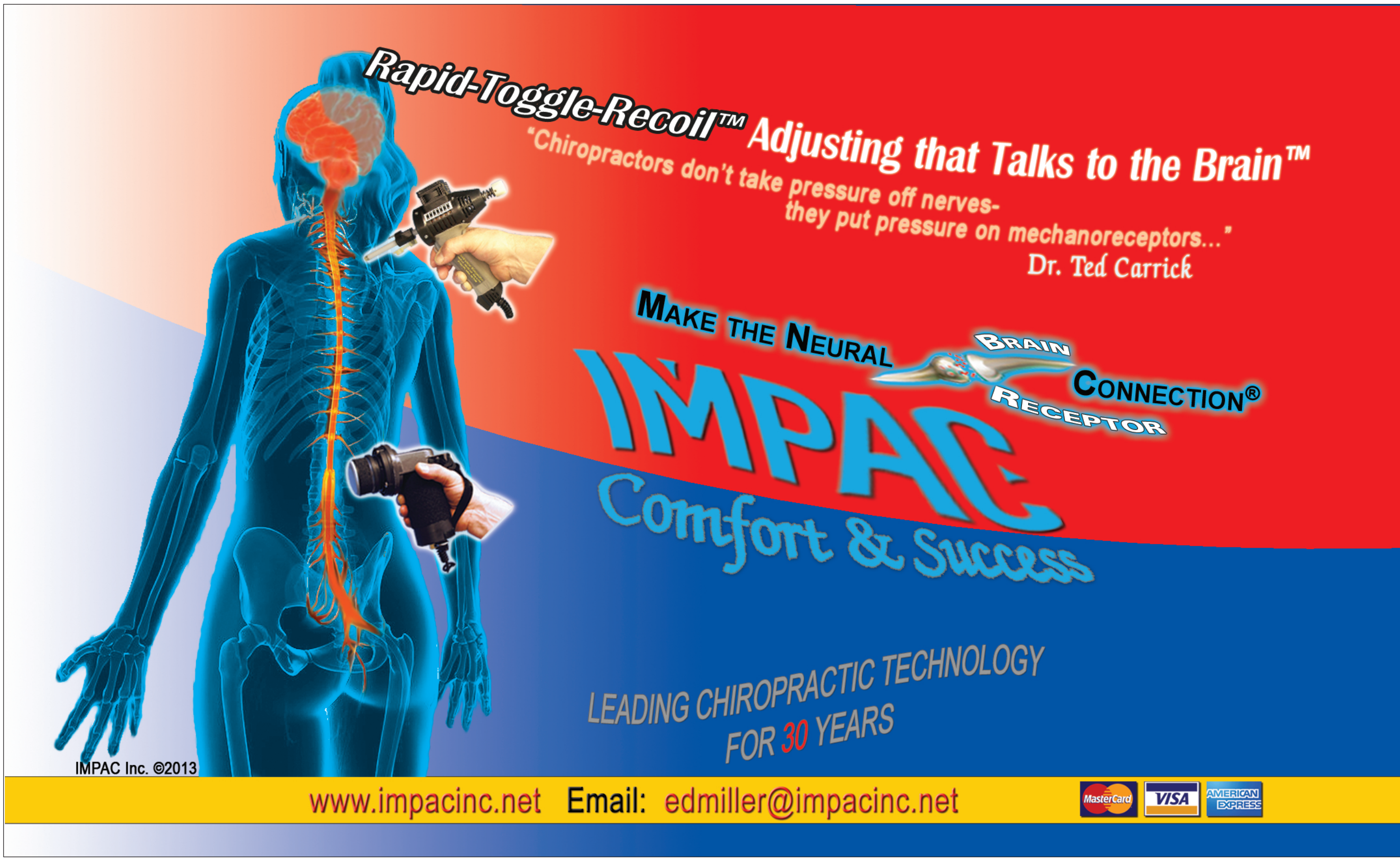
9. Not saving for retirement-Since you can probably bank on the fact that Uncle Sam will not be here to help you in retirement, it becomes imperative that you fund your own retirement. The problem is that most people live on “Someday Isle.” As in, “Someday Isle” start to save when I get an extra $1000; “Someday Isle” grow my practice when I have more time. Let me tell you right here and right now that “Someday Isle” will never come unless you make it happen. Transmissions will always fall out of cars, and life’s expenses are always going to happen. These occurrences will suck your extra money out of you and preclude you from reaching your financial goals. Get off of “Someday Isle” immediately.

To get off of “Someday Isle,” set up a transfer in the amount of $10, $20, $100, or whatever amount you are comfortable with to start. Transfer it automatically into your retirement account. If you never touch, feel, or smell the money, then you will not miss it. If you find that you need the money, then you can always decrease the amount. If you put just $20 a week away, in 50 weeks you will have saved $1000 for the year, and that is certainly better than zero. If you do that for ten years, you will have amassed $10,000 not including interest or dividends. My point is that it is not too difficult to automate, so start small and you can amass significant wealth over time.

10. Not having the correct retirement plan – Speak to your accountant or financial planner and feel free to show them this article. I am personally a huge fan of a Roth IRA, and if you own the practice, then a Roth 401(k). A Roth allows you to invest posttax dollars and withdraw them tax-free in retirement, whereas, a traditional IRA or 401(k) allows you to invest pretax dollars, take an immediate tax deduction, and withdraw the money in retirement. Then, in retirement, you will pay taxes on the money based on your tax bracket at that time.

Space will not allow me to go over the pros and cons of each entity, but if you have questions, you can always call me to discuss them. This article is intended to arm you with information that you can take to your accountant or financial planner. It is not intended to give you financial advice; therefore, I want to be clear that I defer to the advice of your financial professionals. Please set up your plan ASAP. The compounding of interest over time is what will make you financially independent.

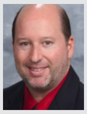
11. Failure to be held accountable – Anyone who has ever played on a winning sports team knows that their coach held them accountable to showing up for practice and actually practicing the plays. That is why it was a successful, winning



To learn more, circle #43 on The Action Card team. If you actually do all of the things that you said you would do, your practice would probably look quite different. Hire someone to hold you accountable and make sure you are completing your action steps.

Financial independence is a great goal to strive for and achieve. It is very attainable if you create a plan and work the plan. That security will allow you to sleep better at night, provide for your family, and have an overall higher quality of life. Financial independence will not come by wishing and hoping.

Your practice has the ability to earn you a tremendous amount of money. Are you using strategic-based marketing? Do you understand how to perform a proper consultation that creates value for your patient? Do you have procedures and modern-day systems in place? Speak to your coach about creating a meaningful plan that will help you achieve your financial goals. Your stress level, personal health, and your family will thank you for it.



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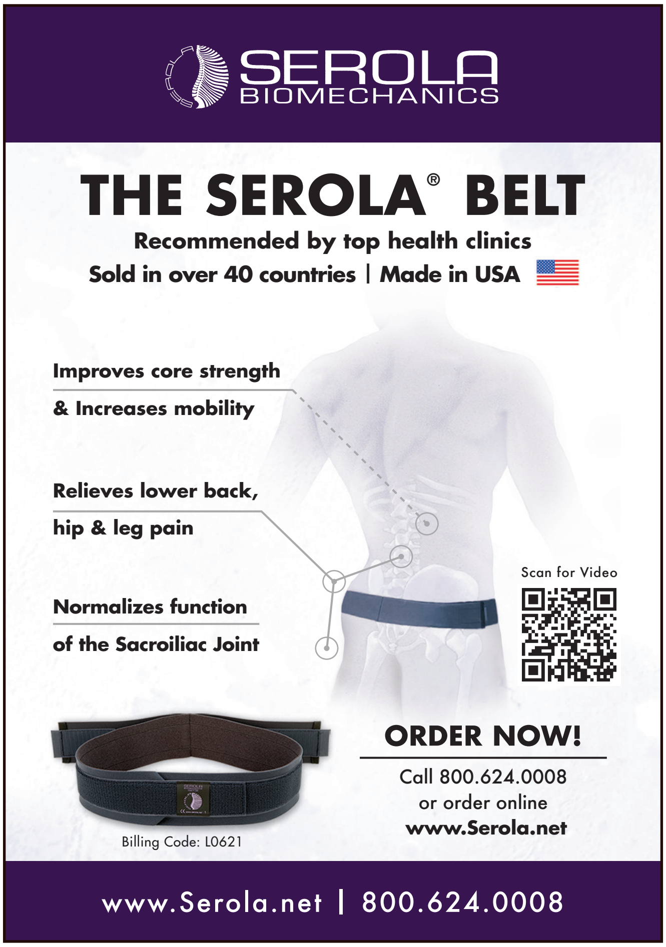
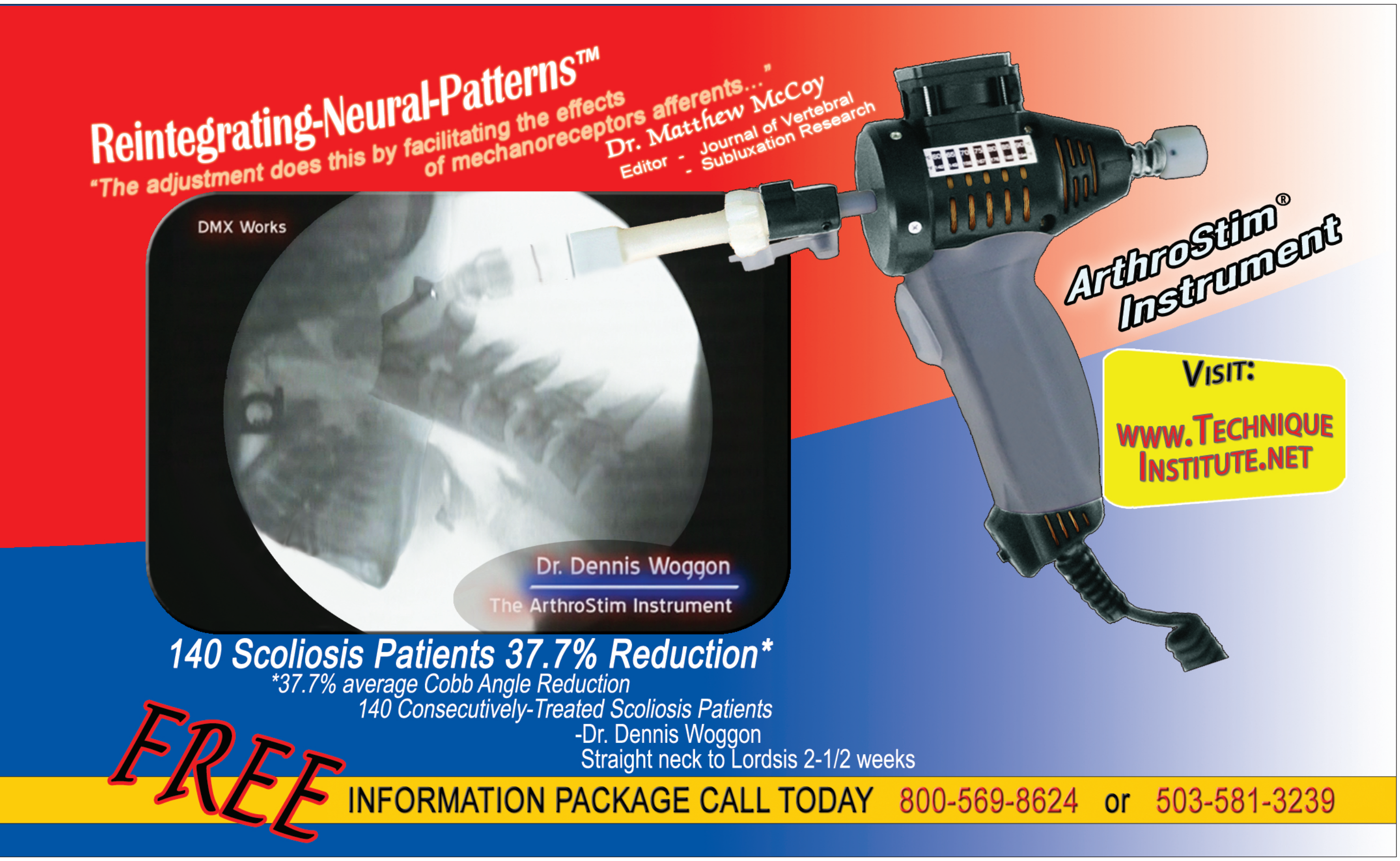


To learn more, circle # 115 on The Action Card



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