How To Change Your Financial Future

FIVE EASY STEPS TO GET ON THE ROAD TO FINANCIAL FREEDOM

SAPIAT
ASSET MANAGEMENT LLC

There's nothing easy about planning for your financial future in today's complex world. While previous generations had the benefit of pensions to fall back on, today you have to worry about your money lasting as long as you need it. With a vast choice of mutual funds, stocks, bonds, annuities and other products being pitched at you, it's difficult to know where to invest your money. As a result, it's easy to find yourself feeling far away from financial independence, even with a high income.

If that's you, you're not alone. As financial advisors, we see this all the time. New customers come to us not knowing if or when they can afford to send their children to college, retire, or switch jobs. Through our intensive work with them, we help these customers get organized and on track to financial freedom so they can feel confident again.

But we know not everyone has access to this type of financial advice and the ongoing support that makes it stick. That's why we wrote this book. It is our hope that these easy steps can help you get started on the road to a better financial future. After all, there's a big difference between living the future of your dreams and living one that's filled with financial stress.

We hope you find this guide helpful.

To your success,

THE SAPIAT TEAM

Choosing Financial Confidence

(INSTEAD OF FINANCIAL STRESS)

A recent survey shows that most Americans today are not where they want to be financially. Many people seem to feel it's hopeless, so they just resign themselves to working longer.

But change is not that difficult. There are things you can't control, but there are many things completely within your control.

This guide is all about getting started. The key for most people is changing your mindset. We like to use the example of America's self-made millionaires. There are many of them out there. They didn't inherit the money, and most didn't even have particularly high incomes. Instead, they simply respect how hard they work for each dollar, and then spend each dollar very carefully. They want to be absolutely sure every dollar is working hard for them.

Following are five simple steps that you can implement quickly so you can start applying that mindset to your money. As you put them into practice, you'll probably find yourself feeling less stressed about money. That feeling can help you follow through and make more changes.

Let's get started!

1 Stop Losing Money

Our first step is an easy one: You simply want to make sure you're not losing money without realizing it. Believe it or not, there are a few very common ways many people lose money each year. If you're doing any of these, you've just identified an easy way to quickly improve your financial picture.

STOP GIVING OUT INTEREST-FREE LOANS TO THE GOVERNMENT

Do you look forward to receiving a tax refund each year? Per IRS data, nearly 8 out of 10 Americans do, and the average refund was over $2,800 for 2016. While getting a check in the mail is always nice, this isn't a bonus or a gift. It's actually a return of your money after you provided an interest-free loan to the federal government. Wouldn't it make more sense for you to use that money instead of giving Uncle Sam a free loan?

If you're receiving the average $2,800 refund, this could equate to $200 or more extra on your net paycheck each month. This can be put to work for your future by saving and investing it.

Your Action Step: If you receive a tax refund every year, simply adjust your tax withholding with your employer so less is deducted out of your paycheck each month. Then, put that money to work either paying off high-interest debt or investing it.

GET YOUR FULL EMPLOYER MATCH EVERY YEAR

Most companies that offer a retirement plan also offer something called an 'employer match.' That's where they will match up to a certain percentage of your contributions to the retirement plan. This will vary, but as an example, let's say you are entitled to a 3% match. So for every dollar you contribute of your salary up to 3%, your employer will match it by giving you one dollar. What is this? Basically, it's free money! And it is available to you every year.

Shockingly, it is estimated that over $24 billion is lost by employees annually due to not contributing enough to get their full employer match.

Stop Losing Money

Your Action Step: Adjust your contributions to your retirement plan to ensure you get the full match every year. This is free money!

SCRUTINIZE YOUR MEDICAL BILLS

Have you noticed that when you see a doctor lately, the bills that trickle in later are usually way more than you expected? It's not your imagination. According to the CEO of Medical Billing Advocates of America, an estimated 80% of medical bills contain errors.

If you have a high deductible, this may be causing you to spend far more than you need to. Even common office visits can result in billing errors and high charges if any type of testing or diagnostic procedure is involved.

With such a high billing error rate, it's worth your time to review all medical bills very carefully before paying. If anything looks unusual or overly expensive, call and ask about it. You may find that the office will correct it on the spot, reducing the amount you owe. You can also research average prices for various procedures and services on the internet. There are also services that will audit your bills for free and simply retain a percentage of the savings if they are able to reduce the bill for you.

Your Action Step: Every time you receive a new medical bill, sit down and review it carefully before paying it. Research anything that looks unusual or overpriced, and call if there's any reason to believe it's not accurate.

2 Think Before You Spend

The secret to creating financial independence is actually quite simple: we need to spend less than we earn. While that sounds easy in theory, it's not so simple these days, since we live in such a consumer-driven economy. Advertising is everywhere; it is hard to escape. Most of our social lives are centered on activities that cost money: meeting for coffee or dinner, going shopping, going to the movies, etc.

In this consumer-dominated culture, that means you need to do the opposite of what most people do: you need to spend very carefully. You need to avoid the trap of immediate gratification when it comes to money. And you need to maintain your discipline.

While it's not difficult, it can be hard to do alone in a world where pressure to spend is everywhere. You need to change your mindset to succeed.

That's what America's self-made millionaires are known to do: they are very careful about every dollar they spend. Researchers who have studied these individuals noted their habits in the book, *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*, by Thomas Stanley, Ph.D., and William Danko, Ph.D. These authors and researchers made some interesting discoveries:

- These millionaires rarely drove luxury cars; instead, they bought lightly used moderate-priced cars and drove them for many years.
- These millionaires were more likely to eat at their favorite inexpensive restaurants than spend money on fine dining.
- They preferred discount stores and avoided designer brands.
- They bought smaller, more conservative homes in nice neighborhoods.

These people could afford far more, so why didn't they splurge? It's because they wanted to keep their money working for them, not for someone else!

They always looked for deals on things they needed to buy, too. That's why their favorite stores were found to be Target and Costco, not Nordstrom and Neiman Marcus. And they had no problem searching for deals and coupons to save money that could be put to work for them.

Think Before You Spend

That's a totally different mindset from the one that espouses "Master the Moment." That's why it's vital to switch out of the auto-pilot mode that most people operate in. Instead, it's smart to consider that each daily decision you make around money puts you either farther away from your life goals or nearer.

That's why it pays to start practicing some financial self-defense. Fortunately, by doing that, you can painlessly choose to spend less, which is a whole lot easier than trying to deprive yourself and "cut back."

PRACTICE MINDFUL SPENDING

You've probably heard advice that we should all try to live more 'mindfully.' Sounds strange, but in our busy world, many of us are on autopilot much of the time. By using mindfulness techniques, it's much easier to make better decisions. It doesn't feel like work. Using mindfulness with health, we just decide to choose the fruit over the donut, for example.

The same principle can be applied to spending. Let's say you see something you'd like to buy—maybe a new pair of shoes, a jacket, or a gadget. Next time this happens, try these steps:

1. Any time you feel that urge to buy something, PAUSE.
2. Stop what you are doing and take a couple of deep breaths.
3. Without judging it as good or bad, ask yourself why you want this particular thing. Is it really about that "thing," or have you been working hard and feel you deserve a reward? Think about it.
4. Then, ask yourself if buying this item will really make you feel better overall, or if it will just make you feel good for a short time and push you further away from financial peace of mind. Maybe something else, like a relaxing walk in nature, bike ride, or getting lost in a good book will be even more effective.

Very often, you'll find that by following these steps, you'll automatically choose NOT to spend. And there's no deprivation involved.

After all, many times shopping is just a distraction we use to feel better amid a busy world. Don't believe it? According to an expert in this Wall Street Journal article headlined "A Closet Full of Regrets," most of us only wear 20% of the clothes hanging in our closets. As far as the other 80% goes, it sounded good at the time, but obviously it wasn't something we really needed.

Your Action Step: Every time you feel the urge to buy something, follow the simple mindful spending technique listed above. Then wait a few days. If you still want the item, go ahead and buy it. But usually you'll have forgotten about it by then.

DO YOU REALLY NEED THIS?

It can also be helpful to think about whether you really need something, or if it's a passing impulse.

Not that we can blame ourselves for feeling compelled to buy something. Corporations spend over $180 billion per year to make us think we really need a lot of stuff. Open any magazine and you'll see flawless photo-shopped pictures hawking beauty products, clothing, cars, expensive watches, and more. And television pitches are everywhere. We even get advertising at the movies, on planes, on public transportation, and on gas pumps these days.

So it's vital that we remember these smart advertising executives are really good at what they do. With $180 billion per year behind them, they've tapped the best minds to help figure out how to get us to really want their products.

Your Action Step: Every time you feel the urge to buy something new, think about what you want more: that particular "thing," or financial security and peace of mind? This simple technique can snap you out of the allure of advertising and back to reality, fast.

Maximize Your Tax-Advantaged Savings

Investing to generate an income for the decades you will spend in retirement is a huge endeavor. Fortunately, we get help along the way from special tax-advantaged retirement accounts. These accounts help us by allowing us to minimize or defer income taxes on money we save for retirement.

This way, we can "turbo-charge" our savings. But in order to benefit from these accounts, we should strive to contribute the maximum each year.

Of course, that always sounds easier than it actually is.

But there is one easy way to increase your tax-advantaged savings. Any time you get a raise or bonus, simply increase your automatic contribution accordingly. You'll never notice it. And by putting money away sooner, instead of later, you'll take advantage of time.

Remember, when you're young, you want to embrace the concept of "compound interest." What's compound interest? When you lend money, you get paid interest. When you buy stocks, you get paid dividends, which work a lot like interest.

Interest can be either 'simple' or 'compound,' depending on what you do with it.

If you spend the interest or dividends you get, you will get only simple interest. Your money grows, but it grows slowly.

> *"Compound interest is the eighth wonder of the world."*
>
> —ALBERT EINSTEIN

Maximize Your Tax-Advantaged Savings

With compound interest, you don't spend the earnings. Instead, you reinvest it all. You will now earn interest on your interest as well as your original investment.

Compounding allows you to take a little bit of money, and when invested, turn it into a whole lot of money down the road. In essence, it does the "heavy lifting" for us—as long as we start now and not later.

When you combine compound interest with the investment that historically has returned the highest amount over time (stocks), you have a formula for a great future. But the key is you have to start now. Putting it off causes you to lose valuable time. It's not as much about the amount you put away as the fact that you start now and contribute regularly.

Your retirement account is the first place to do that, since you get additional tax benefits.

Increasing your contributions, even by a little bit, can make a big difference over the long run.

Important note: Once you're past age 50, you can contribute even more every year due to special "catch-up contribution" provisions. This helps you save even more.

Your Action Step: Next time you get a raise or bonus, put most of it into your retirement account by increasing your automatic contributions.

Automate Your Wealth-Building Efforts

4

(AND MAKE SPENDING MANUAL)

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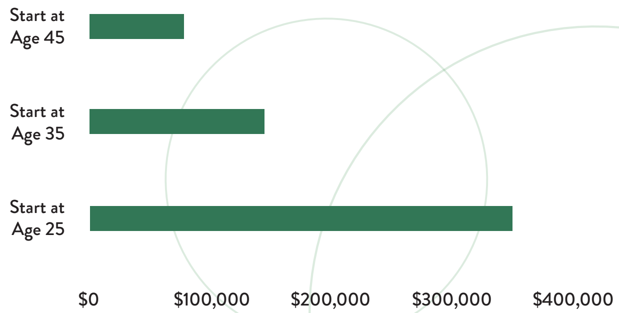
IF YOU INVEST ABOUT $3 PER DAY, WHAT WILL YOU HAVE AT AGE 65?
(assuming 8% annual average returns)



4 Automate Your Wealth-Building Efforts

(AND MAKE SPENDING MANUAL)

How hard is it to save $3 per day?

- Order a plain small coffee instead of the giant latte.
- Bring soft drinks and snacks from home instead of buying on the run.
- Bring your lunch to work a few days per week.
- Skip dessert at dinner.

Of course, this also assumes you are putting that money into the stock market. Historically, stocks have out-performed other investments over the long term. The key words here are "the long term." Stocks can be volatile in the short-term, so short-sighted people may lose money.

But even with all the crazy ups and downs of the stock market, per Wharton professor Jeremy Siegel in his book Stocks for the Long Run, stocks have returned an average of 6.5 percent to 7 percent per year **after** inflation over the last 200 years. Yes, that's **200 years**.

While of course there are no guarantees going forward, that's a pretty compelling long-term track record.

On the other side of the coin, to improve our financial situation, we need to focus on buying what we need and not simply what we want. Especially with online shopping, it can be difficult to avoid impulse purchases. Due to clever ad targeting, we get automated reminders following us, reminding us to spend.

Let's make sure we're not using automation against our interests here. For best results, we just need to do the opposite of what all the retailers want us to do:

- As their emails hit your inbox, unsubscribe from all retailer email lists so you aren't notified of (and tempted by) sales or other offers. Out of sight is often out of mind.
- If you are an Amazon user, turn off the "one-click ordering" feature. That just makes it too fast and easy to buy (you pay for that convenience).
- Start removing saved credit card information from your favorite retailer websites. This way, there's no fast and easy ordering; you'll at least have to manually retype all of your credit card information in. This gives you the opportunity to rethink the purchase, or decide it's not worth the effort, before it's too late.
- Uninstall shopping apps from your smart phone. These apps may save you time, but they usually encourage more spending in the long run.

Your Action Step: Automate your savings so money is automatically withdrawn from your checking account each month (or week) and invested in a long-term portfolio. Then, remove as many shortcuts, apps, and email notifications from retailers that you can, so you have fewer reminders of what you might like to buy.

5 Avoid Big Mistakes

Investing can seem very easy, even effortless, during bull markets. Whatever you buy, everything just goes up. The problem is that the stock market is cyclical. Just as winter follows summer and fall, an up market will be followed by a period of falling stock prices.

Most people don't know what to do when stocks go through their normal "bear markets," times of falling stock prices. This is actually by far the best time to buy and invest more, but people usually stop investing altogether. Worse yet, they may take money out of the stock market, locking in those losses and harming their retirement savings.

Unfortunately, all of us humans are biologically wired to be lousy investors—we can't help it! We naturally feel safest buying after things have gone up, then usually feel like selling only after the investments drop. In reality, we are buying and selling at exactly the wrong times by following our natural instincts.

These automatic patterns of behavior are not apparent during bull markets. But if you look back to the 2008 crisis, or the dot com bubble, once the trend changes, the novice investors tend to get hurt badly.

Investing is not rocket science, but it's psychologically demanding, since we literally need to fight human nature.

That is the benefit of getting professional help with your investments; an expert who understands these behavioral tendencies is by your side, helping you make better decisions. With your advisor's help, you can avoid taking on too much risk and buying or selling at the wrong times.

Or you can do it yourself, but you must commit the necessary time to education. Since your future quality of life is riding on it, you want to be sure you're doing it right.

You should do the same thing with any big financial decision. Do everything you can to prevent emotional decisions, which can often move you farther away from a secure financial future. Whether it be buying or selling your home or other big-ticket item, giving a large gift or loan to a family member, or something else...most everyone has made a big financial decision they later regretted. That's why it's critical to set up a rule that you think about it or consult your advisor before making a final decision. Your future is just too important.

Your Action Step: On your own or with the help of your advisor, set up rules to help you avoid emotional decisions that you might regret. Force yourself to carefully weigh financial decisions and research your options before committing.

Your Next Steps

By now, you probably see that there are many simple steps you can take to help you change your financial future.

Really, it's all about changing your mindset; those who have achieved financial independence look at money differently. They want every dollar they have to work as hard as possible for them. Whether they are buying a car, grocery shopping, or furniture shopping, you'll find these self-made people always looking for the best deal. This is the mindset that will help you achieve your goals faster.

Sadly, most people don't require their spending to pass that test, and instead spend on autopilot. That's why so many people continually struggle with debt and end up not having the freedom to travel, change careers, or retire full- or part-time later in life.

That's where financial planning can help. By investing in that process, you will be accountable for your goals. It's smartest to start early when you have more time to generate wealth and it's easier to implement changes.

If you already have a financial advisor, be sure to walk through the financial planning process to make sure you are on track for the future you want.

If you don't, consider talking to one who has expertise in helping busy people set themselves up to become millionaires faster.

Either way, keep learning and investing in yourself and your future!

About Sapiat Asset Management

For more than two decades, Sapiat Asset Management has been helping people build financial independence and achieve their goals. Headquartered in Greeneville, Tennessee, our independent, fee-only business model and evidence-based approach help us provide high-quality, objective advice to individuals and families.

If you'd like to learn more, we offer a free, no-strings-attached review of your current financial situation.

WHAT HAPPENS IN THE COMPLIMENTARY FINANCIAL REVIEW?

It's an approximately 60-minute meeting that is held either at our offices, by videoconference, or by phone. During the meeting, we will discuss your current financial situation, your goals, and strategies to help connect the two.

The purpose of the checkup is just to allow us to talk and see if we can help you achieve your goals. In the process, you'll gain valuable insight into what you need to focus on.

WHAT HAPPENS AFTER?

There are no strings attached, so we won't spam you or put you on a call list. We'll only call you if you want us to! We may send you an occasional email, but you may opt-out at any time.

Schedule A Free Financial Review →