

## 4 Steps to Take in Your Race to Riches

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### **Sample of Content:**

Anyone who has ever run in a race knows that every lap counts. A mistake early can force you to work hard to catch up, an error late can wipe away precious time and energy. Things are no different with your finances. The decisions that you make early will have lasting implications to your peace of mind and financial security. This article will focus on areas that will help you get your finances on the right footing in your race to riches.

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## Beginning Your Race

Many people start the first lap of life with excitement and optimism. You've just settled into a job and you're excited about the prospects of your career. You're ready to use your money to create an established life, upgrade your car, buy a new home, start a family or simply maintain your independence. It's a relief to finally have the finances to purchase things that you once dreamed of. But obstacles can quickly appear. School loans, mortgage payments and a whole series of bills suddenly turn excitement into confusion. You ask yourself, "If I'm making a good income, why are things so tight?" With so many choices and responsibilities, finances suddenly seem to be spread thin. Here are some financial tips to help you navigate the first lap.

- 1. Live by a budget** – This is one of the most helpful exercises anyone can do. Create a list of fixed and discretionary expenses. Plan for variable expenses such as travel, gifts and home improvements. View yourself as a bill and set aside money each month into a savings account. Work on building a cash reserve. Pay off credit cards monthly. Although you may have a steady income now, consider the effect of a job loss or extended sickness and its impact on your household finances.
- 2. Establish goals** - The old adage of "If you aim at nothing, you'll hit it every time" is especially true with finances. Take time to create a written plan that has SMART goals – Specific, Measurable, Achievable, Relevant, and Time bound. Define financial goals in categories of short term (1-3 years), medium term (4-10 years) and long term. Set aside time to regularly review your progress and adjust your course of action as necessary.
- 3. Educate yourself** – With all of your new responsibilities take time to learn about your options. Don't end up doing what your parent or best friend did just because you don't want to take time to research what's best for you and your situation. Get resources from the internet, benefits department, or bookstore. Take a finance course or hire a professional to help you. Don't be afraid to ask a lot of questions. There are plenty of resources to turn to.
- 4. Save for long term goals now** – Buying a new car next year may seem to be more important than saving for retirement 35 years from now. But use time to your advantage. Consider this: If person A saved \$2,000 at the end of each year from age 25 through 35 into a 401k or IRA (total of \$20,000) and person B saved \$2,000 per year from age 35 to 65 (total of \$60,000), who would have more money at age 65 assuming an 8% annual return? Person A ends up with \$291,547 while Person B ends up with \$226,566. Surprised? It's true. Save early and save often.

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