100 STEPS to Financial Independence

The Definitive Roadmap to Achieving Your Financial Dreams

INGE NATALIE HOL

100 STEPS TO FINANCIAL INDEPENDENCE
The Definitive Roadmap to Achieving Your Financial Dreams

100 Steps Publishing
inge@100StepstoFI.com
www.100StepstoFI.com

Cover and interior design by Domini Dragoone - dominidragoone.com
Editorial services provided by Susannah Noel and Heidi Dorr of Noel Editorial - noeleditorial.com

ISBN: 978-84-09-05149-6

Disclaimer
100 Steps to Financial Independence is intended to help others on their way to better money management. The information presented is for informational purposes only and is solely the expression of the author's opinion. The author is not offering any legal, investing, or tax advice and is not liable for any actions prompted or caused by the information in this book. While every attempt has been made to verify any information presented in this book, the author is not responsible for any errors, inaccuracies, or omissions. Consult a professional if you have any concerns or doubts regarding your actions to gain financial independence. No liability is assumed for losses or damages due to the information provided.

Contents

SHORTCUTS: *For a lighter version of the book, use the suggested shortcuts to design your own fast track.*

↘ **SHORTCUT:** If your current income covers your expenses, allows you to pay off debt as well as save enough money on a regular basis, you can skip ahead to Part 7.

SHORTCUT: If you don't want to invest or if you don't feel ready to start investing just yet, you can skip ahead to Part 9.

SHORTCUT: If you've completed the most important steps but would like to get the bigger picture first before going back to different parts of this book, you can skip ahead to Step 100.

Introduction

> *When it is obvious that the goals cannot be reached, don't adjust the goals, adjust the action steps.*
>
> —CONFUCIUS

Why this book?

Personal finance is a hugely important topic that applies to us all. Yet we don't generally learn about it in school, nor do most parents feel comfortable talking about money with their children. Many of us learn about debts, retirement accounts, and taxes "on the go" as we live life, making critical financial decisions without understanding the bigger picture. We buy a house without calculating how much the mortgage will really cost us. We take out a consumer loan without understanding how disastrous a low monthly payback can be. "Look at retirement accounts" is a long-term item many of us have on a to-do list that gets transferred to next year's list every January first (and we often don't even know what to look at anyway). Investing is scary and taxes complicated, so why waste effort trying to understand it all?

A few years after the global financial crisis of 2008, I, too, became aware I didn't know much about personal finance. Most shocking was that when that realization hit me, I had already made some major financial decisions in my life. Having grown up in the Netherlands, I decided to go to Spain for six months to finish my university degree. My mother wasn't too keen on my going to Spain, and she made me promise not to fall in love with a Spaniard and stay there. Unfortunately for her, I did fall in love with my (now) husband, who is from the UK but had been living in Spain for a few years by then. Since he wasn't a Spaniard, I felt I didn't technically break my promise when I ended up moving to Spain definitively two years later, thereby moving my entire financial life to my new country. We have since bought a house, gotten married, and set up our own language school, all of which involve serious financial commitment and responsibility.

You'd think I knew a fair bit about finances by the time I made some of those decisions. But the truth is I didn't. By the time I started to take an interest in personal finance, a few years after the financial crisis, I had no clue as to why I had life insurance, what my retirement account provision would look like, and what assets or bonds were. I had never heard of the seven income streams and knew nothing about how much I was paying in taxes. Paying off debt or our mortgage as fast as possible seemed an impossibly illogical decision. As far as inflation, I had heard of it many times, but how it was even remotely connected to interest rates, I had no idea.

The moment I realized I was too old (i.e., a "real" adult) not to understand these things, I knew it was time to secure a good understanding of personal finance. I began to search for a book that covered all the major topics. But I didn't want to just read about finances. I needed a book that had a clear action-focused design that would help me implement directly what I'd learned and tackle my finances one step at a time.

I bought and studied many finance books and began reading financial blogs and listening to hundreds of podcasts. It soon became obvious that although there is a wealth of information available, there was no book that was a clear blueprint of where to start, what action to take, and what route to follow to get me started on that journey to financial literacy. Thousands of books have been written about money and finances, yet I couldn't find a single one that explained all the basic concepts and turned it into a practical course, a step-by-step guide that would take me by the hand and walk me through my own finances. The finance books I read were either very theoretical, leaving me to figure out the practical side of how to apply what I learned to my finances myself, or were mainly focused on just one topic—debts, budgeting, or investing, for example. They did not explain how it was all connected and how to make sure I was on top of *all* areas of my financial life in a practical way.

Since that roadmap I was looking for didn't exist, I decided to distill those steps from all the information available and put them together myself, to form my own guide to understanding personal finance. That project slowly morphed into *100 Steps to Financial Independence*.

After implementing each step myself and making tweaks where needed, what started as a personal project became something bigger. The more I spoke to people about this topic, the more I realized there was a real demand for a handbook to achieving financial independence, and I decided to turn what I learned into a book available to a wider audience.

Where this project initially started as a way to achieve financial independence (FI) to be able to handle my own finances independently without needing to ask others for help or advice, I slowly discovered another meaning of FI: having enough financial resources to do without a nine-to-five job to generate an income. I was soon taken in by the latter concept and decided that this book should not only cover the first meaning of FI, but also the second, which you will learn about as you progress through the material.

STAT BOX

A 2016 study by the Transamerica Center for Retirement Studies found that women have a median of $34,000 in retirement savings against $115,000 for men.[1]

Who this book is for

If you don't know much about personal finance and would like to improve your financial management, have more money left over at the end of the month, up your savings, get rid of debt, start investing, learn about retirement accounts, and become financially independent in either of its meanings, this book is for you. It is an introduction to, and step-by-step guide of many personal finance topics. If you, on the other hand, already know quite a bit about how to manage your finances, or don't aspire to any of the above, this book will probably not be very useful to you.

Men and women deal with finances in different ways; in fact, in many families it is still more the man than the woman looking after money and making financial decisions. This book is not an attempt to change that, nor is it solely written for women, but you might find it at times adresses women more than men in terms of some of the topics covered and examples given. The *100 Steps to Financial Independence* will give anybody reading it—both men and women—the tools and knowledge to start managing their money independently. I hope to inspire all to take action and become involved in their personal finance and that in doing so it will help close the gender gap in financial skills and knowledge that (still) exists.

There are moments in this book where I use female stereotypes to explain a specific topic or give an example, such as spending money on manicures or flowers. That is not to say that all women should identify with these representations of how women want to spend their money. (In fact, I've only had a manicure once in my life and only because my friends insisted I have one just before my wedding. Nor do I tend to buy flowers—I'd like to, but I don't.) My point here is that we all use money for different things and those things don't define us as men or women. Feel free to replace the examples I use throughout the book with ones *you* can relate to, to make the topics more applicable to your own life.

Personal finance or family finance?

This book will help you come to grips with the most important parts of your personal finances and allow you to put together a plan to master your money like a pro. A money plan is not of much value if it doesn't also tie in with your personal circumstances and priorities, however, nor is there much point in aiming to achieve financial independence if you aren't also content and happy with the other areas in your life.

One main challenge is making sure that your personal life and your financial life go hand in hand and that your personal finance plan is compatible with your family's or partner's plan and aspirations. Whether you are single, dating, in a long-term relationship, married, separated, divorced, widowed, remarried, have a partner who (sometimes) lives away from your home, have children, don't have children, are coparenting, a stepparent . . . your journey to financial independence will need to adjust to your personal situation.

Make sure your partner or family is part of your journey and in full support of your decisions and that you have joint goals and aspirations. But don't underestimate the importance of also staying true to your own financial goals, even if your partner's opinion is not exactly the same as yours. Find a middle ground that works for everybody and that allows you both to feel comfortable with the agreement, giving you both space to fill in certain parts of your financial lives, instead of one of you having to conform completely to the other person's wishes. Your partner and family will play a vital part in your journey to FI, so don't block them out or set out on your own. It'll be much more fun and easy if you share your dreams and have the support of your family, even if you don't fully share the exact same ideas.

In Step 23 you'll find a more detailed description of how to handle finances together with your partner, although this is not meant as a one-off step you complete in a day. It is an ongoing process and you'll want to involve your partner or family from the beginning. Feel free to turn to that step at an earlier stage if you'd like some ideas on how to find the right balance between both your goals at the beginning of your journey.

What if . . .

Now that we have covered some basic points regarding personal finance, you might have some specific doubts about the journey to financial independence. Let's cover some of the most common questions.

What if you are too old or too young to aim for financial independence?

There really isn't such a thing as being too old or too young for this journey. You can start this book at any time in your life, whether you're in your early twenties, you've been out of school or university for a few decades, or you're just a few years away from your retirement age. However, the earlier you start working toward achieving financial independence, the better, as a small step can lead to big results over many years. But even if you start well beyond your twenties or thirties, you can make huge financial progress that can be of great importance later on in life. The most important thing you can do is to start today and not tomorrow, regardless of how old you are.

What if you don't have much time?

It's impossible to predict how long you will need to implement and finish all steps of this book.

Depending on what your current financial life looks like, you might be progressing through certain parts a lot faster than through other parts. This is not a book that you will read and finish in a week and then never need to pick up anymore. Many parts of this book require weeks, if not months, to get on top of, such as building up your savings or paying off your debts. There might be moments when you feel things have stagnated because you are stuck on a step or in a section of the book. The most important thing you can do is to keep up momentum and continue going. Sometimes this might indeed mean that you can't move on to the next part as you haven't yet completed the bit before, but that's fine. Remember, you are still making progress.

I recommend setting aside time every week to evaluate your progress and see how you are doing and whether you are ready to proceed to the next part. Sometimes you might be able to move on even if you have not yet completely finished the previous step, whereas sometimes it is better to wait. Find out what works for you. Maybe you want to finish every part completely before moving on. Or you might want to continue seeing progress and start incorporating other parts even if you're still working on something from before. Either approach is absolutely fine.

Financial independence is not something you achieve in a few months. It requires years of planning and working the plan to get there. But remember that with every little step you make, you also get one step closer.

What if you don't live in the US?

I have tried as much as possible to keep an international perspective for the many different topics addressed in this book. While there might be many topics in the book that are fairly similar across countries, there are also parts for which the differences are more pronounced. One example of this is health care, which is often vastly more expensive in the US than in other parts of the world. Pension or retirement funds as well as costs for higher education are other areas that pose unique challenges for those in the US and some other countries. Of course, many other financial considerations, including taxes and disability insurance, differ from one country to the next.

It is unfortunately impossible to go into too much detail about the many differences that do exist among countries. To avoid getting too abstract, I have, where I felt this was needed or useful, decided to use the United States as a reference point for examples. I invite the reader to investigate the differences that exist regarding these points in their own country and/or to get the help of an expert to clarify how specific concepts might be relevant to them.

What if you're not very organized?

Becoming financially independent requires some level of organization, whether that is to do with regularly reviewing your progress and looking ahead at the next few steps to come, keeping your paperwork neatly filed to easily be able to refer back to your financial life, or even just implementing these steps one at the time—you will need to put in some time and effort to follow this journey with some level of organization. If you're not a very organized person, however, that doesn't mean you can't get through this book and make the most of it. You will just need to adapt your approach to some of the suggestions and find a way that works best for you. For example, if you are not the type of person who likes to plan ahead to schedule in their weekly money moment for the next few weeks (as described in Step 24), then that's fine, but make sure you still do this once a week, even if that isn't always at the same time or on the same day or in the same place.

Many of the steps in this book rely on developing new habits: from keeping track of what you're spending to making regular contributions to your savings and retirement accounts or involving your children in some of your financial life. People differ in how they develop and keep habits. Some need an external factor to hold them accountable (a friend or coach checking up on their progress), whereas other people find it easier to live up to internal expectations. Some need to schedule in an exact time and place to execute a particular activity, but others feel restrained if activities are too rigidly planned ahead of time. Find out what works best for you. If some of the suggestions in this book don't feel right to you, adapt them to fit with the way you'd best create a new habit.

An excellent book on habits is Gretchen Rubin's book *Better Than Before.* It provides some excellent insight into how different people best form new habits based on their tendencies and it might be a great book to consult when creating the new habits suggested throughout the 100 steps.

What if you don't make enough money?

To become financially independent, we all have to start somewhere. It doesn't really matter whether you make $20,000, $60,000, or $150,000 a year. Without taking the right steps, you will always be living paycheck to paycheck, not knowing how to plan your financial life to get ahead. Of course, it's beneficial if you make more money, but unless you're burdened in debt and not able to make ends meet in any possible way, this book will help you reduce your expenses, pay off debt, increase your income, start saving for retirement, and so much more, regardless of your current annual wage. Depending on your current situation, you might only be able to save $20 a month instead of $200 or $1,000 or even more, but if that's all you can save, that is still better than nothing. Starting small might be the only thing you can do, but that's better than standing still.

While you don't need to be making a minimum (or maximum) amount of money, nor be debt-free or have a minimum amount in debt, savings, investments, and so on, this book is most valuable if you are at least making enough money to pay for your basic needs such as housing, food, clothing, and other key expenses. If you are struggling to make it to the end of the month when it comes to your essential needs, this book will probably not help you. I recommend you first find ways to minimally be able to provide for you and your family when it comes to the essential expenses before starting this journey. Dave Ramsey's book *Total Money Makeover* might be a great place to start to see some quick results. *Zero Debt* by Lynnette Khalfani-Cox is particularly useful if you are buried in debt and feel you are stuck in a vicious circle of accumulating debt and not being able to pay it off at the end of the month. Alternatively, you might also want to consider getting help from a credit counseling agency before starting your journey to financial independence.

How this book is set up

This book describes the 100 most important steps to becoming financially independent. These 100 steps are divided into ten different sections that form the building blocks of successful money management. Starting with the most basic aspects of your financial life such as your expenses and debts, we slowly move to savings, then taking control of your income and retirement accounts, followed by investing, financial protection, taxes, and how to excel at financial independence.

Each of these ten parts starts with a short introduction to that topic before proceeding with the different steps in that section. Each part is concluded by a checklist that you can use to ensure you have completed all the steps and achieved their objectives.

All of the 100 steps first describe the main information about a particular subject before presenting the action plan, which is a bullet-pointed list of the actions to take to implement the information.

Every step also includes three key features:

- **Difficulty level:** a rough indication of how easy or difficult the step is for the average reader. This goes from *easy* (relatively easy or general information presented) to *medium* (some new financial concepts or information is presented and/or some more in-depth analysis is needed) to *difficult* (more complex concepts are discussed and/or long-term planning or projections are required).

- **Objective:** the objective of the step and how this will help you on your way to financial independence.
- **Review times:** how often I recommend you review the step. This can range from a quick review once a year to a weekly analysis of your progress and planning or even a daily implementation of a new habit.

Of course, all of the above are guidelines; what one person finds easy might be more difficult for somebody else. I have tried to gauge what the average reader might find.

In between each section, there are personal stories from people regarding each specific part. I hope these inspire you to take action and little by little improve your finances!

How to use this book

You are of course free to use this book however you want, but here are three recommended strategies I have found work best in order to get the most out of it:

1. Read a step, then implement its action plan before moving on to the next step.
2. Read a full section, then implement the action plans of all the steps in that part before moving on to the next area.
3. Pick and choose the steps to read and implement, depending on what you feel is most urgent or important to you.

If you decide on a fourth option and read the entire book first before implementing each step because you are just too curious and want to read everything, bear in mind you will likely feel overwhelmed by the amount of information and sheer volume of things to do. This book is meant to be very practical with many action-to-be-taken lists, not something you read cover to cover in a week. Considering the amount of information and tasks that will be discussed, I also strongly believe in the importance of creating small wins early on in your journey to financial independence. The sooner you start implementing each step, the sooner you can begin to experience these small victories and start experiencing your achievements.

There are some steps, however, that might be beneficial to look at earlier than later. I've tried to keep a logical order and divide the various steps into parts, but you might find it useful in your case to skip around. For example, I've put "Digitize Your Documents" in the ninth part of the book, but you might find you want to tackle this right from the beginning when you organize your paperwork in Part 1—or not at all if you prefer to keep a physical filing system. Similarly, as mentioned before there is a step in Part 3 on communicating with your partner about finances, but you might decide to go through this step a lot earlier and set off on this journey together from the beginning.

A NOTE ON CURRENCIES

In the examples throughout all of this book I have decided to use dollars ($) as a generic currency, in order to use a standard currency most readers are likely familiar with, although instead of dollars it could of course read euros, sterling pounds, yen, or any other currency you most use.

I've used -/- to indicate a negative value in order to avoid confusion with - signs.

I've also included some recommended shortcuts in the table of contents for a lighter version of the book. Use this fast track to work on the personal finance topics that are most urgent first. You can always go back afterwards to complete the parts that you skipped.

What you need

Apart from this book, you don't need much to start your journey, although I recommend you keep the following on hand whenever you are working through the steps:

- A notebook to keep notes for some of the steps. If you prefer to work digitally, decide on a program or app that allows you to take notes and track some key numbers or targets. This can be a simple note taking app, or something like Excel or Evernote to allow for more flexibility.
- For some of the steps you might need to use an online calculator that allows you to calculate the effects of such things as inflation or interest over time. There are many available on the Web. Just find one you like through Google or another search engine. Other times the standard calculator on your phone might do just fine.

And with that, I think we are ready to start the 100 steps journey to financial independence!

PART 1

Before You Begin

Throughout this book, you will find out more about what financial independence can be and identify what it might mean to *you* in particular. Part of becoming financially independent is to start thinking outside the box and dreaming big. This book encourages you to discover those dreams and make them tangible goals to start working toward.

With each part of the book you will begin to link your big dreams to concrete objectives, which will form the basis of your journey to financial independence. Each step will in turn provide the necessary building blocks that will give you the practical tools you need to achieve those dreams.

In the first part of this book, you'll find out more about some essential skills and practices that will come in handy as you work through the action items. These are particularly strategic steps focussed on your objectives and the reasons for starting this journey. I strongly recommend you start your journey here and review these steps regularly. If you are anxious to get going and jump straight in, however, simply skip to Part 2 and read and implement the steps in Part 1 when you have time.

STEP 0

Commit to Your Journey

> *A journey of a thousand miles must begin with a single step.*
>
> —LAO TZU

DIFFICULTY LEVEL: Easy

OBJECTIVE: Find ways to commit to your journey to financial independence and hold yourself accountable

REVIEW TIMES: Daily

I know, I cheated—we're actually starting *before* Step 1. But this step really is the foundation of all others.

Applying the 100 steps

This book will walk you through 100 action plans that will help you achieve your goal of reaching financial independence, taking just one step at a time. With every step, you will feel more in control of your finances, as you consistently organize and improve part of your current, past, or future money affairs. During this journey, you will learn how to become financially organized, make more money, save and invest wisely, get rid of debt, build a more secure financial future, and ultimately achieve your financial dreams. Each step will dive into a financial topic and will arm you with all the information you need to use to your advantage.

That being said, the real magic of this book is not *learning* about money, as the key to success is not about *knowledge*; you can, after all, be highly educated about a subject but it will not get you anywhere unless you *do* something with it. The true value of this book lies in the way it shows you step by step how to *apply*, *execute,* and *implement* everything you learn here, so that by the time you get to the end of your journey you can rightly call yourself a finance ninja well on your way to financial independence.

Expect some ups and downs

It is probably safe to say that this journey will at times be a bit of a wild ride, one in which you might get overwhelmed by information or feel you are not making any progress. Throughout your journey, please remember that all of this is totally normal. If it were an easy route, you would have already had your finances in high gear and you likely wouldn't need to read this book! Don't give up when things get difficult; it is (unfortunately) just part of the journey. If you have ever learned to ride a bike, you will remember that part of the process is having to fall off a good few times before you become a confident bike rider.

If you—like me and about a billion others—have ever set New Year's resolutions, you probably have firsthand experience of how we can all start a new project with a lot of enthusiasm and motivation, but after just a few weeks and maybe some tough moments, we unfortunately tend to give up. Think about how many times you have gone back to smoking or stopped hitting the gym as often as you'd like.

I want to make sure this will not happen to you on your journey to financial independence, even if you feel your motivation dipping at times. Therefore, the very first and also most important step on your journey is to make a true commitment to your mission.

You might feel you have already committed by picking up this book or because you have been thinking about getting a handle on your finances for such a long time that you sense your mind is completely ready for the challenge. But at some point, you will almost certainly lose the desire to continue after some initial hurdles. So do yourself a favor and commit to the 100 steps to financial independence right here today, now that your ambition is at its highest. (Remember those people with New Year's resolutions. They too were once just as motivated as you are now.)

Let's start with our very first action plan.

There are many different ways to commit to your financial goals. Find one (or more) that works best for you. If you truly want to kick-start your financial life, there's no going back from here. So pick one or more of the ideas in the action plan, or add your own, and put it in place TODAY!

STEP 0 ACTION PLAN

- [ ] Write down your goal on a card or Post-it, such as: “My journey to financial independence,” “Getting my finances sorted once and for all,” “On a mission to financial excellence,” or something that works for you. Stick the card somewhere where you will see it daily: in your wallet, in your diary, on the inside of the bathroom cabinet, in the car. Find a place where you will be reminded a few times a day of your new intention and your commitment to reaching the end of the 100 steps.
- [ ] Alternatively or in addition to the above, write your commitment down on your mobile phone and set a daily reminder or alarm that reminds you to look at it. Or change the screensaver or desktop image on your computer to the statement of your commitment so that you will see it every time you use your computer.
- [ ] Write an affirmation that you read every morning and/or evening. An affirmation would be slightly longer than the commitment, and could read: “I am committing to getting my finances in order and indeed grow my wealth, so that I know I am using my money in the best way possible for both the present as well as the future. Despite the fact that I have not put my financial health front and center to this point, I know I am capable of getting on track and improving my financial status and organization to become financially independent.” Make it part of your morning or evening routine to read the affirmation, and you will find that with time you will start to believe in it more and more, and it will help keep your motivation up.
- [ ] Find an accountability buddy, be that your romantic partner, a friend, a colleague, or anybody else you trust and feel comfortable sharing your struggles and goals with. Tell them you are starting this journey and ask them to check in with you regularly to see how you are doing and to hold you accountable for your actions and results.
- [ ] Take the idea of an accountability buddy one step further and find a friend who is willing to start this with you. You can check in daily and make sure you do not let each other down. You might even find several people willing to join and you can create your own social media group for daily accountability checks and to help each other with the various challenges.
- [ ] Write a short summary in your journal or find a new notebook and reflect on your progress daily.
- [ ] Put a status update on your social media platforms, post a photo on Instagram of you and this book, or start a blog on every step or every day you have worked toward completing a step. Add the hashtag #100stepstoFI to your social media posts as another way to feel accountable for your success on this journey. Doing this means other people can find you, see how you are doing, and encourage you.
- [ ] Follow the 100stepstoFI Facebook page or follow #100stepstoFI on other social media such as Twitter and Instagram to get frequent inspiration and to find other people on the same journey.

STEP 1

Discover Your "Why": Define Your Financial Independence Vision

Wealth is the ability to fully experience life.

—HENRY DAVID THOREAU.

DIFFICULTY LEVEL: Easy

OBJECTIVE: Define your vision for financial independence

REVIEW TIMES: Read daily, update yearly

It's exciting times as you're about to embark on your 100 steps to financial independence! Or better yet: now that you've picked up this book and have begun to read it, I think it's safe to conclude you have indeed already set off on your journey and will soon find yourself progressing nicely along your very first step. I hope you are as eager to complete these 100 steps and set yourself up for efficient money management and achieving financial success as I was when I first set off on this adventure!

All along these 100 steps, we will be talking about financial independence. But what exactly is financial independence to you? And most important, why specifically are you pursuing it? Now that you have started the journey to financial excellence, you want to dedicate some time to determine your long-term goal and discover the reason(s) you embarked on this path. This will allow you to connect the dots between the hard work you need to put in and your ultimate goals.

Five common reasons to aspire to financial independence

Below are five common reasons to pursue financial independence. They are presented in a progressive order; whereas goals one, two, and—to a certain extent—three should be easy to achieve if you follow this journey all the way, goals four and five require some serious hard work and dedication. It is up to you how far you want to go with these steps.

1. A HEALTH CHECK OF YOUR FINANCES

You might be pursuing a level of financial management that will allow you to know your finances thoroughly and stay apprised of how you are doing on a daily, monthly, and yearly basis. Perhaps you want to feel confident that you are not wasting money at the expense of building a secure future, your bills are always paid on time, your financial paperwork is up to date and easily accessible, and you are making wise investments for your current as well as your future self. You're looking for peace of mind and would like to know enough about finances to trust that yours are at a healthy stage.

2. STOP MONEY WORRIES OR PROBLEMS

Your money situation might be worrying you, whether that is with regard to your current circumstances or your future ones. Are you concerned about an ever growing debt? Do you not have the means to provide for yourself and your family at the moment? Would you not be able to pay for any emergency expenses that you might be faced with such as a car or home repair? Do you fear not having enough funds when you retire, or are you worried you have not taken all the necessary precautions to protect yourself or your family financially if you are hit by a major event such as illness, death, or other emergency? If that is the case, you probably want to achieve more than just a check of your finances. You likely have some areas that need a fair bit of attention and work, and if you remain at the status quo, you will likely end up with even more worries.

3. STOP NOT HAVING ENOUGH MONEY AND MISSING OUT

If this is your goal, financial independence means having some extra money that you can spend on your hobbies, your family, a vacation, or to give to others in need. By being financially organized and aware of what is happening with your money, you hope to save some cash here and there, use opportunities to reduce expenses, and look for ways for more money to come in. You are aiming for some extra financial breathing room that will allow you to spend more on fun or build a more secure financial future. That way, when you retire, you don't have to skimp and save every penny and can instead focus on enjoying life.

4. HAVE MORE TIME

You might want to work less to spend more time on other things you care about, such as your family and friends, or following a dream or passion project like doing volunteer work, writing a book, or working on a new income stream. Financial independence to you means that you have enough money coming in to reduce your work hours in your current job and focus on something else. A next logical step might be to stop working altogether and spend all of your time doing what you love without needing to worry about money. Your goal is to not need to work to have money coming in, and you are looking to replace your regular income with one you generate yourself, be that from savings, investments, or your own business.

5. FINANCIAL FREEDOM

Financial freedom is a stage at which you can live out your dreams that are far beyond your current lifestyle. It means you can do whatever you want to do (financially), and that money is no concern to you. Your reason for beginning this journey might be to be able to buy various cars, live half the year in your second house in the Caribbean, and gift everybody in your family the latest gadget. Or you might want to take it another way and give away substantial parts of your wealth to charity or set up your own charity, become a philanthropist, or help rescue our planet. Extreme as this reason to pursue financial independence might sound, there are many people who achieve this goal, so who knows whether you might also, with time?

Find your own vision

Whichever vision you have for your financial independence depends on what you feel comfortable with and whether you are willing to push yourself beyond your current beliefs, habits, and limitations. You need to discover your own "why" for becoming financially independent. Maybe you love your current job or work in general as it gives you a sense of purpose and a structure in your life and you may have no desire to reduce your work hours or to retire early. Or alternatively, you might want to set up your own company and need to find the time and motivation to finally do so. Maybe all you need right now is some extra money left over at the end of each month to do something fun with your family, support your parents, or invite your friends for a meal out. Or is your real purpose in life making more money in order to give back to others in need?

Whatever your goal is, make sure it reflects your real intentions. If you want to have more money in order to go on vacation more often, that is absolutely fine—don't feel you need to give a socially accepted answer. This is your journey and the why of your mission should reflect you.

Determine your vision so you have a clear end point in mind. Keep that vision with you and remember to work toward it every single day.

STEP 1 ACTION PLAN

- [ ] Get out a notebook, document, or app and brainstorm why you started this project. Start writing what comes to mind, whether it be single words, sentences, or your life story. The format doesn't matter; just write down what inspired you to start following these 100 steps.
- [ ] Is there anything in particular you want to achieve from this journey? Below are some questions to help you get started:
    - Is your paperwork a mess and do you have no idea what you are spending every month? Are you looking to get organized so that you have a clear picture of what happens to your money?
    - Do you spend too much and are you looking to cut your spending?
    - Do you want to save (more) money?
    - Do you have debts that are smothering you?
    - Are you worried about your financial future and do you want to plan ahead for your retirement?
- [ ] Identify any worries or concerns you have about your finances and your financial future and determine how big of an impact they have on your life. Use a rating system between 1 and 10 or use pluses and minuses to quickly see the biggest challenges you might be facing.
- [ ] Describe the role of work in your life at the moment and in your goals: Do you want to get a promotion, move to another company, get a new job, work less, work more, set up your own company, or stop working altogether?
- [ ] If you are looking to reduce your work hours or quit working completely, what would you spend your time on? Your family? A hobby? Travels? A creative endeavor? Volunteering?
- [ ] If you had to identify your ideal financial future in the next five, ten, and twenty years, what would it look like? What would you have, do, possess, give back to the world? Write down what you would like your money situation to look like in the short and long term.
- [ ] Refer to the reading list in Appendix D for some specific books on goal setting to help you get started and implement this step further.

STEP 2

Discover Your "What": The Eight Stages of Financial Independence

At least 80% of millionaires are self-made. That is, they started with nothing but ambition and energy, the same way most of us start.

—BRIAN TRACY

DIFFICULTY LEVEL: Easy

OBJECTIVE: Determine what financial independence looks like to you

REVIEW TIMES: Every three months

As with many things in life, if you start looking closer at a concept that at first might seem simple, there is more than just a black-and-white division, a yes or no, a fail or succeed. Even with financial independence, the reality is there is no easy distinction between being financially independent or not. Instead, there are many different financial phases that one can reach along the way.

You have determined your vision and set your "why" of wanting to reach financial independence in Step 1, but here at Step 2, we'll have a closer look at the "what" you want to achieve on your journey—in other words, your end goal. As Stephen Covey famously wrote about in his highly recommended book *The 7 Habits of Highly Effective People*, beginning with the end in mind makes you more likely to achieve your goals.

The eight stages of financial independence

Below are the eight most commonly defined stages of financial independence, starting with financial dependence and going all the way up to financial abundance.

1. FINANCIAL DEPENDENCE

Your journey starts with dependency: when you are born, you completely rely on others for financial resources. The support of your family or caregivers is essential when you don't yet have the means to provide for yourself. Little by little you move away from this stage, once you start earning your own money and become responsible for your own finances.

2. FINANCIAL SOLVENCY

When you get to the solvency stage, you are able to look after your own bills and financial commitments. You no longer need the help of others to pay your expenses. Although you might have a debt in the form of a mortgage, a student loan, or an outstanding balance on your credit card, you are taking care of your finances yourself, even if that involves accumulating debt along the way.

3. FINANCIAL STABILITY

You get to the stability stage once you have been able to build up some savings and emergency money that will help you if and when you face unexpected adverse financial situations. Having some emergency money will stop you from falling back down the ladder to stages 1 or 2 in case you need to deal with an urgent situation. It provides you with a buffer that gives you the chance to bounce back, even if you are dealt an unexpected card.

4. DEBT FREEDOM

Reaching stage 4 might take a while, especially if you have substantial amounts of debt that you need to pay off, but once you get to this stage you no longer need to worry about monthly loan repayments, compounding interest building up, and losing money on money you once borrowed. At this stage, you do not owe anybody money anymore, and you no longer have any obligations to any creditors. You are now in full control of any money you earn. You reach this stage the moment you pay off the last of all your loans, including your student debt, car loan, credit card debt, and mortgage.

5. FINANCIAL SECURITY

To get to the financial security stage, you need to have some of your essential expenses covered by income that is not coming from your job but from a passive income source. This can be rental income, investments (dividends, capital gains, or interest), or any other type of income stream you have created that generates enough money to cover at least some of your utilities, food, insurance, and transportation costs. The more of these expenses you can cover with your other income streams, the higher your financial security. This means your job only needs to fund your less essential overheads, i.e., the fun stuff you do in life! Reaching this stage signifies that if you were to lose or quit your job, you have the security of being able to pay for at least your basic expenses from other income sources.

6. FINANCIAL INDEPENDENCE

You achieve financial independence once you have enough income from sources other than your job to cover *all* your current financial needs. This includes any of your discretionary (or fun) expenses, or at least the ones you expect to have if you decided to retire from work. It means you can maintain your current lifestyle from just your investments or other income streams, without being dependent on a job. This of course doesn't mean you have to stop working, but the option to quit is now there, and it can give peace of mind in case you're worried you might at some point lose your job.

7. FINANCIAL FREEDOM

You are financially free when your various income streams cover not only your current lifestyle needs but also a few luxury goals. This could be going on several long vacations and trips every year, buying another car, or maybe even buying a small condo for vacationing.

8. FINANCIAL ABUNDANCE

When you reach the financial abundance stage, your passive income can pretty much cover whatever you want. You are well past the stage of covering your current lifestyle or even those two or three things you splurge on each year. At the financial abundance stage, you can do pretty much anything you want to do, whenever you want to (financially speaking).

Knowing about the eight stages of financial independence and identifying where you currently are and where you want to get to will make your journey a little more real. Use them to keep you motivated during your mission to financial independence! (Or to financial stability, or financial freedom, or whichever stage you have decided is your goal. . . .)

STEP 2 ACTION PLAN

- [ ] Get out your notebook or open your digital file and determine at which of the eight stages you currently are. Most people will be somewhere around stage 2 or 3, although you might already be on your way to stage 4.
- [ ] Decide on your goal. Which stage do you want to get to? Just because others around you might be aiming for stage 4 does not mean you cannot aspire to get to the next one. Similarly, not everybody wants to reach the last two stages described above, so there is no point pushing to reach those levels if they don't resonate with you.
- [ ] Describe what reaching your target stage looks like to you. Make it as detailed as possible and write down exactly what you would be able to do as well as what you would not need to worry about anymore when you reach your target stage.
- [ ] For each of the stages in between your current stage and your target stage, identify what exactly will indicate you have made it. For example, imagine you're currently in stage 3 and want to get to the next stage. Indicators of reaching stage 4 could be:
    - Having paid off the $200,000 remaining principal of your mortgage.
    - Having paid off $40,000 in credit card debt and student loans.
    - Never having to pay monthly bills on outstanding debt.
    - Never having to worry about debt again.
- [ ] During your journey to financial independence, come back to this step regularly to track your progression. Each time you do, identify if and how your goals might have changed. Maybe you started off hoping to become debt free but have since started to realize that deep down you want to quit your job and therefore need to generate a passive income stream. Or maybe you'll decide in a few months that you are going to dream big and pursue reaching financial freedom. Plans can change, so don't be afraid to also change your goal identified here.

STEP 3

Visualize Your Dreams

It always seems impossible until it is done.

—UNKNOWN

DIFFICULTY LEVEL: Easy

OBJECTIVE: Identify your (financial) dreams and regularly remind yourself of your goals

REVIEW TIMES: Daily

The journey to financial independence is designed to make you achieve your (financial) dreams. Now that in Step 1 and 2 you've thought about what financial independence means to you and why you want to achieve this in this step you're going to create a vision board of your dreams. By doing so, you are taking the ultimate step to all of the following:

- keeping up your motivation during this journey and beyond,
- making goals more real and reminding yourself of these goals,
- not forgetting to live in the now by identifying what is important to you.

While the first two points are easy to understand, the third one can sometimes be overlooked. I would like to highlight the importance of that third point before we move on.

Live in the moment

Imagine a couple who feels really inspired to become financially independent. They make a budget, cut expenses, start a side hustle to earn some extra money to invest, and they see their efforts paying off as the number in their bank account slowly increases. So they hustle a little more, cut another few expenses, and find other ways to speed up the process.

But with time, they become so absorbed by this life project that they cut other things, too. Even though they have a fair amount of money in the bank, family vacations are "too expensive," clothes are recycled well past their "best before" date, and any real family togetherness disappears quickly as the side hustle takes up all their valuable time.

After many years of dedication and hard work, they finally reach that milestone of a $1,000,000 net worth they set for themselves. The couple gets ready to celebrate this moment and to loosen the reins a little, only to find that their children have gone off to college and friends from the past have ceased to be friends as they have hardly seen each other in recent years. They no longer belong to any sports clubs and realize they don't know that many people in their area anymore. They see no albums on the shelves with photos of happy family vacations, there are no memories of fun days down at the beach or up in the mountains, and they cannot recall having taken their children on any visits to the theater, a museum, or even the movies.

And what was it all for? What is the point of having $1,000,000 in your bank account if you can't enjoy it? What is the value of money if not to be used and help you enjoy the little things in life, such as spending time with the people we love and giving others opportunities to live a better life? More than the million dollars, is it not important to have time to do what truly makes you happy or to make a difference in the world?

The pursuit of happiness

Of course you have embarked on this journey for your own reasons, but I hope that becoming financially independent is only a means to another goal and not a goal in itself. There is of course nothing wrong with wanting to have that money in the bank, but never lose sight of your why. If you know why you want that money (to become a stay-at-home-parent to spend more time with your family, to travel, to live a more fulfilling life by volunteering or being able to set up your own company, and so on), whatever it is, you need to keep just that in mind, as that is what will bring you happiness. The money in itself will not; it will only allow you to achieve your goals faster.

Creating a dream or vision board

A vision board is a lot simpler but also a lot more powerful than a list of goals. It is a visual representation of your goals: a big poster or collage, usually made up of photos, pictures, or drawings along with quotes or short statements that represent the key objectives you are working toward.

When you place a vision board in a strategic place (like on the fridge or bathroom mirror or inside of your wardrobe door), you are constantly reminded of your goals, your why's, and the reason for planning your financial life meticulously.

STAT BOX

The 2016 Transamerica Retirement Survey found that the most commonly cited retirement dreams for workers are traveling (66% women, 60% men), spending more time with family and friends (60% women, 54% men), and pursuing hobbies (46% women, 52% men). Interestingly, 22% of women and 33% of men said their dream is to continue to do some type of work.[2]

As we discussed above, ideally your goals will not all be financial. Therefore, a vision board should not just include future savings or investment targets, but also your values and current joys. That way, you never forget to enjoy life as it is now, to appreciate what you already have, and to use that to become even more motivated to keep up the hard work.

Once you start using your vision board regularly, you will discover how much more focused your efforts at becoming financially independent will become. When you are reminded of your dreams and goals daily, you will progress even faster. It also turns the process into something more enjoyable.

STEP 3 ACTION PLAN

- [ ] When you make your vision board, decide on your top six, eight, or ten aspirations for your (financial) life. You are looking for the ultimate targets that reaching financial independence will help you achieve, such as early retirement, setting up your own company, having time to learn a new skill, buying a vacation house somewhere else, traveling the world for a year, buying a boat, paying for your children's education, or donating $20,000 to a charity that you strongly identify with.
- [ ] Include a mix of short-term goals (i.e., goals you have set for the next two or so years) and long-term goals. (Use some of the ideas your brainstormed in Steps 1 and 2.) In this way, your vision board is not all about the distant future, but will remind you to enjoy the milestones you reach along the way.
- [ ] Your goals should not just be materialistic goals. Remember the example from above about the family who never stopped to enjoy life? Your goals can be retiring early to go hiking every weekend, reducing work hours to spend more time with your (grand)children, or adopting a pet from the local shelter and giving it a second chance in life.
- [ ] Going through your own photos and using the Internet or magazines, find one or two photos per goal that most represent your target. Be creative, and make sure you identify with the pictures and have a strong positive feeling toward each of them.
- [ ] Add what is important to you in life: your family, friends, pets, hobbies, or (volunteer) work. Make sure to add pictures of these areas so that you do not forget to appreciate and enjoy life now.
- [ ] Find or buy a big piece of paper and write "financial independence" or some other sentence, word, or quote in the middle or at the top.
- [ ] Stick your pictures up on the paper.
- [ ] Find a few powerful quotes, habits, or mottos to complete your vision board, or start writing them down in the next few weeks whenever you come across one.
- [ ] Take a moment to look at your goals and imagine achieving them one by one. Visualize how you would feel each time and how you would enjoy the effects.
- [ ] Stick your vision board somewhere where you will be able to look at it every day.
- [ ] Make it a daily habit to start your day looking at your vision board, reminding yourself of what is important in life and visualizing yourself reaching each of your dreams.

STEP 4

Set Your Financial Objectives

The imagination is literally the workshop wherein are fashioned all plans created by man.
—NAPOLEON HILL

DIFFICULTY LEVEL: Easy

OBJECTIVE: Set your financial goals

REVIEW TIMES: Read daily, update every three months

One of the most important steps you can take on your way to becoming financially independent is making your goals clear. There is nothing more powerful than having a specific end point in mind that you are working toward. Without stating your intentions, it is easy to give up after only a few initial attempts as you get distracted by day-to-day life and slowly forget why you started this journey in the first place. Without clear objectives, furthermore, you have no way of measuring whether you are any closer to your targets and whether your efforts are paying off.

This step bridges the gap between your dreams about the financial life you want to live and the practicalities of how you can get there. By setting specific, clear objectives, you can start working toward them on a daily basis.

Setting objectives

Once you have set objectives, they become your guiding financial principles, the cornerstones of all future money decisions and your encouragement to not give up when the going gets rough and the temptation to abandon your goals increases. Numerous studies have shown that the likelihood of achieving your goals increases significantly if you have clearly defined objectives that you remind yourself of continually.

When stating your objectives, they should be challenging, specific, and with a clear time frame. For example, "I want to save more money" is not a very powerful target as it is neither specific nor time bound. A more effective objective could be, "I want to have saved $10,000 in two years' time." Bear in mind that you want your goals to be challenging enough to require some effort. If you are already saving about $500 a month, you will easily get to those $10,000 in even less than two years, in which case you might need to think of a more challenging goal.

Once you have your goals written down, you have completed a very important part of the journey: clarifying what some of your aspirations and (temporary) destinations are. That will allow you to get started with some practical steps.

STEP 4 ACTION PLAN

- [ ] You probably have several financial goals in mind already that were likely major reasons for starting this journey. Write down as many as you can think of for now. They might take you a week, a few months, several years, or even decades to achieve. As long as you feel strongly about them, that is absolutely fine. Later we will look at areas such as your expenses, debts, savings, income, investments, and retirement accounts, and although you will be setting specific targets in each of the corresponding sections of this book, writing down those you have at the start ensures you will remember your initial goals. A few examples could be:
    - I want to put $250 a month into a savings account.
    - I want to pay off my credit card debts or student loans in three years.
    - I want to have paid off my entire mortgage by 2025.
    - I want to start investing.
    - I want to be a millionaire by the time I am fifty.
- [ ] As you can see, some targets might be farther in the future than others, some can be slightly more ambitious, some might not be applicable to you (maybe you do not have any consumer debt), and some you might not even aspire to at all (maybe you do not want to be a millionaire). Set what is right for you and what you feel is going to motivate you to put in the time and energy to ultimately get to your goal.
- [ ] Pick just a few objectives to start working toward. That might be just one or two, or you might feel comfortable having four or five goals at a time. Pick the right number of goals you feel you can handle and leave the other ones for now. We will come back to them. Make sure the ones you select are all doable at the same time. For example, "I want to pay off my $50,000 student loan in two years" and "I want to save $40,000 for a deposit on a house in one year" might not be achievable at the same time. Maybe you first want to pay off your loan and then start thinking about buying a house?
- [ ] Every time you achieve a goal, simply replace it with a new one. So even if you identified fifteen goals above and only selected three or four to start with, you will eventually get through all of them.
- [ ] Write your objectives on a card that you can take with you, add them to your cell phone reminders, share them with your social media group, write them in your journal, or use any of the other ideas listed in Step 0 to remind you about your goals daily and feel accountable for them.
- [ ] With time, some of these goals might need to be tweaked to keep up with changes in your lifestyle, interests, and ideas, making them more relevant to your current situation. You will also be setting new or additional goals throughout this book as we go through the various financial topics. For now, there is no need to worry about those goals you have yet to identify. Little by little during this journey, you will start incorporating them into your list of goals to focus on.

STEP 5

Create Progress Trackers

You cannot change what you don't manage; you cannot manage what you don't track.
—VALENTINO CRAWFORD

DIFFICULTY LEVEL: Easy

OBJECTIVE: Start tracking your progress on some of your key financial goals

REVIEW TIMES: Daily / weekly / monthly

One of the most enjoyable aspects of setting goals to reach financial independence is seeing yourself getting closer to them with each step you take. Throughout this book there will be many times when you will set (new) goals. Before doing so, the current step encourages you to set up or gather ideas for some visual, fun, or creative ways to track your progress. In doing so, becoming financially independent is not just a great end goal in itself, it will also become a fun journey with many smaller milestones to work toward and keep track of along the way. Tracking your progress can furthermore increase your motivation and likelihood of success, so there are many reasons to keep on top of your goals!

Goal tracking put in practice

Compare the following two situations:

- **Situation 1:** You decide you want to save $10,000 for a specific goal. You start off the first few weeks feeling very motivated and eager to get the money together as you cut out some expenses so you can assign some extra money to your goal. Yet little by little, as your regular day-to-day life happens, you start to forget about your goal and stop your efforts to find extra savings. Within a few weeks, you cease to put any money aside at all.
- **Situation 2:** You decide you want to save $10,000 for a specific goal. You get out a piece of paper and at the top write: $10,000 for [insert your goal]. You decide that for every $10 or $25 you save, you will write that amount in a big circle on the paper. You stick the paper in your notebook, on the inside of your bathroom cabinet door, or on the fridge. Every time you see the paper, you're reminded of your goal and of how much you have saved already, which stimulates you to take another small step so you can contribute just a little more and add another amount to your paper. The more you save, the more motivated you become as you see the amount increasing.

As you can see, even a small daily reminder of your objective can have a big effect on your progress and motivation and help you stick to your new target.

How to track your progress

Below are some ideas to track your progress. Depending on your creativity and how much time you want to spend on this step, feel free to adapt these ideas to what would work for you personally. Remember these can be applied to any type of goal, be that saving, becoming debt-free, investing, or increasing your income or revenue, so you will likely end up with various trackers as you progress through this book.

- On a piece of paper, write down the amount of your goal, for example, $10,000 if you are looking to save $10,000. Every time you put money toward your goal, write down how much you contributed, cross out the old amount, and update it with the new outstanding amount.
- Get some graph paper—the one with the little squares—and determine how much each square represents: $5, $10, $25 . . . . Draw a box around the number of squares that represents the amount of money of your objective. For example, if you are trying to pay down a $5,000 debt and you decide that each square represents $50, then you need 100 squares: 100 x $50 = $5,000 to represent your entire goal. Every time you pay off $50, color in one of the squares.
- Instead of going for a plain box of squares, get creative and draw a figure. Say you are saving up $3,000 to buy a secondhand car. Why not draw a car out of the 60 squares you need?
- If you know that you sometimes might be able to set aside $25 but other times only $10, draw a shape with different-sized parts, such as a big flower with various leaves. Bigger leaves represent bigger amounts and you can add in the exact amount every time you put money toward your goal, meaning you do not have to determine the amount each leaf represents beforehand. Do a search on sites like Pinterest or Instagram for more ideas on fun drawings.
- Alternatively, make a mural on which you draw something small or apply a sticker for each specific amount you save. This can be anything: from smiley faces to stars in the night sky or fish in a big fish tank.
- If you are saving your money in a bank account or paying down debt directly to your creditor but like the idea of a piggy bank to see your progress (see also Step 46), you can find a jar and put in items (buttons or marbles work well) for every $25 saved. In this way you can see your contributions to your goal increase even if the money is safely tucked away in a bank account.

Tracking your progress can be great fun, as you get to see how you're moving closer to your goal bit by bit, even if your goal is big and might take a long time. Having a visual way of recording your progress will keep you motivated and focused to not give up. Don't be surprised if, with time, you realize you enjoy seeing your progress so much that you end up spicing up your trackers a little more as you go. But if, for now, you don't have the time to make your tracker(s) as beautiful or inspiring as you'd like to, just use a plain piece of paper, write your target amount and simply get started.

STEP 5 ACTION PLAN

- [ ] Decide what is the most important financial goal you have right now, one that you can and would like to track. This can be a savings goal, an income goal, or a debt payment goal.
- [ ] If you want to keep it simple, just grab a piece of paper, write the amount of your goal at the top of the paper, and anytime you make any progress toward it, write down how much you added and how much is still pending.
- [ ] If you feel particularly creative, have a look on the Internet for some fun ideas or start with the suggestions offered above.
- [ ] Put your tracker in a visible place so that you are reminded of your goal every day. Make sure to update it daily or weekly during your money moment (see Step 24) or whenever you make a contribution toward your goal.
- [ ] Whenever you complete one of the 100 steps during this journey in which you set yourself another goal or would like to track your progress, come back to this step and create another tracker, so you can monitor your work in various areas at the same time.

STEP 6

Celebrate Your Victories

People often say that motivation doesn't last. Well, neither does bathing—that's why we recommend it daily.

—ZIG ZIGLAR

DIFFICULTY LEVEL: Easy

OBJECTIVE: Break down goals into smaller achievements and celebrate your success

REVIEW TIMES: Monthly

Setting goals is one thing, but achieving them is a whole different matter. Goals are usually easy to set, but difficult to achieve. They require real commitment and dedication. This can be especially true for such radical goals as "quit smoking" or "exercise daily," which require an almost all or nothing attitude.

Yet these type of goals have one big advantage over many long-term financial goals: it is easy to see how successful you are. Every hour you do not light a cigarette is an immediate success: your goal is to stop smoking and your success is easily measured with a simple yes or no at the end of each hour: Did I smoke a cigarette or not? The same is true for a goal such as "exercise daily": at the end of each day you can simply ask yourself: Did I do this today? A yes will make you feel good, and a no will hopefully give you a kick up the backside to try again tomorrow.

Long-term goals do not have daily successes

Many financial goals do not have this luxury. If you do not see a lot of progress quickly, it can be difficult to keep your motivation up after the initial few weeks. Say your goal is to increase your net worth by $1,000 per month, which roughly corresponds to $33 a day. But at the end of each day, you cannot exactly ask yourself, Did I increase my net worth by $33 today? Or imagine you have decided that you need to get $20,000 together for a down payment for a house, something that will likely take you a fairly long time to achieve. Or what about saving for retirement? How long will it take you to get that money together?

With none of these goals can you actually say, I achieved this today! Instead, they require you to change small things in your life every day in order to reach your goal little by little, and the results are often not very visible until many weeks or months (if not years) down the road.

As you continue on your journey to financial independence, your goals might become bigger and more abstract, which in turn makes it even more difficult to see your daily efforts paying off. Yet without focusing on your goals today, you will not be any closer to reaching them tomorrow. It is a continuous process of small steps and changes. Focus on them now and you will likely achieve your future goals; forget about them and nothing will ever come of them.

How to find regular successes

Even if you can't evaluate the immediate achievement of your goals on a daily basis, they should become an essential part of your day-to-day life, and you should evaluate every day how well you did on your way to achieving them. You can make them more tangible by not focusing on the end goal but on smaller milestones along the way, breaking them down into smaller steps and making it easier to see progress. Then—and here is the most important part—you should celebrate your victories. Once you've got half, a quarter, or even just 10% of your $10,000 savings goal—celebrate. I'm not talking about spending lots of money on a meal out in a high-end restaurant (that might set you back on your way toward your goal anyway). A celebration can be as big or as small as you want it to be: open a bottle of wine, have a picnic in the park, or build in time to go for a walk along the beach. By celebrating your victories, you keep yourself (and your partner or family) motivated, which makes you appreciate what you have already achieved instead of focusing on what is still to be done. And you deserve it! You have made the effort to cut expenses or increase your income, so why not a small celebration and a pat on your own back?

When to celebrate your victories

Regardless of the size of your goals, in this step you are going to think of ways to break them down, as well as how to celebrate your achievements. Have a look at some of the following ideas on setting smaller milestones regarding some topics that will be coming up in this book:

- **Net worth:** Celebrate every time you increase your net worth by $5,000.
- **Emergency fund:** Celebrate when you get to $250, then to $500, and finally when you reach $1,000.
- **Three-months-expenses fund:** Celebrate every time you save another month's worth of expenses.
- **Debt:** Celebrate for every $2,500 you pay off.
- **Savings:** Celebrate every time you save $2,000 or your savings rate increases by 3%.
- **Investing:** Celebrate every time your portfolio grows by $5,000.

Depending on your particular situation, adjust the ideas and figures to make them your own. The point is, you don't have to wait to pay off your very last debt before you celebrate. You can determine the achievements along the way. Think of it as a child going on a walk with their parents and getting a treat after every twenty signposts they see. Every time you hit a milestone, it makes you feel proud of your achievement, but it also keeps you going in order to claim your next reward.

Looking back and appreciating what you have achieved is a great practice to include in your daily life. By starting small, you gain momentum, and celebrating your victories will help you keep up that momentum and give you confidence in yourself, knowing that if you can save $100, then you can also save $1,000. And if you can do that, you can also pay off that $10,000 debt. And if you can pay off your debt, you can also pay off all your other debts . . . and so it continues. Have fun celebrating!

STEP 6 ACTION PLAN

- [ ] Every time you set yourself a new objective, break it down into smaller accomplishments and clear celebration moments. Determine how often you would like to celebrate (more often for more difficult or challenging goals to achieve, maybe not as often for goals that you find easier).
- [ ] Write down every single milestone. For example, if your goal is to increase your net worth by $10,000 in two years, you might decide that the moments to celebrate are every $2,500. Write down all:
  - Net worth up by $2,500
  - Net worth up by $5,000
  - Net worth up by $7,500
  - Net worth up by $10,000
- [ ] For every single small goal, determine a celebration. They don't all have to be different. Following the example above, you might create an in-home spa with a hot bath and some scented candles for the first three triumphs, then throw a Sunday afternoon barbecue party when you get to the last one. It's not about how creative you can be; it's about celebrating and appreciating how far you've come each time.
- [ ] Set aside for now any goals you have not yet started working toward. You will get to those every time you complete another goal. It will be fun to come up with new celebrations every time you move on to a new goal (or just repeat your favorites).

STEP 7

Organize Your Paperwork

> *Getting paperwork under control makes me feel more in control of my life generally.*
> —GRETCHEN RUBIN

DIFFICULTY LEVEL: Easy

OBJECTIVE: Organize and tidy your paperwork so you can always retrieve any papers you need

REVIEW TIMES: Yearly

Now that you are about to get serious regarding your financial life, one of the worst things is to try to take full control over your journey to financial independence and then not being able to find important financial documents when you need them, such as insurance policies, warranties, bank statements, or income stubs for your tax return. Come to think of it, is it even possible to become financially organized without having your home filing system organized?

An organized system

Having a proper, up-to-date, and easy to understand filing system does not only guarantee less stress and less time lost when you are looking for things, it also ensures you do not, for example, waste money on a new product if your old one still has a manufacturer's guarantee. It allows you to quickly check you still have the right insurance and update your assets, debts, and cash flow overview, and it makes it easy to see if your credit card statements are correct. If you're like I used to be, there might

✔ MAKE IT FUN:

Because this step can be tedious, make it enjoyable by breaking it up and setting yourself challenges: put together a playlist with your favorite energizing songs of thirty minutes and see how much you can get done in that half hour. Take a photo of the amount of papers you collected when going through your house, or of the state of your home office before you start. Then take a photo at the end of each day you have worked on this step, either of your home office, your folders that are slowly becoming organized, or of the amount of paper you've been able to sift through or envelopes you're putting in the recycling. Or set yourself the target to organize 1 folder per day.

have been some—if not many—occasions when you could not find anything you needed in the labyrinth also known as your financial dumping ground and wished you had one of those immaculate home offices from the pictures.

Good news: this step will walk you through the actions needed to set up a home filing system that ensures you will never (again) end up in a situation where you cannot find your important financial statements.

Having an organized filing system makes dealing with any paperwork a breeze. But the below action plan might all sound incredibly old-fashioned, time-consuming, or space-hungry to you. If that's the case, Step 92 tells you exactly how to convert your paperwork to a digital format. You can either jump straight ahead to that step now, or complete the current step and hold off digitizing until you get to the end of this journey when you've gone through the majority of the book.

STEP 7 ACTION PLAN

- [ ] Make sure you have several empty folders or a filing cabinet available.
- [ ] Grab a big box or basket and put in any papers you can find lying around your house that should be sorted and/or filed. Go around the various rooms and check any drawers, baskets, and other areas where you might have paperwork that should be processed. Don't forget to look in closets, under your bed, and behind decorative vases on your shelves.
- [ ] Take the box with all the documents you have gathered to your home office or paperwork area. If you don't have such an area (yet), use your kitchen or dining-room table.
- [ ] Divide the documents by topic into piles: car papers, electricity bills, bank statements, phone bills, mortgage overviews, etc.
- [ ] Examine any previous attempts at a filing system if you tried to set one up before and be prepared to slightly overhaul this if it is relatively outdated or overly complicated.
- [ ] Assign one folder to each specific category or use dividers to create more space within each folder. Depending on how many papers you have for each topic, some might need more or less space and some categories might require an entire folder for itself.
- [ ] You will probably have documents and papers for the following categories, which you can use to preassign some of your folders:
    - Income/pay slips and annual statements
    - Insurance policies
    - Bank and credit card statements
    - Savings and retirement account overviews
    - Car documents
    - Utilities contracts and bills (electricity, water, phone, etc.).
    - Tax returns
    - Warranties, manuals, and receipts
    - House- and home-maintenance-related issues
    - Official paperwork such as birth certificates, marriage license, and diplomas
    - School documents
    - Mortgage and property documents
    - Medical documents
    - Paperwork regarding your pets
- [ ] Put your documents per category in reverse chronological order—oldest ones at the bottom, newest ones on top—and start filing documents that are merely for information, such as statements and contracts.

- [ ] Any document that requires action (for example, a bill that needs to be paid or a subscription you need to cancel) should be kept aside to deal with later.
- [ ] If you find a document that replaces another one, throw out or recycle the oldest one if you no longer need it. Shred anything that contains personal information that can be used to identify you, such as account information, credit card details, your address, phone numbers, or an email address.
- [ ] Throw away or recycle any documents for any services you no longer use or regarding objects that have since been replaced or disposed of.
- [ ] Set up a command center, mail station, or organization station (ideally close to your mailbox or main entrance) where you have the following five baskets or boxes available for any paperwork:
    - To pay: bills that need to be paid (although try to automate these where possible; see also Step 33).
    - To do: items that require some sort of action, such as canceling or renewing a subscription.
    - To read: anything you want to read before filing it away or recycling it.
    - To file: any paperwork that's been processed that you need to keep and that can be filed.
    - To recycle: any papers that can be recycled immediately.
- [ ] Make it a daily habit to go open any mail you receive and put it in the appropriate baskets. Do the same with any documents you bring home, such as warranties or receipts for purchases you made that day.
- [ ] Schedule in a monthly time to go through your baskets and process, pay, read, and/or file the contents. (One idea is to plan this for your monthly finance review; see Step 35.)
- [ ] With every paper that you receive, decide whether you really need to keep the document and/or whether you can do anything to make the paperwork unnecessary: Is it a bill or payment you can automate, or a paper bank statement you can opt out of?
- [ ] Once you have a filing system that's clear and easy to use (don't make it too complicated because that could cause you to stop using it), you can be sure all your paperwork is always where it should be: in the corresponding folders, or in the basket if you have not yet processed it. Therefore, you should always be able to find important documents and financial statements when you need them.
- [ ] Schedule in a quick review of your filing system once a year to update categories or throw out/recycle paperwork you no longer need.

STEP 8

Plan Your Money Allocation Strategy

If plan A fails, remember that you have twenty-five letters left.

—CHRIS GUILLEBEAU

DIFFICULTY LEVEL: Difficult

OBJECTIVE: Start putting together your ultimate money plan

REVIEW TIMES: Yearly

A difficult question that many people on their journey to financial independence quickly encounter is how to make a solid financial plan with the aim to get the most out of their money by making it work for them. Throughout this book you will start to cut down on your expenses, or to up your income or earnings from a side hustle, and once you manage to do so, the question as to what to do with the extra money you will then have can be a difficult one. In this step, you will make a money allocation strategy that will guide you through some financial decisions you will need to make at different points on this journey.

How money can make you money

In these 100 steps you will learn about some of the following avenues to "make money with your money":

- **Paying off debt:** this strategy saves you money on interest and compounded interest paid over the years.
- **Saving:** putting money toward savings generates money due to interest received and the power of compounding interest. It also ensures a financial cushion, helping you avoid having to go into debt in the future.
- **Income:** investing money to start your own business or launch a product can generate another income source.
- **Investing:** generates money due to capital gains, interest, and dividends received.
- **Retirement accounts:** builds up the income that you will receive after your retirement age.
- **Personal capital:** increases your earning potential as a professional or entrepreneur.

These are the most common strategies to pursue in order to leverage what your money can do for you. But where to start? Say you saved an extra $100 this month and you are happy to invest this money into your future. Where do you actually put this money? Which of the above options do you choose? And how do you prioritize these strategies?

Money allocation

The question of where to allocate your money does not have to be an either/or proposition. You can start investing while still having a mortgage. You will want to save up for an emergency fund while also paying off credit card debt. And once you start investing in your personal capital, you will likely want to keep that up on a regular basis and the fact that you are investing in the market does not rule out this option.

That said, some people feel more comfortable paying off all their debt first or hitting a specific savings goal before starting to invest. It is important to do what you feel most comfortable with and what seems most logical for your personal situation. Below are tips and guidelines you can use to put your own money allocation strategy together. Some of these points might not be very clear at this stage, but don't worry, they will be once you've completed the corresponding section on that particular topic. For now this just serves as an overview that you will probably need to return to at various moments on your journey.

Debt payments

- Based on the annual interest rates of your various debts, prioritize any debts over a certain percentage. A good guideline is to pay down any debt as quickly as possible with an annual interest rate over 5%. The compounding effects of these debts make them very expensive, and especially credit card debt can have high interest rates of around 14% or more. Consider paying off these debts as an absolute priority if you have these.
- Apart from that, your own opinion about debt is very important to consider, too. If you feel uncomfortable about owing money to somebody else, prioritize paying off debt over any of the other strategies or assign the biggest chunk of money to this.

Savings

- Your savings strategy can greatly depend on your job stability as well as how variable your income is. If your job stability is relatively high and you have a sufficiently guaranteed monthly income, then you might not need to get together a three-months-expenses fund (see Step 45) as quickly as somebody whose job is less secure or whose income varies greatly from one month to the next.
- Your savings goals can further determine whether you should allocate more or less to your savings. Are they short-term or long-term goals? How important are these goals and when do you hope to have saved the money together? Do you feel comfortable with keeping a three-months-expenses fund in your savings account and investing everything else, or do you want (or need) more money in a savings account?
- You should also consider the interest rate on your savings to decide whether to adjust your savings strategy. At the time of writing, some banks in many parts of the world offer an interest rate of just a little more than 0%, and some even offer a negative rate, meaning customers pay to store their money with a bank! During times like this, it might be much more interesting to pay off debt or invest more, at least until interest rates go up again. Especially when the interest rate is far below the rate of inflation, money quickly loses its value in a savings account, making it not a great candidate as a way to make more money.

Investing

- Consider your returns on investments, i.e., how much you expect to get on your investments. Especially if a savings account is not giving you much return, you might want to give investing more priority for a while.
- The possible risks of losing a substantial amount of money that is invested might make paying off debt more interesting before you start investing, as your money might give you a lot more value. This is especially true at the height of a bull market when investments are expensive.
- With higher average returns, long-term investments can often generate a very nice portfolio, especially with the power of compounding interest. As a long-term strategy,

therefore, investing is usually the one with the most potential.

Retirement accounts

- If your employer matches your retirement account contributions, it is often worth maxing out your contribution, especially (but not only) if your retirement account is based on cheap index funds.
- If you have tax advantage accounts, putting extra money toward these might again be favorable, even more so if you expect your tax rates to go up in the future.
- Retirement accounts have the disadvantage of often having less flexibility when it comes to choosing investments (especially in the case of workplace retirement accounts) and deciding when to start withdrawing from them. If you start withdrawing before the official retirement age, you often will be charged a substantial fee. In contrast, investments you manage personally offer much more flexibility.

Personal capital

- Investing in your personal capital, be that books, podcasts, or training programs, might deserve priority when the expected outcomes or returns of the program are far bigger than any of the other strategies and if the course fits with what you are looking for. The world of online courses is growing rapidly and more are being launched every week. Whether you invest in an online course, a book, or a college degree, nowadays you can pretty much find a course for anything you could possibly need.
- The returns can be less predictable with this strategy than with others, but also more satisfying. Investing in personal capital might have not only direct financial advantages, but also psychological ones. Do not underestimate the positive effect that feeling motivated and inspired in your job can have on your long-term earning potential.

STAT BOX

A 2013 Gallup poll found only 30% of Americans have a long-term financial plan that includes savings and investment goals.[3]

Plan your strategy

When it comes to planning your own money allocation strategy, you can make this as simple or complex as you want. A relatively simple, linear strategy in which you complete each step before moving on to the next one could look like this:

1. Save for a $1,000 emergency fund
2. Become debt-free
3. Invest an average of $25 per month in your personal capital
4. Save a three-months-expenses fund
5. Max out retirement account contributions
6. Pay off your mortgage
7. Start investing

If you want to go for a more complex and customized strategy, an example strategy could be:

1. Save for a $1,000 emergency fund
2. Aggressively pay off any debt over 5% annual interest rates
3. Put together your own plan of a proportional money allocation strategy, including: debt payments / saving / retirement account contributions / investing / personal capital growth
   a. If you want to get rid of any debt as soon as possible, your contributions might look like: 80% / 5% / 5% / 5% /5%
   b. If you might want to put money toward all of these areas but in different proportions,

you can make any allocation, such as 25% / 10% / 10% / 50% / 5% for an aggressive investment strategy, or 30% / 20% / 25% / 20% / 5% for a more balanced approach.

With time, adjust your strategy as you reach your various targets or whenever your situation changes. You don't have to stick with the same percentages—after all, once you pay off your debt, you free up money that can go elsewhere. Similarly, factors such as a higher or lower income, changes in your family situation, or market developments can affect where you can and want to put less or extra money.

Do not regard your list of money allocation percentages as being set in stone. As your situation changes, your pay increases or decreases, interest rates change, and the stock exchange experiences a bear or bull market, you will want to modify your plan. Accept that your plan will need adapting, but that having a flexible plan that you constantly mold to your needs is better than not having a plan at all. It will help you when setting your budget and building your secure financial future. Enjoy planning!

STEP 8 ACTION PLAN

The below action plan is designed to be consulted every time you complete a new part of the book. The first time you do this when you haven't yet read the rest of the book, this might be more arbitrary, but every time you come back to this list at later moments, your plan will start to become more solid and comprehensive. It is helpful to put together a plan now and update it as you progress through this book, rather than only making a plan when you reach the end of your journey to FI. Not only is it easier to update an existing plan that started off basic than it is to put together a complex plan from scratch, but it will also provide valuable insight into how your financial priorities are changing over time.

- [ ] Start with determining your feelings about debt and your risk levels in terms of saving and investing. How bad is debt for you and how badly do you want to get rid of it? Do you feel comfortable to start investing even if you still have debt? How big are your savings goals? Are you happy to have a big chunk of money in the stock market or would you rather first have a substantial amount of savings built up?
- [ ] Make a list of all the various money allocation strategies you want to pursue and put them in a logical order as per the examples above. What is your number one goal that you will stick to before moving on to any of the other targets? What about number two? Which targets do you want to complete first before starting a divided money strategy in which you assign parts of the extra money to various targets?
- [ ] Go back to the vision and goals you set out during the various stages of this journey. Are they represented in this plan? Do you want to modify any of those goals? Do you need to adjust your plan to incorporate some goals you had forgotten about?
- [ ] Review your list and make sure you feel absolutely confident and happy about it. If you want you can assign target dates for the various goals to be achieved.
- [ ] Make any necessary changes to your budget to reflect your new strategy. If you have been budgeting too much or too little for some of these goals, adjust the amounts now and make any necessary changes in automatic transfers or standing orders to savings or investment accounts.
- [ ] Review your list annually and make any changes as needed.

Checklist Part 1

Use the following checklist to make sure you have done everything in Part 1 and are ready to continue with the next section.

- ☐ You have written an affirmation that identifies your commitment as well as your belief in your ability to succeed and accomplish this journey. You keep this affirmation close by and read it at least once a day.
- ☐ You have set reminders in your calendar and have visual reminders in your car, bathroom, wallet, or on your phone or computer about your commitment to this journey.
- ☐ You have defined your vision for financial independence—your reason to embark on this journey and pursue financial success.
- ☐ You have determined which of the eight stages of financial independence you want to pursue, what reaching that stage would look like to you, and which targets you need to set yourself to get from your current stage to your aspired stage.
- ☐ You have made a vision board to remind you of your goals daily, to keep up your motivation, and to not forget about what you are working toward and why.
- ☐ You have set at least a few financial goals.
- ☐ You have set up a progress tracker for one of your most important financial targets in order to keep up your motivation and quickly see how well you're doing on your key goal.
- ☐ You have decided on small rewards for yourself when completing different milestones for the various targets you have and will be setting on this journey.
- ☐ You have set up and organized your filing system and you can easily access all your important documents and statements if needed.
- ☐ You have put together an initial money allocation strategy that will guide you on how to spend your money long term. This plan will likely change with time, as you adjust it to the various goals you are still to set in the different areas of money management.

PERSONAL STORY: LIZ

After the birth of my first child, I made the decision to step away from my full-time position to dedicate more time to my family. It has been a financial adjustment by only working part-time, but the emotional payoffs have far outweighed the pay cut.

My kids won't remember what toys I was or wasn't able to buy them or whether their clothes were hand-me-downs or from a designer shop. They will remember that I was there for them when they came home from school, I wasn't always rushing off to a meeting, and when I was home, I was home not only physically, but also mentally.

I have the work-life balance that works for my family's needs at the moment. That being said, my future plans are to return back to work in a full-time teaching position, which is why I am currently studying for my master's degree. An investment in my education will hopefully prove to be fruitful in the future professionally as well as financially.

—Liz Grabo, United States

PERSONAL STORY: ILSE

I started my own veterinary acupuncture practice for dogs and cats after I had worked for about eleven years for a boss. It was a relief. Why? Well, I have a couple of reasons, but the most important ones are that it gave me a lot of freedom and energy.

I am totally not a morning person; I perform much better in the afternoon and in the evening. I get very tired and receive too much stimuli when I have to get up early in the morning and get myself stuck in traffic like the rest of the working people. I have a toddler at home whom I'm taking care of without the help of a child day care. I want to be there for him as much as possible the first years of his life before he goes to school. During the day I take care of him. When he does his nap I relax, too, and when he goes to bed and my husband is at home, I visit patients. Once a week my mother helps me out, and I can treat patients during the afternoon. Sometimes I even treat some patients on the weekend.

But freedom and energy are much broader. I can practice my profession the way I want. I don't have to justify anything to anyone, except to myself, my family, and my clients. There is no boss who tells me when and how I have to do the things in which time span. I want to do the things my way, the way which fits me most. I have high standards for the health care I want to deliver and it's more time-consuming than a boss can offer me. I hated the feeling of someone breathing down my neck and a waiting room getting full with patients waiting for me. Now I don't need to make concessions in the quality I deliver.

Despite the fact that I now earn less compared to when I was employed, I am so much happier and it has been worth it. My husband is also a freelancer, so we both have a lot of flexibility to live the life we want: taking as much care of our son as we truly want and believe is good for him, touring with our camper van more frequently and for longer periods of time, working when we have a lot of energy, and relaxing when we are tired or haven't got much inspiration. I know, sometimes you have to work while you don't feel like it or you have a very sick patient or a strict deadline, but at least you have the feeling that you're doing it for your own business, and that's a whole other feeling than doing it for someone else's. Furthermore, to work in my own way and to treat the animals of clients who feel comfortable with my methods cost me less energy; in this way there is more space in my head for other fun things!

Live your own life, not someone else's!

—Ilse van Driel, Netherlands
http://www.felicanipunctuur.nl

Next Steps

I hope you enjoyed *The 100 Steps* and that you've started to make some important progress toward financial independence in order to gain control of your financial life! Here's what you can do to continue your journey:

Free materials

To find out more about the 100 Steps and get access to FREE material such as video training and worksheets, visit www.100StepstoFI.com. Or join the 30 Days Challenge to Financial Excellence on www.100StepstoFI.com/contact/resources.

Social media

Connect with me and the 100 Steps movement on social media:

- **Twitter:** https://twitter.com/100StepstoFI
- **Facebook:** https://www.facebook.com/100StepstoFI
- **Instagram:** https://www.instagram.com/100StepstoFI/

Review

If you enjoyed this book and have a spare moment, I would really appreciate a short review on Amazon, Goodreads or the website you ordered your book from! Reviews really help in getting the word out and I would be very grateful if you could leave me one!

Your story

I would love to hear about your journey and how *The 100 Steps* has changed your (financial) life. Please contact me at inge@100StepsToFI.com and share your story with me!

Here's to your Financial Independence and to achieving your financial dreams!

—Inge Natalie Hol