

Work Toward Your Own Financial Independence Day

We're getting close to the Fourth of July, our national Independence Day. This celebration may get you thinking of the many freedoms you enjoy. But have you thought of what you might need to do to attain *financial* freedom?

Your first step is to define what financial independence signifies to you. For many people, it means being able to retire when they want to, and to enjoy a comfortable retirement lifestyle. So, if this is your vision as well, consider taking these steps:

- *Pay yourself first.* If you wait until you have some extra money "lying around" before you invest for retirement, you may never get around to doing it. Instead, pay yourself first. This actually is not that hard to do, especially if you have a 401(k) or other employer-sponsored retirement plan, because your contributions are taken directly from your paycheck, before you even have the chance to spend the money. You can set up a similar arrangement with an IRA by having automatic contributions taken directly from your checking or savings account.

- *Invest appropriately.* Your investment decisions should be guided by your retirement goals, along with how long you have before you need the money and how comfortable you are with different levels of investment risk. If you deviate from these guideposts — for instance, by taking on either too much or too little risk — you may end up making decisions that aren't right for you and that may set you back as you pursue your financial independence.

- *Avoid financial "potholes."* The road to financial liberty will always be marked with potholes you should avoid. One such

pothole is *debt* — the higher your debt burden, the less you can invest for your retirement. It's not always easy to lower your debt load, but do the best you can to live within your means. A second pothole comes in the form of large, unexpected short-term costs, such as a major home or auto repair or a medical bill not fully covered by insurance. To avoid dipping into your long-term investments to pay for these short-term costs, try to build an emergency fund containing three to six months' worth of living expenses, with the money kept in a liquid, low-risk account.

- *Give yourself some wiggle room.* If you decide that to achieve financial independence, you *must* retire at 62 or you *must* buy a vacation home by the beach, you may feel disappointed if you fall short of these goals. But if you're prepared to accept some flexibility in your plans — perhaps you can work until 65 or just rent a vacation home for the summer — you may be able to earn a different, but still acceptable, financial freedom. And by working a couple of extra years or paying less for your vacation home expenses, you may also improve your overall financial picture.

Putting these and other moves to work can help you keep moving toward your important goals. When you eventually reach your own "Financial Independence Day," it may not warrant a fireworks display — but it should certainly add some sparkle to your life.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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