



## The 7 Steps to Financial Abundance

Why do some people live from a sense of financial abundance, while others live in fear of financial scarcity?

The transformation from fear of financial scarcity to a sense of abundance requires a commitment to actively manage, protect and control one's finances. While the following *7 Steps to Financial Abundance* will not guarantee financial security, at a minimum they can help reduce your fear of scarcity.

### 7 Steps to Financial Abundance

1. Spend less than you earn
2. Maximize your financial resources
3. Minimize your taxes
4. Manage your investments
5. Protect your financial resources
6. Control your personal finances
7. Have faith in continued abundance

#### 1. Spend less than you earn

The amount of money remaining when yearly expenses are subtracted from yearly income can be considered *excess earnings*. Creating excess earnings is the first step towards financial abundance.

Excess earnings are first used to pay off credit card debt. When short term debt is eliminated, excess earnings can build an *emergency fund*. An emergency fund is an account, with highly liquid assets, that can cover at least 6 months of your expenses. If you experience a layoff or short-term disability, this account provides the required income without having to prematurely deplete your retirement accounts.

Any remaining excess earnings can help fund your first house, pay for your children's education or be saved for retirement.

#### 2. Maximize your financial resources

If you have a company sponsored retirement plan, contribute the maximum amount that your company will match. Your company's matching contribution is *free money*, guaranteeing a higher investment return on your retirement savings.

Use Coverdell education savings accounts and Section 529 college savings plans to save for your children's education. These educational savings

plans will grow with no taxes owed on their earnings, when their funds are used for eligible education expenses.

When you are responsible for your health insurance, a high deductible health insurance plan, combined with fully funding a Health Savings Account (HSA), will virtually guarantee lower after-tax health care costs.

You can find many other strategies to maximize financial resources in my book, *“Financial Abundance Guide.”*

### **3. Minimize your taxes**

Methods to reduce taxes include:

1. If your spouse has no earned income, funding a “spousal IRA,” allows you to deduct \$5,000 (\$6,000 if your spouse is over age 49) from your 2008 income taxes.
2. If you have children in college, the Hope Scholarship and Lifetime Learning programs can provide tax credits that will reduce your taxes by up to \$2,000 per year.
3. Using long-term appreciated stock for charitable giving eliminates the requirement of paying capital gains taxes. This approach is simplified when you establish a Donor Advised Charitable Giving Fund.

### **4. Manage your investments**

If you manage your own investments, implement an asset allocation that allows you to sleep well at night. Low cost, indexed mutual funds will provide superior long term results for most investors.

If you use an investment advisor, investigate potential conflicts between how the advisor is compensated and your best interests. Such conflicts may occur when advisors earn commissions on products they sell.

### **5. Protect your financial resources**

Fear of the unknown can produce a sense of scarcity. Proper insurance to protect your financial resources helps keep this fear at bay. Health, life and property insurance are often well understood.

Unfortunately, disability insurance is sometimes overlooked. A serious, long-term disability can destroy even the best financial plan.

### **6. Control your personal finances**

The stock market, tax codes, economy and negative world events are beyond our control. However, we can control our spending habits, our prioritization of saving for our family's future and our decision to plan for our financial well-being.

We have significant power over personal finances. Recognizing this power can lessen our fear of scarcity, leading us toward financial abundance.

## **7. Have faith in continued abundance**

Overcoming the fear of scarcity requires faith in continued abundance.

By implementing the first six steps, you have done everything possible to control your financial abundance. However, faith that abundance will continue keeps fear of the unknown, uncontrollable future from becoming overwhelming.

Financial abundance requires control over consumer-driven consumption, maximizing and protecting financial resources and nurturing faith that abundance will continue. You may need a knowledgeable and trustworthy financial guide to help you with this journey.

Once you escape the fear of scarcity, you may find true serenity. When living in financial abundance, you will likely decide to share your abundance with your favorite charitable organizations.

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