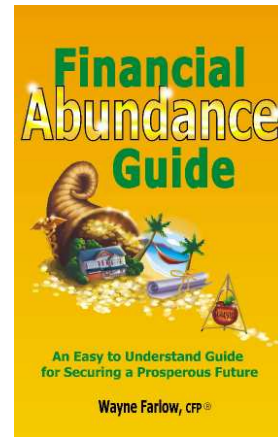


7 steps to financial abundance

By Wayne Farlow • Bankrate.com



Do you live from a sense of financial abundance? Or does a belief in scarcity cause you to live in fear?

I meet many people who do not feel they live in financial abundance, despite the fact that their wealth far exceeds the basic human requirements of food, shelter and clothing.

It's important to move from a fear of financial scarcity to a sense of abundance. This transformation requires a commitment to actively manage, protect and control one's financial activities.

The following seven steps to financial abundance will not guarantee fiscal security, but at a minimum they should help reduce the fear of scarcity.

7 ways to gain financial security

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](#)

Creating excess earnings is the first step on the path to financial abundance. Excess earnings represent the amount of money remaining when yearly expenses are subtracted from yearly income.

It is reasonable to save excess earnings of at least 15 percent of after-tax income. To meet this goal, consider the "pay-yourself-first" approach. On payday, make your first payment to the excess earnings fund. This fund can be used to buy a first house, pay for your children's education or help fund retirement.

If you have not already done so, use some of your excess earnings to build an emergency fund. This is an account that provides six to 12 months of income

when a short-term emergency occurs. Be sure to keep the money highly liquid so you can access it quickly.

With an emergency fund, you can weather a job layoff or short-term disability without prematurely using funds from your retirement account.

2. Maximize your financial resources

There are several ways to maximize your savings income and build wealth. For example, if you have a company-sponsored retirement plan, contribute enough money to earn the maximum amount your company will match.

Typically, the company will match a certain percentage of your salary. If the company matches 50 percent of a portion of your overall contribution, the match becomes "free money" that guarantees an immediate 50 percent investment return on part of your retirement savings.

Use Coverdell education savings accounts or Section 529 college savings plans to save for your children's educations. Your educational savings will grow and no taxes will be owed on the earnings from these plans, so long as the money is used for eligible education expenses. For more information, check out Bankrate's article on [college savings plans](#).

Are you responsible for your own health insurance coverage? If so, sign up for a high-deductible health insurance plan that allows you to open up a health savings account. Funding an HSA to the maximum amount allowed will virtually guarantee a lower after-tax health care cost. To find out more, read Bankrate's article on [high-deductible health plans](#).

These are only a few of the many strategies that can be used to maximize the income and growth of your financial resources.

3. Minimize your taxes

Use every legal method to reduce taxes. If you are married and your spouse has no earned income, you may be able to fund a "spousal IRA." With a spousal IRA, you may deduct an additional \$5,000 (or \$6,000 if your spouse is over age 50) from your income taxes in the 2008 tax year (\$1,000 less in the 2007 tax year).

If you have children in college, take advantage of the federal government's HOPE Scholarship or Lifetime Learning credit programs. Both of these programs provide tax credits which reduce the income taxes you owe on a dollar-for-dollar basis. Education tax credits can reduce your tax bill by up to \$2,000 annually to offset higher education costs.

Using appreciated stock for charitable giving can also reduce your taxes. You pay no taxes on the stock's appreciation and receive a charitable deduction of the stock's full value. Establishing a donor-advised charitable giving fund makes this easy to do.

Every dollar saved by reducing your taxes helps build your financial abundance.

4. Manage your investments

Properly managing investments is critical if you want to remain in the land of financial plenty. If you manage your own investments, implement an asset allocation plan that allows you to sleep well at night. Low-cost index mutual funds provide superior long-term results for most investors.

If you use an investment adviser, investigate potential conflicts between how the adviser is compensated and your best interests. Such conflicts may occur when advisers earn commissions on products they sell. For more information, read Bankrate's article, "[Finding a financial planner.](#)"

Don't confuse 'abundance' with 'wealth'

Wealth is not the same thing as financial abundance. To appreciate this, we need only to look at the biblical story of the Exodus.

Pharaoh, one of the richest individuals in the world, lived with a sense of scarcity. He used Joseph to secure all of his country's food and land so that he would be prepared for the coming famine. He spent his life in fear of scarcity.

5. Protect your financial resources

Fear of the unknown can produce a sense of scarcity. Proper insurance to protect your financial resources is important in keeping this fear at bay. Most people understand the need for health, life and property insurance.

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

To learn more, read Bankrate's article on "[5 insurance must-haves.](#)"

6. Control your personal finances

Many things that impact our finances remain outside of our control -- the stock market, tax codes, the economy, negative world events. Things we cannot control increase the fear of scarcity.

By contrast, we may reduce our fear of scarcity by making the right choices about things we can control -- such as developing good spending habits and making saving for our family's future a priority.

With this control, we have significant power over personal finances. Once this power is recognized, fear of scarcity is diminished and a feeling of financial security begins to permeate our lives, leading 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 in your power to control financial abundance. However, faith that your abundance will continue is necessary to keep doubts and fears of the unknown and the uncontrollable future from becoming overwhelming.

Living in financial abundance requires you to control consumer-driven consumption, maximize and protect financial resources and nurture faith that abundance will continue.

If you can't take these steps by yourself, find 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 may even decide to share more of your money with your favorite charitable organizations.