



# FINANCIAL WISDOM

- WEALTH BUILDER -

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## Daily Choices of Financial Freedom

Most people want financial freedom over financial servitude. Who doesn't want to be financially independent, where their money is working for them rather than working for their money? The problem for **most Canadians is that financial freedom can be a struggle of living paycheck-to-paycheck** or where spending tends to win out over savings. Ultimately, financial freedom is not so much a single choice to attain it, but about daily choices that can make it a reality.

Setting long term savings goals, while essential, is not always effective for people who have never before accumulated a meaningful sum of money. When looking into the future and seeing the need to save \$50,000 for a down payment on a house or \$1 million dollars for a secure retirement, people can often become paralyzed by the sheer magnitude of their goal.

When a goal doesn't seem realistic or achievable, it can deflate any motivation to even start saving. But, goals broken down to small steps, not only appear much more attainable, but can reveal **a number of little daily choices that can put a person on track to financial freedom.**

Roger\* is 35 years old, earns \$75,000 annually, and realizes that his retirement is just a few decades away. He has accumulated almost no savings. Based on a rough estimate of the assets he will need to enjoy a modest retirement lifestyle, he wants to accumulate \$1 million. Assuming he is able to achieve an average compound return of 7% over 30 years, his annual savings goal is \$12,000 or \$1,000 a month.

This may seem completely out of reach until we break it down further. On a weekly basis, the goal is to save \$230, money that is currently being spent on daily personal choices. Where can Roger find \$32 a day for savings?

His weekly choices may include expenditures like: lattes (\$35), unnecessary car trips (\$20), restaurant meals (\$25), movies or other entertainment (\$30), designer brands versus generic (\$15), daily snacks or soft drinks (\$25), premium cable (\$10), impulse purchases (\$45), expensive cell phone plans (\$15), or ATM fees (\$10). By adjusting just a few personal choices, Roger can find \$230 worth of weekly savings.

As these items are **discretionary spending (lifestyle choices), they are easier to adjust than fixed expenses** like vehicle insurance, utilities and other necessities. While some type of personal expenditures don't apply to everyone, with a little effort almost everyone can find daily lifestyle choices where they could divert meaningful amounts into long-term savings.

The key is in understanding that these are not merely minor lifestyle choices, but **choices that lead to the true financial freedom most Canadians seek.** After all, the coffee shops, movie theaters, cable companies, cell phone providers and restaurants won't go broke if you cut back just a little bit.

\* Fictitious character for illustration purpose only.

**Ready to enjoy financial freedom? We can help you get there.**

**Rakesh Garg, CFP**

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