



THE **4** MOST IMPORTANT QUESTIONS FOR FINANCIAL INDEPENDENCE & EARLY RETIREMENT

What You Need to Ask Yourself When Developing a Sound Financial Plan for Your Future



A SPECIAL REPORT PREPARED BY:

ILLUMINATION
W E A L T H



Some financial gurus call it the “FIRE” movement, as in **“Financial Independence, Retire Early.”** Of course, these are financial goals shared by just about every single person in the world. You want to be financially independent and you want to live life on your own terms. Plus, it sure would be nice to have the option to retire early, wouldn’t it? Yet for many people, these kinds of goals seem like pipe dreams. Meanwhile, today’s most successful individuals employ a different mindset to drive them toward the brightest possible financial future.

Nobody ever said achieving financial independence and/or an early retirement is easy. The truth is, it takes a ton of strategic financial planning, a lot of action working toward your goals, plenty of discipline and often some personal sacrifice to make it happen. You can hope to get rich quick, but the sad fact is most people who come into sudden wealth end up going broke because they don’t know how to properly manage it emotionally, financially or behaviorally.

Then, there are others who have traditional careers. However, they have bigger goals that they are working toward. They are smart with their money and they develop (and stick to) a sound financial plan that ultimately allows them to achieve financial independence. You don’t have to be super wealthy to live a financially independent lifestyle. Everyone’s goals are unique to themselves, and your success will start with your financial life plan.

The principle ideas behind FIRE is to save money aggressively now, invest it and build up your financial wealth faster compared to traditional retirement savings plans that take a longer time to mature. A great book to read is “Your Money or Your Life” by Vicki Robin and Joseph R. Dominguez. It is one of the best books that can help you transform your relationship with money and create the financial life you desire.

When you want to achieve financial independence and retire early, there are four questions you need to ask yourself:

- 1. What Does My Ideal Life Look Like?**
- 2. Where Do I Want to Be Spending My Time?**
- 3. When Do I Want to Be Financially Independent?**
- 4. How Much Money Do I Need for Financial Freedom?**



QUESTION 1 WHAT DOES MY IDEAL LIFE LOOK LIKE?



Many people are stuck in the now when it comes to thinking about finances. It's easy to understand how life gets in the way. You have bills to pay and a life to live, which make it difficult to think about what your ideal future is and, more important, how to get there.

The first step in achieving financial independence and an early retirement is get out of that way of short-term thinking. To do this, you start by writing out your ideal lifestyle goals. Take out a sheet of paper (or a few if you really want to go wild) and don't hold back. Think about what your ideal lifestyle looks like. Write down all your dreams and goals. If you were financially independent, what would your typical day look like? How would you be spending your time? Here is a list of ideas to get you started:

- **Where You Live**
- **Property Ownership**
- **Starting a Business**
- **Religious/Spiritual Goals**
- **Charity Donations or Volunteer Work**
- **Recreational Activities**
- **Travel Dreams**
- **Family Goals**
- **Health and Fitness Goals**
- **Debt-Free Lifestyle**
- **Your Legacy, Including What You Leave Behind for Your Children**

“
*The real measure
of your wealth is
how much you'd be
worth if you lost all
your money.*
”

—UNKNOWN



QUESTION 2 WHERE DO I WANT TO BE SPENDING MY TIME?

As you write out your list of lifestyle goals, you will paint a picture of what you want your life to look like if nothing was standing in your way. This is a great start because it should help provide a lot of motivation. You have to be emotionally connected to your goals or resistance will get in the way. Just taking the time to think about everything you would do if you had no limitations of time or money can be truly inspiring.

“
Frugality is enjoying the virtue of getting good value for every minute of your life energy and from everything you have the use of.
”

—VICKI ROBIN
Your Money or Your Life

The next step is to start breaking down those goals into realistic objectives. Financial independence will not happen overnight. It takes time, planning and sacrifice to get where you want to go in life. You can think about it chronologically, as in where do you want to be in 5 years? 10 years? 20 years?

Or, you can break it down into achievable milestones. For example, your first goal may be to get out of debt from student loans, credit cards, car loans or a mortgage. Then, you can focus on increasing the money you put toward your savings. Then, you can increase the amount you put toward investments. If you already make a lot of money, imagine how you might want to use it differently toward starting a business or giving more to charity. No matter where you are at financially right now, there is always room to dream bigger and imagine a perfect lifestyle.

Look at your current spending habits and determine where you can save more money. We all waste money on unnecessary expenses and unwise purchases. It is all about spending in alignment with your personal values. Think about what matters most to you and focus your finances on things that have true meaning in your life. There are areas where you can sacrifice a little now to save a lot later. Cutting back on how often you eat out or travel now can lead to big savings that allow you to live the financially independent lifestyle of your dreams in the future. Saving more today and eliminating debt will get you closer to an early retirement.



QUESTION 3 WHEN DO I WANT TO BE FINANCIALLY INDEPENDENT?

Never think about planning for your financial future as a matter of “if” it is going to happen. Instead, approach it with the question of “when” you want to reach your financial goals. Changing from “if” to “when” may not seem like a big difference at first, but it really can make a major impact in your life.

When you figure out when you want to reach your financial goals, you can then begin to figure out how much you might need to save each year in order to make those dreams a reality. Ultimately, you have to determine what needs to happen between now and then. How are you going to increase your savings and investments? When will each step need to happen to allow you to reach your specific financial goals within the desired timeframe?



By answering questions #1 and #2, you will be able to develop a personal connection with the lifestyle of your dreams by having specific goals in mind. #3 is all about actualizing those goals.

Look at your list of lifestyle goals and begin to quantify what each will cost. We’re not just talking financially. Mental changes will need to take place to affect positive results. Spending habits will have to be altered. Your entire financial plan may need to be restructured. Review every aspect of your current lifestyle and see where you can make changes (physically, mentally and of course, financially) to take you where you want to be.

Let’s say health is one of your biggest goals and your desire is to hire a personal trainer or nutrition coach. You can determine exactly what those services will cost you. Then, you can start making adjustments to your current lifestyle so that you can afford a personal trainer and nutrition coach both now and forever. You may even find having this goal will motivate you to start eating healthier and exercising more without professional help. Ultimately, this will make you even more prepared when the time comes to hire these experts to help achieve the next level of personal health and fitness.

When you know where you want to go and how you can actually get there, you’ll be amazed at the positive changes you’ll be able to make in your life.



QUESTION 4 HOW MUCH MONEY DO I NEED FOR FINANCIAL FREEDOM?

As you analyze different aspects of your life and look forward to actualizing your lifestyle goals, you can start putting the pieces together into a real financial plan. To do this, the numbers all have to work out and you have to be committed to your wealth management strategy. It's great to have compelling lifestyle goals like financial independence and an early retirement. Now, you have to actually make them happen through sound financial planning.

How much will your financial independence and/or an early retirement actually cost? You have your lifestyle goals. You know what you want to have, where you want to be and when you want to be there. It's time to take a hard look at all the financial numbers and put a realistic plan in motion. Do you need \$1 million or \$10 million in assets? Does your passive income need to be \$100,000 or \$500,000? Knowing your ideal numbers will tell you exactly how much you need to save and invest each year to ensure that the "when" is realized.

Working with a financial planner is a wise step. Trying to figure out all the details of your financial life plan on your own is not easy. A financial advisor will be able to look at your finances with an objective eye, while also providing expertise that will help you effectively manage your savings and investments.

It really boils down to how much money you need to achieve financial independence based on your life and all of the changes you need to make you'll need to make. You won't find that with an oversimplified online retirement calculator. A financial planner will be able to help you calculate what you need to make your lifestyle goals possible in the timeframe you have set. This will have a major impact on your spending, savings, investment strategy, tax planning and all aspects of your financial plan.

“
To accomplish great things, we must dream as well as act.

”

—ANATOLE FRANCE



PUTTING A **PLAN** INTO ACTION



One key step to take is to perform an honest “audit” of your current financial situation and spending habits. This is often the most challenging part for people because you probably spend a lot more than you realize. It’s important to take a step back and calculate how much you actually spend in a year (including daily, monthly, quarterly and annual bills, expenses, taxes, etc.). This will give you a true picture of your financial situation before you start putting any new plans in place.

Next, you want to look at your lifestyle goals and figure out how much they will actually cost. Do you want to donate more to charity? Where will you live? How will you be spending your time? Quantify your goals and factor those into your dream budget.

When doing this, don’t forget to adjust your budget to account for inflation and cost of living increases. What certain things cost now will likely cost a lot more 10-20 years in the future when you may be planning to retire. Also consider that healthcare costs will go up as you get older because you typically require more medical care as you age. Something like a health savings account (HSA) may be a valuable part of your retirement strategy.

Now that you’ve determined where you are compared to where you want to be, the financial plan can start coming together. You will likely need to adjust your current lifestyle spending habits and focus on growing your income. Make sure you have enough cash flow for essential expenses and some lifestyle perks. Everything else that you earn, however, should go toward your investments and retirement savings if you are truly committed to financial independence.

“
What does your financial independence look like to you, and more importantly, how will you get there?
”

—**MATT RINKEY**
Illumination Wealth



DETERMINING YOUR PLAN

Every person is unique. Some people may not be that far off between where they are now and where they want to be. Meanwhile, others have a lot more work to do to achieve financial independence and an early retirement. There is no “one size fits all” template for financial independence. Again, this is where working with an experienced financial planner and investment advisor can pay dividends in getting you from where you are today to your version of financial freedom in the future.



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