

Eight Essential Money Principles

Very often, people ask to provide them with one piece of advice that could help them to be more successful with their money.

Here are eight guidelines that can help you successfully traverse the road to financial freedom:

Live within your means This principle, which encourages you to only spend what you earn, will keep you away from most money problems. However, this task will be difficult to accomplish without first being aware of all your expenses, and calculating if your income will be sufficient to pay for them. Budgeting is essential for financial success as it helps you to see where you may need to reduce your spending in line with your earnings, or if you need to find ways to increase your income to meet your requirements.

Pay yourself first Sometimes it seems almost impossible to save; the bills have to be covered first, and there is usually not enough left to put aside anything for the future. Keeping some of your earnings, no matter how small an amount, is very important as you will never create the foundation on which to grow wealth without applying this basic principle. Spending creates a situation where money is only leaving you, while saving allows you to focus on retaining money; and over time it will help you to attract more prosperity in your life.

Don't borrow to buy things that decrease in value Today's society promotes borrowing as the means to achieve the things you want in life, so it's understandably difficult to practise this principle. It's easy to think that if you didn't borrow, you would never be able to afford things like a new car, household furnishings or a nice vacation. However, getting into debt to buy something that loses its value once you have acquired it is not the wisest financial deal. The interest payments only increase the cost of the item, and in return you are left with something of lesser or no value.

Set SMART goals Many of us never achieve the best out of life, simply because we don't know what we really want. You might be thinking that it's impossible to attain some financial goals such as home ownership or a comfortable retirement, but have you ever tried to figure out what it would take to get them? Goal accomplishment starts with actually believing in your ability to achieve, then getting professional guidance to set and carry out plans that are specific, measurable, attainable, relevant and time-based.

Create multiple sources of income It's a harsh reality that you will probably never make enough in one job to pay all your bills, save for the future, reduce debt and create long-lasting wealth. Unfortunately most of us have been taught that the route to money success is to work hard in school and get a good job with great benefits. As the recent global economic crisis has shown, job security can be tenuous. It's smart to focus on using your talents and abilities to create other earning opportunities to supplement your regular nine-to-five job.

Make your money work for you One of the savviest financial moves you can make is to put your money into investments that can help it to grow faster. However, you first need to become knowledgeable about investing by reading financial newspapers or online articles, attending investment seminars and buying books and CDs that can teach you how to invest wisely. You will also need expert help, so build a relationship with a financial advisor who can guide you through the process of investing to achieve your goals.

Don't risk money you can't afford to lose Although investments can help you to create wealth, they come with some degree of risk, which is the possibility that the outcome of your investment may not be what you expected. Therefore, if you take on inappropriate risks, you could end up losing instead. You should only invest money that you can afford to lose, and never place all your money in one investment. It's also smart to not let greed take control of your decisions when you are investing.

Make plans to transfer your assets when you pass on More Jamaicans need to put an emphasis on leaving a financial legacy for their descendants. Too many people die leaving their survivors in confusion, with insufficient funds to pay for funeral expenses, outstanding bills and estate taxes. Estate planning is not only for the wealthy, but for everyone with dependents or any type of property; so you need to make proper plans while you are alive to transfer your money and assets when you die. So try out these eight essential guidelines, as they can definitely help you to achieve a financially successful future!