



8 STAGES OF FINANCIAL INDEPENDENCE

***Which stage are you at? Use this as a
benchmark for your peers***

Financial independence is generally used to describe the state of having sufficient personal wealth to live, without having to work actively for basic necessities. For financially independent people, their assets generate income that is greater than their expenses. They are also able to cover all their living expenses and also keep some money aside for future development. It is the ultimate state of independence everyone looks for. However, it does not come by a sudden flight. It takes planning, executing and sacrifices to reach this level.

However, you can work your way through a path that leads to financial independence and complete abundance. That path has stages and you should celebrate your progress at every stage!



1. Financial Dependence

We all begin from a place of dependence on others. You may be a young adult transitioning from under your parents' care to being self-supporting. Or you may have hit a rough patch in life as an adult and needed the help and aid of others.

Regardless where you're starting from, the first step is to transition from being dependent on others to being self-supporting and financially solvent.

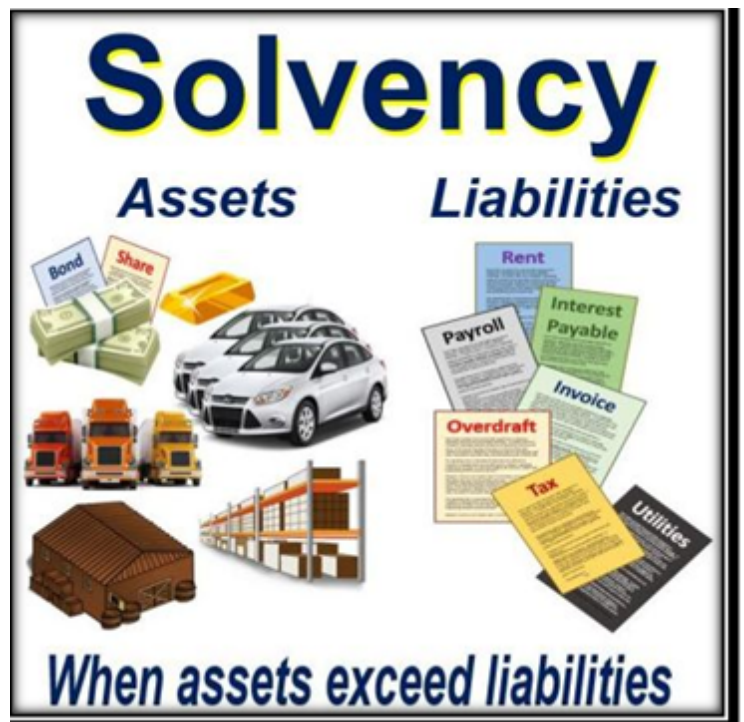


2. Financial Solvency

The first stage of financial independence is to become financially solvent. This means that you are able to support yourself on your own income without the aid of others and that you are current on all of your bills.

There are many strategies that you can employ depending on your starting point. You may need to create an income for the very first time in your life. You may need to transition from an unreliable or low income to a bigger and better income. Or you may need some ideas to renegotiate your debts with your creditors.

It doesn't matter why you're behind. It only matters that you get your income to a point where it's equal to or greater than your expenses.



3: Financial Stability

Once you are current on your bills, you need to build a buffer account. Call it what you will—emergency fund, rainy day fund, cash reserves, buffer account—the purpose is the same.

Unexpected problems happen. Unexpected opportunities present themselves. You'll need money. If you don't have any money saved, you'll fall behind on your bills and wind up in debt. Or you won't be able to take advantage of a perfect opportunity because you didn't have the cash.

First, you figure out how much you need in the buffer account. Then you save it. Then you declare yourself financially stable.



4: Debt Freedom

If you have debt, you'll probably want to get rid of it. Not all debt is created equal. However, you'll need to sit down and look at your debts and make a plan to dump the debt that's not getting you closer to financial independence.

That definitely means getting rid of any high-interest rate debt. It certainly means clearing your name from any old, unpaid debts. It probably means dumping any consumer debt tied to depreciating assets. And it likely means having a plan to clear the debt on any productive business or investment assets.

Being debt free means you can enjoy greater freedom and independence in your life. And that's the whole point, isn't it?



5: Financial Security

Your long-term goal is to decouple the expenses associated with your lifestyle from your need to work to pay for them. That happens when the income from your investments is sufficient to pay for them.

This happens in stages—small at first and larger later. The first stage is to have your basic living expenses covered by your investment income.

That means your housing expenses, utilities, food, transportation, and insurance. When these basic needs of life are covered by your investment income you've attained a high degree of financial security.



6: Financial Independence

When your current lifestyle expenses can be met with your investment income, you've reached the point of financial independence! Congratulations!

You can choose to disconnect yourself from work if you want to. However, of course, you might choose not to.

The key at this stage is simply to know that it's up to you!



7: *Financial Freedom*

It's possible that you have some lifestyle goals which are beyond the lifestyle you're currently living.

This might be things you desire to buy, experiences you desire to have, or humanitarian goals you wish to meet.

If so, the important thing is to clarify these goals and fund them with your investment income. At that point in time, you're truly financially free in every sense of the word.



8: *Financial Abundance*

When you reach this stage of your financial journey, you've reached the most challenging stage of all. However, it can be a very enjoyable challenge!

You've accumulated wealth beyond the amount needed to fund your own lifestyle expenses with a comfortable margin of safety.

Now you have to decide how to responsibly manage the surplus. How will you allocate it productively while you control it? And who will control it when you're done with it? How will you assure that the money is used for good and not for evil?

It's a real challenge, however, it's one faced by all those who have faithfully and steadily built wealth throughout their lifetimes. It's the most important stage of all.



Carefree Retirement solution is Ahmedabad's first specialized financial planner for retirement planning. Our goal is to provide you best possible solutions to create wealth on retirement and at the same time to make the post retirement transition as smooth and as enjoyable as possible. We work dedicatedly to ensure that your family can maintain an optimum lifestyle in this high inflationary environment and also meet regular financial goals as and when they come; without affecting most important financial goal of retirement planning.



Chetan Upadhyay is a brain-child behind this venture. He is a certified financial planner and possess masters degree in commerce. He is in this field since march 2005 and in these past 14 years, he has witnessed an urgent need of robust financial planning for each and every citizen of India for their own retirement. He fears that in few decades India will be standing at the edge of being considered as an old age country without financial support for their citizen.



Contact us:
Financial planning,
Retirement Planning,
Portfolio Management.

CHETAN UPADHYAY
(Financial & Retirement Planner),
+ 91 9377126005,
www.carefreeretire.in
carefreeretire@gmail.com

