

The Frugal CREDITNISTA

MY MONEY PRINCIPLES



BY NETIVA HEARD

1. A certain amount of money is necessary – too little will cause me stress and having too much will also have this effect.

2. Money can't buy my happiness, but it is the currency for living the lifestyle I desire.

3. Knowing how much money I REALLY need is mandatory. The endless pursuit of more money for no reason will ultimately end in failure and my unhappiness.

4. Set short and long term financial goals (we went over this in detail).

5. It's important that I manage my career and/or business wisely – it is my main source of income.

6. Financial management is just a skill that I must master– it's not hard and there are no magic tricks.

7. Money cannot grow where disorganization lies. I must keep all of my finance records in an organized file.

8. I must maintain a healthy awareness of my finances – know what I earn and what I owe. I should know exactly where all of my money goes and what my net worth is.

9. Maintain a positive cash flow – you need to earn more money than you spend. And what you don't spend you need to save or use to reduce your debts.

10. I understand that wealth is more than just positive cash flow – it includes my assets and my ability to create wealth.

11. I understand that I need to 'pay myself' first, by setting aside a minimum of 10% of my income (after tax) as savings. And plan for retirement NOW!

12. I embrace the power of compound interest – and understand that starting early produces the best results. I also understand that I will pay compound interest on my credit card balance if I don't pay off the full amount each month.

13. I understand that I earn interest or dividends on my investments, and I pay interest on my debts – that's how financial institutions make their money. Debt is not necessarily a bad thing, but I need to avoid bad debt and manage good debt properly.

14. I know when to get help with my, and to ALWAYS seek unbiased financial advice before investing my hardearned cash in anything.

15. I know that tax is important and we all need to pay our fair share – it funds public infrastructure and services that we all use. But I can optimize my tax bill and make sure I don't pay more than I have to.

16. I understand that charity is a good thing, because it makes us appreciate that we really are OK financially; my goal is to contribute 10% of my net (after tax) income to charity. Remembering that contributions to approved charities are tax deductible! If I can't spare any of my income for charity, then I donate my time and volunteer!

17. I understand that to make money, I need to spend money (and maybe borrow money) – but do this wisely. Avoid bad debt and endeavor to pay off my debts as soon as possible.

18. I understand the importance of wealth protection. Getting insured - protecting what I have from unforeseen occurrences. Protecting my health, my income, my business, my life and my assets (my house and my car mainly). And protecting myself against public liability.

19. I understand that ALL investments involve a level of risk but some are riskier than others. High return investments are almost ALWAYS high risk, or high input. I will know my risk profile prior to making an investment.

20. I will protect myself from identity theft and fraud, beware of scams and 'get rich quick' schemes. If an investment sounds too good to be true, IT IS!