

Financial Freedom Is a State of Mind

Financial freedom means being able to do what you want to do when you want to do it. It is very much a relative state, requiring different levels of assets for different individuals to consider themselves financially free.

You don't have to have millions of dollars in the bank to experience financial freedom, nor does having those millions necessarily equate to financial freedom. It all depends on your needs, what you want to be able to do, and the effort you're willing to invest. Financial freedom means simply that you are able meet your life goals.

Let's look at some simple hypothetical examples. First, Couple A desires to own a \$125,000 home, take a two-week vacation each year, live comfortably, and send their children to college. They can feel financially free with a \$50,000 income plus careful budgeting.

Couple B has the same goals, but doesn't want to spend time budgeting. For them, the same feeling of freedom might require a \$75,000 income.

Couple C desires to own a million dollar home, take an exotic vacation each year, shop in only the best stores, and send their children to college. They will require a significantly larger income and/or more assets than the first two couples to feel financial freedom.

Now, assume that all three of these couples have just enough resources to meet their financial desires. Which couple has the most financial freedom? None – each feels an equal level of financial freedom. Couple C requires more income to achieve their financial freedom, but they are no freer than Couple A, with less expensive desires and a willingness to plan how their money is spent.

Which brings up an important point: being financially free does not mean that you should no longer budget, set financial goals, or comparison shop. To the contrary, financial responsibility and financial freedom often go hand in hand – financial planning and monitoring usually enable families to find financial freedom with less income and fewer assets, because more thought and purpose go into every dollar spent or invested. Being in control of your assets does not equate to being in financial “bondage.” (It is possible to be financially free and spend without care, but that requires a very high level of income and assets.)

The first step toward financial freedom is to decide what this freedom means to you and write it down on paper. A written goal is much more real than a dream, and goals that are regularly reviewed have a way of becoming reality.

Financial freedom is a state of mind. Decide today what will set you free and work for that goal.