

Reaching financial freedom: Set your target, devise a plan

What is it that motivates you to work so hard?

Do you slave away just to pay the bills, do fun things, put a bit aside for the future and call it a day?

Most of us just want to have "enough."

Enough to do what we want, live where we want and work only as much as we want to.

But what is your "enough?" What does financial freedom look like for you?

The term financial freedom has a nice ring to it, evoking images of security, independence,

leisure and opportunity.

Financial freedom is having sufficient personal resources to live without needing to work to cover the basics. It means you have the time and resources to pursue fulfillment in your life.

If you have financial freedom, you can focus on living your life rather than making a living.

DIFFICULT CIRCUMSTANCES

As a woman, you have unique challenges to attaining financial freedom, such as time out of the workforce to care for children, lower pay and a longer lifespan.

A recent Transamerica study reports that only 10 percent of women are confident in their ability to retire comfortably, and only 51 percent have made retirement savings their priority.

Part of this lack of confidence may be



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taken the time to determine how much they need to save to achieve financial freedom.

WHY THE FEAR?

Why have so few taken the time to calculate their financial freedom number?

Are they just unaware of the consequences? Are they too busy with daily responsibilities?

Or do they fear that the number will be out of reach and want to avoid the discouragement that reality may bring?

PERSONAL NUMBER

Without working to define your personal financial freedom number, it's impossible to make progress toward it.

When you're initially discovering your financial freedom number, there's no need to overcomplicate the calculation or do extensive scenario planning.

There's no set rule, but it's generally accepted that you will require about 20 times your current salary, assuming a 5 percent rate of return, to maintain your current

lifestyle.

FUTURE NEEDS

First, you need to have a realistic perspective of how much money you require to keep living the way you are.

Lifestyle expenses include everything you incur monthly, so let's say, after adding up the costs of housing, basic living expenses, education, taxes, etc., you arrive at \$6,000.

Multiply that number by 12 and your annual cost of living is \$72,000.

Twenty times that amount is \$1.44 million. That is a rough estimate of your financial freedom number.

VARIABLES

Don't let that figure scare you. You can get there with strategic planning.

Keep in mind this is a number and nothing more. There are plenty of variables at play, including how you invest and in what funds, your lifestyle needs and unexpected emergencies.

There's also no guarantee you'll gain a 5

percent return rate.

However, there are ways to reduce the volatility of your returns and increase your confidence in meeting your goals.

IDENTIFYING A TARGET

For example, you might have a very high income but only require a very modest lifestyle, so you would not need as much to be able to claim financial freedom.

Or, you may fall ill and suddenly require significantly more money for housing or medical care.

Determining your financial freedom number simply serves as a target so you know where to aim.

GETTING THERE

Having calculated a financial freedom number, you need a game plan to obtain it.

That's where working with an adviser comes into play, offering options to achieve the goal in less time than expected.

If the goal of your life's work is to reach complete financial freedom, this process will help you identify the shortest path between now and where you want to go.

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