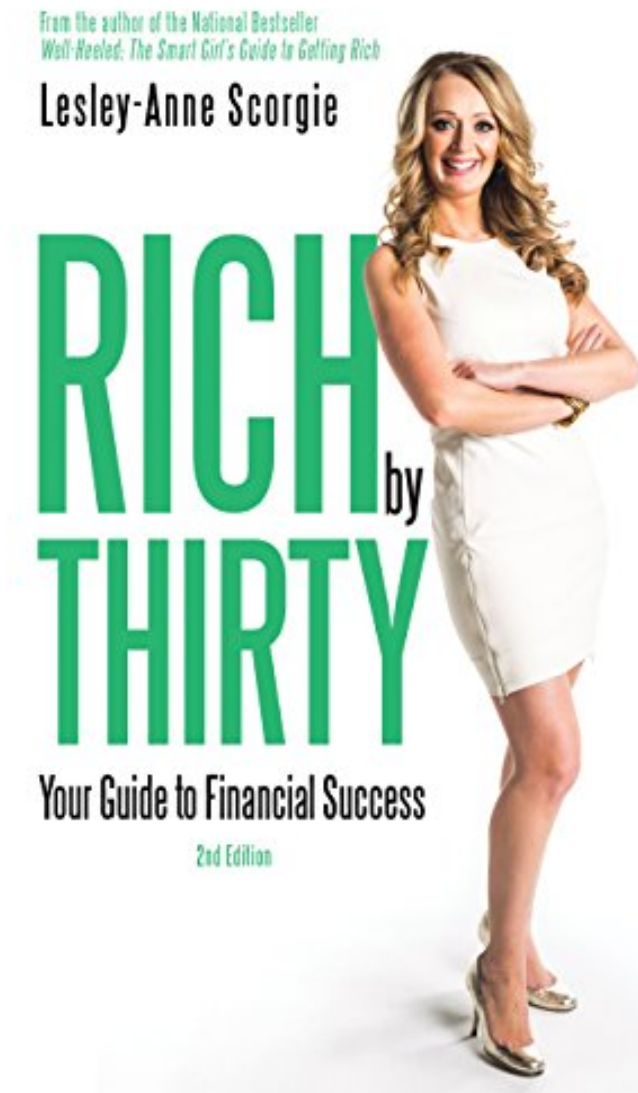


(Free read ebook) Rich by Thirty: Your Guide to Financial Success

Rich by Thirty: Your Guide to Financial Success

Lesley-Anne Scorgie

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Lesley-Anne Scorgie : Rich by Thirty: Your Guide to Financial Success before purchasing it in order to gage whether or not it would be worth my time, and all praised Rich by Thirty: Your Guide to Financial Success:

Financial analyst and public speaker Lesley-Anne Scorgie knows that the road to financial independence starts in young adulthood. Drawing on her personal experience, she presents the perfect advice about saving, investing, and budgeting. The book lays out everything twenty-somethings need to know to become financially savvy.

About the Author Lesley-Anne Scorgie is the owner of the financial consulting firm Rich By Inc. and the bestselling author of *Rich by Forty: A Young Couple's Guide to Building Net Worth and Well-Heeled*. She's had numerous television appearances, including *The Oprah Winfrey Show* and *MTV Live*, and has contributed to many newspapers such as the *Globe and Mail* and the *Toronto Star*. She lives in Calgary.

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Underspending: A Surplus is a Wonderful Thing

Let's start with the best-case scenario. Your budget shows that you've got money left over at the end of each month. Congratulations! What are you going to do? Rush out and treat your ten closest friends to a night on the town? You might be able to afford it, but it wouldn't be the best plan in the long run. Before visions of extra lattes and thousands of downloads start dancing through your head, think back to chapter 1 and your list of goals. What did you write down on page XX? You are now in the enviable position of having some extra cash to help make those dreams a reality. When we get to chapter 6, we're going to talk specifically about how to save for items you want to buy in the short term. For now, simply remember that you should always put aside money when you can afford to do so. Here are a few tips to help get you started.

Tips for Dealing with a Surplus

If you are in the fortunate position of having a surplus, here are a few suggestions for what you might do with the extra cash:

- Open up a savings account and start saving.
- Start an automated savings plan so that you are saving and investing regularly.
- Pay down high-interest debts (see chapter 5).
- Start a college fund.
- Contribute to a down payment for your first home.
- Contribute to a retirement savings account, like an RRSP (Canada) or a 401(k) (U.S.) (see chapter 8).
- Reward yourself with part of the surplus.

NOT all of it.

Overspending: The Dangers of Deficits

So, you're over your monthly budget. You are spending more than you're earning, which might explain why you're always having to borrow bus fare from your parents! What should you do? What can you do? You have three options: reduce your spending, increase your income, or borrow money. Obviously, this last option isn't a good one. So let's look at some tips that address the other two.

Tips for Dealing with a Deficit

- Question everything. Look carefully at your budget. What are your biggest expenses? Are you spending more money on clothes each month than you need to? Is your car insurance through the roof? Ask yourself if there are lifestyle changes you can make to reduce your monthly output of cash. Eliminating two pizza dinners each month, for example, could free up \$35!
- Look for opportunities to make more. Do you have the ability to increase your income? Could you open a small business or join a multi-level marketing organization? Can you take on a few more hours at work or make a deal with your parents to do an additional household chore in exchange for an increase in your allowance? Could you return bottles or house-sit? Are you driving friends to school every day? Might they be able to contribute a small amount to your gas costs? Do you have a hidden talent that you could make money with on the side? These things may seem insignificant, but every little bit helps.
- Reorganize your priorities. Put your savings and investing goals at the very top of your list of expenses. These should be non-negotiable—more important to you than a few extra cable channels or an extra night out. Always pay yourself first because no one else will—even if it's only \$25 a month.
- Examine your cash flow. As much as we'd like them to be fixed in stone, our expenses change from month to month. This affects your cash flow—how much money comes into and goes out of your bank account each month. You need to be aware of these fluctuations in order to have a firm grasp on your spending habits. For example, people tend to spend more in December because of the holidays. If you don't budget for this, you might end up with a big credit card bill near the end of January. The opposite can also occur. Are you taking a two-week holiday from work in the summer? Include your transportation costs to go on your trip, like a plane ticket or fuel for your vehicle, in your budget for that month. The more aware you are of these fluctuations, the better you'll be able to handle them.
- Plan for emergencies. While you're revamping your budget, it's not a bad idea to include an expense dedicated to building an emergency fund. If your car broke down tomorrow, would you have enough money to fix it? If you lost your job next week, how would you cover your expenses until you could find a new one? Late in 2013 I had to have reconstructive jaw surgery after a hiking accident where I essentially tripped, fell into a hole, smacked my head, and broke my jaw. I didn't know it right away, but my medical insurance covered only a small fraction of the costs for my full treatment. I had to fork out the rest—to the tune of nearly \$45,000. I wasn't expecting that expense and I had to clear out my emergency fund to pay for my treatment. Now I'm rebuilding my "rainy day" emergency fund. No one likes to spend more than they have, but things happen. Often, people don't plan for the unexpected. When an emergency occurs, they end up having to work overtime, pay high interest rates on a credit card, or do without something they really need. Some experts recommend that you sock away the equivalent of six months' salary in your own emergency fund. That's a little excessive for the average person, so choose a number that you find comfortable. Then, work it into your short-term savings plan (see chapter 6).
- Avoid debt. Only as an absolute last resort should you borrow money to cover your expenses. We'll talk lots more about debt in chapter 5, but for now, just know that borrowing to pay for something you can't really afford is the first step down a very slippery slope. Before long, you'll be borrowing to pay off what you've already borrowed, and so on and so forth. It's much better to look at what you're buying and ask yourself if you really need it. You'll be surprised at how often the answer is "no."