FREE E-BOOK

7 HABITS OF PEOPLE HIGHLY EFFECTIVE WITH MONEY

MONEYSTRANDS

The 7 Habits of People Highly Effective With Money

As children and young adults we are just not taught how to take care of our finances, leading many of us into money management problems, and often debt and poor credit scores.

Like most people when you were a young kid, your educational foundation was probably focused on reading, writing and basic mathematics. Then as you got older, you studied scientific subjects, humanities and the arts. Where was the personal finance education – understanding how to budget, save and so forth? That’s right, nowhere!

But there is good news. You can learn from the people who are good with money – the most highly effective of personal money managers. These are people who manage their own finances well and at little effort, while enjoying life to its fullest. Wealthy people don’t achieve financial freedom by accident; they generally tend to follow a similar set of disciplined habits.

Managing your finances can be really stressful, even the very basics. Away from personal finances, it has even been cited as one of the main reasons why small businesses fail. After all, if individuals can't manage their money, how can they successfully manage a business's finances, which are more complicated?

With this guide, we aim to help you to avoid such scenarios by learning from the best.

So let's jump right in and take a look at the seven habits of people highly effective with money, and get you on the road to personal finance success too.

THEY...

1. LEARN THE MONEY BASICS
2. LIVE ACCORDING TO THEIR MEANS BY BUDGETING WELL
3. COMPARE THEMSELVES TO OTHERS
4. ACCUMULATE MONEY BY PAYING THEMSELVES FIRST
5. PLAN AHEAD
6. HAVE A 360 DEGREE VIEW OF THEIR FINANCES
7. ARE TECH SAVVY

1 They learn the money basics and keep up to date

Two thirds of the world can't pass a very basic financial literacy test. That's not a typo – two thirds. The other third is the group that, unsurprisingly, is much more likely to be wealthy. People who are good with money know how the fundamentals of personal finance work.

"To learn and not to do is really not to learn. To know and not to do is really not to know." Stephen R. Covey

These fundamentals include good budgeting practice, goal setting and expense planning. They are also far more likely to understand basic economic concepts such as inflation and interest rates, and how these concepts affect them (price rises of goods and services, mortgage repayments, loan interest rate changes and so forth).

Learning these very basic rules of financial literacy is essential. They help you to plan better and to react suitably to changes in your financial situation. And the good news is that you can learn quickly and easily – none of these concepts are so intricate that only financial advisors can understand them – far from it, they are relatively straightforward. You know what they say – knowledge is power – and money knowledge is money power!

They additionally keep abreast of economics news and any big changes such as central bank interest rate announcements, which directly impact savings and credit accounts, as well as variable mortgage rates. This is easy to do, with so many quality publications, such as Fortune magazine, the Wall Street Journal, or the economy section of any quality daily newspaper.

Personal Finances – the key numbers

THE KEY NUMBERS

43%

43% of American adults are financially illiterate

+$25,000

Bachelor degree holders earn $25,000 more per year on average than high school diploma holders

$400

46% of Americans wouldn't be able to cover an emergency $400 cost without borrowing or selling something

$5,000

The typical American couple has savings of just $5,000

$1 trillion

Americans owe over $1 trillion in car loan repayments

Sources: Forbes and Market Watch

2 They live according to their means by budgeting well

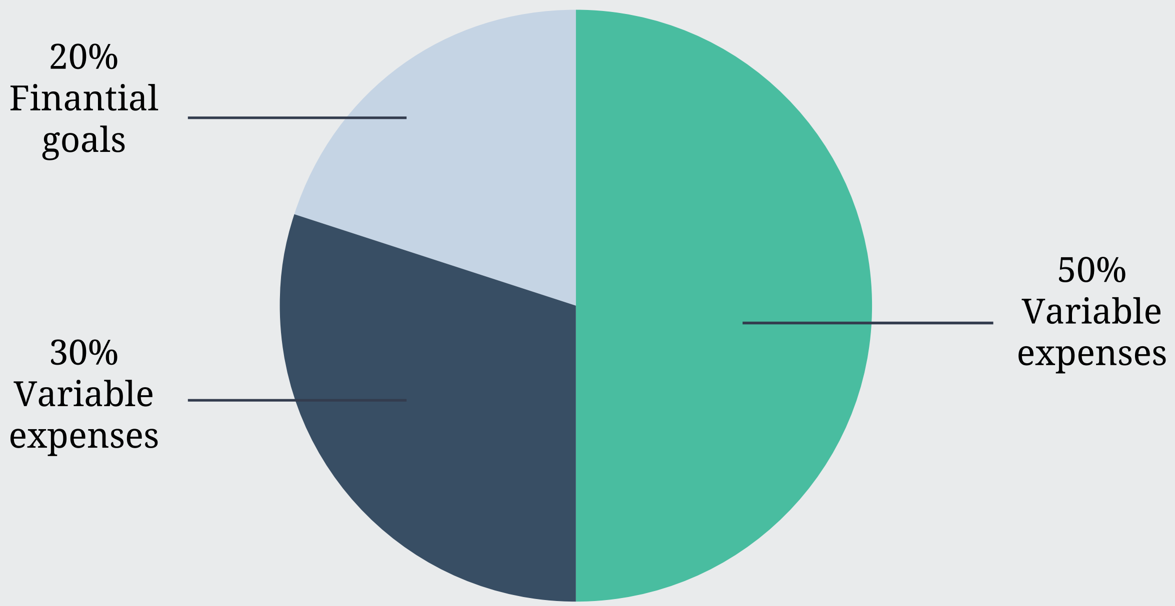
OK, so nobody likes budgeting. It's boring, right? But it is key to a healthy financial life, and thankfully, there are now ways to budget that take the pain out of the process. The bottom line is that without an expenses plan, it's so easy to spend more than you can afford. And with an effective budget, you can plan better for those times that you really need some extra cash such as a special occasion, and get your financial goals in full swing.

"The key is not to prioritize what's on your schedule, but to schedule your priorities."
Stephen R. Covey

This is why at MoneyStrands we prioritized building the most painless, effortless budgeting feature for our app. This way, you get your expense planning done quickly, and benefit from automatic adjustments and spending pattern data-driven suggestions.

Become a Budget Buddha with our quick blog post here – [How to budget the non-boring way] - and discover the 50/20/30 rule!

The 50/20/30 formula



Source: MoneyStrands

3 They compare themselves to others

People who are most effective with money measure their wealth management against their peers. Why is this helpful? Well, it allows you to see where others in a similar life position to you do things well and where they make mistakes. Either way, you can learn from this process to benefit your own finances.

"Differences should be seen as strengths, not weaknesses." Stephen R. Covey

Wouldn't it be helpful if you could see the spending behavior of other people with a similar income and cost of living? Now you can, thanks to advances in technology.

The truth is that peer pressure doesn't only affect kids. It affects all of us right up to old age and has a particularly strong impact when it comes to spending. Seeing what your peer group really spend can go a long way to helping cut out any poor spending habits that you have and lead you to adopt healthier alternatives.

4 They accumulate money by paying themselves first

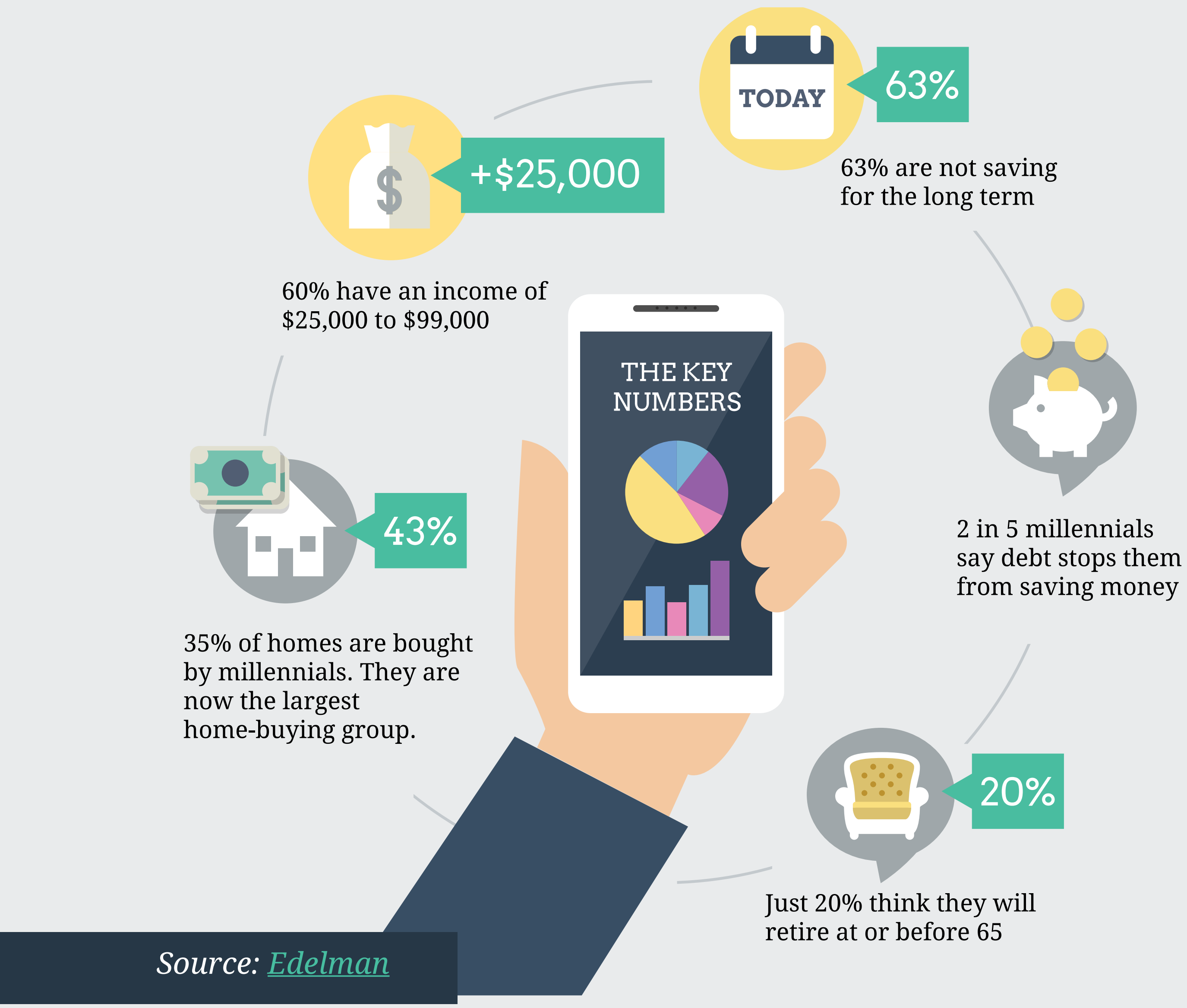
Once you have your budget worked out, a good next step is to decide your savings goals. Are you able to squirrel away some of your paycheck each month? If so, what percentage? A good starting point might be 20%, but you may like to change depending on your personal financial situation. 5 or 10% are also good starting figures to build on.

"If you put first things first, you're organizing and managing your life according to your priorities." Stephen R. Covey

Wealthy people pay themselves first. They send a portion of their money to a savings account each month or invest it. They automate the whole process with their bank, so they don't have to worry about it (and crucially, so they don't forget).

This is essentially a do-and-forget policy, taking the pain out of the process. Thanks to compound interest – the addition of interest to the principal investment, becoming interest on top of interest and creating self-expanding wealth over time – your money starts to accumulate faster the more you put in.

Millennials and money – the key numbers



Source: Edelman

5 They plan ahead

Human nature is to think of the present or the very near future. Most of us just don't think of the future so much – probably a legacy of our caveman ancestors' need to look for food every day or two. When it comes to money and thinking about the future, most of us suffer from the "but that's so far away" thinking! And this is exactly why many people get into financial trouble. Wealthy people don't think like this.

"Successful people focus their time and energy on things they can control."
Stephen R. Covey

They have short, medium and long term financial goals. Short term might be to go to an event; medium term might be a car upgrade or an annual vacation; and long term is typically a large purchase such as a house, or to contribute to a retirement fund.

While you might think, “Retirement, but that’s so far away,” the fact is the earlier you start, the better. Are you part of the 38% of Americans with $0 in retirement savings?

Let’s take a simple example of how investing earlier pays, literally: You invest $10,000 and allow it to grow over a 40 year period, with an average return of 8%. Your return would be $217,000. But if you started 10 years later with $20,000 instead of $10,000, you would reach just over $200,000.

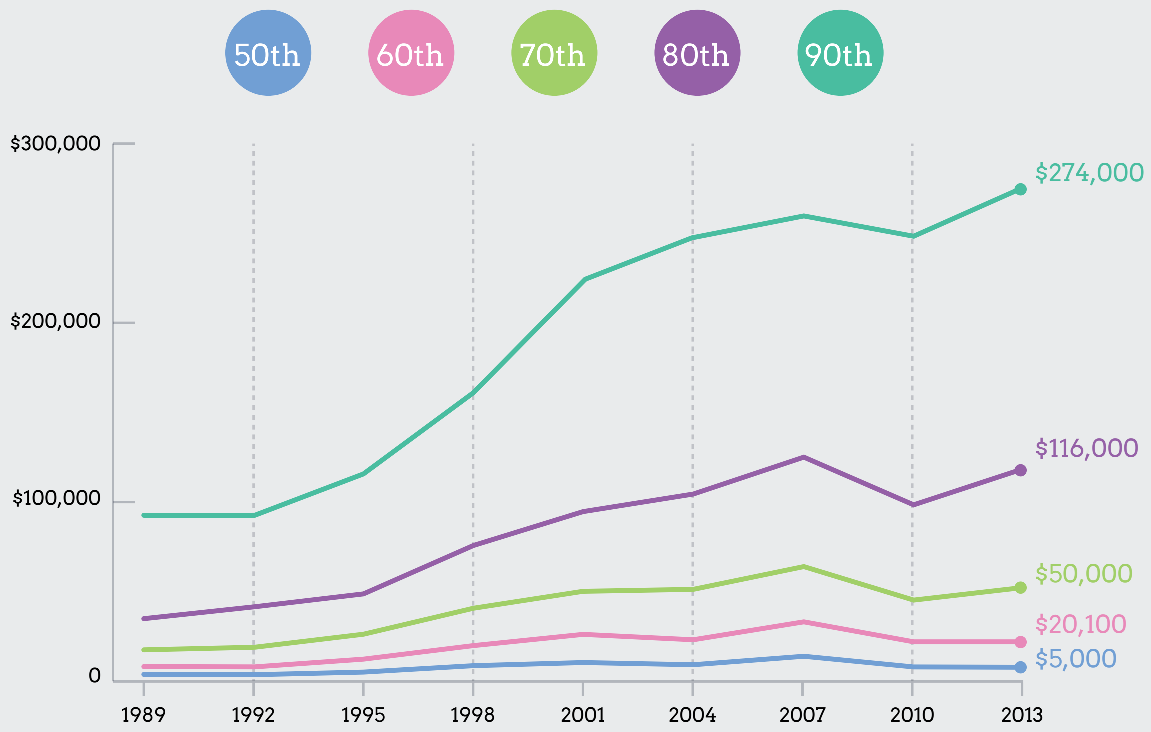
It’s never too late to start your retirement fund, but, as the old saying goes, the early bird catches the worm.

As you become savvier at budgeting, you can tailor your expense planning to help you achieve your short, medium and long term goals.

An important note is that people who are particularly effective with money only take on realistic goals. They are careful not to ask too much of themselves. Many people aim unrealistically high in the beginning with their objectives. They may stay on course for a while, but inevitably fall away.

Keep it simple and achievable with realistic savings goals that won't compromise your quality of life.

The gab between the retirement "haves" and "haves nots" has grownsince the recession



Source: *Economic Policy Institute*

6 They have a 360 degree view of their finances

The wealthy have control over their money by centralizing them. Do you have all your financial accounts under control in one place?

"To change ourselves effectively, we first have to change our perceptions."
Stephen R. Covey

Now you can aggregate any and all bank and credit accounts you have in one point of access account. You see your overall and individual balances, as well as future outgoing and oncoming payments.

This gives you full visibility of your financial life without the hassle of checking various accounts. An added benefit is seeing exactly where your money goes, which allows you to make appropriate changes if necessary.

In a world where people are busier than ever, convenience and speed are of the essence. People highly effective with money value their time greatly, as they know that its correct use leads to more efficient wealth creation and management. With a 360 degree view of your own finances, you too will make your financial management needs that much easier.

7 They are tech savvy

People who are highly effective with money leverage technology to help them better manage and grow their wealth. They use tools to remove the cumbersome, time-consuming side of financial management and make the entire process easier, smarter and fun.

“Your planning tool should be your servant, never your master
Stephen R. Covey

Gone are the days of financial management tools for the exclusive use of advisors serving wealthy clients, and the associated complex financial jargon that most people don’t understand.

With the development of powerful financial technologies, personal money management has become democratized to the point where anyone with a smart phone or tablet is in an unprecedented position to boost their finances – it has never, ever been easier. People who are effective with money know this and leverage the opportunity it offers. So what are you waiting for?

The Takeaway

The fantastic news is that you can implement these 7 habits and become highly effective with money too. None of them require specialist financial knowledge of any kind nor are they particularly difficult to get into the habit of doing.

All you need is a positive attitude and a disciplined, committed mindset, and you will be on your way to mastering your money with excellent, streamlined personal financial management. Habits can take anywhere from three weeks to two months to form. The key is to maintain focus during this period as you adopt these seven habits and you too will become highly effective with money.