

8 Ways to Reduce Financial Pressure

We have all experienced it and it is not something that anyone would like to experience again if possible. Of all the things that can help to reduce financial pressure in your life access to capital may be at the top of the list. Having money tied up in accounts that you can't get to without penalties can add to the frustration.

We are going to look at a few areas that can cause financial pressure in your life. Knowing where the problems come from can go a long way in helping you prepare for them and possibly avoid getting into positions that can cause the pressure.

Financial Wisdom: Everyone is broke, just at different levels.

1: Don't Spend Everything You Make:

It is natural to think that one's income will always increase from year to year but it is more likely that one day that might not be the case. It is a prudent idea to put away money for such events and pray that they never come. Again access to capital plays a very important role in reducing financial pressure. You may have plenty of money on paper but when your income goes down it affects cash flow which puts pressure on your current lifestyle. Much of the pressure comes from the fact that we get use to a certain standard of living and going backwards is very uncomfortable.

Financial Wisdom: Put aside in the days of plenty for times of drought.

2: Minimize Taxes:

When taxes go up your spendable income goes down. It also makes putting away the amount of money you need to be saving towards your retirement even harder. An increase in taxes seems to take less of a toll on one who is currently working and has the capability to make up for the lifestyle shortage due to increased taxes by working longer or harder. Increased taxes have a different effect on fixed incomes during your retirement years because you are no longer adding new money to your accounts but are taking away from them. Interrupting compounding

from a withdrawal not only reduces the account by the amount taken but it impacts the interest those dollars would have earned as well.

An increase in taxes reduces your monthly cash flow which in turn impacts one of two areas of your life. You must reduce your present standard of living which is very difficult to do. Another option is to reduce the amount you are putting away for your future creating pressure or drain an account you have set aside for your future to relieve the immediate discomfort.

The tax law says you need to pay all the taxes required but no more. Make sure you take advantage of every opportunity available.

Financial Wisdom: Pressure you eliminate today by taking from your future may revisit even stronger down the road.

3: Reduce Debt Obligations and Never Borrow More Than You Have:

We earn income, we pay our taxes, and what about the rest? It is very easy in your economic structure to get ourselves in debt to have the things we desire before we can actually afford them. Debt is anything that you have purchased that you do not have the money to pay for in full should you be required to do so. Financing a purchase does not put you in debt. Buying something with a promise to pay in the future with no ability to pay is debt. Debt obligations require income we have spent that we have yet to earn. The government is first in line when you get your check then those who have loaned you money are next. Debt obligations add to our financial pressure because these lenders demand payment. It is easy to obligate your entire income to lenders and put yourself in bondage with nothing left over at the end of the month.

Financial Wisdom: Debt is personal decision to live a lifestyle you know you can't afford to give others the impression you are someone you are not.

4: Avoid Investment loss:

Anytime we experience financial loss it creates pressure because no one likes to lose. Going backwards financially is not a pleasant thing. We all like the idea of gain but with the potential for gain we also bring in increased risk. The higher the return potential the greater the risk of loss. When we experience loss we are left

with two options to get back to our pre-loss position. One is to take even more risk hoping our investment can recover or to take more cash flow which requires future after tax earnings which could have been enjoyed in lifestyle just to get back to the same place we were before the loss.

Financial Wisdom: Paying twice to get to the same place is never fun.

5: Avoid Giving Up Your Collateral

We all know people who have had money in their future savings and investment accounts who borrowed money from those accounts with the intention to repay them at a later date when times got better. We also know that human nature can get in the way and what we intend to do never gets done. The problem is that when you borrow from yourself, pay cash, you do not feel any pressure to put the money you have taken from your future back. While this does relieve current pressure, not paying yourself back will create even more pressure down the road. Remember when you do not put the money back you have also lost the opportunity of what those dollars could have earned for you.

Financial Wisdom: Do not rob from your future to support your current lifestyle.

6: Collateralize Major Capital purchases

A major capital purchase is anything that you want or need to buy that you can't pay for in full with monthly cash flow. Needing to make a major capital purchase can cause extreme pressure on both your current and your future lifestyle. Pressure comes first in your current lifestyle because this purchase is going to require cash flow. Unfortunately many spend everything they make so having to cut back on current lifestyle brings pressure and problems of its own. It also creates pressure on your future because the dollars required to make payments today are easily taken from dollars one is currently saving for their future. Borrowing against money you already have put away and can get to if necessary is much less stressful than borrowing money you do not have and have yet to earn.

Financial Wisdom: Big ticket items cause big pressure for those not prepared.

7: Regulate Your Current Lifestyle

The lifestyle regulator does exactly what the name implies. It's job is to regulate lifestyle. Lifestyle can be the cause for much of the financial pressure we have in our lives. An unregulated lifestyle even for a short period of time can cause a lifetime of stress and pressure. The purpose of the lifestyle regulator is to give guidance so that we learn to keep a balanced cash flow and avoid the problems and pressure caused when we get out of balance. This requires discipline and a commitment to follow a financial strategy that will keep us financially sound. Our money is no different than the other areas of our life which also require the need to be regulated for us to live a balanced and productive life.

Financial Wisdom: There are two types of pain and you will experience one or the other. One is the pain of discipline and the other is the pain of regret.

8: Don't Count on Inheritance Money

Knowing that you are going to inherit money in the future is a tremendous blessing and certainly something that can eliminate a great deal of financial pressure from how you look at things today. You may be asking how can receiving an inheritance create financial pressure. The thought of receiving money in the future that you did not earn can keep you from doing the things you need to do should something happen and you do not receive the money. There is also the pressure to leave the next generation what has been left to you. For you to take and not add to your good fortune can cause an internal pressure of guilt that all the money in the world can't buy to erase.

Financial Wisdom: To whom much is given, much is required.