JEFFERSONIAN GROUP
CHAMPIONS OF FREEDOM AND SELF RELIANCE

Financial Freedom: 3 Ways to Achieve Financial Independence

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What Does it Mean to Have Financial Freedom and Financial Independence?

Financial Independence has nothing to do with your net worth (assets less liabilities). There are many millionaires who are not **financially independent; if they lost their 6-to-7 figure incomes from their jobs** or career, many would have to file for bankruptcy.

Many millionaires have to work every day to pay their mortgages on several homes, yachts, and all of their other expensive trappings of perceived wealth; they are slaves of the banks, who they pay their mortgages to; they are slaves of government who they pay their federal & state **income taxes, Medicare & Social Security Taxes,** and the ever-increasing real estate taxes on their lavish homes.

If they have to work at their jobs and careers to maintain their lifestyle, they are not financially independent.

Real wealth is a cash flow generated from your passive investments or assets that exceeds your expenses necessary to support the lifestyle of your choosing. You do not have to go to work; **you may wake up at 6:00 am or noon;** you may travel and live anywhere; and, your passive income or cash flow continues to flow into your bank account 24/7 regardless of whether you are awake, or asleep.

Once you become financially independent, you may choose to continue working; you may start another career or business; you may decide to go back to school; you may start a charitable foundation; or, you might just want to do nothing but travel and see the world.

Once you have obtained financial freedom, you are no longer a slave and can do whatever you want; the choice is yours!

To achieve financial independence, you only need to do three things!

Pay Yourself First

A common strategy recommended by financial planners is to take the first 10% of your earnings and put it into your savings, which has now been coined, the **pay-yourself-first principle.**

For example, when you sit down to pay your bills or common living expenses (e.g., **rent or mortgage, utilities, auto, etc**.) the first payment should be to yourself. Normally it is recommended that you take the first 10% of your earnings or paycheck and save or invest that amount every time you pay your bills.

The 10% should be based upon your gross salary or earnings, not the net amount, which is after withholding for **federal income taxes, State & local taxes, Social Security & Medicare taxes.**

In today's uncertain world, when job security is no longer the norm, 10% may not be enough. You should attempt to save and invest at least 30% of your gross salary or earned income. If you make a habit of this and live below your means, it will become second nature.

Parents and grandparents can help their children and grandchildren learn this valuable lesson when they receive cash money for doing chores or working, or, for birthdays and other holidays. For example, if your child receives $10, have them put $3 in a piggybank or savings jar.

The goal is to accumulate at least **$600 to be able to open an account** with an online discount broker. If they receive $1,000 from generous grandparents for a birthday, take at least $600 and open a brokerage account with an online discount broker and show them how to buy10 shares of Coca-Cola (KO) stock.

Explain to them that **The Coca-Cola Company** has over 500 sparkling and still brands selling 1.9-billion servings per day in over 200 countries.

And, every time we drink a bottle of **Dasani purified water, or any other Coke products** you may like to drink, we, as owners of this great business, are helping to make our stock more valuable; and, enable our company to continue to pay and raise its dividends, which is good for us and the entire economy of the United States.

The sooner one starts to invest using the principle of compound interest, by buying great businesses—that have survived recessions, depressions and wars—that have paid and raised their annual dividends for at least 25 years and longer, the sooner one is able to attain financial freedom.

Live Below Your Means – Minimize Expenses

In order to be **financially independent and maintain your financial freedom**, you must accumulate assets or investments that pay you passive income that continues to grow and is always greater than your expenses necessary to maintain your lifestyle.

If you are creative and able to develop a product or fill a need, or, lucky enough to win a lottery and generate millions-of-dollars, you may be temporarily financially independent. But, if you **want to maintain your financial freedom**, you will need to acquire assets or investments that pay you passive income that continues to grow and is always greater than your expenses to maintain your lifestyle.

Unfortunately, anywhere from 44%-to-70% of lottery winners and others that receive a windfall end up broke within five years because they do not understand this principle. **To maintain financial freedom, you must acquire assets or investments that generate passive income that continues to grow; and, your passive income must always exceed the expenses necessary to maintain your lifestyle.**

If you have to liquidate or sell your investments to maintain your lifestyle, you will ultimately run out of money, which is what happens to most lottery winners.

For the majority of us, the greatest amount of income or cash flow that we receive comes from our jobs or careers, whether we work for others or ourselves. Therefore, you should first do all that you can to **maximize your job or career earnings**. If you are unhappy with your career choice or you cannot generate enough income from your chosen career, try something else.

My grandfather, a World War I veteran, self-educated, and who built bridges in Northern Illinois and Wisconsin while employing many others **during the depression-era**, advised: Look at every job as a paid education; once you have learned all you can from a particular job, move on to another job until you have learned and saved enough to start your own business.

So, if you are unhappy with your current employment, take my grandfather's advice, i.e., look at your current position as a paid education, work another part-time job to **enhance your education**, find another job to continue your paid education, and then, start your own business to increase your income.

Unfortunately, since the industrial revolution, our government-controlled schools no longer encourage the entrepreneurial and independent spirit. The U.S. education system was designed, based upon the German-system; to stifle individual initiative; to encourage students to be satisfied with mundane factory-type jobs (or today, **work 8-to-10 hours a day at a desk in an administrative position**); to follow orders; and, to respect authority and pay their taxes to the federal government without question.

And, the easiest way for the U.S. government to collect taxes is for most citizens to be employed by companies that **withhold and deposit taxes** directly to the Internal Revenue Service. While the entrepreneur and self-employed tend to be more creative, taking advantage of available loopholes in the tax laws.

Many people are “highly-educated, professionally successful, and financially illiterate.” This is due to our compulsory education or indoctrination system, which encourages like-minded thinking, finding a good paying job, and reliance on government to solve all problems. As a result, most people become “trapped in the Rat Race.” **Robert Kiyosaki illustrated how a financial dream turns into a financial nightmare:**

The classic story of hardworking people has a set pattern. Recently married, the happy, highly educated young couple now share a cramped rented apartment. Immediately, they realize that they are saving money because two can live as cheaply as one.

The problem is the apartment is cramped. They decide to save money to buy their dream home so they can have kids. They now have two incomes, and they begin to focus on their careers. Their incomes begin to increase.

. . . as a result of their incomes increasing, they decide to buy the house of their dreams. Once in their house with a mortgage, **they have a new tax, called property tax**. Then they buy a new car, new furniture, and new appliances to match their new house. All of a sudden they wake up and their liabilities column is full of mortgage and credit card debt. Their liabilities go up.

They’re now **trapped in the Rat Race**. Pretty soon a baby comes along and they work harder. The process repeats itself: Higher incomes cause higher taxes, also called “bracket creep.” A credit card comes in the mail.

They use it and max it out. A loan company calls and says their greatest “asset,” their home, has appreciated in value. Because their credit is so good, the company offers a bill-consolidation loan and tells them the intelligent thing to do is clear off the high-interest **consumer debt by paying off their credit card**. And besides, mortgage interest is a tax deduction.

They go for it and pay off those high-interest credit cards. They breathe a sigh of relief. Their credit cards are paid off. They’ve now **folded their consumer debt into their home mortgage**. Their payments go down because they extend their debt over 30 years. It is the smart thing to do.

Their neighbor calls to invite them to go shopping. The Memorial Day sale is on. They promise themselves they’ll just window shop, but they take a credit card, just in case.

As Kiyosaki correctly explained, the problem the typical hardworking couple has is not how to make more money but, **“their trouble is really how they choose to spend the money they have.”** “It is caused by financial illiteracy and not understanding the difference between an asset and a liability.”

Contrary to popular opinion, a home is not an asset for creating real wealth, it is a liability. Your home does not generate any income; it is a ***Money Pit***. You have to pay the mortgage, utilities, maintenance, property taxes that continue to go up each year, and, insurance that tends to also increase annually.

After so many years, kitchens need **remodeling, carpets & flooring replaced**, and, painting and decorating requiring new furniture to match the updated changes. And, the larger the home the more furniture that is needed to fill it up.

To become financially independent, you need to keep your expenses low, limit or eliminate your liabilities, and, accumulate assets or investments that pay you an income. You must keep your expenses low so that you have enough income to **acquire assets or investments** on a regular basis. The earlier you start, the sooner you will become financially independent.

For those of you who have just left college or a trade school and have landed a new job or career near your parents, consider moving back home to save on rent, utilities, etc., which may **enable you to save 30%-to-50%** or more of your gross earnings over a one to two-year period. You might also consider sharing an apartment or rental house with several roommates to keep your living expenses low.

If you move into a neighborhood where everybody drives luxury cars and belong to country clubs, you will most likely end up making the same choices as your neighbors. However, if you curtail your immediate desires for gratification and acquire assets that generate passive income, you will become financially independent much sooner.

To become financially independent and maintain your financial freedom, you must always live below your means, i.e., your income must always exceed your expenses necessary to maintain your lifestyle.

Whatever your income is, you should be able to save and invest 10%-to-30% of it. For example, if your monthly income is $5,000, you should be able to invest 10% of that amount or $500 each month; if **$10,000 per month, you should be investing** 30% or $3,000; and, if $25,000 per month, you should be investing at **least 30% or $7,500 per month.**

Any bonuses and pay raises should be invested rather than spent on luxuries or to buy a bigger home. Buy that bigger fancier new house after you have accumulated enough assets or investments that generate an increasing passive income that can pay for it.

Married couples who both work should attempt to live off one income only; and, **even invest 10%-to-30% of the other spouse's income**. Before you know it, neither spouse will have to work because you will be financially independent.

Invest Wisely Using Principle of Compound Interest

If you put $10,000 in a DRIP (dividend reinvestment program) "yielding 5%---and the company grows its dividend 10% each year, so that in year number two you're earning 5.5%, in year three you earn 6.05% and so on—you'll be sitting on well over $5 million at the end of 30 years. And this . . . doesn't even factor in the potential growth in share price!"

Investing in a DRIP addresses two of the most pressing problems facing . . . you today: inflation and relentlessly **low interest rates.**" According to Dan Ferris, the ultimate stock strategy for any stock market correction or downturn "is buying the world's best businesses at great prices . . . and then compounding your way to wealth over many years."

The businesses he is talking about have DRIP's and include **"blue-chip *World Dominators* like Microsoft and Coca-Cola."** "These businesses have tremendous advantages over their competitors. They generate huge cash flows, which are directed to shareholders in the form of higher dividends, share buybacks, and rising share prices." If you buy these businesses at great prices, "a stock market correction is nothing to worry about." "No matter what the day-to-day movements of the market are, World Dominator companies like Intel, Johnson & Johnson and Coca-Cola will still be No. 1 in their industries.

They will still have giant, insurmountable competitive advantages. They'll still have consistently thick profit margins. They'll still generate huge cash flows. They'll still direct a portion of those cash flows to shareholders through ever-increasing dividends. And they will still allow shareholders to put the power of long-term wealth compounding to work."

Grace Groner turned **$180 into $7-million in 75-years through a DRIP** with just one company; and, Anne Scheiber took a $5,000 investment in DRIP's and turned it into $22-million 51-years later.

The Coca-Cola Company (KO) has paid and raised its annual dividend each and every year for the past 55-years. Its name or brand is one of the most recognized throughout the world, **selling its products in over 200 countries**. If you had purchased 100 shares of KO on November 30, 1994 for $5,112 using the Company's DRIP or dividend reinvestment program, after 18 years ending December 17, 2012, your 100 shares would have grown to 1,958 shares worth $73,914 representing an average annual return per year of 74.56%.

More importantly, the dividend yield, at the time of purchase was only 1.5% or $78. For the year ended December 17, 2012, that dividend payout to you would have grown to **$1,977.44 representing a one-time yield or return** on your original investment, just from the dividends received, for the year 2012 of 38.68%; this annual yield continues to increase each and every year.

For the year ending December 15, 2016, the last quarterly dividend payment in 2016, the total dividends paid was $3,053.46 on this original investment of $5,112 representing a total return for **2016 of 59.73%** based upon the dividend payments alone. And, within several more years, the annual dividend payments will exceed the original investment! **As DRIP investors, we do not care if the market crashes and the value of our KO shares drop because the dividend payout continues to increase each year; and, we are able to acquire more shares at less cost.**

Take Action

It doesn't matter if you make **$25,000 or $1,000,000 per year**. If you do these three things—**Pay Yourself First, Live Below Your Means, and, Invest in DRIP's Using Compound Interest Principle**---you will become financially independent within 10-to-15 years.

Would greatly appreciate your questions and concerns on this subject in the comment section below.

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Thanks for reading,

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Are you ready to become wealthy and **financially independent?** Would you like to insure that you maintain your financial freedom? Would you enjoy seeing your children and grandchildren **obtain financial freedom early in their lives**, no matter their career choices? And, would you find satisfaction in the thought of your parents retiring without worrying that they may outlive their money? If you answered yes to any of these questions… you have come to the right place! This book will provide you with the tools necessary to take care of your own financial affairs; to help you stay clear of the sharks on Wall Street; to outlive your money; **to attain financial freedom as soon as possible;** and, to maintain your financial freedom regardless of what happens in the markets and the world! Let's get started… the journey to obtain and maintain financial freedom is waiting for you!

GET IT NOW