
How Much Is Enough?

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Financial Independence vs. Financial Freedom

What's the difference between "financial independence" and "financial freedom?" I believe financial independence is a point in time...when your savings provides income to cover your lifestyle without the need for you to work for a paycheck. And, I believe financial freedom is a state of mind...achieved when you believe your financial affairs are in order and are congruent with your desired lifestyle. Achieving "financial independence" requires the work of outlining a plan of action and can be projected to a specific date at some time in the future (unless you're there already). Achieving "financial freedom" requires some mental discipline along with a bit of work to be sure you clean house of the issues of worry, fear, guilt, and other barriers that crowd your thinking regarding money and your use of it.

The concept I want to develop in this month's issue is the process of creating a "Debt Freedom Schedule." I believe the first step in working towards the goal of "financial freedom" is to be clear on your status of debt freedom or knowing at what point in time you'll be free from the burden of paying off debt. Now, I am not saying that debt is a bad thing, nor do I believe you should pay off all of your debt before beginning any type of savings or investment program, which some will say is the prudent thing to do. I have simply come to believe, through countless financial planning sessions with people of all ages and backgrounds, that debt is the number one burden to people's ability to open their thinking to a freer tomorrow with less restrictions and a better chance of achieving their financial dreams.

My approach to debt freedom is based on the assumption that by knowing our debt payoff plan, we are empowered to keep a committed focus to our payment schedule. And, we are able to visualize a specific point in time when we will be out of debt and will have achieved the first and most significant step towards financial independence. At the point of achieving a well laid out "Debt Freedom Schedule," I believe we are able to achieve the first step of financial freedom or that state of mind when we know our financial affairs are in order and in balance with our lifestyle.

I'll be brief as to the instructions for creating your "Debt Freedom Schedule." I have provided a worksheet on the following page for you to complete this task. Simply list each debt you have, in the boxes provided at the top of the worksheet, writing in the name of your first debt above "Debt #1" and so on until you have all debts listed on the sheet. Now, put this month's date in the box below the "Date" box, and list future months down this column. Under each "Debt" you will list the monthly payment to that debt, continuing until the debt is paid in full. The month following the end of a debt payment write in the box "pd. in full."

Some debts such as a home mortgage or car loan will have payment schedules already laid out, and you'll know exactly when the last payment will be made and how much it will be. For other debt such as credit card balances or notes you don't make regular payments on but are accruing interest for, these will need to be projected out to their final payment. Let's say you have a credit card with a \$2,000 balance, and you're paying the current balance plus \$200 more each month. In 10 months, you'll have paid off the old balance. But, you'll also be paying interest along the way, so it will probably take 11 or 12 payments to pay this off in full. Either

ballpark this or set up a spreadsheet and be more specific. The point is to run every debt out to its final payment. In the process, you'll add each month's "Total Payment" for all debts in the right column. You'll see this number shrink as each debt goes away. This is your homework for next month, when I'll give you the key to achieving your first stage of "financial freedom."

Debt Freedom Schedule

Date	Debt #1	Debt #2	Debt #3	Debt #4	Debt #5	Debt #6	Total Payments