Making Your Money Work For You

Once you building financial strength (having reduced your debt load and accruing about six months of savings), you may feel tempted to put your money concerns aside. We all need to rest, right? And now that your financial challenges have taken a turn for the better, you may have extra money now.

You might be ready for some nice new clothes or a new car. Maybe you can rediscover the gourmet cappuccino at the coffeehouse down the street. Or maybe even take that family vacation you have always wanted.

But, have you ever thought of what it would be like to take that extra money – a couple of dollars at a time, even – and begin making it work for you?

What does this mean - make your money work for you? Let's think about this in human terms. When a boss at work wants something accomplished, she delegates the task to her employee. The employee then devotes his workday to meeting the set criteria through the required guidelines. It's the same with money – you're the boss, and the money is your employee.

So, as the boss, you need to give your money something to do.

You may feel intimidated by the idea of investing. Maybe you don't know how to begin investing. Or maybe you think that you need a lot of money set aside.

So if you don't know how to do it, and you don't think you have enough money anyway, then what's the point?

Investing can be a smart thing to do with extra cash. Keep in mind that books upon books and websites upon websites address this subject, and the more you learn, the easier it will be. You may want to contact a Certified Financial Planner to advise you on investments.

What is an Investment?
An investment is when you commit money to something and expect to make a profit over time.

Many people invest their money in the stock market. When you purchase stock from a company, for example, you commit a certain dollar amount to that company per share. A share is a unit of stock. Hopefully the company will become more successful, and the value of the share will grow. If this happens, you make a profit. The more shares you purchase the more profit you will make if the value of the shares grows. If you're familiar

with stocks, you may already know that the stock market values fluctuate widely. This makes it a high-risk investment. Talk to a certified financial planner about different types of investments like stocks, mutual funds and bonds.

Think like an Investor

You may think you need to have an extra thousand dollars lying around if you want to invest when the reality is you don't need to have large sums of money. You just need to change your mindset.

Learn how to think like an investor, not like a consumer.

What's the difference? Investors think "What's the best way to use this dollar?"

Consumers think, "It's only a dollar." Investors sacrifice some unneeded luxuries to gain future wealth. Consumers want to enjoy their little bits of money now. Investors have a vision. Consumers have debt.

Every day you can decide whether you will invest or consume. Deciding not to buy a gourmet cup of coffee tomorrow morning may be the beginning of your financial freedom. You could take that coffee money and invest it for future financial security.

Once you begin to have money left over after having paid all the bills, use that money wisely. Don't pay the travel agent, the clothing store or the coffeehouse. Pay you!

This means that you put some of your earnings from every paycheck into a savings plan or other investment. Most planners advise having 10% of your earnings automatically debited from your paycheck and put into your savings so that you don't get tempted to prematurely use it. 10% may seem too high or too low depending on your circumstances. You need to save what's right for you. And remember, every time you receive a raise or bonus, recalculate the percentage to put into savings and make it work for you.

Remember to consider thinking like an investor, not a consumer. It's easy to feel angry about putting this money away when you think like a consumer. Here you are, working day in and day out, and you can't even use the extra money your hard work earned you. But investors know that saving money today will bring security and freedom tomorrow.

Pay yourself first and take care of the future you.

Improving spending habits, getting out of debt, paying off your mortgage, investing – none of this will happen overnight. People usually want more money right now; however, there is typically no easy fix. Debt won't disappear magically, and your stock portfolio generally won't lead to independent wealth by next week. Don't fall for the "right now" syndrome – you are smarter than that. We go one step at a time. If you make solid, smart decisions with your money over time, you can eventually have a secure, financially free life. It takes patience, persistence, and perspective, just like any other goal in life.

So sit back, and enjoy the amazing journey and road ahead of you.