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## ABOUT ANDREAS LINDE



Andreas Linde is a financial expert who has been working in the loan market for the last seven years. He specializes in consumer loans, interest rates, loan consolidation, and personal finance management. Andreas has published over 100 articles on loan markets and personal financial management.

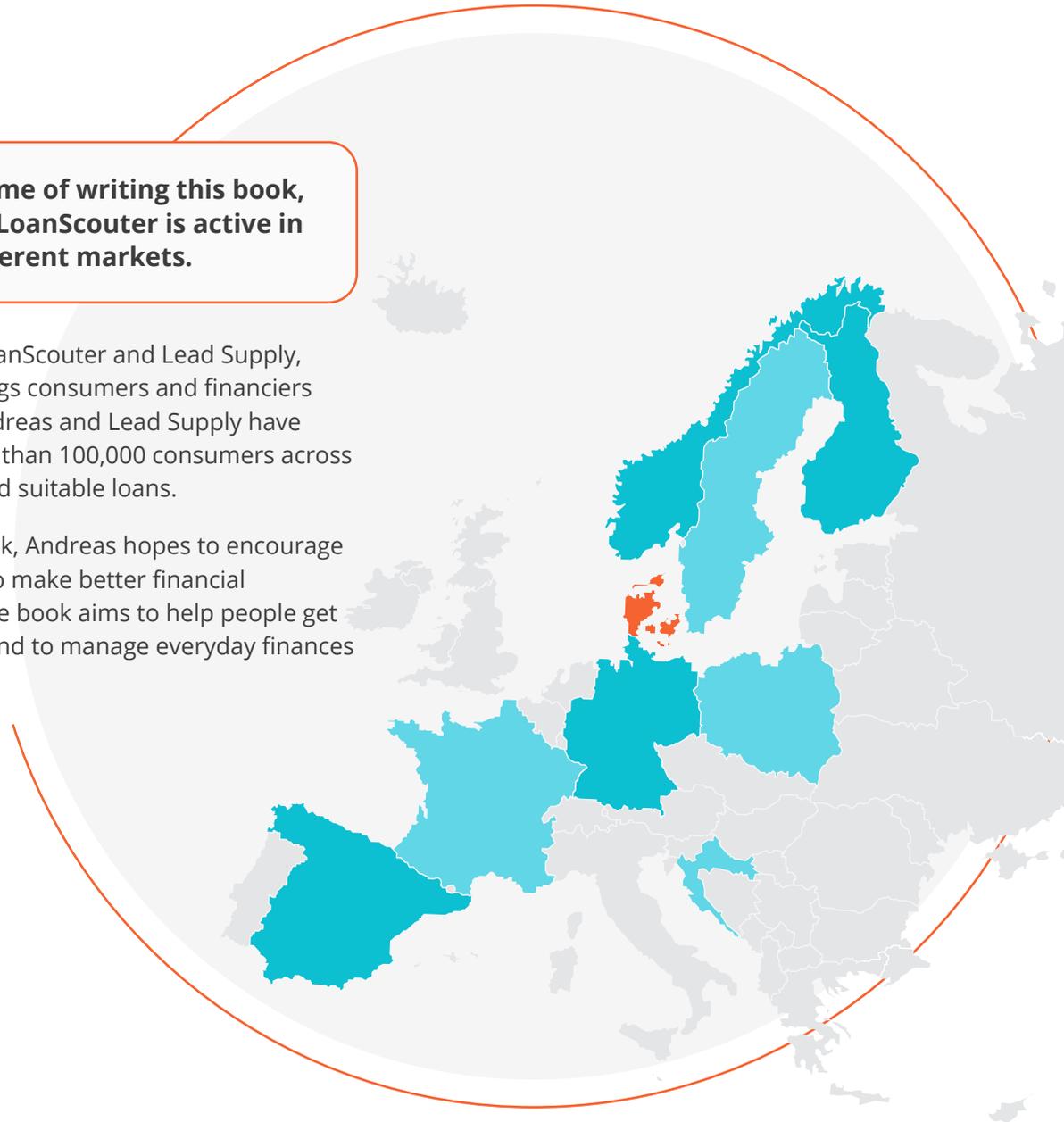
Andreas founded Lead Supply, the company under which LoanScouter operates, in 2014 at the age of 22. Lead Supply and LoanScouter's mission is to make it easier for consumers to find affordable loans.

LoanScouter works like any other comparison service, but instead of comparing electronic devices or hotels, it helps consumers compare loans. In addition to loan comparisons, some LoanScouter markets also enable consumers to compare insurances.

**At the time of writing this book, in 2021, LoanScouter is active in nine different markets.**

As CEO of LoanScouter and Lead Supply, Andreas brings consumers and financiers together. Andreas and Lead Supply have helped more than 100,000 consumers across Europe to find suitable loans.

With this book, Andreas hopes to encourage consumers to make better financial decisions. The book aims to help people get out of debt and to manage everyday finances better.



## A FINANCIAL PLAN CAN SET YOU FREE

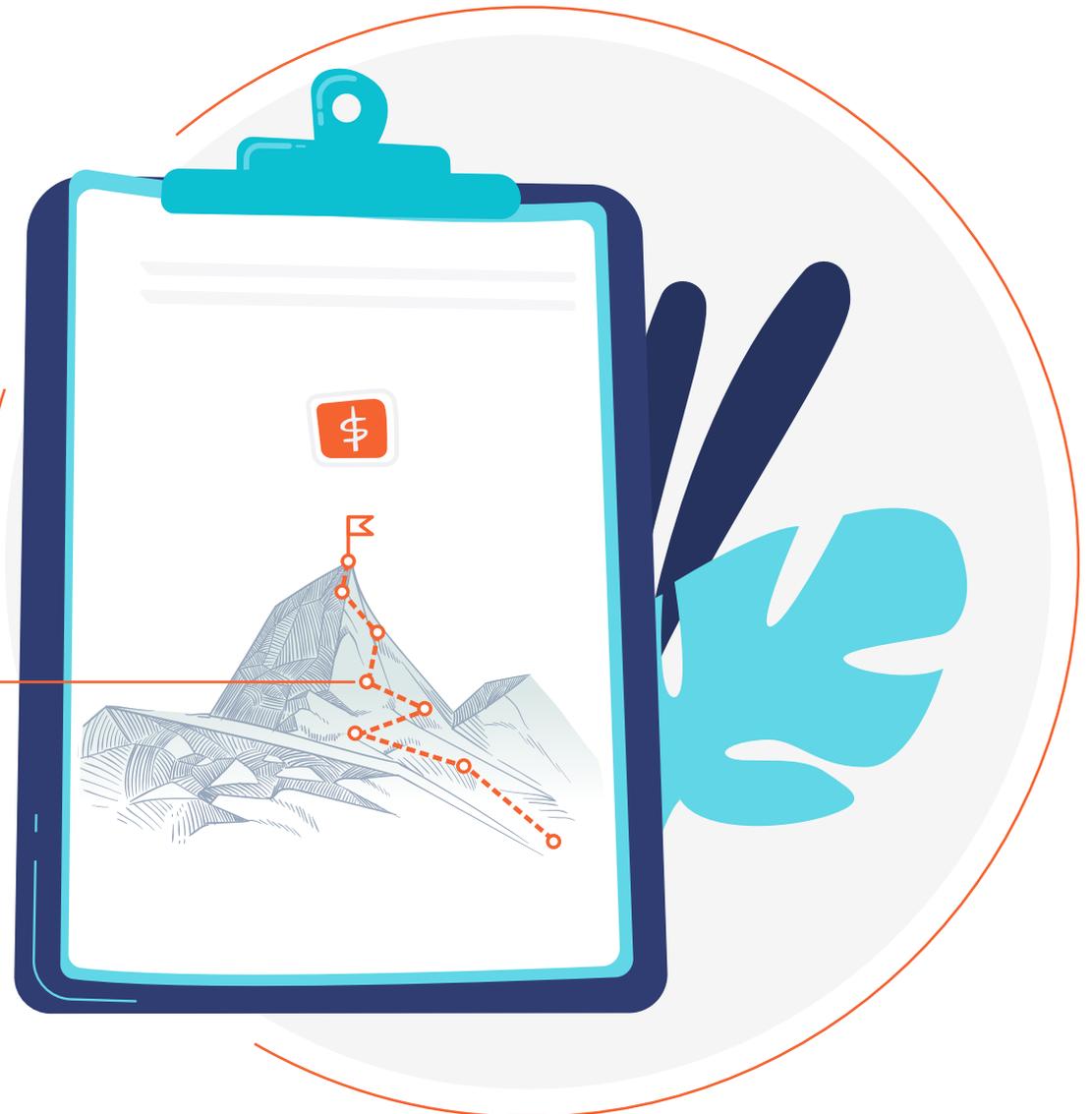
Are you comfortably drifting along but lack tangible goals for your financial future? Or are you stuck with debt and financial problems that keep you awake at night? Financial troubles usually come with extra stress and worry and too many people don't know where to turn.

This book will guide you through the fundamentals and give you the tools for financial security.

When you take control of your money, you take control of your life. Worldwide, millions of people have successfully taken charge of their future, starting with the simple methods we've outlined in this book.

**Let's take a look at some of the factors that impact your financial future**

Then we'll explain the basics of a financial plan, clarify the process and talk about building the habits you'll need for success.



## A FINANCIAL PLAN CAN SET YOU FREE

### Millennials, money, and everyone else

It's no secret that millennials are worse off financially than their parents were at the same age. In their short working lives, today's 40-year-olds have been hit with two major recessions leading to wage stagnation and unemployment.

When combined with high student debt and personal debt, it has been hard for millennials to build wealth. Homeownership, once a benchmark of prosperity for past generations, is simply out of reach for many.<sup>1</sup>

But it's not only millennials who have felt the squeeze; slow wage growth affects everyone.

Looking back on the last forty years, there have only been ten years of steady (although slow) growth in the labor market.

The results are that the majority of workers don't have the necessary resources or fiscal power to reach a better standard of living. Most of the possibilities for wage growth have been spent on a small fraction of top-level workers.

It's not surprising that many people struggle to reach the elusive goals of surpassing their parents' quality of life, owning their home, and achieving financial freedom.<sup>2</sup>

### Money myths and mistakes

There are also common mistakes that hinder financial development, errors like spending needlessly, purchasing a new car, or living paycheck to paycheck. If you are using credit for your living expenses and don't have a financial plan, the future starts to look bleak.<sup>3</sup>

To complicate matters, many people have misconceptions about money in general.<sup>4</sup>

What you need is easy-to-understand, factual information, the kind presented in this book. The best weapon against economic uncertainty, misinformation, and rumors is knowledge.

### Financial literacy is important

Everyone should learn the basics of personal financial literacy. Financial knowledge equips you for a better life without the stress and insecurity of never knowing where you stand.

When you know how to use basic financial tools like budgeting, debt reduction, and savings, you'll have the keys that unlock success and protect you from poverty.<sup>5</sup>



**Only half of Millennials are earning more than their parents<sup>2</sup>**

<sup>1</sup> <https://www.cnn.com/2019/11/05/millennials-earn-20-percent-less-than-boomersdespite-being-better-educated.html>

<sup>2</sup> <https://edition.cnn.com/2020/01/11/politics/millennials-income-stalled-upward-mobility-us/index.html>

<sup>3</sup> <https://www.proquest.com/openview/9300a18402f5d0fbbf3d69ebbd18b809/1?pq-origsite=scholar&cbl=6796>

<sup>4</sup> <https://www.fidelity.com/viewpoints/personal-finance/6-money-myths>

<sup>5</sup> <https://www.forbes.com/sites/lizfrazierpeck/2019/08/29/5-reasons-personal-finance-should-be-taught-in-school/?sh=1b7562605178>

## A FINANCIAL PLAN CAN SET YOU FREE

### Your starting point

Whether you are just beginning or have been worrying about money for years, it's time to leave the stress behind and find your starting point.

Your financial future begins with a solid financial plan, and this book explains how to set one up. It can be as simple or complicated as you wish, and you can tailor it to fit your situation.

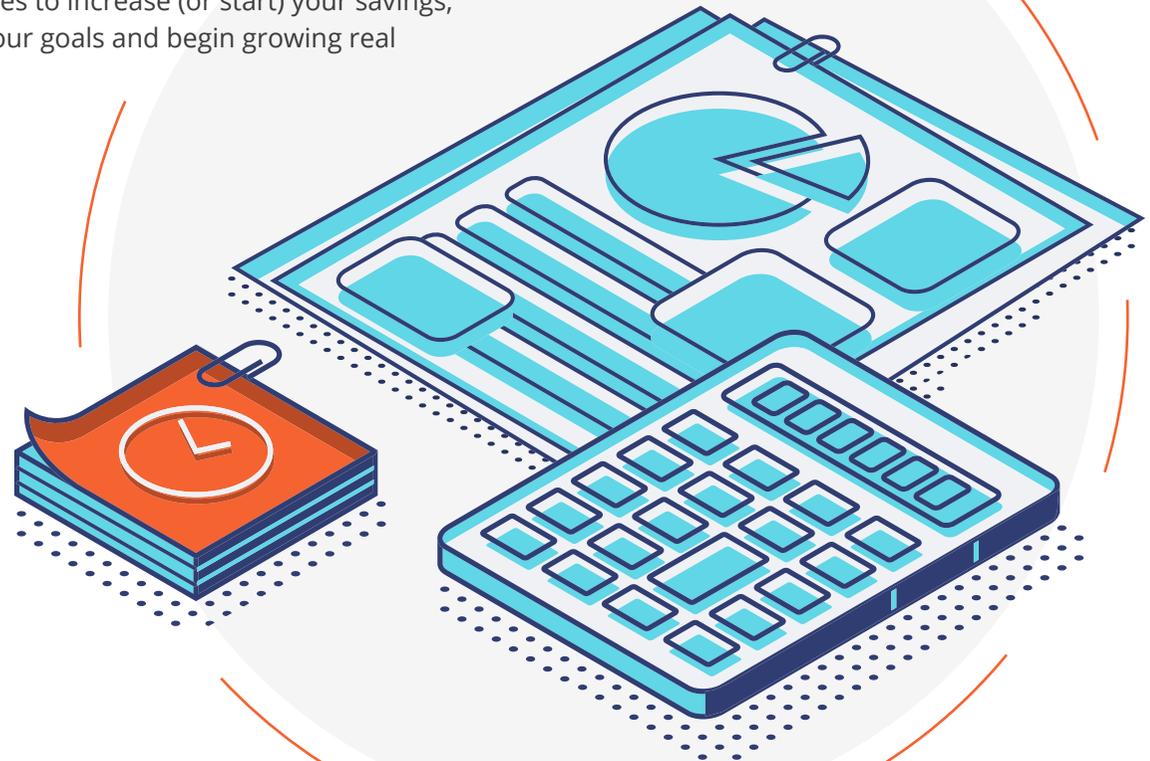
A financial plan will give you a clear view of your bigger financial picture, and help you set goals.

We all have dreams for the future, and money is one way we achieve them. By creating goals for your money, you identify why you want to increase your net worth, get out of debt, or set up a savings account.

No more lying awake at night wondering if you can afford to take that holiday or get a second car. You will have discovered why everyone needs a budget and how to set up your own.

**Together, your financial plan and budget give you a comprehensive overview of where you are financially.**

And armed with these tools, you'll have the resources to increase (or start) your savings, meet your goals and begin growing real wealth.



# STARTING WHERE YOU ARE

Your personal financial plan starts here. It includes your income, assets, liabilities, and investments, but should also take into account your hopes and dreams for your future. The idea is that you understand your current financial condition and find out how to get to your successful financial future.



Making a list of your goals will remind you **why** you are doing this.



Your cash flow statement will show you **where** your money is going month by month.



Having a personal balance sheet gives you a clear picture of **what** your overall situation is



...and your budget maps out how you're going to achieve success.

You're taking the steps you need to have an accurate picture of your financial reality. Armed with this knowledge, you will be well equipped and on your way to financial prosperity.

## Establish your financial goals

If you don't know where you want to go, you won't know when you get there. With established goals you will be ready to build a step-by-step plan to reach your destination. Your goals could be simple—get out of debt—or more involved, such as starting your own business. You could save for a new car, buy a home of your own or start investing for retirement.

One thing is certain, it's always good to know why you are saving your money. Keeping your **why** in focus will increase your enthusiasm to succeed. And as you begin to achieve your goals, new ones will take their place. By listing what you want to achieve, you will have an ongoing record of your successes to refer to when motivation lags.

## STARTING WHERE YOU ARE

### Create a cash flow statement

Your cash flow statement gives a picture of how much money you are bringing in and how much is going out. The idea is to find out if you have a negative or positive net cash flow.<sup>1</sup>

List all sources of income; salaries, money from side hustles, income from rentals, etc., all money you receive. If your income varies monthly, add up three months' figures to get an average.

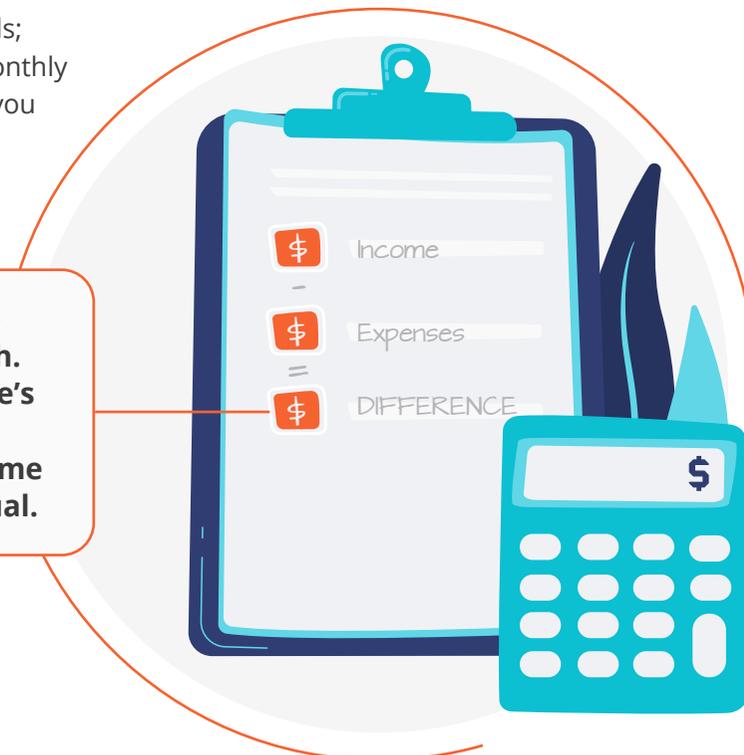
Then list all the money paid out on bills; these are your outgoings. Subtract monthly outgoings from monthly income and you have your net cash flow.

**Is it a positive number? There will be money left each month. Is the number negative? There's a shortfall in your budget. A neutral cash flow means income and outgoings are almost equal.**

### Your personal balance sheet

Making a personal balance sheet is easy and determines your net worth.<sup>1</sup>

By listing your financial assets (what you own) and subtracting your financial liabilities (everything you owe), the balance is your net worth.



Don't worry about a negative balance. It's more important you know your current financial condition. It's not an essential step but helps you decide how to plan and set goals.

Do you want to send your kids to university or should you be focusing on retirement? Knowing your net worth identifies goals for the future.

### You're ready to set up your budget

Setting up a simple budget is easy with your cash flow statement, as it gives you a clear view of your overall spending behavior.

The first step is to organize your monthly costs into categories. List your necessities like food, rent or mortgage, transport, phones, healthcare, and insurance. Add any debt payments such as loans or credit cards.

List all your nonessential expenses like cable television, gym membership, entertainment, eating out, clothing, etc. If you have a retirement plan or monthly savings, also add them into the expense category.

Once you have your monthly income and expenses listed, you can evaluate how your figures compare to accepted budgeting strategies.

<sup>1</sup> <https://investmentmoats.com/budgeting/personal-cash-flow-statement-complete-guide/>

There are almost as many different budgets as there are personal finance experts. Budgets don't come in a one-size-fits-all, but to avoid confusion, we'll look at three of the most popular.

## The 50-20-30 rule

The 50-20-30 rule is a popular budgeting system. It is based on dividing your salary into three categories, allocating 50% for necessities, 20% for savings, and 30% for everything else.<sup>2</sup>

Although the 50-20-30 budget sounds easy, it won't always fit everyone's lifestyle. For example, your city is so expensive you spend most of your pay on rent, or your job is low-paying, or you're self-employed.

## The 80-20 plan

On the other hand, the 80-20 plan is super simple. Instead of putting every expense into essential and nonessential categories, take 20% of your paycheck and put it directly into your savings account. The remainder of your salary is yours to spend any way you want.<sup>3</sup>

By setting up automatic withdrawal, 20% of your pay gets put in a separate savings account immediately. The rest of your salary goes into your checking account from where you pay your expenses.

When removed from your account, it's as if the money was never there to spend in the first place. If you're disciplined about paying bills and have enough for living, this works to build up your savings.

## The zero-based budget

Zero-based budgets have become increasingly popular over the years. Despite the name, it doesn't mean spending all your money and leaving an empty bank account at month's end.<sup>4</sup>

The idea is to give all your money a job. Every dollar you earn must have a place in your budget.

You do this by listing all your expenses, subtracting the total from your income, taking all the leftover cash, and applying it to one of your financial goals.

When done correctly, you will have accounted for every single dollar of your monthly income, there'll be nothing over.

<sup>2</sup> <https://www.sofi.com/learn/content/50-30-20-budget/>

<sup>3</sup> <https://www.thebalance.com/dont-like-tracking-expenses-try-the-80-20-budget-453602>

<sup>4</sup> <https://www.nerdwallet.com/article/finance/zero-based-budgeting-explained>

## Creating your budget

Because no two people are the same and everyone has a different situation, budgeting should fit the individual. Often, it is better to create your own, tailored to your unique circumstances.

Use your cash flow statement to calculate your monthly expenses. This shows where your money is going and how much you will have leftover to save or spend. Allocate your funds to each expense, which should also include all of your planned savings.

Keeping track of your expenses is central to the success of this system. By saving all your cash receipts you'll see exactly where your money is going. Along with your credit card statements, you'll find out where you may be overspending or if there's extra to save.

## How to decrease costs and improve cash flow

If your cash flow isn't good enough or there's not enough money left at the end of the month, a budget will help you take control.

Check out each of your spending categories and see if you can't find a way to trim your costs.

Streamlining your nonessential expenditures is an easy way to do this. Look for redundant monthly payments you can cancel, such as unnecessary insurance policies, cable or streaming services, and any unused subscriptions.

Lower your living expenses painlessly by reducing your food bill, choose to eat out less often, and cook more at home. Try different cuisines, buying from ethnic grocers instead of big supermarkets. Try to eat seasonally and buy locally as this is not only healthier and cheaper but also good for the planet.

Save on your heating and cooling costs. When winter approaches, check your doors and windows are properly sealed. Some simple DIY can stop cold drafts and heat loss. If you're unsure how to do this, look online for simple fixes.

In summer, open the windows for fresh air while it is still cool and close them before the day heats up. Closing curtains and blinds also keep the sun (and heat) out during the hottest part of the day.

## Follow your budget and adjust it

It's one thing to set up a budget and another thing to follow it. A budget doesn't do you any good if you don't stick with it.

Many people worry that budgeting will be too difficult. But all it takes is a strong desire to master your finances and commitment to stay the course.

The key to lasting success is to track all expenses. Every time you spend money, record it on your budget sheet. Your budget is your plan and tracking is how the plan succeeds.

As you achieve those early goals, your priorities will change. For example, if your goal was to purchase your own home and you have, you may now want to save for home improvements.

The point here is a good financial plan is flexible and should be continually adjusted to grow and change with you.



### Why everyone needs an emergency fund

An emergency fund is much more than just a savings account. It's your safety net in times of trouble, no matter what the trouble is. Life is full of surprises, some good, some bad. Having an emergency fund gives you peace of mind and confidence that you won't have to take on expensive debt to handle a crisis.

There are many reasons why you should have emergency savings in place. Sudden financial setbacks happen, whether it is a broken washing machine, a major car repair, or losing your job. Money experts recommend having a savings cushion that will cover at least six months of living expenses.

If you don't already have an emergency fund, add it to your monthly expenses and start putting money away until it is fully funded.

### Good debt vs bad debt

By now, you may be wondering if debt can ever be useful? Most people have heard the terms "good debt" or "bad debt" but what do they mean? Finance professionals tell us that good debt is debt that adds to your long-term prosperity.<sup>5</sup>

**An example of good debt is a home mortgage. A home is a major asset that increases your worth.**

In contrast, bad debt doesn't add anything to your long-term wealth, drains your finances and can hurt your credit score.

The most common example of bad debt is credit card debt, typified by high-interest rates. Or a car loan, where you borrow money to buy something that depreciates. Bad debt is too risky, too expensive, or both.

When considering debt, look at the impact on your other expenses, savings, income, and long-term financial goals. As for interest rates; a rate even fractionally less will save a lot of money over the life of the loan.



**Expensive long-term debt has plenty of negative effects on your life.**

It not only keeps you in a constant state of stress, but it swallows your paycheck, damages your credit rating, and makes savings impossible.

For some people, debt is a fact of life, but being buried under long-term debt doesn't have to be your reality.

Here's the good news. There is a way out. One that has worked for countless people around the world. You can plan your way out and attack your debt with a solid strategy.



## The first step is the hardest

If every dollar you make is earmarked to pay a bill, you can't save and live paycheck to paycheck. You could even be spending more than you earn.

You need to face your debt. Many people skip this step, pay the minimum payments and dig their hole deeper. Facing debt is difficult, you may be afraid to find out how much you owe.

The fact is you can't hide from debt, your need to accept it and take action. Once you do this, you have a way forward and freedom isn't far behind.

You only have to remember these two facts; there will always be people who have more debt than you and now is the beginning of the end. From today onwards, your debt is going down.

## GETTING OUT OF DEBT

### Most popular repayment plans

When you know the facts and have faced your debt head-on, it's time to build a repayment plan that will work for you.

**Two popular repayment plans are strategies used the world over and have helped thousands of people escape their debt.**

### The debt avalanche

First up is the debt avalanche. The idea is you focus on the debt with the highest interest rate first. Throw everything you can at it, while paying the minimum payments on your other debts.<sup>1</sup>

You carry on in this manner, paying the next debt with the highest interest and keeping up with your other minimum payments. Repeat until all your debts are eliminated.

Not surprisingly, there are pros and cons to this method. Using the debt avalanche reduces the amount of interest, saves you money and if you pay consistently, you can get out of debt faster.

The problem is you must stay with the program. There's no reverting to minimum payments for your target debt if you expect to reap the benefits. It is also not for the fainthearted, this approach takes discipline and determination to succeed.

### The debt snowball

Millions of people who successfully wiped out their debt burden have used this method.<sup>1</sup>

With the snowball strategy, you focus on the smallest debt first, while paying minimum monthly payments on all your other debts.

As you eradicate each debt, the money from that debt is applied to the next smallest one, a process called "snowballing." Repeat with each debt, from smallest to largest, while maintaining your minimum monthly payments until all your debts are gone.

The disadvantage is you won't save as much money on your interest fees. But this strategy works because seeing each debt disappear fast keeps your motivation strong.

Like most things to do with debt elimination, the best debt reduction method will depend on the individual.

Highly motivated, disciplined people may do best with the avalanche method of paying off debt faster. But studies in America have shown that people who attack the smaller debts first are more successful at eradicating their total debt.<sup>1</sup>

<sup>1</sup> <https://www.ramseysolutions.com/debt/debt-snowball-vs-debt-avalanche>

### Ending bad habits

Sometimes debt accumulates because of illness or job loss. Other times, it's lifestyle inflation—when you start thinking of luxuries as necessities. If you have lots of debt because of living beyond your means, you'll need to make some permanent changes to your lifestyle.

If you stress and worry about money all the time, what you're doing isn't working. Deciding to change your attitude toward money will change your mindset.

Begin by rewarding yourself for small successes. Look for satisfaction in things that don't cost money. Start a gratitude journal, writing down everything that pleases you, like the first cup of coffee of the day or the pure enjoyment of your morning walk.<sup>2</sup>

### Hidden causes of debt

Sometimes people spend too much because of their circumstances, such as using a credit card in a crisis because there's no emergency fund. But the fact is, we overspend because of other factors like the ones mentioned here.

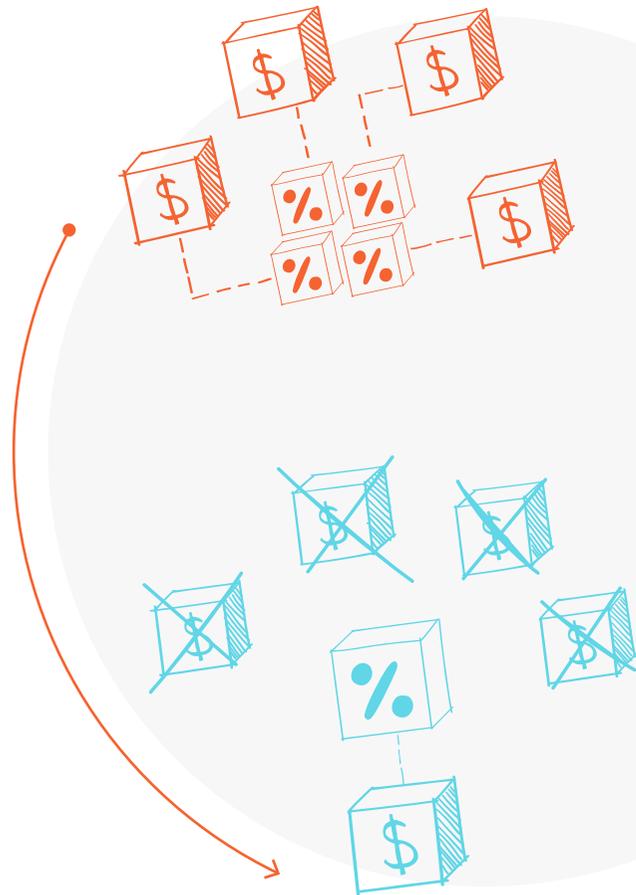
One common reason for overspending is not following a budget. Not having one is a sure-fire way to lose control of your money. Your budget is your best defense; follow it consistently, adjust it as needed, and refer to it often.

People overspend because they lack financial purpose. An inspiring goal for your money helps you stay on track with your financial plans. It's your **why** and keeps you from being distracted by the latest shiny thing.

Turning your financial life around and getting free from debt also needs patience. It takes time to pay down debt and time to save for things you need. Impatience causes you to lose sight of your goals and the purpose for managing your money.

Many factors cause unplanned spending. Indulging in retail therapy can completely derail financial plans because it's driven by emotions or boredom. Reviewing your goals and celebrating successes boosts motivation, as will imagining the day when you are debt-free.

<sup>2</sup> <https://positivepsychology.com/benefits-of-gratitude/>



### Refinancing explained

The debt consolidation, or refinance loan is touted as the answer to every debtor's problem.

**You group your debts, get a loan to pay everything off, and have one monthly payment.**

Keep in mind that some companies are expensive, so find a reputable lender offering reasonable repayment plans.

Debt consolidation is no guarantee that you'll get a lower interest rate or that the interest rate will be fixed (stay the same) for the life of the loan. If you want to refinance, find one of the banks that offer the service with lower interest rates.

People typically refinance to reduce interest rates, decrease repayment amounts or pay off debt. But refinancing can also be a smart financial move when interest rates are low, allowing you to release equity from property or reduce your monthly outgoings.

If you're struggling with loan payments, refinancing could be the answer. The one caveat is that you might pay more interest over the extended time.<sup>3</sup>

### Negotiate with your creditors

You can sometimes get help from the credit card companies where you owe money. It can be beneficial for the card issuers to negotiate because card debt is unsecured, and you may be tempted to ignore payments in times of trouble.<sup>4</sup>

Rather than risk losing you as a customer, or losing their money should you file for bankruptcy, your card issuer may be willing to negotiate your interest rate (APR).

Don't know what to say? There are scripts available on the internet that give you the exact words you need to succeed.

<sup>3</sup> <https://www.valuepenguin.com/loans/refinancing-a-loan-what-it-means>

<sup>4</sup> <https://www.bankrate.com/finance/debt/how-to-negotiate-with-credit-card-companies/>

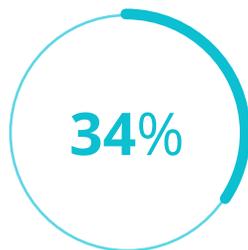
## MAKING THE MOST OF YOUR MONEY

Now you're committed to taking control of your finances. With a clear view of your financial position, you've identified your money goals and know where you're headed.

If you're on track to meet your goals, nothing has to change. But making more money can get you there faster.

Enter the side hustle, a concept that has grown in popularity for one simple reason, it works. For example, in the USA, it's become the new normal for over a third of the population.<sup>1</sup>

And the gig economy has opened up many opportunities for earning extra income, whether at home or online. Let's take a look at some of the easiest ways to add to your earnings.



**One in three Americans have a side hustle.<sup>1</sup>**

### Ways to earn more

Before you start any side hustle, consider your strengths and weaknesses. Do you have specific skills or abilities? Are you naturally gregarious or enjoy driving? Check out these side hustles that don't require certifications or additional education.

#### Ask for a raise

It sounds deceptively simple, yet many people work for years and never get a raise. If you've been in your position for over a year and you're doing good work, it's normal to ask. Do some preliminary research in to industry standards and pick a favorable time.<sup>2</sup>

#### Find a part-time job

In the past, a part-time job was the obvious choice when you needed extra money. It's still a good solution if you can fit the hours around your other commitments.

#### Drive for profit

Ridesharing took off in 2009 when Uber began. While Uber is still the most recognized service in many countries, other apps have now entered the market

If you don't want to partner with a ride-sharing app or your vehicle doesn't meet requirements, what about deliveries? There are services that specialize in food while others also deliver from local stores.<sup>3</sup>

#### Sell your clutter

If you've been decluttering, you may have valuable items you no longer need or use. Did you know there's money in clutter?

Consignment stores sell clothing and toys. Local markets sell furniture and décor, some websites buy old technology, while Facebook Marketplace and eBay sell everything.

#### Rent out your home

Since Airbnb began, people have been renting out their space for short-stay visitors. And it's not only resort areas. If there's a university or hospital near you, people need short-term accommodation.

And, if you're not using your parking space or driveway, rent it out for extra cash. Or, rent part of your house as storage space, using an online service.<sup>4</sup>

#### Rent out your stuff

Do you have bicycles, music equipment, or power tools, lying around? Renting out your stuff is a side hustle that doesn't take much time. From party supplies to furniture,

<sup>1</sup> <https://zapier.com/blog/side-hustle-report/>

<sup>2</sup> <https://www.glassdoor.com/blog/guide/how-to-ask-for-a-raise/>

<sup>3</sup> <https://thecollegeinvestor.com/22566/make-money-driving/>

<sup>4</sup> <https://vitaldollar.com/20-things-you-can-rent-out-for-extra-money/>

## MAKING THE MOST OF YOUR MONEY

some websites and apps make the process foolproof.<sup>4</sup>

If you only use your car occasionally, it can generate extra cash. Instead of sitting in the garage, your vehicle could be earning money to help pay for its upkeep.

### **Freelancing**

Here's a side hustle that pays surprisingly well. If you enjoy writing and can clearly explain ideas and concepts, this could be right for you. Using your laptop, or pc and an internet connection, freelance writing is another side hustle where you don't have to spend money.<sup>5</sup>

### **Find the hustle that works for you**

While these are popular ways to get extra cash, they're only the tip of the iceberg. There are many reputable websites with in-depth information on different side hustles.

There's one caveat, beware of scams. The hustle that sounds too good to be true is probably just that. Only use information from trusted sources and do your due diligence before proceeding.

## The long-term reward of investing in yourself

**Build your income potential with these two sure-fire strategies that increase earning power and can yield higher pay throughout your career.**



### **Up-skilling**

Everyone can benefit by adding to their skill set. Technology is developing at breakneck speed, and upskilling keeps you ahead of the competition.

Develop in-demand skills that help you negotiate a raise or apply for a promotion.



### **Higher education**

It's a fact that higher education leads to a better salary over the lifetime of your career.

One example comes from the US where a 2020 survey confirmed that average earnings grow from \$619 to \$781 per week by getting a high school diploma.<sup>6</sup>

<sup>4</sup> <https://vitaldollar.com/20-things-you-can-rent-out-for-extra-money/>

<sup>5</sup> <https://www.fool.com/the-ascent/personal-finance/articles/earn-1000-with-this-free-to-start-side-hustle/>

<sup>6</sup> <https://careerwise.minnstate.edu/education/education-pays.html>

### Make your money grow

Most people put their money in an ordinary savings account, where it sits year after year, earning almost no interest. But you've worked hard for your savings, and now your savings should work for you.

Let's digress for a moment and look at compound interest, which is interest paid on interest.

To put it simply, suppose your side hustle has earned you \$1000. You place that money in a savings account that pays 1% per year, and after the year, you get \$10 interest.

You now have \$1010 in your savings account. At the end of year two, you will have \$1020.<sup>10</sup> Over time, as your balance increases, the compounded interest grows faster and helps you build wealth.<sup>7</sup>

Most bank saving accounts, money market accounts, (index) funds and investments pay interest. These payments are paid monthly, quarterly, or annually depending on the account. As the interest accrues (compounding the interest you earn), you get additional interest on the interest already earned.

<sup>7</sup> <https://www.bankrate.com/banking/what-is-compound-interest/>

<sup>8</sup> <https://www.fool.com/the-ascent/banks/articles/have-money-saved-best-ways-make-it-grow/>

<sup>9</sup> <https://www.bankrate.com/investing/best-investments-for-beginners/>

<sup>10</sup> <https://www.nerdwallet.com/article/investing/average-stock-market-return>

### Investing explained

Investing is how you grow wealth. Whether in traditional banking products or something else, learn about your options. The conventional investments offered by banks and financial institutions are safe and secure.<sup>8</sup>

When it comes to investing, knowledge is power. Don't commit to any investment until you have researched all parameters. Consider the length of the investment term before you can access your money; six months, a year, five years, or longer.

#### High-yield savings accounts

A high-yield savings account (HYSA) gives a better return than you earn on your checking or savings account. You get higher interest while still accessing your money as needed.

A HYSA is a good choice if you're saving for a future purchase or want a place for your emergency fund. Usually, these accounts are opened through an online bank.<sup>9</sup>

#### Mutual funds, ETFs and index funds and ETFs

With mutual funds, investors buy into a pre-existing collection of stocks or bonds. Popular mutual funds usually have low fees and are a great way to build wealth over time. The low costs allow investors to get bigger returns.<sup>9</sup>

ETFs are funds that can be traded like stocks and they are often based on an index. Index funds are passive funds that track a market index, such as S&P 500, Nasdaq 100, DAX 30, and the like.<sup>9</sup>

While there is a higher risk profile when investing in index funds compared to a regular savings account, annual returns of Nasdaq 100 and S&P 500 have averaged 10% over the last 100 years.<sup>10</sup>

#### Individual stocks

Buying stock in specific companies is considered risky. Knowledge is key so learn all you can from books and websites that deal specifically with stock trading. It's also essential to understand the businesses in which you want to invest.<sup>9</sup>

## MAKING THE MOST OF YOUR MONEY

### Non-traditional investments

According to experts, the key to successful investing is diversification. If all your money is in a HYSA and mutual funds, you might want to explore other investments.<sup>11</sup>

#### Property

When you invest in real estate to grow wealth, your returns must cover expenses and yield a profit.

Apart from taxes, the costs of property ownership include utilities, maintenance, and insurance. And, factor in property management fees if you plan to rent.

Another option is “flipping” property for a profit. You buy run-down real estate cheaply, fix it up, and sell at a price that covers costs and expenses and gives you a profit.<sup>12</sup>

#### Collectibles

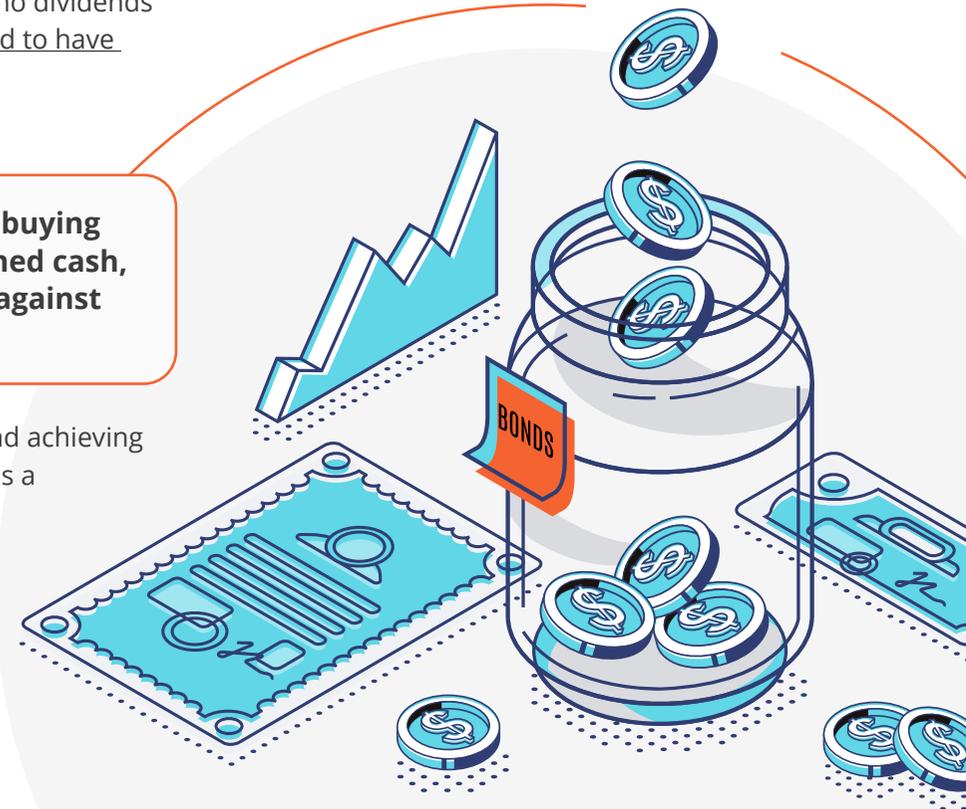
Almost anything is collectible from Star Wars figures, baseball cards, to mid-century modern furniture. You buy collectibles on the proviso the value will increase but with storage and maintenance, and no dividends from the money spent, you need to have expert knowledge.<sup>13</sup>

#### Precious Metals

Precious metals are another popular alternative investment through mutual funds or by buying bullion.<sup>14</sup>

**Investing preserves the buying power of your hard-earned cash, protecting your money against inflation.**

It's central to building wealth and achieving long-term financial goals such as a comfortable retirement.



<sup>11</sup> <https://wallethacks.com/alternative-investments/>

<sup>12</sup> <https://www.thebalance.com/real-estate-investing-101-357985>

<sup>13</sup> <https://online.hbs.edu/blog/post/types-of-alternative-investments?tempview=logoconvert>

<sup>14</sup> <https://wallethacks.com/alternative-investments/>

There's a big difference between planned debt and unplanned debt. When you have your financial life under control, debt becomes a helpful implement instead of a worrisome burden. The trick is to use it wisely.

The rich understand how debt can grow wealth and view it as a valuable tool. For poorer people, especially those who have had to pay off expensive consumer debt, it should be approached with caution.

Examples of good debt are buying property, investing in further education, or financing your business. You use the debt for assets that appreciate and increase your net worth.<sup>1</sup>

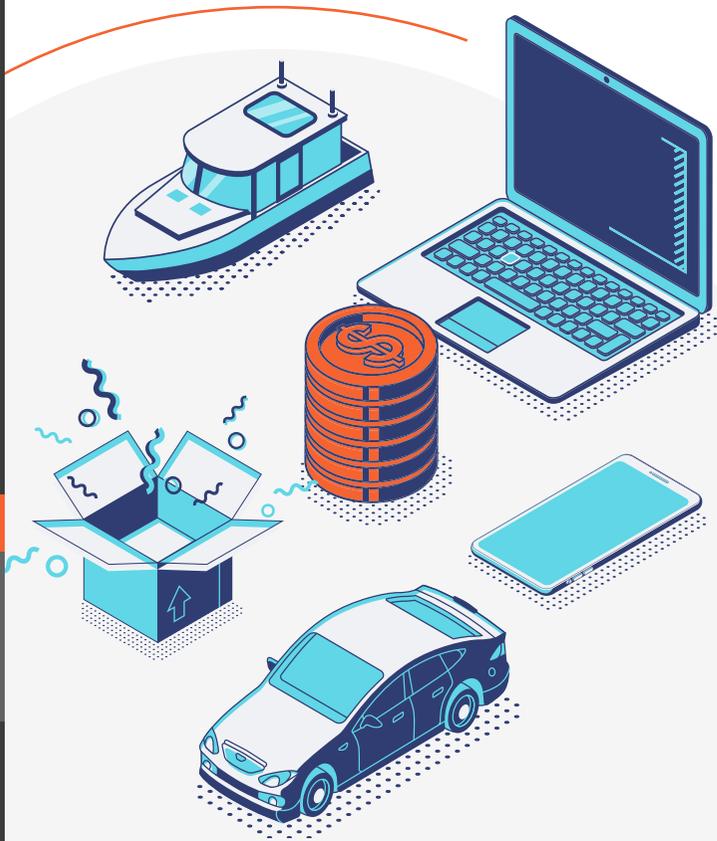
**On the other hand, bad debt is credit used to purchase depreciating assets that reduce your net worth.**

It's not considered financially smart to use expensive credit for anything that won't grow in value over time.

### Manage debt smartly

Be a clever finance manager and only use debt to make purchases that add to your worth over time. Use debt like a rich person, and you'll be well on your way to building a base for lasting wealth.

Life is full of surprises, which is why you need a fully-funded emergency savings account with at least six months of expenses. Your emergency fund ensures that you don't rely on credit cards or quick loans. And if you have a high-interest loan that is still outstanding, pay it off as fast as you can.<sup>2</sup>



<sup>1</sup> <https://www.businessinsider.com/personal-finance/when-to-use-debt-to-build-wealth-financial-planner-2019-7>

<sup>2</sup> <https://calbizjournal.com/the-5-most-clever-approaches-to-borrow-money/>

## What loans cost

There are always extra expenses when taking out a loan. You may think you're getting a loan for X, not realizing many small charges apply, increasing the actual amount to Y. It's easy to miss the unseen costs associated with lending unless you know what to look for.<sup>3</sup>

Most of these are standard for the specific industry, such as a bank or loan company. At the same time, other expenses will be secondary to the loan.

**Here are some costs you should look for as you read through the contract:**

**Costs linked to a low credit score.** Before applying for a loan, know your credit rating. A lower credit score means a higher interest rate. If you can, it's better to wait and improve your overall rating before applying.

Improving your credit score has big paybacks. For example, a high score means a favorable interest rate. Even 0.5%, when compounded over the lifespan of a 30-year mortgage, will equal thousands of dollars of savings.

**Loan Fees.** Most loans have various fees attached, like origination fees, insurance fees, disbursement fees, and repayment fees. Some have a "break" fee (basically a penalty) if you want to make additional payments or pay the debt off early.

The experts remind us that the more complicated the loan, the more consumers must be alert for extra fees.<sup>3</sup>

**The total cost of ownership (TOC).** This is the expense of buying an asset plus what it will cost to maintain and operate it.

The TOC is one of those peripheral or secondary costs. Suppose you are buying a home with a loan of \$100,000? There are property taxes and insurance to pay for the house and the costs of municipal services, garden maintenance, and utilities.

Naturally, you know this, but it's easy to overlook the actual figures when caught up in the enthusiasm of buying a new asset. If you don't consider the total cost of ownership, you could be stuck with a loan for something you can't afford to keep up.

<sup>3</sup> <https://loans.usnews.com/articles/the-hidden-costs-of-loans>

### Credit Cards

You must be incredibly diligent when taking on credit card debt. With careful use, credit cards are a valuable tool but become a high-interest liability when used irresponsibly.

It is also essential to know that credit card fees can be complicated, and you should always read the fine print when applying for a card.<sup>4</sup>

For example, inactivity fees are fees for doing nothing. While they aren't exactly hidden, you may not notice them when you apply for the card. We list other standard credit card fees below:

- **Interest fees:** Debited when the minimum payment is late.
- **Annual fees:** Debited yearly for having a card.
- **Late payment fees:** Debited if you don't pay the minimum amount on time.
- **Returned payment fees:** Debited for failed payment (insufficient funds).
- **Cash advance fees:** Debited if using card's cash advance feature.
- **Foreign transaction fees:** Debited on transactions with foreign currency.

### Installment Plans

Installment plans are used to buy something and pay for it over a set period. Unlike a credit card purchase, you receive your item after making the first payment or installment.

An installment plan isn't like revolving credit (credit cards). But, it can be a reasonable alternative, possibly offering lower interest rates. It's basically a short-term loan with a fixed payment schedule.

As with any loan, find out the exact amount you will pay over the loan's lifetime. If you can, compare that figure with the total cost of financing it with a credit card. And be sure to understand the term and conditions for each retailer.<sup>5</sup>

If the purchase is something you need, using a low-interest installment plan may be suitable. But be careful that installment plans don't become a convenient way to spend too much.

### What you need to know before you buy

Lenders, banks, and retailers offer different deals to sell their services or products. With creative advertising and good marketing, these deals can sound impressive, but sometimes there's a catch.

Before you go too far, study every angle of the loan, especially if it's for a costly purchase.

It's essential to look at all fees if you're thinking about taking on deals like these:

- Credit purchases
- 0% loans
- Buy now, pay later schemes
- Balance transfers

Often, deals come with additional charges. Understanding the actual cost of the debt allows you to decide if it's worth the expense. It's almost always cheaper to buy what you need after you have saved up the money for the purchase.

Learning to use debt to your advantage means avoiding unnecessary and expensive loans. The best resource when facing an emergency is a healthy savings account, not a costly loan.<sup>2</sup>

<sup>2</sup> <https://calbizjournal.com/the-5-most-clever-approaches-to-borrow-money/>

<sup>4</sup> <https://www.nerdwallet.com/article/credit-cards/pros-cons-shopping-credit-card>

<sup>5</sup> <https://www.chime.com/blog/debunking-installment-plans-everything-you-need-to-know/>

### Comparing loans to find the best

When you take on a loan, you're committing to a relationship. Sure, it's a financial relationship, but you still need to know that it's the best match you can get.

Shopping for a loan is complicated, and finding the best and cheapest takes work.

**When comparing loans, you need to consider the following factors.**

- **Look at the length of loan terms in years.** A shorter loan term usually means lower interest, although monthly payments will be higher.
- **Evaluate the interest rate or annual percentage rate (APR).** The APR takes into account fees, while the interest rate refers to the interest charged annually.
- **The total amount owed** is the bottom line - it includes fees, interest and the original loan amount.
- **The monthly payment** should be the one you can comfortably afford.

Remember to compare apples to apples. Make sure that your loan estimates are for similar loans with similar features. Typically, the best loan will have the lowest interest rate/APR and shortest loan term.



Conclusion

## THE BOTTOM LINE

I hope this book has inspired you to take charge of your financial life. This can be the start of your journey to financial independence.

For many people, debt is the illusion of success. But it blinds us from seeing how little we actually have. When you have too much debt for your income, life becomes stressful and full of uncertainty.

Still, there will be some of you that read this guide and forget all about it.

But some of you will take these suggestions and tailor them to fit your life. You'll find out where your money leaks are and learn how to budget. You'll get on top of your debt and find out how to borrow wisely and you'll start fulfilling your goals.

This doesn't mean you will never make a financial misstep. But your mistakes will become fewer and your successes greater.

Financial independence is a journey, and this is just the start.



**LOAN**  
**SCOUTER.**