



## Top 10 Financial Habits That Matter the Most by Tim Pond

- Habits can make or break any aspect of your life. Whether it's your health or the cleanliness of your car, your habits are the most important influence.
- Poor financial habits can create situations that require years to rectify.
- The power of eliminating a few poor financial habits and adding a few good habits is staggering, especially when viewed with a long-term perspective.

# Identifying and Eliminating Your Poor Financial Habits

*“It seems, in fact, as though the second half of a man's life is made up of nothing, but the habits he has accumulated during the first half.”*  
- Fyodor Dostoevsky

## Most Damaging Poor Habits

These habits seriously limit your future:

Failing to track  
your spending

Purchasing  
impulsively

Not taking debt  
seriously

Not saving

Failing to  
understand The  
Latte Factor

Paying bills late

## What are Your Negative Financial Habits?



- Make a list of your current financial troubles.



- Determine which habits are creating these challenges.



- Find a replacement behavior.



## What are Your Negative Financial Habits?



- Make a commitment for one month.



- Remind yourself of how great it will be to drop this habit.



- Deal with slippage.



- Reward yourself for success.

# Top 10 Positive Financial Habits that Make a Big Difference

*A few good financial habits can completely change your financial situation!*

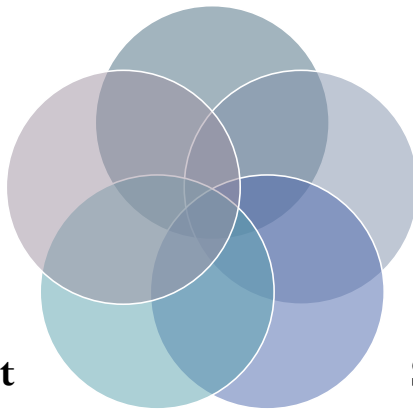
**Live below  
your means.**

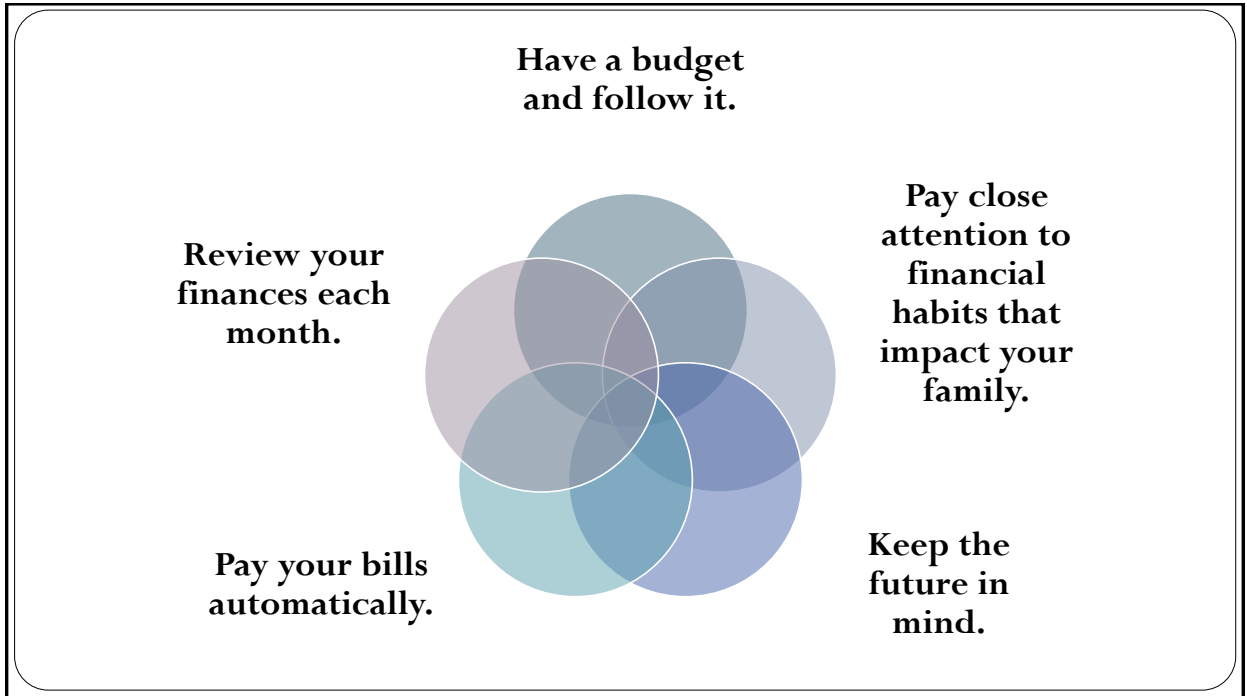
**Separate  
wants from  
needs.**

**Avoid debt.**

**Pay off debt  
aggressively.**

**Save money  
first.**





## Tips for Creating These Beneficial Financial Habits

*“Achieve success in any area of life by identifying the optimum strategies and repeating them until they become habits.”*

*- Charles J. Givens*

## A Strategy for Success

Reduce your discomfort. *The key to changing your habits is to minimize the amount of discomfort you feel.* Accumulate small changes.

Limit yourself to only one habit at a time.

Know your “why.”

Predict your obstacles.

Examine your triggers.


Put your commitment on paper.

## Putting It All Together

*“Habit is habit, and not to be flung out of the window by any man, but coaxed downstairs a step at a time.”*

- Mark Twain

## An Example: John's Story

- John wants to stop drinking coffee at Starbucks each morning and save that money for a family vacation.
- So, John's goals are to:
  - Drop the habit of spending money on expensive coffee.
  - Add the habit of saving \$150 each month ( $\$5 \times 30$ )
- John attacks his bad financial habit and creates his new financial habit intelligently: 

### 1. John finds a replacement behavior.

- He decides to make his own coffee at home and take it to work with him.

### 2. He gets his mind in the right place.

- John makes a list of what he'll gain by dropping his old habit and adding the new one. He imagines his family and himself enjoying a trip to the coast. His wife and kids are happy, and he's proud of himself for making the necessary changes that made it possible.

### 3. He considers his obstacles and develops a plan to deal with each one.

- ***Getting up on time to make coffee each day:*** John finds a coffee maker with a timer so his coffee will be waiting for him when he wakes up.
- ***Driving by Starbucks each weekday morning:*** John finds a new route to work.
- ***He's worried about spilling his coffee on his suit and new car:*** He purchases a couple of travel mugs so one will always be available.
- ***He doesn't believe he'll remember to transfer \$35 each week from his checking account to his savings:*** He sets up an automatic transfer with his bank. He was able to do this online in just a few minutes.

### 4. John decides to make incremental improvements.

- He normally gets the largest size coffee. He decides to bring a small amount of coffee from home and purchase the smaller size at Starbucks. His total coffee consumption will remain unchanged, but ***he's weaning himself off the expensive coffee.***
- He also alters his saving plan to only transfer \$15 the first week.
- Over the next few weeks, he'll continue the trend. It won't be long before the transformation is complete.



## 5. He examines his triggers.

- The first is driving by the Starbucks store. He's taken care of this with the new route to work.
- His second trigger occurs during his morning shower. That's when he starts thinking about how great it's going to be to have that first sip of his café latte. He decides to combat that trigger by thinking about his future vacation and the satisfaction he feels while drinking his homemade coffee.

## 6. John is prepared for slips.

- He knows that there's a chance he's going to break down during a stressful morning, dump his homemade coffee out the window, and pull into Starbucks. He figures if he's compliant 90% of the time, he's doing well enough to consider himself successful.

## 7. He has a reward in mind.

- If he can make it 30 days without a slip, he's going to reward himself with an espresso machine. He loves the idea of the shiny machine sitting on his kitchen counter and he's sure he can make better coffee than he can currently make at home. It's within his budget, and he considers it an exciting reward.

## 8. A happy ending...

- John does have the occasional slip, but he's eventually able to purchase his espresso machine and take his family on that vacation. It wasn't very challenging because he was prepared, proceeded slowly, and found suitable substitute behaviors that provided the same benefits at a lower cost.

## Conclusion

- Putting smart, effective financial habits in place ensures financial health, just as poor financial habits guarantee financial disaster.
- Changing any habit can be a challenge. Financial habits are not an exception.
- However, by following an effective plan, anyone can change their poor financial habits and change their life for the better.
- Start today! You'll be glad you did!

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