

Finance Sisters



**BECOMING
FINANCIALLY
INDEPENDENT**

TAKE CONTROL NOW

Taking control of your financial future is an essential part of adulthood. You are reading this because you have decided to take some steps towards a positive financial future, and we are here to help kick-start your journey. It really is not as hard as you may think, and a little bit of time invested now can go a long way.

While there is not a one-size-fits-all approach to investing, there are definitely certain actions that everyone can take now to get started. We provide information based on what we have found to work well for us and millions of other investors around the world. Nevertheless, we encourage you to adapt this to your personal situation.

In this workbook we give you some insight into what we think are the most important aspects to achieve your goals, and we provide some action points to get you started!

Your Finance Sisters,

Victoria and Marie-Eve



WWW.FINANCESISTERS.COM

Check our website for weekly free ideas and templates to support you on your journey.

THE 5 FINANCE \$ISTER \$TEPS OF FINANCIAL INDEPENDENCE



5 \$TEPS - OVERVIEW

1

TAKE STOCK

Know where you are today in terms of cash, assets and liabilities. Furthermore, establish an overview on what you earn and spend in a typical month.

2

SET GOALS

Discover your motivation to take charge of your finances. Commit to a realistic vision of where you want to be - in the short and long term.

3

START INVESTING

Take the plunge and start investing- invest in a simple and proven solution to stay motivated. Starting (early) is key - "perfection" will come with time.

4

BUILD KNOWLEDGE

Mastery comes with time and practice. Continue your financial education beyond the basics and find like-minded people for support and inspiration.

5

FINE TUNE

No investment is ever perfect. Adapt your strategy in light of your knowledge and situation- but keep a steady hand, you're in it for the long term.



THE RIGHT MINDSET

Underpinning our 5 \$Steps is a mindset that we think is important to be aware of and to try to adopt over time.

STEP 1

TAKE STOCK

Every journey starts with a single step. In terms of finances, the first important step is to understand your current financial situation. Although this step can seem daunting, we have found that once you get stuck into it, you will feel a huge sense of accomplishment as well as relief that you have started.

We break this down in two parts - the first one is gaining an overview of the value of your assets or debts.

Start by making a list of any assets you have. This can be cash, savings accounts, any investments you might already have, as well as any pension 'pots' you may have. Then add any debts, such as student loans, car loans and credit card debt.

Secondly, understand how much you earn and spend in a typical month to see how much money you have left to save and invest. For this, make a list of your monthly income and typical expenses (distinguish between fixed expenses such as rent, insurance payments, costs of the car... and variable expenses such as food, clothing, shopping, entertainment etc). Maybe you get some ideas for saving money straight away!

ACTION ITEMS

- List of your current assets, and liabilities
- List of your typical monthly income and expenses
- Determine how much money you can set apart monthly for savings/ investments

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STEP 2

SET GOALS

Our motto for goal setting is:

It doesn't matter how often you change your goals, just make sure you have at least one!

For financial independence, it is important to distinguish between short-term goals (such as a holiday or sabbatical you want to save for) and long-term goals (e.g. building up your pension pot)- because they require different investment approaches.

We review and rework our goals every couple of years in light of new developments, such as growing families, moving to new locations and even what CoVid-19 means for our ideal future.

We like being specific and realistic about our goals, so we can break them down into manageable steps.

We think it is important to understand what is needed to achieve our goals in terms of monetary values. For this reason, we are including Budgeting in this step.

ACTION ITEMS

- Think about your motivation and set goals (short / long term)
- Calculate the gap between your current situation and your goals
- Create a budget that will help achieve your goals step by step

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STEP 3

START INVESTING

Getting started with the investment is the hardest thing. And- there is no perfect investment. Therefore, we recommend to get started with a small amount and an investment product that makes sense to you- you can always fine-tune your approach later (see Step 5). Which investment is best for you **ALWAYS depends on your personal circumstances**. Don't just invest blindly but think what fits you.

Our approach is to invest in a passive index tracker fund (also known as an EFT fund), as it is an easy way to get started with a long-term investment outlook, low costs and broad risk diversification

To do this, you need set up your own account on a trading platform (just like an online bank account) and choose an index tracker to invest in. A global index ETF (like the MSCI World) is a simple, effective and proven solution to get you started, and it is the approach that millions of investors take today. The important thing here is that you start investing.

This step will involve some time for you to research the best online trading platform to use, as well as to understand how to invest using the platform. This is also where Step 4 comes in handy.

Are you a bit scared to do this on your own? Can you use a financial advisor or your bank to buy an index fund? We don't recommend it because you will be charged extra money for their services. However if this makes you more comfortable then go for it. You can always change your approach later.

ACTION ITEMS

- Set up an online trading account
- Research index tracker funds (or other types of investment) available to you.
- Invest regularly in your chosen fund (e.g. automate with a savings plan)

STEP 3 - START INVESTING

WHAT IS AN INDEX TRACKER ETF?



An exchange-traded fund (ETF) is a financial product that represents a 'basket' of investments that is traded on a stock exchange. We are most interested in Index Tracker ETFs. These track one of many indexes, such as the top 500 largest US companies (S&P 500). They are low cost because you are just buying the overall composition of any given index and this does not require an expensive fund manager to make decisions on your behalf.

Buying the "index" is a passive form of investing that also does not require you to buy individual shares, you just buy a bit of all of them!

ETFs are very popular with investors because of the relatively low management fees and you can find an ETF for almost all market niches, even some that specialise in sustainable investment. We're still waiting for one that tracks companies with female CEOs! However to begin with we recommend investing in a 'broad' index that includes companies from across the globe, like the Vanguard FTSE All World Index fund or a similar MSCI World Index fund.

ETFs act like shares in that their value fluctuates every minute. However, over time, and historically speaking, if you invest in a global ETF tracker, you will make your money work hard for you... for example between 1950 and 2009, the average return every year was 7%!

There is a lot of information on index tracker funds on the web. We recommend starting to read about them on the Vanguard webpage. This company was a pioneer in developing index funds. Therefore, it has a lot of very good information on this topic for first time investors. We are not at all affiliated with them in any way, but we buy their funds ourselves and we are satisfied with their performance. Another popular alternative for global ETF trackers are the family of MSCI World Indices, which are available from many different brokers.

INDEX FUND INVESTING PRINCIPLES

Here are some investment principles to keep in mind. They will keep you level-headed and help fight common fears of investing.



Invest and forget

We propose a long-term strategy, that requires minimal maintenance. There is no need to check your investments more than a few times a year. Set up an automatic investment plan and don't get scared of day to day fluctuations in the market.



Don't put all your eggs in one basket - diversify

Don't bother with buying shares in single companies! Spread your risk and simplify your investments. Broad index trackers are an easy way to do this even with as little as \$25 per month.



Invest early and regularly

Make investing a regular habit (e.g. monthly investments). The earlier you start, the longer your money can work for you. This is also great for compound interest, the money you earn from interest. It is amazing how much this can build up.



Don't try to "time the market"

If you look at the numbers, the person who invests small amounts regularly makes the most money in the long term, regardless of how cheap or expensive you think the shares are. It is very hard to stick to this principle, even we are tempted to buy more when the market crashes (as recently as the Covid19 crash) or to hold off buying when we think the that shares are overpriced. We strive to live by this principle though!



Don't panic in a downturn

There is a well known philosophy that you only lose money when you sell your shares. So in a downturn, hold on to them, don't sell! The market will go up again, which is why having a very long-term outlook is so important. By "very long term" we mean more than 30 years.

STEP 4

BUILD KNOWLEDGE

Continuous education in finance is an important aspect of becoming and staying financially independent. This applies to every aspect of our lives. We need to maintain and build on the knowledge that we have acquired. This will take time, but it does not need to happen overnight. We suggest a slow and steady approach to building your financial knowledge.

Our top tip here is to find a community of like-minded individuals that you can learn from. For example, there are many bloggers that have an active online forum, where you can post questions and read up on many topics that are relevant to you.

When evaluating whether a community is right for you, we recommend that choose one that is based in the same country as you, because the information will be more relevant, especially from a legal and tax perspective. It is amazing how generous and embracing these communities are to newcomers.

Youtube also has great videos that explain the subject in a simple manner.

ACTION ITEMS

- Make a list of financial or investment topics that interest you to guide your learning
- Start reading financial blogs or watching You Tube videos
- Find a community for exchanging knowlege

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STEP 5

FINE-TUNE

Once your initial investment is up and running and you build up knowledge, you can consider fine-tuning your approach. This includes optimizing your spend, trying new investment forms you learnt about and that feel right for you. In this case, the circle almost starts again at Step 3 for the new investment.

Or, if life takes a different turn, adjust your budget and re-define your goals.

Fine tuning can involve small actions like changing your bank to reduce bank fees, or large and time-intensive actions such as re-mortgaging your house to reduce monthly costs.

What is important here is to stay engaged in your financial future to the level that you are comfortable with. Remember the communities of like-minded individuals from Step 4? We find that these communities have a lot of ideas for fine-tuning that might interest you!

However, please note that there is a fine line between fine tuning and too frequent changes - remember you are in this for the long run!

ACTION ITEMS

- Stay engaged with your investments
- Adjust current investments where needed
- Don't be shy to try new investments

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MINDSET

The 5 Finance \$ister \$teps are the begin of building your financial indepenence. However, just as any house needs a firm base, you need a strong base to build your financial independence on. And this base is your mindset.

Here are some points to describe the mindset that we would like you to grow and foster over time. What else can you think of?



Spending Habits

Check your habits- are you spending mindlessly on things with little positive impact on your life? Pay off that credit card and cut it up!



Income power

Increasing income is the flip side of saving. Are you being paid what you are worth? Are there other ways to earn a (side) income?



Peer Group

Friends are the family we choose ourselves. Do your friends support your financial ambitions and can you empower each other?



Beliefs

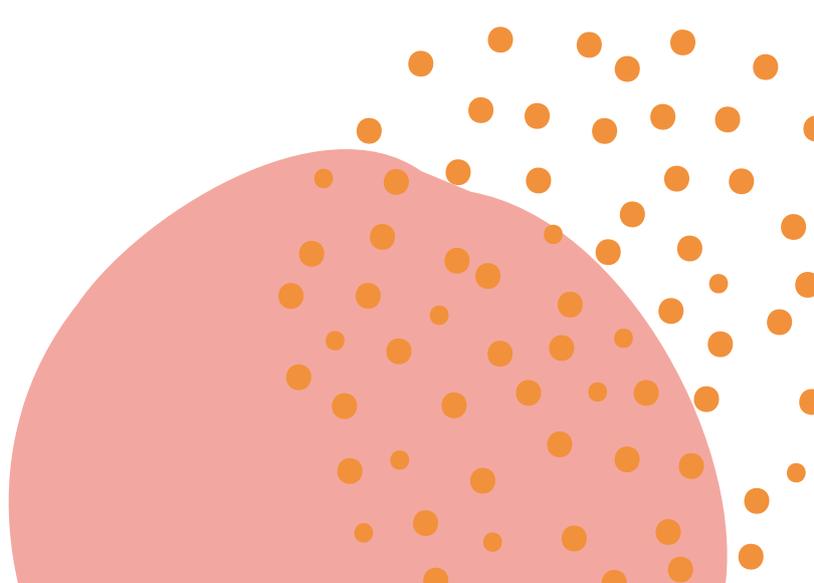
If you do not believe in yourself and your ability to take care of your finances, you are sabotaging yourself. Believe in yourself and you'll have the fuel for this journey!



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WHEN THERE ARE
MULTIPLE
SOLUTIONS TO A
PROBLEM, CHOOSE
THE SIMPLEST ONE

- JOHN C BOGLE





TAKE THE NEXT STEP...

JOIN THE FINANCE SISTERS
JOURNEY!

Congratulations! You have taken an important step to taking control of your finances! We hope that you are just as excited as we are to start the road to your financial independence.

Just like you, we are just getting started to make Finance Sisters a place to empower your journey. We are planning exciting new tools like an in depth guide with lots of templates and exercises that will help you along the way. Are you interested in joining a "daily challenge" to take control? Let us know by leaving feedback on our website. Stay tuned checking our website or social media! And of course, please share about us with your girlfriends, mothers, grandmothers.....



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