8 Things to Do in Order to Reach Financial Independence by 35

BY EMILIA TANEVA

If you look around social media, you'll notice that a lot of the big-name gurus preaching about financial independence are men. But looks can be deceiving; recent studies have shown that women are actually outperforming men in terms of financial independence.

Over the last several decades there have been big pushes to get more women enrolled in college and into the workforce with equal pay — the traditional 9 to 5 lifestyle. Now women have outpaced men in terms of higher education, but financial independence requires some additional work.

Here are 8 things women should do today in order to achieve financial independence by the time they turn 35.

1. Put a portion of every paycheck into a brokerage account.

Depending on how much you make, you'll want to put anywhere between 10 percent to 30 percent of your income away — and not into a savings account. Sure, it's nice to have 1-3 months of living expenses stored away in cash, but that won't make you any additional wealth. Instead, you need to open a brokerage account where stocks, bonds and mutual funds can build into a sizable, cash-generating portfolio. Placing your money into a brokerage account will give your money a real chance to grow, exponentially. A good brokerage account with index funds could grow between 6 to 8 percent every year.

Assuming you're able to save $5,000 every year starting at age 25 and your brokerage account grows by 8 percent annually, it's value might swell to around $83,227 by the time you turn 35. You may think you're not able to get along without the extra several hundred you save every month, but with a little discipline and long-term focus, you'll realize you can still make life work while putting a percentage of your money away. You can take the money out of the brokerage account when you need it, although you should only do so to jump-start another investment, like a rental property or a business.

2. Eliminate credit card debt.

Debt is one of the biggest obstacles to financial independence. Unfortunately, many people use credit cards regularly to make their purchases, which often leads to buying things they can't afford — and then they carry that debt. Before they know it, it's snowballed into something unmanageable. They think they'll just pay it off later. In the meantime, their purchases are racking up as much as 25 percent interest per year (that's $250 for every thousand dollars). Don't get caught in that trap. Pay off your credit card balance in full every month! The monthly interest fee you no longer have to pay can now go toward your brokerage account or other investments.

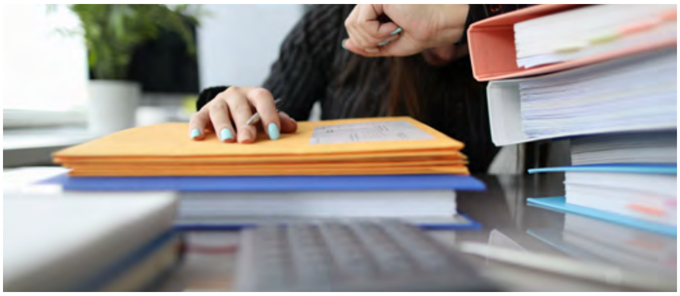
If you're already carrying credit card debt, consider refinancing it. Some banks will give you a consolidation loan or balance transfer with 0 percent APR offer for 12-18 months. You can use that time to pay it down as much as possible. Since you won't have to pay interest, you can increase your monthly payments.

3. Pay off student loans — or prevent them from happening.
Student loans are another huge debt-related obstacle that can prevent you from breathing in the air of financial independence. Unfortunately, the price of a college degree has skyrocketed far beyond inflation and salary growth within the past few decades, creating a situation where many young people will be saddled with college debt until they retire. If you're about to go to school, please do yourself a favor and look into scholarships and grants. There are plenty of them out there for women, literally thousands. It may seem like a lot of work now, but you won't regret it later.

Do well in school, and when you get accepted into a few different colleges, consider going to the one that offers you the best scholarship — not necessarily your favorite one. Try to pick a degree and career path that will bring you into a well-paying job after school. If you have to take on student debt, having a well-paying job after college will make sure that debt was worth it — as well as give you means to pay it back. And if you're already at the point where student debt is looming in the rearview mirror, look into consolations, or refinancing, or deferment programs that freeze the interest.

4. Buy assets, not liabilities.
Robert Kiyosaki has a very simple definition of assets and liabilities: assets put money into your pocket; liabilities take it away. Unfortunately, most people purchase liabilities, and even assume that some of them are assets. Remember, according to this definition, your house is not an asset, because you have to pay your mortgage every month. A rental property, on the other hand, is an asset, because it generates cash flow. Society today has us all caught in a game of buying expensive things to "keep up" with everyone else. This is true for men and women, but I think women are taken advantage of a little bit more in this area by all the advertisements we're bombarded with for clothes, jewelry and perfume. Yes, it's nice to have a luxury handbag for every season and a closet full of shoes but think about how many liabilities you buy on a regular basis — and how many assets you could pay for with the money you spend on them..

5. Learn, learn and learn some more.
The wealthiest people read lots of books to learn how to manage money. Don't be intimidated if there are things about entrepreneurship and wealth generation that you don't know about. Stocks, real estate, business ownership: these things have a lot of details to them, but you can easily learn about it all. Go into the bookstore or the library and get some of the many business books that are out there already. These books are surprisingly simple and straightforward, so don't be intimidated. Go to conferences and seminars to learn new skills. Listen to podcasts as you drive to work. Many of them are free, and it's an easy way to fill up the down time of your morning commute with some financial education. Talk to people who own a business, flip homes or buy and sell stocks. You can never do any of these things if you don't learn about it. In fact, there are plenty of ways to achieve financial independence you may not even know about yet.



6. Don’t put all your eggs into one basket.

Too many women are making the dangerous assumption that their 9 to 5 job is a secure path to financial independence. Unfortunately, these days, it’s often not. Companies no longer let you stay onboard for decades until they hand you a gold watch before retirement. Many companies will hire and fire as the winds of profit change. In fact, recent studies have suggested this is even more detrimental to women than men in terms of finding a new job that pays better. The average person switches career paths 5 to 7 times over the course of their life — not jobs, but *career paths*. Don’t put all your eggs into one basket. Save money in a brokerage account. Get a rental property. Invest in a business. And even when it comes to entrepreneurship and investments, don’t assume that any one thing is the golden egg. Most entrepreneurs have multiple streams of income!

7. Create intellectual property.

Some businesses have huge startup costs, but there’s one way to generate cash flow that is ridiculously inexpensive to get started: intellectual property. This includes books, courses and subscription services. There are a number of places online where you can sell your knowledge, passion and experience — such as Udemy for courses and Amazon for books. If you’re not sure how to put all the pieces together (design, marketing, etc.) you can always do what great entrepreneurs do and outsource it all. However, when you get there, don’t miss an easy opportunity to create ongoing cash flow. It can even open other doors — for example, if you self-publish a book, you can turn that into an opportunity to get speaking engagements.

8. Plan for retirement.

Most Americans are not actively saving for retirement, which is a huge mistake — especially for women. The average lifespan for women in the US was almost 79 years as of 2016, and it keeps going up. That means women are living potentially *decades* after they retire. Even having a million dollars saved up is not enough, especially with some of the surprises that can creep up in old age (like medical costs). Women need to plan ahead and put an additional amount of savings into retirement accounts such as 401k and IRAs. Roth IRAs are a smart savings tool for young people just starting out, because they’re likely to face higher income tax rates as they move along in their career. The total annual contribution to an IRA for 2019 is $6,000 dollars (under age 50). The Roth IRA contributions and investment earnings grow tax-free and provide tax-free income in retirement. If you max out the contribution account every year until retiring in your mid-sixties, a typical IRA might swell to around seven figures.

You’ll also want to take advantage of the 401K retirement account offered by your workplace. Most companies will match your contributions, which is essentially free money for you. With a Roth IRA and 401K growing your money through the decades, you’ll have what you need when you retire. But if you don’t plan ahead, it could be difficult to get by, because Social Security is not enough.

A final word:

Financial independence is like catching a breath of fresh air all the time. Nothing beats the feeling of knowing you’re not enslaved to debt or trapped beneath the proverbial glass ceiling, or that you’ll have the money you need to enjoy life and travel when you retire. While many Americans live from paycheck to paycheck, there are a few things you can do to get out of the rat race and become a financially independent woman by the time you’re 35.