

Achieving Financial Freedom: To Borrow or Never to

The traditional way of struggling to be financially free is to earn, save and invest in activities or assets that generate additional money for you. While this sound simple and straight forward, it hardly go smoothly as expected , the result that have kept many ambitious people hustling throughout their life without achieving their heart desire of being financially free. Less than 1% of self-made millionaire can proof themselves using this method.

A glimpse into the traditional way on how the rich attain financial freedom and continue getting richer can be found in the classic book, “The Richest Man in Babylon” by George Samuel Clason published in 1926. The book dispenses financial advice through a collection of parables set in ancient Babylon.

The book details 7 (seven) rules to achieve financial freedom;

1. Pay Ourselves First (Savings)
2. Live below your means (Control your expenses)
3. Make your money work for you
4. Secure your money (wealth or investment).
5. Our home is your biggest expense
6. Have a retirement plan. (“Insure a future income.”)
7. Invest in yourself

This seven rules or steps, if follow thoroughly, could lead you to your financial destination most especially if you start early in live.

In today’s advance economy, we all see debt as an opportunity without considering the pros and cons. Debt can work for or against you. According to Robert T. Kiyosaki, it is a double edge sword. It is glaring that someone who cannot manage his personal finance should stay away from debt. As a reminder, debt is never good or bad, it is those who use it that make it good or bad; thus, the term; good debt and bad debt.

Debt is not meant for consumption, if you are using loan to solve personal problems or buying personal properties, I can guarantee it’s just a matter of time for you to find yourself in a financial mess, struggling to level up for the rest of your life. This is where debt is bad; bad debt.

For those who acquire the financial know-how on how to use debt to earn more money, such is treading the path to financial freedom; good debt.

Without stressing too much, while one could achieve financial freedom without debt, it is easier and faster with it. But don’t forget, first, using of debt require higher level of financial intelligent.

Further question about debt is, when should one consider using either other people’s money or debt in our plan to financial freedom?

You either be an entrepreneur or investor.

A popular research confirm it that, 95% of startup fold up in the first five years, in another five years, out of the reaming 5% that survive, 95% will further close shop. Using this analysis, I could say, using debt in the first five years of starting up is not ideal, within the first five years) (first tenure) you have the opportunity to learn and master the business, industry and your business environment. After gaining the knowledge and courage in the business within that period, then, you can consider using debt to boost and expand the business.

Alternatively, instead of using debt, you should consider equity, sharing ownership with other people interested in your idea and business. A personal experience on using debt to finance business shows that, your thinking faculty could be affected, most especially if there is uncertainty of repayment. You waste most of your time worrying about paying back the loan instead of strategizing to grow your business.