11 BIG Money Milestones To Accomplish Before 40

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SUMMARY

Achieving key financial milestones before 40 can significantly ease the journey to financial freedom. The speaker outlines 11 essential money milestones, emphasizing the importance of foundational practices like building an emergency fund and eliminating high-interest debt, while also introducing less conventional strategies for wealth building.

- *Start building an emergency fund covering 6-12 months of core expenses to avoid debt during unexpected situations.*
- *Eliminate high-interest consumer debt to prevent wealth erosion and financial setbacks.*
- *Implement the NFG system: allocate funds to Needs (70%), Freedom (20%), and Guilt-free spending (10%).*
- *Determine your hourly rate to value your time and make informed decisions about outsourcing tasks.*
- *Focus on mastering one skill to enhance your income potential and invest 1-3% of your income in learning related to that skill.*
- *Identify your core values to align financial goals with what truly matters to you, enhancing satisfaction and clarity in spending.*
- *Use the joy per dollar formula to evaluate purchases based on the joy they bring relative to their cost.*
- *Conduct regular money check-ins to stay connected with your finances and adjust your strategies as needed.*

If you can achieve just a few of these 11 money milestones before 40, it's going to make everything that follows so much easier and it's going to make it a lot easier to get to financial freedom sooner. I'll fly through the first three because I'm pretty sure that you've heard these already, but the seven after that are not traditional advice. I know this because I've been helping people in their 60s and their 50s achieve financial freedom for the last 16 years.

And the things I share today are what had the greatest impact on my client's lives and my own life. And if you can get these, you'll have a much easier time building wealth and achieving financial independence. And I'm also going to share an easy framework you can apply to every money decision that you'll have to make so you know that you're making the right decision every time. So let's fly through the first few and then I'll get to the really good ones. So milestone number one, if you haven't already done it, it's start building your emergency fund. That's 6 to 12 months of just core expenses in a high yield savings account or somewhere that's not going to go up and down with the market. Having this is essential because on your wealth building journey as you're making progress, if you hit a an emergency or something unexpected, the person with the emergency fund can go tap these assets and help pay for that thing. People without it, they end up either flatlining or sometimes going backwards because they have to go into credit card debt. Then they're dealing not just with the emergency, but now they're paying 22% interest on credit card debt. and and that's just going to make things so much harder and it'll take months to get back to where they previously were so that they can continue. So having that fund set, it gives you peace of mind because you won't have to go into debt or move backwards if an unexpected expense pops up. The next one kind of related and that is get rid of highinterest debt because if you're carrying consumer debt like your credit card debt, you're burning money every single day. You can't build wealth while dragging credit card debt behind you. It's like trying to fill a bucket and you've got this giant hole in the bottom. So, if you've got consumer debt, list them all out, find the interest rates, then work hard to get rid of them. Milestone three is to automate your NFG system. Once high interest debt and emergency fund is set, you can now run the NFG system. And doing this is going to change the game for you. But first, here's what most people do. They get paid and some money hopefully goes into their 401k or retirement account and then money hits their bank account. And then over the course of a month then money goes to expenses here or entertainment or other fun things. And then at the end of the month they think about what they can invest or what they can save. But what smart people do is they actually think ahead about the only three places that money will go. I call it NFG. N is for needs. That's the housing, utilities, groceries. It's the basics really just the the basics to live. And then F is the freedom fund. This is your investments. This is going to build that nest egg that's going to let you stop working someday in the future because you're going to be using that in the future to to fund your life. And then guilt-free is fund money for right now.

It's not your needs, but it's really your wants. The wealthy people that I know decide ahead of time what their allocation is going to be. A great starting point or a place to aim for is 70% of the money that comes into the bank going to needs, 20% going to that freedom fund, which is your future future fund, and then 10% 5 to 10% on guilt-free spending. But the trap that I see middle class people get stuck in is as their income goes up, they also increase their needs. They add a car lease, which becomes a new need because they have to pay for that. Or they get a bigger apartment or or bigger house and then that mortgage payment is larger as well. and suddenly their needs are 85% of their income. The people who achieve financial freedom sooner, they do the opposite. As income grows, they try to keep their needs steady, maybe increase a little bit, but they really pump up their freedom fund. I had a client who got a $20,000 raise and instead of upgrading his lifestyle, he kept his needs at 70% and he bumped up his freedom fund to 30%. That's how you build real wealth. So homework for this is just calculate your current percentages for that NFG system and then see where you're spending and then decide are you going to increase your needs or move more to your freedom. It's not about perfection. It's really just a system starting a system that works as you're busy living your life. And if you like this simple framework of the NFG method or NFG system, please let me know by clicking the like button. The fourth milestone is to decide your hourly rate because no one's going to value your time more than you value it. So, here's what to do. Set a personal hourly rate and stick to it. The first step though, find your currently hourly rate. Just take your annual income and then divide it by 2,000 hours. So, if you make $100,000 a year, that's $50 an hour. But this is the key. Set your aspirational rate even higher. What do you want your time to be worth? You know, is it $100 an hour? Is it $200 an hour? Now, that's how we're going to factor every decision. Here's an example. It's going to take you about uh let's pretend it takes an hour to drive across town to return an Amazon package for $30 and and get a $30 refund. So, you spent $100 of your time to get back $30. I actually have a friend who he was 32 and he he had a regular W2 job as an employee and he's married. He's got two kids and he realized he was spending every Saturday doing yard work and he set his aspir aspirational rate at $100 an hour. So, he ended up hiring a lawn service for $80 a month. And then he used those four extra hours to work on his side hustle that he was interested in. And now the side hustle, it's generating $2,000 monthly for him. So, if you can outsource something that you don't enjoy for less than your hourly rate, think about outsourcing it. That includes cleaning or lawn care or even meal prep.

So the action for this milestone is calculate your currently hourly value. Then set your aspirational value hopefully higher and then protect your time like the most valuable asset that it is. Milestone number five is decide one area of mastery because your income is your most powerful wealth buildinging tool. So it's important that we treat it that way. I got life-changing advice from Robert Hjivac. He's one of the Shark Tank uh guys. He said focus on being great at one thing. And he compared it to to Tom Brady who gets paid millions to throw the ball. He doesn't get paid to catch. He doesn't get paid to block or to kick, just throw. He was world class at just one thing. Kell Newport, he calls it becoming so good that they can't ignore you. So, pick your lane, double down on a skill that matters most in in your field, and then that's what you become known for. But here's the part that most people miss. It's the next money milestone and that is allocate 1 to 3% of your income annually for learning. So courses or conferences or or coaching all focused on that one area of mastery that you decided and to fund this a a great thing to do is just use some of that freedom fund because you're using this to invest in assets hopefully, but you're also investing in yourself. And remember, the skills that got you to where you are now aren't the skills that are going to get you to where you want to go. So homework for this one is pick your one thing or at least start thinking about it. What skill, if you mastered it, would make you irreplaceable, then invest in getting better at it. The next milestone is something that very few people do, but it can change the money game for you.

What most people do is they chase money without knowing their why. And that's exactly why they never feel wealthy, no matter how much they make. I had a client a few years ago who we were meeting and he asked, "How long until I get to $5 million?" I said, "Well, let's take a look. I'll pull up the plan, but first what's important about getting to 5 million? And he paused and he said that that's just how much I I want to get. And I said, "Great, but if you had 5 million today, what what would you do differently?" And he thought about it for a bit and he says, "Nothing really, but I just want to know that my wife and kids are going to be okay if something were to happen to me." So bingo. Uh one of his top values was providing for his family. So we ran some quick projections and we discovered he already had enough right now to provide for his wife and kids if he were to die. So the relief and the freedom that he felt from that was incredible. And then that just opened up a lot of different doors of what he could do next. What most people miss is that your values, they determine everything. How you spend your time, how you spend your money, what risks you're going to take, and and what goals actually matter. And I've created a values assessment that's going to help you identify your top five core values and then connect them directly to your financial decisions. And that's going to be free in the description below.

Because when your money aligns with your values, spending decisions become easy. goals become clear and you stop chasing a number that doesn't actually matter to you. So take that assessment, ask yourself, what would change if you built your financial plan around what you actually value? This next milestone is something that completely changed how I think about spending money and it helped me actually enjoy it more. I call it the joy per dollar formula. And for every purchase, here's how we do it. You rate the joy that it's going to bring you on a scale of one to 100. And then you divide it by the cost as a percentage of your monthly income. And I'll I'll give you an example coming up. And if that number is above 50, it's an easy yes. If it's below 50, then it's something to think about. Let me show you what I mean. I I've been getting into golf more and so have my kids. And I highly value time with my kids. So that cost is $120 for all of us to do um a day out at the golf course. And the joy rating would be, I'd say, a 90 out of 100. So let me plug it into the formula. So let's pretend I make $8,000 a month. The cost is $120 time 100 equals 1.5. So you divide that by the joy number I made up which was 90 and that equals a joy per dollar of 60.

So that's worth it. Now another example I had was $120 for a gym membership that I was paying for. But I was actually enjoying working out at home and running outside a lot more. So I gave that joy uh rank for the gym a 50. And when I ran it through the calculation, the number I got was 40, which is under 50. I thought about it for a bit, kept the the uh membership for a month or two, and I ended up canceling it and focusing more on home workouts. So, try this out for yourself. Here's the formula again. Take a snapshot of that, and then pick a recent purchase, and then run the formula using your actual income because the goal is not to spend like someone else. It's spending intentionally based on your income and your joy. This next milestone, this is something that a lot of people don't think about until their 50s or sometimes their 60s, but it's an important milestone to get to and and have it handled by age 40 because if something happens to you tomorrow, would your family know where your money is and would they know what to do when they got it. So, the little things are or the big things are get a will and get a trust, update your beneficiaries, have adequate life insurance to make sure that they're going to be okay if you're gone. But here's something, even with people who who button up their estate plan, um, a lot of people miss this. Just make sure that your spouse can easily access your accounts. And the easiest thing is create a simple document with login information or account numbers and what's in those accounts at at the time that you create it and where to find the most important papers that you have.

I've seen too many grieving families get stuck for months trying to figure out where the money is or or how to access accounts. So, don't leave your loved ones playing this financial detective uh during some of the worst period of their life. Many people under 40, they avoid this completely. So, I think you're not like most people. So, try to get this handled. I've got two more really big milestones, but I'd love to hear if this is helpful so far. If it is, click the like button and subscribe because I've got some really great videos planned for you coming out in the following week.

So, the next milestone is whether you're single or you're married, you need a regular money check-in. And this is just once per month, 20 to 30 minutes, where you update your net worth or look at your net worth, whether it's using Monarch Money or WEAB or or any of the apps that are out there. Me personally, I actually use a spreadsheet that is I guess it's old school, but it helps me get really clear on what accounts, what they're doing, how liabilities are, and then that final big net worth number that we're looking for. And then I ask three simple questions. It's what went well, what didn't, and then what am I going to focus on next month? And if you're married, do this together. If you're single, still do it. Write it down and make it visible. Again, this isn't about perfection. It's about staying connected with your money instead of avoiding it. The next milestone not many people talk about when they're in their 40s or before 40, but it's really the most important. And it's related to that quote that a healthy person has a thousand wishes. A sick person has just one. Because if you've got a money goal of say travel, who cares about travel if you can't do the walking or enjoy the food or uh if you're battling depression. So invest in your health, both physical and mental, because wealth really means nothing if you don't have your health. Then let me know in the comments how are you doing with these milestones. It's okay if you don't have them all. Just decide which one you're going to focus on next and start doing it. And as you work on these, these videos are going to make sure that you avoid some of the common habits that actually end up sabotaging a lot of well-intentioned people who are working on building their wealth. So, I'll see you in those videos. Take care.