Success Mindsets of the Financially Intelligent

5 critical success mindsets of the financially intelligent:

1. Self-control and delayed gratification
2. Understanding wants vs. needs
3. Plan-oriented, with long- and short-term goals
4. Understanding risk vs. reward
5. Emotional resilience and grit

1. Self-control and delayed gratification

One of the most important and, unfortunately, difficult to obtain aspects of a financially intelligent mindset is delayed gratification or having the self-control to sacrifice now for a greater good later. Delayed gratification is not only important for financial success but is also one of the most important personal traits of highly successful people.

For example, delayed gratification is essential to controlling spending by executing a budget. Putting a plan for your money together ahead of time means that you will have to stop yourself from spending money on areas that fall outside your budget. The key goal to financial wellness is ultimately to earn more than what you spend, allowing excess money for investing, debt reduction, etc., but unfortunately, this can be one of the hardest things for most people to do.

Here are some tips to help you strengthen this mindset:

Start small: One of the best motivators is the feeling of success. Feeling like we are moving towards our goals gives us a sense of pride and confidence. By starting with small, manageable tasks, you can immediately create a feeling of success. For example, on week one of starting a new budget, sacrifice something small like an expensive coffee for one made at home. Do this all week, then next week pick something else and stick with it! Within a month, you will have cut four excess expenses from your budget and won't miss the expensive coffee anymore.

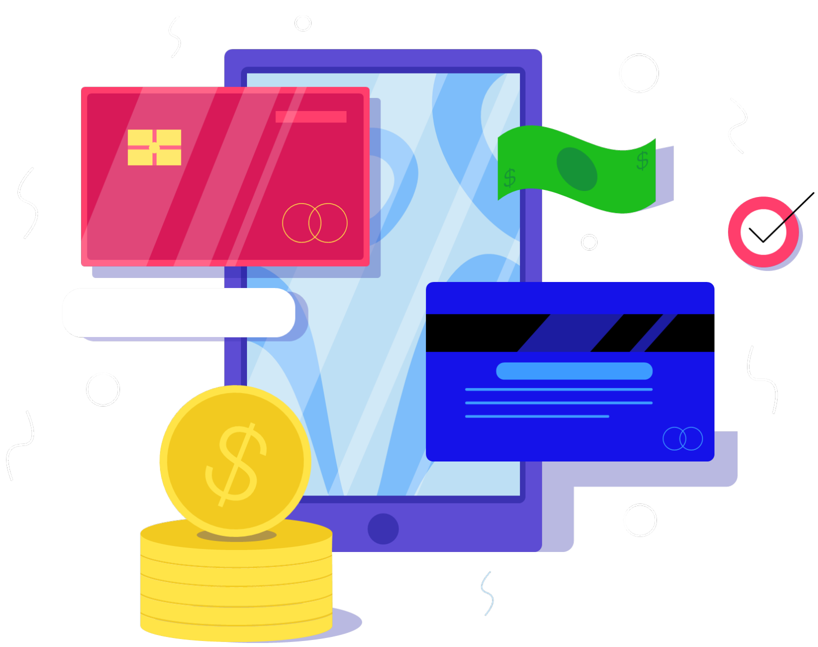
Know your triggers: Know what temps you. For example, the "FOMO, fear of missing out" and "keeping up with the Jones" phenomenon can be a stressful trigger for some people. Often, what we see on social media, for example, is a highly curated and often unrealistic representation of the lives of our friends. Seeing others on social media with "nicer clothing", "a nicer car", a "nicer vacation" can produce this FOMO response and may lead to unwanted spending habits. A great way to avoid this is to simply avoid social media, especially when we do not feel great about our circumstances. Another example is to not shop for groceries when hungry. Often, when we go to the store while hungry, we end up buying unnecessary snack food. Try eating before shopping. These are just a few examples.

1. Self-control and delayed gratification

Visual and tangible success reminders: Create visual and tangible representations of success. Related to the "start small" tip, having tangible and physical representations of success can be a great reminder of progress and provide a source of psychological success. For example, in our expensive coffee scenario discussed previously, you could add those few dollars to a money jar and leave it in a highly visible place within your home. Seeing the money physically pile up can be a great source of motivation to stick to your plan. This concept of the "piggy bank" is a tried-and-true motivational method. Another strategy would be to use a goal chart. This can be used by yourself or with your entire family. You have all seen the fundraiser thermometer poster as an example. Consider using a tool like this to track your progress and keep you and your loved ones or family motivated.

Use others to keep you accountable: Share your plan with others, including friends and family. When others are informed and even involved in your plans, they can serve as a great source of encouragement or motivation. Ask your friends or family to help keep you accountable. Having them involved can also provide a sense of pressure to stick to the plan. Incorporate a reward for them for helping you, such as buying lunch at the end of the month if you meet your budget goal. Being accountable to a loved one or friend's wishes can often be more powerful than accountability to your own wishes.

Reward yourself: As you say "no" to yourself, it is important also to know when to say "yes." Establish a reward system for yourself that still falls within your budget and plan but provides motivational rewards for milestones reached. Having this as part of your plan can help you avoid catastrophic spending as a result of fatigue with the plan. For example, if building a budget, give yourself "personal money." This is money you can spend on whatever you wish. Make sure to give this to yourself multiple times per month so you do not spend all of it within the first few days, leaving no personal money for the remainder of the month. As another example, if you enjoy eating out, give yourself an end-of-the-month dinner night where you get to go to your favorite restaurant after a month of sticking to your budget. These motivators can help prevent you from feeling like the the plan is not worth the trouble, ultimately helping you stick to it long-term.



2. Understanding wants vs. needs

Understanding your own personal "wants" vs. true "needs" is the cousin of self-control vs. delayed gratification. The two are intimately related, and for your delayed gratification mindset to be worth it, you must know what a true "need" is and how to separate it from a simple "want."

Let's define each:

Needs: Things that are necessary to live and function, such as food, water, shelter, transportation, clothing, healthcare, and expenses for our loved ones. Often called "fixed" expenses.

Wants: Things that enhance quality of life but are not essential for survival, such as entertainment, travel, luxury items, movie tickets, or dinners out. Often called "variable" expenses.

Defining your wants vs. needs, as you will see in this course, is a critical part of creating your monthly budget.

Defining and labeling your spending correctly as a want or need is the first step in building a plan to tell your money how to behave. The next step is to try to reduce the wants while leaving the needs in place and then controlling how we spend on the wants so as to not go over budget. We will learn how to do this in the course.

Also, for delayed gratification to work effectively, you will need to both understand what is truly a need vs. a simple want and then work on fighting the voice that will often tell you a simple want is really a need – this is called justification and can help be avoided by following some of the strategies for delayed gratification and discipline discussed previously.

3. Plan-oriented, with long- and short-term goals

Goal planning is one of the most talked about topics in the area of self-success and personal empowerment, and often for a good reason. Many of the most successful people will name their habit of setting realistic, well-thought-out, and achievable short and long-term goals as the secret to their success. The topic of goal setting deserves an entire course of its own, but for our purposes, here we will focus on choosing tangible financial goal(s) that can be built into a financial success game plan and include both short-term and long-term milestones.

Why it matters:

You can't possibly reach your goals if you don't even know what your goals are. This subject area is an integral part of the "why" question we discussed earlier in our 6 W's of Financial Intelligence. Our first step is to determine your "why" and set at least one long-term goal that encompasses your "why".

Take the time to choose at least one financial goal for yourself, and throughout this course, we will focus on the steps in creating a financial success plan around that goal. The resources we provide will structurally incorporate all of the important elements needed to help you, but your first task will be to decide what goal to have.

SMART Goals: The SMART goal framework is a quick and easy way to make sure you are including all of the critical elements that go into a well-thought-out goal. Much of our 6 W's analysis will help you to incorporate these specific thought exercises into your financial goal setting. Here we can see what the SMART acronym stands for and how it relates to our 6W's:

Specific: Clearly define your goal, so you know what you want to accomplish. **Relates to the "Why" in our 6 W's analysis.**

Measurable: Have metrics to evaluate how close you are to reaching your goal. **Relates to the "When" in our 6 W's analysis.**

Attainable: Make sure your goal is realistic and within your ability to achieve. **Relates to the "Who", "Which", & "Where" in our 6 W's analysis.**

Relevant: Ensure your goals contribute to your overall idea of success. **Relates to the "Who", "Which", & "Where" in our 6 W's analysis.**

Time-bound: Set realistic deadlines to pace yourself. **Relates to the "What" & "When" in our 6 W's analysis.**

In terms of setting financial success goals, the SMART goal analysis may be more than enough for our needs. The tools presented in our Financial Literacy course will help you think through each of these elements of goal setting when it comes to your financial goal(s).

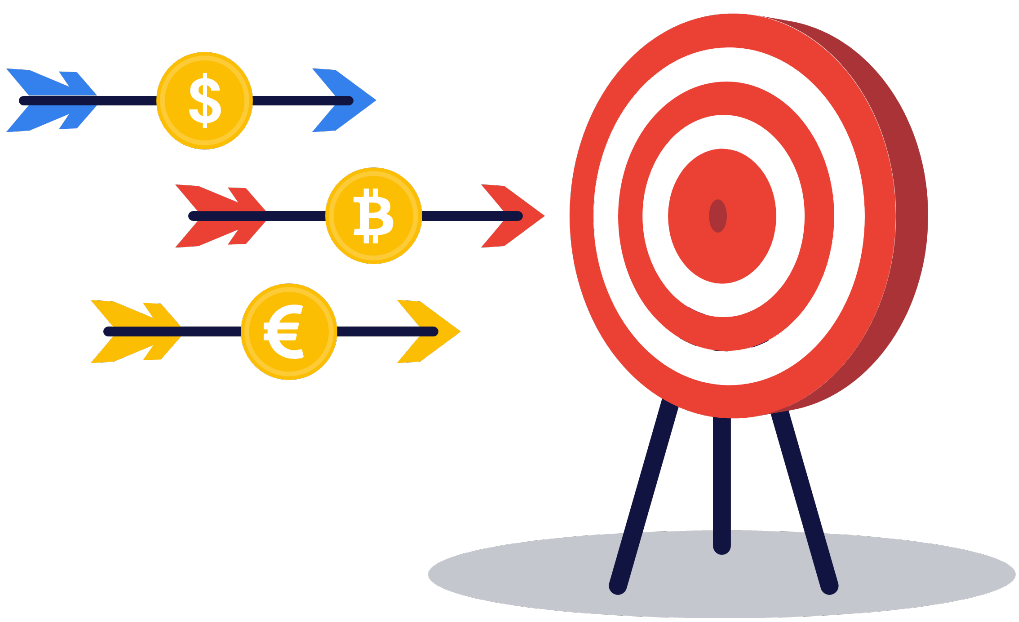
3. Plan-oriented, with long- and short-term goals

Another element to consider when setting goals is to break your goals up into both the long and short term. Mostly we think of our goals at a final end point or more long term. This is important. However, it is also important to create success mind posts along your journey in the form of short-term goals to help motivate you and keep you on track.

Long-Term Goals: Long-term goals are your final destination. Where do you want to end up? This will be your ultimate financial goal(s) and can be, for example, a fully funded retirement account, a large down payment on a new house, or building an emergency fund to cover three months of household expenses.

Short-Term Goals: Short-term goals are meant to help you break down your larger goal into more manageable chunks. This can serve as a strategy for executing your plan efficiently and as a key motivational factor to drive your success toward your long-term goal. Short-term milestone goals can be a Key motivating factor to seeing success, keeping you fueled up on your journey and keeping your emotional resilience and grit fuel tank filled as you see progress.

Examples of these can include a goal of building your first monthly budget and a goal of paying off one of your credit cards on the path to being debt-free. It is important that the short-term goal moves you closer to your long-term goal and that each **short-term goal is time-bound** so that you know you need to achieve this step by a certain date or time.



4. Understanding risk vs. reward

Understanding risk vs. reward is an often-overlooked element of a success mindset in any area, especially financial literacy. Like many things in life, one has to risk something in order to achieve a greater good. Expressions such as “no pain, no gain,” “you can’t make an omelet without breaking a few eggs,” or “you have to spend money to make money” remind us that much in life is finding a balance between sacrifice, risk, and achievement.

One of the key elements of your financial success plan is understanding where you lie on the risk-reward spectrum. **This relates to the “who” element of our 6 W’s analysis.**

By understanding your own risk tolerance and combining that tolerance level with your time horizon (something we will learn more about later) and current financial situation, you can better create more realistic financial goals and put the correct tools into action to help you meet those goals while minimizing harm to your piece of mind and comfort and reducing the chance you will give up on your plan.

5. Emotional resilience and grit

The emotional resilience and grit success mindset ties in with self-control and delayed gratification to a large extent but also includes the ability to withstand fear, pressure, and stress.

Like all aspects of life, in executing your financial success plan, you will run into problems and hard situations that can threaten to derail your plan. One of the key features in building your plan, as we will see, is to reduce risk but also put together safety nets to help prevent the plan from being derailed by these unexpected events. The key to any plan, especially financial success, will be to fight through the hard times and stick to the plan. This is greatly aided by pairing proper evaluation and planning with an emotionally resilient success mindset.

As an example, this is one of the critical reasons why it is important to have a well-thought-out risk/reward evaluation during the formation of your plan and long-term goals. It will be important to understand the level of risk that is tolerable to you to avoid the trap of making financial decisions that, while they may seem smart in avoiding risk at the moment, hurt the plan long-term.