



The Perfect *Financial* Recipe

A 12-step guide to creating a financial system that helps you reach financial freedom

Welcome to Ithaca Wealth Management's in-depth guide on mastering your financial journey. We recognize the significance of strategic financial planning, and in this guide, we'll explore 12 crucial steps designed to empower you on your path to a secure and prosperous future.

1. Pay yourself first

The bedrock of financial success lies in the discipline of paying yourself first. Reverse budgeting, an invaluable concept, involves proactively saving and investing before allocating funds to other expenses. Embrace this strategy by aiming to invest at least 20% of your income. By prioritizing savings, you ensure that your future financial goals are not compromised by immediate spending needs.

PAY YOURSELF FIRST



2. Emergency savings

Make sure you establish an emergency savings fund covering several months of your living expenses. This financial buffer helps ensure you won't be forced to liquidate investments during challenging times, preserving your long-term investment strategy. An emergency fund acts as a financial safety net, providing peace of mind and the flexibility to navigate unexpected expenses without disrupting your overall financial plan.

3. Spend less than you earn

Maintaining financial balance requires spending less than you earn. This basic math is essential to achieving your financial success. Track your monthly spending habits to make sure you are staying within your means and avoiding unnecessary expenses. This will help prevent lifestyle creep as you grow your income over time.

Cultivate the habit of increasing your investment contributions whenever you receive a raise. If you receive an unexpected bonus at work, consider investing a portion of the proceeds. Consistent adherence to a budget not only helps you live within your means but also empowers you to allocate more funds toward your financial goals.

4. Pay off your credit card balance each month

Credit cards are a great tool, as long as they are used responsibly. That means paying off the entire credit card balance each month in order to avoid prohibitively expensive interest charges. Too often are consumers lured by the minimum payment option and unknowingly expose themselves to high credit card fees.

If you do have high interest rate debt, it should be a top priority to pay down that debt as quickly as possible, even if that means you have to skip a few months of investment contributions. Each situation is unique, so consider reaching out to a fiduciary financial advisor.

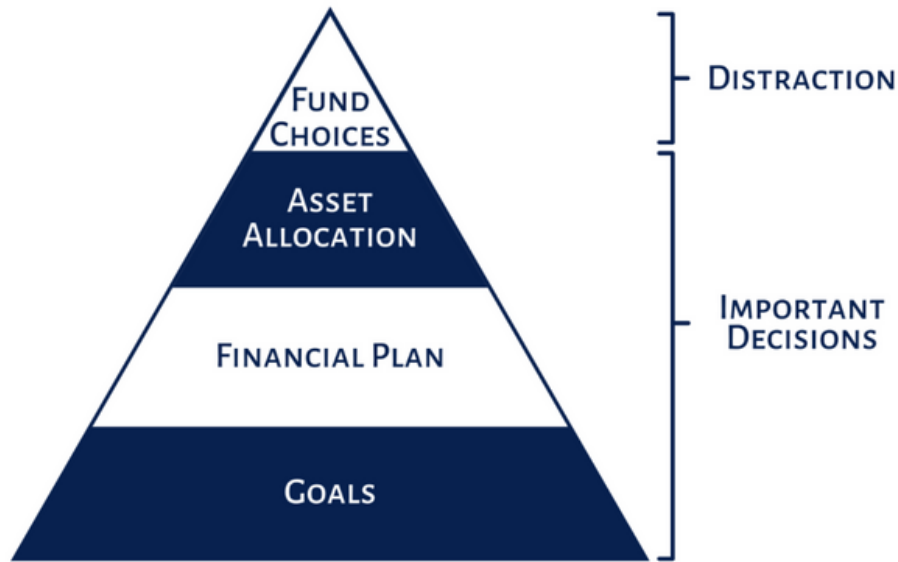
5. Set clear investment goals

Identify your short-, medium-, and long-term investment goals to tailor your savings strategy accordingly.

Whether it's a house downpayment, starting a family, or traveling during retirement, clearly defined objectives empower you to create a customized financial plan that maximizes the effectiveness of your savings strategy.

Goal-setting not only provides direction to your financial journey but also allows you to measure progress, celebrate achievements, and adapt your strategy as your life evolves.

PLANNING PYRAMID



6. Consider a fiduciary financial advisor

Consider enlisting the guidance of a fiduciary financial advisor to help navigate life's financial journey. A fiduciary is bound by the ethical duty to prioritize your best interests, offering assistance in understanding complex financial scenarios and making informed decisions. A fiduciary's commitment to acting in your best interest ensures that the advice and recommendations provided align with your unique financial goals and circumstances, fostering a long-term partnership that promotes financial success.

ARE YOU TAKING ACTION
TOWARD YOUR LIFE'S GOALS?

☐ YES

☐ NO

(THERE IS NO MAYBE.)

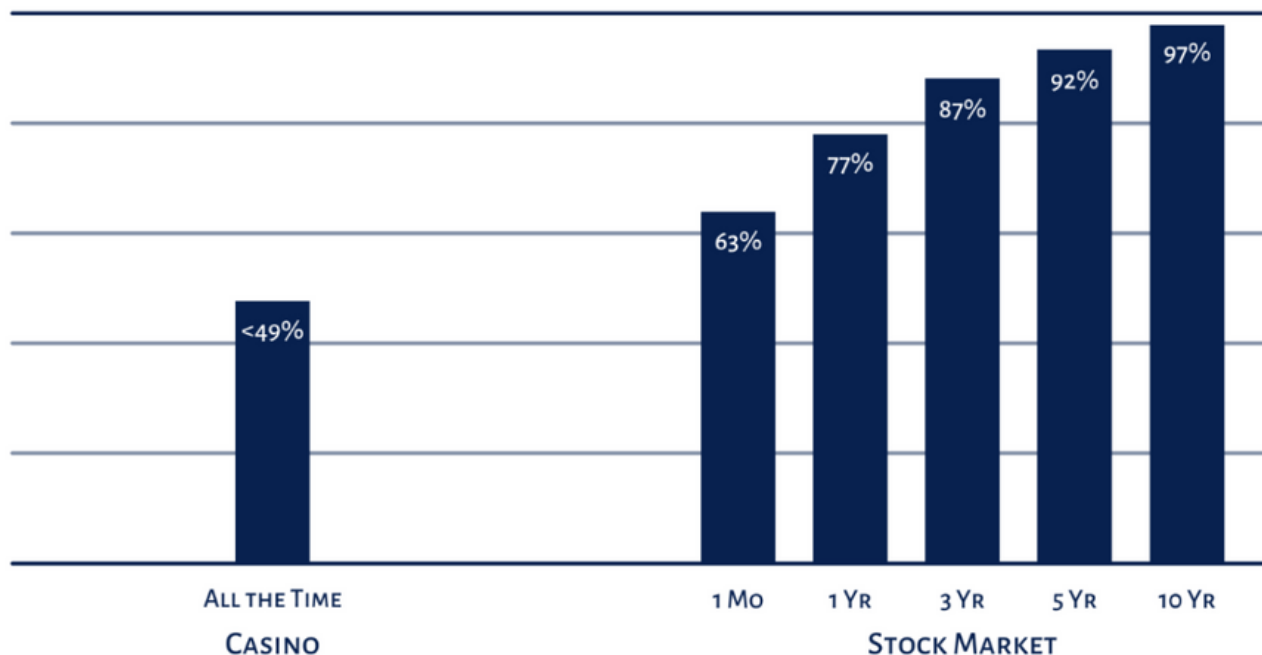
7. Leverage tax-advantaged accounts

Maximize your wealth-building potential by taking advantage of tax-advantaged investment accounts. Explore options like IRAs, Roth IRAs, and 529 plans for education expenses, in addition to workplace accounts such as 401ks, HSAs, 403bs, and 457 plans. These accounts offer tax benefits that can significantly enhance your overall financial strategy and save you a lot of money in taxes. Understanding the tax implications of different investment accounts allows you to optimize your contributions and withdrawals, ultimately preserving more of your wealth.

8. Avoid market timing

Resist the temptation to time the market. Commit to a long-term investment strategy, recognizing that even professionals struggle to consistently beat the market. Emotional reactions can lead to irrational decisions, so stay the course and focus on long-term investment goals. By avoiding the pitfalls of market timing, you position yourself to benefit from the compounding effect of long-term investing, smoothing out the impact of market volatility on your portfolio.

PROBABILITY OF A POSITIVE OUTCOME



9. Keep a close eye on fees

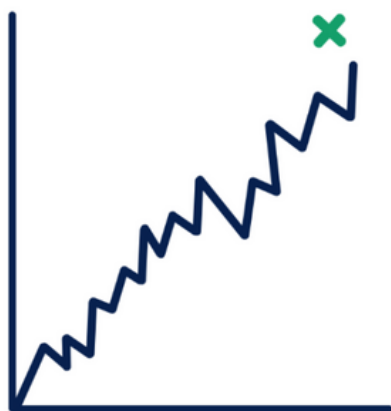
There's a lot of jargon in the financial world, especially when it comes to fees. Be mindful of the fees you are being charged, either by your financial advisor, broker, or by the mutual funds and ETFs that might be sitting in your account. Over a long enough time period, high fees could significantly weaken the compounding power of an investment account.

If you're unsure of how to determine how much money you're paying to mutual fund companies and/or your financial advisor, reach out to Ithaca Wealth and we'll help you get to the bottom of it, for free.

10. Make evidence-based investment decisions

The numbers have been crunched and the results are in: few active investment managers can consistently beat the stock market in terms of performance. Consider ditching high-cost active investment funds in favor of low-cost, passive, index funds, especially within workplace retirement accounts. This ensures that your hard-earned money is efficiently working for you.

PERCEIVED SUCCESS VS. REAL SUCCESS



BEATING THE
MARKET



ACHIEVING YOUR
GOALS


11. Diversify your portfolio

Mitigate risk and promote long-term growth by diversifying your investment portfolio. Spread your investments across various asset classes, sectors, and geographic regions. Diversification helps smooth out market volatility, increasing the likelihood of sustained long-term investment success. Understanding the importance of a diversified portfolio allows you to navigate market fluctuations with greater resilience, ensuring that your investments are well-positioned to weather various economic conditions and that you stick to your long-term financial plan.



12. Invest early, invest often

Time is a powerful ally in wealth-building. Initiate your investment journey early and maintain a consistent contribution pattern. The earlier you start, the more time your investments have to grow, providing a substantial advantage in the long run. Regular contributions, even if they are smaller, allow you to take advantage of market fluctuations and dollar-cost averaging, contributing to the steady growth of your investment portfolio over time.



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