

THINK YOURSELF RICHER

When it comes to improving our finances we could all learn a few lessons from the world's wealthy, says Iwona Tokc-Wilde



Financial independence can mean many things: being able to buy exactly what you want; living debt-free; being able to take a sabbatical from work. But, at its core, it means pretty much the same to all of us: complete freedom from financial worry.

So why do so few people attain it? It's time to find out which of these psychological barriers is stopping you...

YOU DON'T KNOW THE REAL VALUE OF MONEY

A recent study shows that although 50 per cent of us have a savings account, more than a third don't know what interest rate they're currently earning. But it pays to pay attention to these details, says Kelley Keehn, personal finance expert and author of *The Money Book For Everyone Else*: "The wealthy enjoy spending their money but they also respect it and know how to keep it – they read their credit card and bank statements, negotiate rates, ask for discounts and read their restaurant bill before paying. Billionaire Warren Buffet still drives his old Ford pick-up truck."

YOU FIND IT DIFFICULT TO TAKE THE FIRST STEP

You've been watching the stock markets and read some useful books, but you do nothing to invest or save money. How do you spur yourself into action? "Take one small step each day – you'll soon gain momentum," says life coach Sue Stone. Also, ask yourself what return you want, how much risk you're willing to take and whether you have all the knowledge you need, recommends Tim Cotton, Chartered Financial Planner at Money Wise Independent Financial Advisers. If not, ask for help.

YOU SUCCUMB TO TEMPTATIONS

Your neighbour's driving a new Lexus while your Mondeo's ready for the scrap heap. Yet as soon as you have some extra cash, you can't help but spend it. Why? "It's because money, or the lack of it, is the newest taboo," says Keehn. "We don't like admitting to our peers that we can't afford, or choose not to buy, something." Yet, the price of financial freedom is so often denial. If that sounds harsh, Stone

recommends that you "focus on what you're trying to achieve", then "it won't feel like you're making sacrifices."

YOU WANT IT NOW (BUT PAY LATER)

If you belong to the 'buy in haste, repent later' tribe, try budgeting. It may restrict your current lifestyle, but it'll free you from money worries by allowing you to see what you need and what you can do without.

"Budgeting is the most important step you can take to determine your own financial future, and the quickest route to taking control of your finances," says Cotton. "People who don't review their expenditure regularly often continue paying direct debits long after they've forgotten what they were for."

YOU FIND YOURSELF 'YO-YOING'

The trouble with yo-yo dieting is that you shed the pounds initially but you can't stay off the cupcakes forever. Soon, you're back where you started...

Your efforts to build financial wealth can have the same 'nil net' effect. Say you decide to invest in property: you seek financial advice, explore mortgage options and trawl the internet for that elusive bargain. Then you find something else you'd rather be doing, until... you decide to invest in property again. Don't beat yourself up about it, though. Instead, find a route that will suit you better.

Finally, is there a shortcut to financial freedom? Not unless you win the Lottery. But in the meantime, simple wealth-building is the way forward. "Spend less than you make or make more than you spend," says Keehn. And don't let the negative psychology get in the way.

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Show me the money

Who earns most? Sir Philip (top) and Lady Green are estimated to be worth £4.2bn, which takes the Topshop boss and his wife to no 13 on The Sunday Times Rich List 2011; shoe supreme Tamara Mellon, formerly of Jimmy Choo (left, in gold), has a reported £150m, while fashion designer Victoria Beckham now has assets said to be worth £165m with husband David; actors Emma Watson (no 13) and Robert Pattinson (no 8) zoom up the The Sunday Times' list of young UK millionaires this year, with £24m and £32m respectively.



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