



T R A N Q U I L I T Y
W E A L T H M A N A G E M E N T

What Is Financial Fitness?

When I was growing up, we lived next door to a family whose breadwinner was a physician, and the mother stayed home with the kids.

I recall the mom telling us that when her husband was in medical school, she would shop for groceries with a price counter. When she put an item in the cart, she'd enter the price—click, click, click—keeping a running total. Staying within a budget was critical. Go over, and the risk of a bounced check was real.

Fast forward a few years. He had established a successful private practice, and the counter was no longer there. She mentioned that she freely added what she needed to the shopping basket.

I didn't perceive this as bravado. The family's financial situation had significantly improved, giving them financial breathing room.

So let's ask a simple question: Which version of the couple was "financially fit"?

In some respects, the couple living on a shoestring budget was disciplined. Yet when day-to-day expenses were no longer an issue, the family was far more inclined to plan financially for the future—from college savings to retirement.

So, what is financial fitness, and how do we achieve it? For our purposes, let's develop a working definition.

Financial fitness is the confidence that comes from knowing how to manage your money, meet your current needs, build and grow short- and long-term savings, create a path to the future, and move toward your goals.

Financial fitness grows through consistent habits such as budgeting, reducing and eliminating debt, saving, and planning for the future. In turn, stress is reduced, and you build lasting financial strength.

The Fundamentals Are the Foundation

Financial literacy is a close cousin of financial fitness.

Financial literacy allows you to use your financial skills to make informed decisions about money. It includes knowing how money works, managing it, and planning for both short-term needs and long-term goals.

A helpful analogy is that literacy is knowing what it takes to be healthy, while fitness is actually doing it—like eating well and exercising. Put another way, “I know I need a budget,” so I put this knowledge into practice by developing a spending plan and adhering to it.

6 Steps to Financial Fitness

Some of these steps may seem rudimentary and simple. But understanding the basics allows us to build upon a solid foundation. Some of these steps may be well worth sharing with your children.

- **1. Develop a spending plan (budget).** Track expenses carefully. Include a savings category and pay yourself first. Discipline matters.
- **2. Manage your debt.** Avoid carrying high-interest credit card balances. Pay off higher-rate cards first and roll payments forward. Be cautious using home equity to pay unsecured debt.
- **3. Saving and investing.** Maintain at least six months of accessible savings. Plan for long-term goals such as college and retirement, incorporating pensions, rental properties, and Social Security into your strategy.
- **4. Tax planning.** Understand withholding and estimated payments. Consult your tax advisor when needed.
- **5. Teach kids about money.** Start early with savings goals, responsible spending, and modeling proper financial behavior.
- **6. Legacy.** Estate planning is not just for the wealthy. Maintain a will, Power of Attorney, and updated beneficiaries to reflect life changes.

Financial fitness is about building healthy money habits that will improve financial stability and reduce stress. If you attempt to conquer the mountain all at once, you may be overwhelmed. But small, consistent steps will strengthen confidence and resilience over time and put you on the path toward financial fitness.

Please feel free to reach out. We're always here for you.

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