

# 7 STEPS TO FINANCIAL FITNESS



Achieving financial fitness requires discipline and determination over the long term, just like running a marathon. CFA Institute believes that becoming financially fit means feeling good and confident about your financial situation. It means being able to manage your money in order to meet your current and long-term needs. As with any type of training, becoming financially fit requires learning the principles and best practices that others have used to achieve their financial objectives.



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# To begin your training toward a more secure financial future, follow these 7 Steps to Financial Fitness:



## Set financial goals

- You can't reach your goals if you don't set them
- Planning how to use savings and investments to reach your goals is key
- Determine how much you need to save over time to finance your dreams
- Include an emergency fund in your financial goals



## Understand where your money is going

- Create a budget that includes necessities, required expenditures, discretionary items, and the periodic savings necessary to finance long-term financial goals
- Track your spending. Compare it regularly against your budget and make changes to your spending habits where necessary
- Use the knowledge and skills you gain over time to spend less where possible and save more



## Manage your debt

- Curtailing the use of debt to consume is crucial when trying to optimize savings and investment capital
- Avoid high-interest rates and potential fees by minimizing the use of credit cards
- Build a debt management strategy to reduce and eliminate high-interest debt and to accelerate the payment of debts like student loans and your mortgage if they are a priority



## Put your finances on autopilot

- Put money in your savings account using direct deposit so that you don't spend it.
- Make sure regular contributions make it into retirement and other investing accounts
- Use autopay to manage and pay recurring bills like mortgage or student loan payments.
- Use a money management application to help track payments and other expenditures



## Maintain a steady lifestyle

- Spending does not have to grow at the same rate as income
- Growth in income, bonuses, and other windfalls can increase savings and investment accounts
- Keeping expenditures relatively constant over time is a key method in achieving a secure financial future



## Invest wisely

- Establish a low-cost, globally diversified portfolio that's appropriate to achieve both short- and long-term goals
- Use a broadly diversified portfolio of global stocks and bonds to obtain a proper return in regards to your attitude about, and ability to take, financial risk
- Where appropriate, think long-term and don't be overly focused on the short-term performance of your investments. Stick to your investment plan and review your portfolio periodically to stay on track



## Obtain knowledge and advice

- Being financially fit means understanding and utilizing the main principles and best practices in saving and investing
- When needed, get help from an accredited investment adviser that can help you build an investment plan and portfolio to meet your financial needs

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Like any type of training, taking the steps to financial fitness isn't easy. It takes time, energy, and the discipline to obtain and hone the necessary skills over time. The best part of the 7 Steps to Financial Fitness is that they apply to anyone, regardless of how old you are, where you come from, or how much money you earn. These principles work because they are proven to help people optimize their savings, which can then be utilized to meet current financial needs and build long-term wealth.

CFA Institute and the Future of Finance initiative believes that financial markets are more effective when participants are knowledgeable. The Future of Finance is a long-term, global effort to shape a trustworthy, forward-thinking investment profession that better serves society.

To learn more, please visit  
[www.cfainstitute.org/futurefinance](http://www.cfainstitute.org/futurefinance).



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