

# FINANCIAL INSIGHTS BLOG

BUDGETING | SAVING & INVESTING | THE ECONOMY

## Choose Your Financial Friends Wisely: A Guide to Healthy Financial Relationships

Our friendships, family, and community profoundly influence our financial decisions. Like children, our behavior is often a mirror of the environment in which we were raised, and the values we were taught. This behavior often continues into adulthood, and we tend to reflect the habits and attitudes of those around us when it comes to money.

Choosing wise financial friends and mentors is crucial, as they play a pivotal role in shaping our financial habits and mindset. Here's why choosing individuals carefully matters, and how to navigate these relationships effectively.

### A good friend is a constant support.

The impact of peer pressure extends beyond our teenage years and into adulthood, especially in financial matters. The lifestyles and spending habits of our peers can subtly influence us, leading to unnecessary expenditures and financial strain. This phenomenon is exemplified by the concept of "Keeping Up with the Joneses," where we feel compelled to match or surpass others in material wealth, often at the expense of our financial goals.

Consider Jayden, who, after joining a group of friends who flaunted their lavish spending, found himself stretching his budget to keep up. Despite having solid financial goals, his desire to fit in led him to take on debt and make careless purchases. By choosing mentors and friends who prioritize financial responsibility, he could have avoided this strain.

It is important to surround yourself with people who promote healthy financial habits, such as parents, grandparents, trusted friends, or colleagues. You also don't need just one adviser; having multiple financial guides in your life can be beneficial. These mentors can encourage wise saving, prudent investing, and living within your means, collectively creating a supportive network that fosters long-term financial success.



### As iron sharpens iron, so one person sharpens another.

A reliable financial mentor or friend serves as a valuable sound board for ideas and decisions. They can help you understand your financial needs and provide perspectives beyond your own, allowing for more effective planning and problem-solving.

Take Raquel, who faced a major decision about whether to invest in a new business venture. Her financial mentor and uncle, Michael, helped her weigh short-term versus long-term goals, evaluate risk tolerance, and gave actionable recommendations to manage her budget. Michael's experience and financial literacy provided Raquel with clarity and confidence in her decision-making.

Having knowledgeable friends or family members who can offer honest and sound advice and hold you accountable is valuable in the financial journey. They can guide you through budgeting, debt management, and other financial challenges or opportunities while respecting your privacy and maintaining confidentiality.

**Quality and good character.**

Taylor was struggling with debt and needed guidance. Karen, a financial advisor, and colleague gave useful advice and examples of how clients have navigated debt, and together they came up with a plan. At each milestone, Karen celebrates and encourages Taylor when she meets those milestones. This supportive approach helped Taylor stay motivated and on track.

On your financial journey, consider these traits for persons you may choose to be your financial friend or mentor.

*They are not hypercritical:* They understand that everyone has different financial circumstances and goals and have a non-judgmental attitude when it comes to finances.

*They are supportive:* They provide encouragement and practical advice based on their own experiences.

*They are financially literate:* They have a good understanding of financial concepts and can offer informed perspectives. They encourage you to seek out information on investment opportunities.

*They respect your privacy:* They maintain confidentiality regarding your financial discussions.

*They lead by example:* They have a journey that is also a source of inspiration and share goals, successes, and challenges openly.

Celebrating achievements, providing resources, and offering a listening ear can also greatly impact financial motivation and progress. This approach nurtures a positive and encouraging relationship, empowering you to pursue your financial goals and dreams with confidence.

**Consider professional advice.**

There are many good and bad ways to get financial advice. There are many good and bad places to get financial advice. The option that's right for you will depend on your personal preferences and financial needs at a present or future time. Choosing your financial friends and mentors wisely is a crucial step toward building a secure financial future. Where your finances are concerned, associate and surround yourself with a community of persons who share your values and goals and support your journey toward financial well-being.

Remember, a true financial friend or mentor not only discusses money but also helps you grow financially and personally. A good financial friend or mentor will recognize when it's time to seek professional financial help and will encourage you to make informed choices about your financial future. By building positive influences in your community and considering professional advice, you can enhance your chances of financial success and build a fulfilling, secure lifestyle.

**CFAL is here to help.**

If you need additional help, feel free to reach out to us for a Financial Planning Session. Our Certified Financial Planners are here to assist you with your budgeting, saving and investing needs.

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