How long could you live if you lost your job? Do you even know what your monthly budget is? A successful career, one where you can take the risk of reinvention and transformation requires that you have your finances in order. In those first post-college years, when dollars were dearer, you probably had a very clear idea of your expenses relative to income. But as we move from a hand-to-mouth existence to a more comfortable lifestyle, prudence is often a casualty.

Financial advisors have two important directives for all of us:

1. Have at least 6 months liquid savings available for emergencies and/or job loss
2. Pay yourself first – invest at least 12% and preferably 20% of your gross income for retirement with direct withholding from your salary

David Bach, financial advisor and author of “Smart Women Finish Rich” (and other books) would add, “Have a third bucket for realizing your dreams. Note down some short-term and long-term dreams with a plan for achieving them.” This is part of transformation – having the financial wherewithal to make it happen.

To know what you will need in retirement, you need to look at how you spend your money now. This is also a great insight into how we waste small amounts of money. Even if you aren’t ready to retire, you need to know your monthly outlay because if you lose your job or decide to walk away, many analysts estimate it can take as much as one month per $10K in salary to get that new job. For most of us, having one year of savings is actually more prudent. As you estimate your monthly spending, be sure to include health insurance. It is more costly outside your company’s plan and even more costly would be doing without. You are just asking for something to go wrong.

“Pay yourself first.” Fully exploit your employer’s 401K plan and IRA, or if self-employed, set up a SEP or other investment plan. Auto-invest, so you never see the money. If you wait to see how much you have left over each month, you will find the answer is zero. Remember – you are trying to fund retirement and also your children’s college. The earlier you start, the more the value of compounding works to your favor.

20% of your gross income sounds daunting, doesn’t it? But consider that this is pre-tax for the most part, so you save in taxes at the end. You might even push yourself down to the next lower bracket with savvy investing. I can hear you telling me, “I can’t afford to save anything. I need to spend every cent of my income. Some months, I use credit cards to extend myself. There is no extra money.” David Bach pioneered an approach he called the “latte factor.” Some of my clients have a daily trip to Starbucks or Peets where they opt for a $4.50 coffee and a $3.50 pastry. That sounds like an affordable treat, but consider that this represents $160/month or $1920/year. That money could be invested. Others go out for a cheap lunch each day, but that cheap lunch is probably around $8-$10 dollars. Do the math. If you
bring your lunch from home four days a week, eating out only once, that money can go directly to savings.

There are literally hundreds of small ways to cut expenses. Merchants are experts at making you feel you need something. David Bach also recommends you set a threshold – you do not buy something if it costs more than a certain dollar amount, say $100, until you have walked away for 48 hours to see if you really want it. Most of us have no idea how much money is spent on things that give us little or no real pleasure. Cook more from scratch – raw ingredients, even great ones – cost less than pre-packaged food. Take advantage of your public library for reading materials and even DVDs. Vacations can be affordable by renting condos and eating breakfast and lunch at home. Make a log of how you spend every cent for a week or two and you will inevitably find these small items that add up to a great deal. Watch the pennies and the dollars accumulate quickly.

When you get a bonus or a raise, give yourself a small treat and invest the rest. Invest tax refunds and spending account reimbursements. You've already lived without the money for a time, so you don’t need it. Make it work for you. Any time money comes in, see how much of it you can save.

For some, instant gratification is a real problem. You crave the new home theater with the 60” 3D screen and surround-sound. The idea of aggressive savings is as appealing as castor oil. But the savings “medicine” buys you something more exciting than cool new technology. Saving buys you freedom.

When you save aggressively, your nest egg can help you bridge a period of unemployment, whether it was your choice or due to layoffs. You have the resources to start a business, take a sabbatical, go back to school or just wait for the right job to come along. You have the luxury of time. And because you aren’t desperate to get a job just to pay the bills, your serenity will actually make you more desirable to hiring managers. They want passionate employees, not desperate money-seekers.

Financial freedom gives you the confidence to become an intrapreneur. You can take the risk of challenging the job that no longer fits and go for what you really want to do. People speak of “golden handcuffs” and how they are trapped in their jobs. Burnout, stress-related disorders and resentment are fostered when you feel you have no choices. Your nest egg unlocks the handcuffs and empowers choice.

If you want to transform your job from the one you have into the one you can’t wait to do, give yourself a financial cushion. Don’t let your paycheck be the noose that strangles you.