FINANCIAL TIPS FOR MILLENNIALS

By Jacob Ansel

YOUNG PEOPLE SELDOM SEE ANY reason to start socking money away. But once Mom and Dad stop picking up the tab for everything from tuition to food to insurance, it's time to sober up and figure out ways to start a lifetime of fiscal acuity. Most folks don't learn how to be financially savvy in school and don't know where to start once their first paychecks – and bills – start coming in. Here are a few tips to start you on your way.

Protect your money from taxes. Don't let the IRS and state taxing authorities take your money. Put as much money away into a 401(k) plan as soon as you start your first job. Get used to having some of your paycheck go towards retirement. Retirement may seem so far away, but the sooner you start saving and defer taxes the closer you'll get to your retirement goal. We counsel many retirement age people who didn't put enough money into their 401(k) over the years and are forced to continue working into their 70s. Don't let that happen to you. Start contributing to retirement from day one.

Don't get into debt. Especially if that purchase doesn't provide future value. A house purchase or investment property gives you value as you pay down the principal balance. A credit card used to buy new clothes or the latest tech gadget doesn't provide any value except for the temporary satisfaction of acquiring something. When you get your first credit card, only use it if you know you can pay off the bill every month. A credit card is not a bank account; the bill must be paid on time every month; if you can't make the payment, don't make the purchase.

Transitioning to life after college can be overwhelming. It doesn't matter if it's freelancing or a job with a six-figure salary, handling life's finances can be daunting. Reach out for help or guidance from people you trust, and never stop learning about smart ways to save and invest your money.

Start an emergency fund. We've all heard our parents freak out when the house needed a new roof or the boiler busted. That's why you must start an emergency fund immediately. You are never too young for an emergency to happen. Stash away a few dollars every month and don't touch it unless it's an emergency. Don't entrust this money to a savings account; diversify in stocks, bonds, and money market funds.

Invest your money. Even if you're unsure of the best investment to make, don't put your money into a bank savings account. Take the time now to learn what stocks, bonds, and mutual funds are, and how fees work. Don't day trade; invest for the long-term. The rule of thumb is that at a 10% rate of return, you'll double your money every seven years. The best time to start investing is when you're young so your investments can ride out the ups and downs of the market.

Set a budget. This is an important step which most young folks never do. When you're working with a budget you know how much of each paycheck goes towards bills, savings, and happy hour. First things first: food, rent, and utilities. Next: student loans, insurance. Then sock money away in your emergency fund and retirement. If there's anything left over then, and only then, can you consider spending it. Never spend more than you earn.

Pay down your debt. If you've already spent more than you've earned and have built up debt, it might be smarter to pay off that debt before putting away money to retirement or your emergency fund. Especially if you have high-interest credit card debt, you should shift your priorities, but make payments way above the minimum.

Pay yourself first. Every financial planner will tell you to pay yourself first. Paying yourself first doesn't mean buying whatever you want. It means contributing towards retirement and building an emergency fund before you buy anything else. It doesn't matter if you only sock away a few bucks every month; what matters is the consistency and never tapping what you put away.

Track your credit score. You still get graded even after you've graduated and your credit scores are the most important grades you'll get now. To maintain a good credit score keep your oldest credit card open, pay your bills on time every time, avoid maxing out cards, and keep your spending below 30% of your available line of credit.

By starting your financial life on the right foot, you'll save years of stress and gain confidence about your money management skills. ❑

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