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PERSONAL FINANCE CHECKLIST FOR YOUNG ADULTS

Are you a young adult who is in debt to credit cards and college loans...loves to spend money but your job doesn't pay enough...hates to budget...thinks retirement is too far off to bother saving for yet...doesn't have insurance except for your car...feels stressed out about your personal finances? Then the following financial checklist is for you.

Keep investing in your education. Even if you've "finished" school, studying and training throughout your career is the best financial investment you can make.

Start budgeting. Hate that word? Then call it a spending plan or cash flow management. Whatever works. Just get into the habit of not spending more than you earn.

Pay off your debts, and keep them paid off. There's no bigger financial albatross for young people than excessive debt. It stymies every other financial move you want to make. Stick to one credit card and pay more than the minimum each month-better yet, pay it off each month. This establishes good credit, and you'll want that when you really need to borrow, such as for more schooling or to buy a home.

Start saving at ten percent of your income. Can't? Okay, try five percent, and work your way up to ten. It's a habit to get into, like budgeting. Your budget can help you free up the money to save. Do you really need a brand new car?

Start saving for retirement. Yes, it's a long way off, but that's in your favor. Time is your biggest ally. Investments compound in value over time, and the longer the time, the more they compound. In short, \$1 invested when you're 25 will yield roughly nine times more by age 65 than the same \$1 invested at age 55. The quality of your retirement will depend more heavily than previous generations on your savings, and you'll likely live longer in retirement than

previous generations. Invest at least enough in your retirement plan at work to maximize matching contributions from your employer.

Don't cash out retirement plans. Young adults change jobs frequently these days, and they often cash out their retirement plan accounts when they leave a job. Frequently they spend that money frivolously instead of rolling it over into another retirement account or an individual retirement account. Big mistake. Say it's \$1,500. Left to grow tax-deferred at 10 percent a year, it will be worth \$10,091 in 20 years, \$26,174 in 30 years and \$67,889 in 40 years. You won't miss the \$1,500 you don't take out at age 25, but you'll surely miss the \$67,889 you don't have when you retire.

Buy medical coverage if you're not covered at work or by your parents. Even young adults get seriously ill or injured, and the debts could ruin your financial health for years, even decades, to come.

Buy other insurance. Disability insurance replaces some of your lost income if you're ill or disabled. You may have some coverage at work, but it may not be enough. Consider buying it with after-tax dollars so the benefits won't be taxed. Renter's insurance covers lost, stolen or damaged personal property that could be expensive to replace (your landlord's insurance won't cover it). Don't bother with life insurance yet unless someone is financially dependent on you—a spouse, kids, a sibling, parents.

Talk over your finances with your future spouse. Financial conflicts—not low income—are a major cause of divorce. Be honest about your personal finances (your debts). Talk about how you view money (are you a spender or saver), your financial aspirations, how household money will be managed, how assets should be titled. A talk with a qualified financial planner can be a big help here.

Get a will, a living will/health care proxy and a durable financial power of attorney. A will ensures that your possessions and financial assets, however few they may be at the moment, go where you want them to go if you die unexpectedly young. The living will and the accompanying health-care proxy ensures that you don't get more medical treatment than you want if you're terminally ill or in a permanent coma. The financial power of attorney designates someone of your choosing to take care of your finances in the event you cannot.



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