

Age Appropriate Money Tips: In Your 20s - State of Mind & Priorities

by vcmorris - Thursday, January 29, 2009

<http://thethinpinkline.com/2009/01/29/age-appropriate-money-tips-20s/>

Every decade of life brings new and specific money needs. So what should you be doing to get your financial life in order if you're in your 20s?

At 20-something, you have the luxury of time on your side. That means you can take more risk right now. At 20-something since you won't be touching the money you're saving in the near future - that means you can exhale and ride out these recent market ups and downs.

If you're in your 20s and don't own any stock - now's the time to get some. I know that might seem like a lofty goal since money's probably tight. You might still be in school or going back to school for a more advanced degree. But getting into the stock market now is very important since the economic downturn has some good companies' stock at rock bottom prices. "But I don't know *what* to buy!" you say.

Here's a simple rule of thumb: buy what you use. If you readily and steadily buy a company's product - why not own part of a company that has you as a regular and returning customer? Start small. Buy a handful of shares and over time - add a few more. This approach gives you an investing discipline and a thing called a portfolio.

Your Number One Priority for managing your money in your 20s is to set boundaries on your spending by creating a simple budget aka spending plan and sticking to it. A budget helps you adjust to having a regular income while helping you determine the amount of money you can set aside to save for and build your 3-6 months worth of living expenses emergency fund.

A budget also helps you set aside money for another kind of necessary savings: your retirement. You may feel retirement is *nothing* you need to worry about right now - afterall, you're *just* starting out and will be working for years before this thing called retirement matters. But trust me, the best time to start saving for retirement is in your 20s because then the magic of compounding will make those set-aside dollars grow like yeast.

Your Number Two Priority is simple to state but tough to do: pay down your debt. Be deliberate about it and remember, you can't get out of debt if you keep spending! So this is the time to become clear about *wants* versus *needs*. Knowing the difference will give you a discipline about spending - for life.

Priority Number Three is to remember the money mantra: "Save not spend." This will help you more easily become dedicated to growing that 3-6 month emergency fund. It will teach you the importance of being consistent in what you do and how you do it.

In your 20s, commit to believing that:

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- good money habits create a sense of stability
- you are capable of solving money problems
- you are able to be decisive
- you can execute money strategies and create a short-term financial vision
- you can stay honest, truthful and *personally* accountable
- you have the ability to communicate, motivate and persuade others to do so

Next Thursday - I have some suggestions on how women in their 20s can get their financial life in order. As always, I'll give you concrete tips. Small and incremental. Doable. As I like to say, *loose change* ideas that add up to folding money.

If you want more details on how to save, invest and manage your personal money - at any age - go to www.napw.com for my daily "Valuable Money Tips with Valerie Coleman Morris".

Here's to your health and wealth.

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