

# Let's Talk Finances

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## Financial Skills for Young Adults



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The real world is expensive, and if young adults lack financial proficiency, they will struggle not only economically, but emotionally as well. That's why it's best to acquire financial skills early – as you make your way through school and/or navigate your first job – and learn to save for the years to come.

### **In School**

College or other post-secondary education is often the first time you will experience a real sense of freedom. Gone are the days of a traditional school schedule with parents and teachers standing over your shoulder to make sure you study, eat and complete your assignments. This may also be the first time you are faced with managing your own money to cover bills, school expenses and possibly loan payments. To help keep you from failing Personal Finance 101, it is recommended that you establish a budget. Record income from all sources – job, student loans, money from parents, grants, savings accounts and scholarships. Then record expenses – books, tuition, rent, clothes, entertainment, food, supplies, personal care items, and transportation costs. By tracking the first month or two of spending, you will be able to establish an accurate baseline of necessary and unnecessary spending. This will help you discover where there's room in the budget for saving.

### **On the job**

The thought of saving for retirement after securing the first job out of high school or college may seem ludicrous. After all, you may still need to pay off school loans, make rent and car payments, and cover insurance costs. However, saving for the future as soon as possible – especially if you are able to participate in employer-matching retirement programs – are smart financial moves.

Remember the budget you used in school? Now is the time to update it for the real world. Tracking your income, expenses, and spending is the most effective way to gain control of your finances and create a nest egg. As you progress in your career, your financial health should become more robust. On a regular basis, be sure to evaluate and re-evaluate your budget, plans for the future, and investment options.

Credit cards are convenient, and sometimes the only resource you have to get through stressful financial times. However, they may come at a high price. Sinking into credit card debt can happen quickly, and before you know it, you're over your head in interest, late fees, and balances you can't clear.

To help you stay afloat, do your best to avoid dependence on plastic. Other than buying a car or buying a home, you should try to pay cash for everything else that you need. If you're already saddled with debt, do your best to work payments into your budget so you can be debt-free as soon as possible.

### **In case of emergency**

Life will throw you expensive curveballs, and without an emergency fund, they could do some serious damage to your financial health. Any amount you can save each month in a certificate of deposit or

savings account will do wonders in establishing your financial safety net. Try to ensure that the savings option you choose earns a higher interest rate as well.

By adopting smart money habits as a young adult – budgeting, saving for retirement, and building an emergency fund – you'll create a lucrative and secure future.