

## **Five financial tips for young adults**

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Financial Planning Tips

Published Monday August 27th, 2007

Appeared on page B3

Young adults in their 20s and early 30s face a variety of challenges in their quest for financial security. Some of these challenges are similar to those faced by previous generations, while others are unique to the times. If you are just starting out, here are five financial tips to help you manage your money and plan for your future:

1. **Invest in your future:** You may have graduated from university and have a good job, but who knows where tomorrow's opportunities may lie? Ongoing technological changes in many fields will require continual upgrading of education and specific work skills. One way to improve your job and career prospects in the coming decades is to give a high priority to furthering your education. The more varied and flexible your skills, the more attractive you will be to prospective employers.

2. **Start an emergency/opportunity fund:** The uncertainty surrounding the world of work will quite likely mean your working life may be punctuated by a series of job and career changes. If you need to go to school full-time to change career paths, you may have stretches of time without stable income. Building up an emergency fund (while fully employed) to cover three to six months of "bare bones" living expenses can help you control work-related transitions. This type of savings fund can also be used for opportunities such as starting your own business.

3. **Save early and continuously for retirement:** If you aren't aware of it yet, welcome to the reality that saving for a comfortable retirement is a responsibility that falls squarely on your shoulders. With large numbers of people entering retirement and placing considerable strain on public resources, it is difficult to predict what kind of government benefits will still be available 30 "" 40 years from now. While that may seem like a long way off, the key is to make time your ally.

Remember, what you accumulate during your working years will likely be the primary source of your income for your retirement years. Even if inflation stays low and averages just 3 percent annually far into the future, prices will still double about every 24 years, cutting the purchasing power of your retirement funds. If you have access to a tax-advantaged plan, either individually or through your employer, it makes sense to start saving now.

The earlier you begin, the less money you will have to put aside each month to reach your savings goal.

4. **Use credit cards wisely:** Even before they finish their education, young adults are often targeted by credit card companies. While credit cards are often a great convenience (it's virtually impossible to conduct some transactions, such as making airline ticket reservations, without one), they have the potential to create debt problems. Over-spending on credit can create an illusion of wealth because payments can be stretched out far into the future. Paying off the full balance each month (except for emergency situations) is the best way to control your use of credit.

### Found, not lost

Some people have used the term "the lost generation" to describe today's "twenty-somethings" (and those in their early 30s). However, if you learn some basics about personal finance and apply a little common sense to managing your financial affairs, you'll be able to describe your future in far more satisfactory terms.

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