

6 Steps for Young Adults to Build a Financial Foundation



1 Create a budget

Subtract your monthly living expenses (e.g., rent, food, utilities) and loan payments (e.g., student and/or auto loans) from your monthly income to see how much you'll have left over each month to save or invest.



Build an emergency fund 2

Stash away a small amount from each paycheck until you have a few thousand dollars built up that you can access in the event of a financial emergency.

Tip A: You cannot afford to not have an Emergency Fund. Start by putting away a small amount, \$25 out of each paycheck. Set up a separate Emergency Savings Account with your bank. Fill out a Direct Deposit form that puts a set dollar amount or a percent of your paycheck into this account automatically. Once you reach a goal – increase your goal and look at bumping up the dollar amount. Because this is automatic and you don't see it – you won't miss it.

Tip B: Also set up another Savings account for Planned Purchases. Maybe you want to save for a car, a vacation, your education or your children's education. Whatever it is – it's easier to buy those items if you put a little away each month.

3 Pay your bills on time

Automate payments with online bill pay. If you run into financial difficulty, be proactive and contact your lender before you miss a payment.



4 Use credit wisely

Avoid racking up unnecessary credit card debt and pay off your bill in full each month. If you can't, don't use your credit card.



5 Contribute to a Roth IRA and/or workplace 401(k)

Time is your friend. Start saving for retirement now, and your older self will thank you. Consider starting with 3% of your pay and increase from there.



6 Live within your means

Forget about what others are doing and set your own financial rules and goals. Live your best life by striving to live within (or below) your means.

Tip C: One of the best ways to build up your retirement fund is to take advantage of any Employer Match. Reach-Up has an excellent match – they will match half of what you contribute - up to 9% of your salary. If you have a spouse – check if their company also matches. Starting in your 20's makes all the difference – even if it's a small amount.

Tip D: Know how much you pay in interest over a year. Paying interest is like throwing your money in the garbage. Although most people will need to borrow money at some point in their lives – it's important to know how much it costs you. Whenever possible – pay off more than the monthly payment and see how quickly the interest portion decreases.