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Saving money: Tips everyone in their 20s should know.

Financial advisers stress that there are several money lessons everyone in their 20s should know. For example, start saving at least 10 percent of your monthly income.

By **Kevin Voigt** (<http://www.nerdwallet.com/blog/finance/author/kevin/>), NerdWallet (<http://www.nerdwallet.com/blog/finance/financial-advice/what-you-should-know-money-20s/>) (<http://www.nerdwallet.com/blog/finance/author/kevin/>)
JULY 8, 2014



Changing your financial state requires a kind of time travel to commune with your future self. Where do you want to be in 10, 20 years? Are you on the right path, or heading in the wrong direction?

The time value of money—that is, how savings, investments and debt levels compound with the passing of years—means that money habits, good or bad, created when we start to earn cash echo into the decades that follow.

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And a whispered bit of wisdom up front can keep you from howling over your mistakes later in life.

We polled our NerdWallet network of Ask an Advisor (<http://www.nerdwallet.com/finance/financial-advisors/>) certified financial planners about the greatest regrets and lessons you should learn in your 20s, 30s and 40s. Taken together, these could be considered 12 steps toward securing your financial future. And they all hinge on two keys skills we must learn—and often relearn—in our money lives: prepare and stick to a budget, and establish good savings habits.

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We'll address the 30s and 40s later this week, but first: your 20s.

“Understand that the world has changed. You will be more responsible for your financial future in regard to earning a living, retirement planning, funding and investing, health insurance coverage and costs and less coverage through government programs,” says Jerome Deutsch,



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“Learn, plan and live mindfully and with a long-term perspective. It may not sound like fun, but you have a long life ahead of you.”

Pay yourself first

Save at least 10 percent of your monthly income. “The earlier you start this, the easier it becomes,” says Michael Keeler

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[advisors/advisors/profile/428/michael-keeler-cfp](http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/428/michael-keeler-cfp)), president of GFS & Association in Las Vegas ([/tags/topic/Las+Vegas](http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/428/michael-keeler-cfp)). “If you can learn to live without 10 percent of your income, you’ll do great in retirement.”

Use the savings to set aside the equivalent of six months’ gross income.

“This money shouldn’t be subject to market whims and shouldn’t have the goal of making a lot of interest,” says Larry R. Frank Sr.

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“The objective is to develop the war chest for unexpected expenses and to develop the habit of keeping your standard of living within your means”—to spend less than you earn.

After you’ve built your emergency fund, focus on paying down debts or begin to invest.

“Student loan debt comes next,” says Sara I. Seasholtz

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[advisors/advisors/profile/641/sara-seasholtz-cfp](http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/641/sara-seasholtz-cfp)), president of Preferred Financial Strategies in Mooresville ([/tags/topic/Mooresville](http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/641/sara-seasholtz-cfp)), North Carolina. “Then they should participate in the 401(k) where they work and contribute whatever is necessary to get the match from their employer. This figure seems to be 6 percent in most cases.”

Don’t go crazy with credit

Live within your means and resist the new spending power that comes with having income and a few credit cards. Otherwise you will spend your 30s paying for your 20s—and your future self will hate you for it.

“My number one piece of advice for those in their 20s is—beware of debt and credit! So many of us have made the mistake of bankrolling our 20s with credit cards, and spent our 30s digging ourselves out,” says Carrie



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Houchins-Witt (<http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/1318/carrie-houchins-witt-ea-cfp>), owner of Carrie Houchins-Witt Tax and Financial Services.

“As tempting as going out and buying that new car may be, I would advise against it. Now is the time to start building up emergency funds and a strong foundation to invest in assets that appreciate,” says Jeremy S. Office (<http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/647/jeremy-office-cima-chfc-cfp>), principal of MacLendon Wealth Management in Delray Beach (/tags/topic/Delray+Beach), Florida. “The pleasure of not having debt or paying it down will last much longer than that new car or luxury item.”

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Marriage? Think again

The heart rules, but if the head were in charge you wouldn't think of marrying in your 20s. Why? Roughly half of all Americans get divorced in their lifetime, true, but those who marry before the age of 30 are especially likely to.

In 2012, 80.6 percent of all American women who had a divorce and 72.8 percent of all men were below the age of 30 when they married. “I started family before settling in on long-term career plans [and that] made it difficult to transition back to career later after 10 years and divorce,” says Jean Schwarz (<http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/177/jean-schwarz-cfp>), managing director of Lumina Financial Consultants in Vienna, Virginia (/tags/topic/Vienna+(Virginia)).

“Experience shows [that] all of us change so much between 20 and 30. Looking back, we wouldn't recognize or want to be ourselves at 23-to-25 when we are 30,” adds Seasholtz. “To be a good mate and partner one needs to know themselves well. They need to be established and have some successes in life.”

Maybe settle for a long engagement.

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Tracy Becker, president of North Shore Advisory Inc., a national credit repair company, cites an example when suggesting how to building a strong credit rating in your 20s: First, have your parents add you as an authorized user to one of their credit cards. Then open a secured credit card, which usually requires a cash deposit roughly equivalent to your credit line. Six months later, the woman in the example had a FICO score of 660.

“The reason her score was this high without much credit is due to her Mom’s old Visa card being reported. The Visa card aged her average age of credit substantially, giving her extra points,” Becker says.

This opens the door for future credit lines and securing bank loans when you want to buy a house. Key, of course, is keeping your balance low and paying on time.

Ultimately, you are young and you have time to make mistakes and recover. But you’ll be far better off if you get off to a good start now.

“I never considered the impact that waiting to build savings and investments would have on my long-term financial security,” Schwarz says.

“I didn’t think about time value of money until my mid-30s.”

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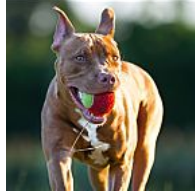
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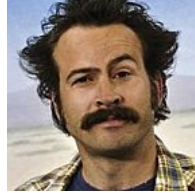
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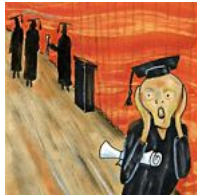
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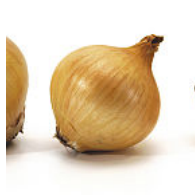
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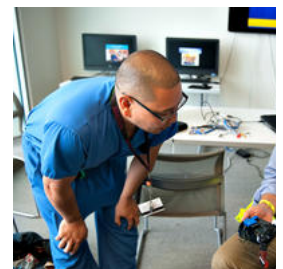
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