
# SWFA Advisor Insights

## Eight Financial Moves During Your 20s and 30s

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Young professionals in their 20s and 30s often do not get a lot of time and attention from financial advisors because of the smaller size of their investment accumulation.  However, the young adult stage contains some of the most formative years for achieving financial success.  In the world of saving and investing, time can be an ally when you start early and an enemy if you start late.  So, we suggest considering these 8 steps in your 20s and 30s to set yourself up to better achieve your goals later in life:

1. **Aggressively pay off debt over a 5% interest rate starting with your highest interest rate.**
   You may be tempted by credit card offers or other forms of debt to elevate your lifestyle quickly. However, growing debt balances early in life can have significant negative effects on your financial capability later. We see often see people who are in their 50s and 60s still dealing with student loans, personal loans, and credit card balances. Many of those individuals are digging out of a hole they got into in their 20s and 30s.  It may sting early on, but your future self will thank you for all the fun stuff you get to spend on later.

2. **Take advantage of your full employer match benefits**
   If your employer offers you any type of match for the money you choose to save to your company plan, take advantage of the benefit and use it as a way to supercharge your savings momentum.  A dollar-for-dollar match essentially gives you an immediate 100% return on your investment, which is hard to beat.  Even if this means paying off your debt balances more slowly, it is often worth it.

3. **Use a high deductible health plan and HSA, if you are healthy**
   Consider the suitability of a high deductible health plan. These plans have a higher deductible (what you must pay before coverage kicks in) and a higher out-of-pocket maximum (how much you may have to pay over the course of the year if you had significant health needs).  However, if you are generally healthy, you can absorb some of the added risk and save money on the cost of coverage.  You can also use a health

savings account (HSA) to help cover the gaps. An HSA gives you a tax deduction for money that goes in, and it comes out tax-free if used for qualifying health expenses. The money in an HSA is yours forever, where you lose FSA/HRA funds if they are not used. As a bonus, see if your employer puts any money into your HSA on your behalf.

4. **Get affordable term life insurance ahead of schedule**

    When you are single or newly married in your early life, the last thing on your mind is life insurance. However, if you plan to get married one day and have kids, you will eventually have a purpose for life insurance. You may be surprised how affordable life insurance can be in your 20s and 30s. Time is of the essence because costs do go up over time as you age, and you may not be able to qualify for coverage later if your health situation changes.

5. **Get in the habit of budgeting early in life.**

    The idea of budgeting often comes with negative sentiment. However, a budget should be seen as an empowerment tool. You are empowering yourself to spend money in the ways that you deem to be most important. You are also empowering the future version of yourself to have an increasing amount of flexibility to spend more money than you would be able to otherwise. A budget allows you to set money aside for present fun without compromising future goals and flexibility. Find an app or a system that works for you and stick with it.

6. **Don't rent assets, own them when possible.**

    This could apply to where you live, what you drive, furniture, and several other items in life. Many individuals get drawn in by the flexibility of leasing cars, leasing furniture/equipment, or renting living spaces repetitively. Renting can have its benefits in certain situations. If you are moving to a new area, rent for a year to figure out the lay of the land and where you would want to be longer-term. If you plan on living in an area for less than 3-4 years, renting may be best. If you do not expect to need a car in 3 years or less, lease it instead. There are situations where renting makes sense. However, as a general rule-of-thumb, ownership is the goal. Over time, owners typically make money at the expense of renters.

7. **Invest energy and resources in assets that will grow in value over time.**

    Avoid the trap of spending your excess money on depreciating assets like cars, clothes, luxurious travel, and food. You can still have a lot of fun while putting your excess cash flow into things that will grow in value over time or help you be successful later in life. Seek ways to get involved in appealing business ideas, rental property, income producing assets, education/skills, or investments. If you are going to spend time traveling or learning, do so for the purpose of preparing for life advancement and getting closer to your goals. This doesn't mean never spending money on fun things or going to fun places but find balance where you are not only spending money on the present, but also building something for the future. If you start early, you may be surprised how far small investments will go over time.

8. **Hire a financial advisor who is ready to grow alongside you through life.**
   You might think based on your financial situation you do not need, or cannot afford, a financial advisor. However, these may be some of the most important years in which to make calculated financial moves. It is important to find an advisor who will not overcharge you, which can delay your progress. Seek out an advisor who is willing to grow alongside you. This means a lower total cost early that grows over time, aligning your future success and their future success together. This can establish a long-term relationship that you can rely on to help support your financial decisions and questions. Tailor your advice relationship to your needs and budget. Too often, young professionals have their progress stunted early on and then must work harder later to catch up.

**Next Steps:** StillWater Financial Advisors is based in Charlotte, NC and owned by an advisor in his 30s. We are passionate about helping young professionals achieve an advantageous start in their financial lives. We would love to speak with you and play a part in helping you uncover your needs, desires, and options. You can rely on us for an honest conversation that is solely focused on helping you make advantageous financial moves. If you would like to explore your options or learn more, schedule some time at https://go.oncehub.com/TylerJohnsonCFP or check us out further at stillwaterfa.com


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