

A Financial Starting Point for Young People

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June 2015

You may be a freshly minted graduate beginning your first 'real' job or maybe you're a couple years in and feel confident about your start in our profession. Either way, you have a financial journey ahead of you that can begin with a few simple considerations listed below.

Budgeting—Spend less than you earn

The path to successful financial planning starts with the first step of living below your means so that you have money left over to invest. That sounds obvious, but too many people starting out think they can 'wait a few years' to start saving. Young professionals can fall into a trap of trying to 'keep up' with their older colleagues. If you save first and spend intelligently each month when you are young, you will have great opportunities available to you in the future.

Pay yourself first—Invest on a regular basis

If you create the habit of putting money away before you do any spending, it will become second nature. Contributions from every pay to a tax qualified plan and direct deposits to an account that is not used to pay bills are two valuable strategies. How much should you put away? It may seem difficult to do this when loans and bills are high, but 15% should be your target. There is no stronger investment strategy than the long term compounding of earnings.

Have a purpose—Plan towards something

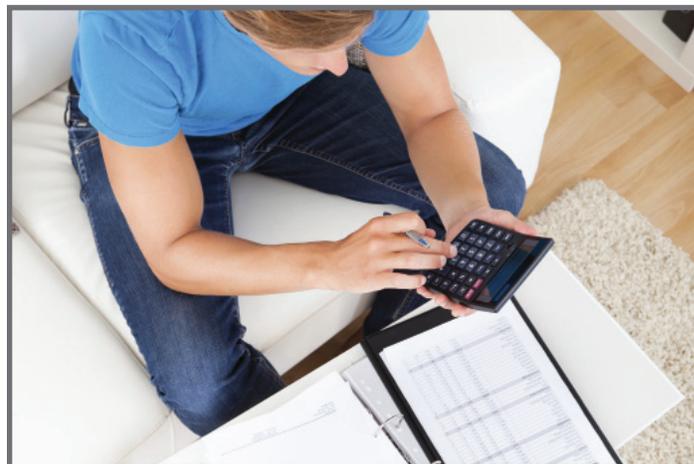
Define your financial goals. State them and apply 'time and amount' parameters. This process will allow you to prioritize items objectively, remove emotion from decisions, measure progress and have an end in mind. Your goals may change over time, and that's ok, but you will still be making progress.

Diversify and don't speculate—Staying power over time

Diversification is how you limit risk in an uncertain world. No one can predict what different investments will do in the short term, so picking large stocks over small, or domestic stocks over foreign, is a losing proposition. In the long term, they all rise. Stick with all of them and don't gamble on one over the other in the short term.

Taxes will matter

Successful people will encounter a myriad of taxes and tax decisions. Though you can't avoid paying taxes altogether, you can take certain measures to limit your exposure.



Protect what you've worked hard to create

Your greatest asset is your Human Capital. The investment you've made in yourself allows you to do all of the best case scenario planning noted above; but, you have to consider unplanned events that may take you off track. The unfortunate experiences of others shows this, and protection planning is vitally important.

Don't operate on yourself

You are ultimately responsible for your own financial success, but no one said you had to be an expert going it alone. There is much benefit to be gained from hiring a financial professional who can be objective, has expertise, and has the tools to give strong counsel.

Time and attention will define a great deal of your success in life. Good luck on your journey! 🏠



If you would like to discuss the subject matter in this article or any question related to your financial planning, please contact David Jeter at djeter@allegHENYfinancial.com or 412.536.8012.

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