CPA Practice Advisor



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Being a young adult can be exciting – enjoying the early stages of a career, having your own place, making new friends – but it can also be confusing and stressful. One of the reasons is money, and learning how to manage it.

In a financial literacy survey of more than 5,500 young adults, the National Endowment for Financial Education and George Washington University found that only 8 percent of those ages 23 to 35 showed a high level of financial knowledge.

“For those just starting their careers or beginning to save for their retirement, the



of planning is overwhelming to most.”

Paul offers young adults five tips for fundamental financial planning:

- **Automate your contributions.** The easiest way to invest is to automatically direct a portion of each paycheck into your investment accounts. “You’ll quickly get used to having less money to spend each month, and your savings will grow automatically,” Paul says. “And if your employer offers a match into your retirement account, be sure to take advantage of that. That’s free money.”
- **Take control of your health.** You might think your health doesn’t fit into a discussion of financial planning, but being proactive when it comes to health – whether it’s getting your annual physical or daily exercise – will pay dividends in the future. “A retiree today is expected to spend $275,000 over their retirement on health care,” Paul says. “By investing in your health when you’re young, you can reduce your potential for future health care costs.”
- **Get out of debt.** “Paying down your debt reduces the amount of interest expense you pay each year,” Paul says. “And often, people are paying more in interest than they are likely to earn by investing.” Studies show the average American under the age of 35 has between $23,000 and $30,000 of debt in the form of credit cards, student loans, auto loans and other forms of personal debt. According to a NerdWallet 2017 study, the average U.S. household that’s carrying credit card debt has a balance of $15,654.
- **Build and protect your credit.** Your credit score is an indicator of your financial health. “The list of people who have an interest in your credit score seems to keep growing every year,” Paul says. “Damaged credit can be costly over time. Pay all bills on time by setting up payment reminders or enrolling in auto pay. Pay down balances on credit cards; high balances relative to total available credit affect your credit score.”

- **Buy into panic, not excitement.** If the stock market sells off by 5 to 10 percent over