CPA Practice Advisor

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The first few months of the COVID-19 pandemic did not exactly inspire the American public's confidence in the U.S. economy, but gradually things have improved in some sectors.

Many millennials and Gen Z members even grew more financially confident during the pandemic, according to a survey by OnePoll. And now, due in part to a massive labor shortage, momentum is still on their side. They're witnessing an

habits they formed out of necessity during the pandemic. Some said they started budgeting for the first time and, in addition to watching their spending habits, used some of their increased savings to pay down student loans and other debts.

It's important that we steer our young adults to good saving and investment habits now while they have the capacity to earn increased income. And it's encouraging to see that many young Americans are focusing on maintaining their savings and learning how to adjust in order to prioritize building a stable financial future. This job market may not always be the reality, so it's good to build a treasure chest when they have the opportunity.

Here are some tips to get them started:

- Invest when you're young. You don't have to wait to invest until you have a lot of money. The power of compounding interest makes time your greatest ally. When you start early, you can accumulate substantially more wealth with less invested capital than if you start investing later. In fact, you can start small – $50 to $100 a month – and increase the amount as you earn more. Investing regularly and automatically allows your money to work even harder than you do. The advantage of starting an investment program before you start making a lot of money is that you learn to live on less.
- Sharpen your money management. I can't stress the importance of budgeting enough. Young people – people of all ages, for that matter – start getting in financial trouble and compromise their financial future when they go credit-card crazy and start living outside their means. Sticking to a monthly budget can keep you out of such difficulty. You'll see expense areas you can cut in order to save more. It's like giving yourself a raise.
- Diversify. Don't invest all your money on one big stock tip you read about or received from a friend. Spread it out over a portfolio of investments, which is less

likely to lose money. The market will go up and down, but the way to protect your

to maintain a balanced mix of stocks, bonds and cash.

- Establish an emergency cash fund. That way, if any big expense comes up, such as a car repair, you won't have to tap your investments to pay for it. The longer your money stays invested, the better its potential to grow (and the lower your risk of losing it).
- Invest tax deferred. Even if your employer doesn't offer a retirement savings account, you can open your own. Anyone with earned income under age 50 can contribute up to $6,000 a year to an Individual Retirement Account (IRA), in which you choose which securities to invest. With a "traditional" IRA, you can deduct that amount from your current income taxes, and the account grows tax-deferred until the money is withdrawn. If you open a Roth IRA, you don't get the tax deduction, but you won't have to pay taxes on withdrawals (as long as you don't take out money for at least five years from your first contribution).

Whether you're graduating from high school or college or transitioning with some time off, don't get too wrapped up in the pursuit of money. Pursue your interests, and the money will likely follow. Invest time in learning about the jobs that interest you.

And like the importance of having a diversified portfolio, have a balanced life as well. Invest in meaningful friendships and worthwhile hobbies that develop healthy habits and expose you to new opportunities.

Start now and your rewards will grow over time. Your career, friends, family and activities are all seeds you can plant now for a secure and happy future.

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Chris Murray (murrayfinancialgroup.com) is the founder of Murray Financial Group, Inc. and author of The Financial Protector. Murray started his company in 1995 to help individuals and families overcome the challenges of creating a steady financial