

Top Money Mistakes to Avoid *like the plague* in Your 20's

Yes! Freedom! You are in your mid-20s and hopefully having the time of your life. Buying a house and preparing for a comfortable financial future may feel like light years away. Sometimes it's hard to grasp that the decisions you make with your money now will have a big impact on the rest of your life. You may have heard someone say that they wished they had done things differently with money when they were younger. Do yourself a huge favor and learn from their mistakes to avoid creating money regrets of your own.

Spending with no plan. Following a spending plan or budget is one of the most important things you can do. When you don't have a plan, it is easy to spend way too much on dining, entertainment, clothes, and more. You might still be able to pay your bills, but with no plan you could forget to save enough for fixed costs that are headed your way in the future.

Keeping up with the Joneses (or your parents). It is easy to compare yourself to friends, family, and colleagues. Sure, it would be nice to have new living room furniture for your apartment or house, and it would be nice to buy a brand new vehicle to reward yourself for getting a new job or graduating college. Think carefully before making costly purchases. Many people in their 20s want to start off with a similar living-style as their parents, but remember they worked many years to get to where they are today. You can avoid pitfalls by taking time to get there.

Making late payments. One of the costliest mistakes you can make is being late on your bills. Not only will you likely incur a late fee from the company you owe, but your credit score might drop in points. Late payments and collection items (like medical bills that are turned over to a collection company) will stay on your credit report for seven years. This may make it harder for you to take out a new loan or it could increase the interest rate you pay on loans you are approved for.

Not saving for retirement right away. If your job offers a retirement savings plan, start contributing to it as soon as you qualify. If they don't, talk to the bank about starting an Individual Retirement Account (IRA). By starting now and gradually increasing the amount you contribute a little each year will make saving for retirement easy and painless. Waiting a few more years might cost you hundreds of thousands of dollars in retirement savings.

Not having an emergency savings. Emergencies should never come as a complete surprise. If you own a vehicle, you know it is going to eventually need new tires or repairs. If you own a home, you know it will need repairs and maintenance, and someday even new shingles or siding. You might get sick, injured, or unemployed. Prepare for these events by keeping an emergency savings account. Aim for at least three to six months of your expenses saved.

Using credit cards for every day purchases. Using credit cards often leads to spending more than you would have if you had used cash or your debit card. It also can make it easy to spend more than you earn and because you aren't required to pay the balance in full each month, can lead to long term credit debt that is difficult to pay off.

There you have it. Ready for financial freedom? Now you know what *not* to do. As always, let us know if you want help along the way no matter where life takes you. Enjoy the journey!

