

1-2-3 Banking

Strong beginnings to a healthy financial future

Financial checklist for your 20's

Without some planning it can be easy to tackle your 20's on auto pilot and miss out on hitting important financial to-do's. Doing these things now can set you up for financial success in the future, whereas avoiding them could end up being costly down the road. Make sure you are on the right financial track and start checking these off your list now.

Make a budget, and follow it. Sticking to your spending plan is the key to reaching the rest of your financial goals. Without a plan you can easily spend more than you realize on things like dining or entertainment. You might still be able to pay your monthly bills, but you won't have as much left for saving. Re-evaluate your plan once in a while to make sure it is still working for you, especially when you have a change to your income.

Create a plan to pay-off your debt. Don't get caught in the trap of making minimum payments on credit cards and loans. Set a goal for when you will have your credit cards and student loans paid off, and create a plan to get there. Your expenses are likely lower now than they will be in the future, so it is the perfect time to get ahead.

Set up an emergency fund. Be prepared for the unexpected. Have three to six months of your expenses saved in an emergency savings account. Emergencies should never come as a complete surprise. If you own a vehicle, it will eventually need repairs. If you own a home, it will need occasional upkeep. You might get sick, injured, or lose your job. Having an emergency savings makes all these events much more manageable in an urgent time of need.

Start saving for retirement now. If your employer offers a retirement savings plan, take advantage of it. If they don't, see your personal banker about ways you can save for retirement. Waiting even a few years can cost you hundreds of thousands of dollars for retirement because of the effects of compound interest and time on your savings. Start saving now, and gradually increase the amount you are saving over time, as you are able. A general rule of thumb is to aim for 15% of your income going into retirement savings.

Set financial goals. Having goals will help you create a budget and will give you reasons to stick to your budget. When you catch yourself considering an impulse buy that doesn't fit with your monthly spending plan, reminding yourself of your financial goals can give you the motivation to make the right choice. Your goals could include travel, a down payment for a house, being debt free by a certain age, or more.

Monitor your credit. Your credit score can affect many things, including the cost of insurance, interest rates on loans, and if you are required to pay a deposit on a utility. Check your credit report for free at www.annualcreditreport.com. Paying your bills on time is critical to maintaining a good credit score.

Talk to a financial planner about life and disability insurance. Now might be the time to purchase life and/or disability insurance. You can often get good coverage at low prices when you are young and healthy, so look into this now to see if this is the right time for you. Enjoy the journey!

