



# EVANS EDWARDS

FINANCIAL ADVISORS | WEALTH CREATORS



## How to start saving for your future in your 20's

If you're in your 20s, chances are that life could feel like a bit of a rollercoaster right now. The economic fallout of the coronavirus (COVID-19) may have knocked your personal finances for six and at the same time, you could be juggling new expenses and experiences for the first time, such as moving out of home and starting your first full-time job. Learning to juggle competing financial priorities and save for the future is essential.

While these lessons may be confronting at the moment, they can also teach valuable skills that your future self will thank you for. If you do things right in your 20s, you can lay the foundations for a solid financial future and set yourself up for life. Here's how to put some sound plans in place to give yourself more choices about how you live your life in the years ahead.

### GET BUDGETING

It might seem obvious but getting in the habit of budgeting when you're young is one of the best ways to boost your future financial wellbeing. Start by tracking what money you have coming in (your income) and going out (your expenses). It's important to understand where your money is going and what proportion you're spending on essentials, like rent, food and utilities, and non-essentials, like entertainment and clothes.

### PRACTISE MINDFUL SPENDING

No matter what your financial situation is at the moment, this is an ideal time to learn savvy spending techniques. Practising mindful spending is an easy way to 'trick yourself' into saving money. And when you do need to buy a big-ticket item, do your research, shop around and where possible, look out for seasonal sales to help stretch your hard-earned dollars further.

## COMPOUND YOUR INTEREST

When you're in your 20s, your budget is usually pretty tight and there are plenty of other demands on your income. But if you can spare a few dollars from your pay, it can make a big difference later on.

By starting to save in your 20s, you have a great opportunity to maximise the growth potential of compound interest. This means that you not only earn interest on whatever funds you deposit into your savings account, but you also earn interest on that interest. It's extra money – without the extra effort.

For example, if you begin with \$100 in an account earning 2% interest a month, and deposit just \$10 into the account every month, in 10 years you'll have \$1,449 in the account – \$149 of that pure interest. If you keep doing that for your entire career, say 50 years, when you retire, you'll have \$10,568. Of that, \$4,468 – almost half – is pure interest.

## WATCH YOUR SUPER GROW

Once you earn over \$450 a month, superannuation is compulsory in Australia for most employees, which typically means you're in the fortunate position of being able to start planning for your retirement as soon as you get your first job – whether full-time, part-time or casual.

So, rather than thinking of super as a burden, think of it as an easy way to save for retirement in your 20s. It can be tax effective and harnesses the benefits of compound savings.

## IF YOU WITHDREW YOUR SUPER EARLY

If you've been affected financially by the coronavirus (COVID-19), you may have withdrawn some of your super early, under the government's early super access scheme. While it might have helped in the short term, it's important to consider the long-term implications of withdrawing any money from your super. Just as compound interest works to grow your retirement savings over time, the reverse is also true, and any money that was withdrawn this year could be worth much more by the time you're ready to retire.

If you did withdraw some of your super early, think about whether you can commit to a plan for paying it back, once you're back on your feet. You can do this by making personal contributions to your super.

## DITCH PERSONAL LOANS AND CREDIT CARD DEBT

Falling into credit card debt at an early age can quickly spiral into an unhealthy financial future. If you do have any spare cash at the moment, it may be a good idea to prioritise debt repayments.

Write down all the money you owe, then rank each debt in terms of the interest rate on the amount. Payday loans and credit cards generally have higher interest rates, so you should prioritise paying them off first.

## LEARN TO INVEST WISELY

While you're in your 20s, retirement isn't just around the corner, which means you have more flexibility with your finances than someone in their 60s who may be planning to leave the workforce in a few years. With fewer financial responsibilities, you may be in a position to take a few more risks with your investments – the thinking being, that if things don't work out you have time to fix them.

Start early and consider talking to a financial adviser about choosing a mix of investments that will bring you gains you feel comfortable with, given your financial investment style.

Source: AMP

If you're in your 20's and looking to get on top of your finances, give **Shaun** or **Vicky** from Evans Edwards Financial Advisors | Wealth Creators a call on **4927 4588** to see how they can help you.



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