5 tips for 20s-30s

LIFE EVENTS EBOOK SERIES FOR FINANCIAL WELLNESS

Catholic Financial Life

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Curbing credit card debt, building a budget, renting vs. owning, saving and investing early, and money and marriage.

TIP # 1

CURBING CREDIT CARD DEBT

You've graduated college and are ready to start the next chapter in your life. You may have racked up more than just student loan debt during your college career—credit card debt. You're certainly not alone if you carry a balance on your credit cards from month to month. Breaking the cycle is tough, but once you do you'll be on your way to feeling financially free. Here are a few tips to help you break the cycle of credit card debt.

Ditch the Card:

If you carry a balance on your credit cards each month, the easiest and fastest way to pay down that debt is to stop using your cards entirely. If you don't have the discipline to stop using your cards, take them out of your purse or wallet, hide them or cut them up.

Tally the Totals:

Review your latest credit card statements and list the balances and the credited interest rates of each card. Find the card with the lowest interest rate and do some digging whether or not it pays to transfer the balance from your higher interest rate card to a lower interest rate card. Always be aware of the fine print in your credit cards' terms and conditions agreement.

Make more than the minimum payments:

Review each credit card statement and decide what the maximum amount is that you can put toward paying down your debt. Be sure to make at least the minimum payment each month.

Set a goal and keep this goal in mind to help motivate you to **pay more than the minimums each month.**

Build a Budget:

Creating a budget will help you determine where and what you spend your money on each month. Budgeting allows you to explore what it is in your lifestyle that allows debt to happen in the first place. Create a budget and stick to it—you might be surprised to find some savings once you map out your own budget.

USE OUR **BUDGET WORKSHEET** TO HELP KEEP YOUR FINANCES IN CHECK.

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TIP # 2

MAKE THE MOST OUT OF A LITTLE

How creating a simple budget can keep your post-college finances in check

And you thought final exams were hard? Welcome to the real world. Now that you're out on your own after college, you landed your first job, your student loans are coming due and there's a big fat $0 left in your bank account at the end of each month. You may be asking: what happened to all of my hard-earned money? Start by creating a budget so you can see exactly how much money you have coming in each month and how much you're paying out in bills and other expenses.

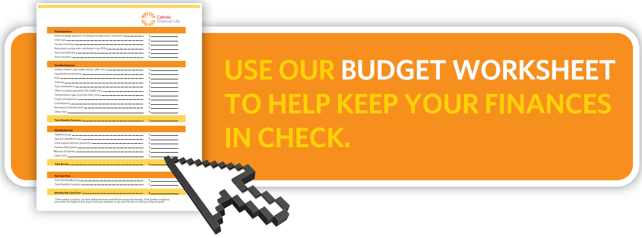
- **Back track**. Creating a budget for the future starts by looking through your bank statements and account history from the past year. List all of the places your money goes (rent, utilities, cell phone, car payment, cable, internet, food, insurance, repairs, clothing, entertainment, etc.)

Continued... **TIP # 2**

MAKE THE MOST OUT OF A LITTLE

- **List all your income sources**. Be sure to list any extra free-lance work or side jobs in addition to your full-time job.
- **Review your bank statements and transaction history**. Highlight the deposits you made over the last 12 months or so.
- **Comb through your expenses** and create two columns: one for static expenses (monthly car payment, rent, etc.) and one for variable expenses (utilities, food, entertainment, etc.). Add up each of your variable expenses to find the average cost.

From these simple steps you'll be able to develop a budget based on the above figures. Compare the budgeted figures to actual expenses over the next few months and adjust as necessary. You may find a few ways to reduce spending for certain items once you know what you spend. Budgeting takes a bit of time, but it can pay off in the end.



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TIP # 3

RENT OR OWN?

The advantages (and disadvantages) of homeownership

Are you ready to give up your rental lifestyle in hopes of building equity in a home of your own? The thought of buying a house is often intimidating to first-time homebuyers, and especially since the downturn in the housing market.

Renting:

- Low up-front cost. A security deposit and a month's rent may be all the cash a renter would need to provide up-front.
- Usually, renters do not have to purchase appliances, lawn mowers, tools, and other expensive items homeowners may need.
- When it's time to move, leases generally call for only a short notice.
- Does your home need a new roof...furnace not working properly... shower leaking? Your landlord is generally responsible for fixing and maintaining your dwelling, so you're not responsible for paying the plumber to fix your leaky shower or the contractor to re-roof your home.

Continued... **TIP # 3**

RENT OR OWN?

For individuals who intend to stay put for a while, there are many advantages to buying a place of your own.

Owning:

- **Building equity.** When you rent, all you get in return for your monthly payment is a place to live. Repaying a mortgage builds equity.
- **Tax deductions.** Property taxes and mortgage interest are typically deductible as itemized deductions. Over time, you could potentially save thousands of dollars in income taxes.
- **Appreciation.** Real estate moves in cycles. Over the years, real estate has consistently appreciated. Even though we're currently in a down cycle and your home's worth may be less than you desire, if you stay put long enough the cycle should eventually rebound to a point where your home may appreciate in value.

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TIP # 4

SAVING AND INVESTING EARLY

Reaping the benefits later

So you landed that first job out of college. You said goodbye to roommates and got yourself a sweet apartment. You're settling in to post-college adult life just fine when the benefits coordinator at your new job mentions to you that the company has a great 401(k) retirement plan, and whether you thought about contributing. Huh? A 401 what? You're probably thinking "I'm young! What do I need to be thinking about retirement planning for at my age?" Truth is, you should be thinking about it. Sure, investing can be complicated, but you don't have to do it alone. A Catholic Financial Life Advisor can help you design a savings and retirement plan that will fit your goals and risk tolerance.

- Stop the "I don't have any money to save" excuse. Remember the budget you created to help you get the most out of your paycheck? Go over your budget and look for things you spend your money on each month. You could probably stand to forgo one $5 coffee per week. Or cook an extra dinner one night instead of dining out. The savings add up quickly, and socking away a little money now can pay off big in your retirement years.

Continued... **TIP # 4**

SAVING AND INVESTING EARLY

- **Retirement plans offer an easy way to save**—the money is automatically deducted from your paycheck. One of the biggest advantages of your retirement plan is that it puts your savings on autopilot in a tax-advantaged way.
- **Roll over.** When you leave your current job, you don't have to start saving all over again. You can roll over the vested amount into your new employer's plan or an Individual Retirement Account (IRA). Some even offer you the option of leaving the money in your current pan.
- **"Double savings."** There are a lot of benefits of saving in a qualified retirement plan—especially since the money you save towards your retirement account is pre-taxed. When you contribute pre-tax money toward your plan, you're essentially saving twice—you're putting money away for retirement, and you're paying less in current income taxes.* When you invest the gross amount of your contributions—rather than the net, or after tax amount—the potential earnings can really add up over the years.**
- The sooner you start saving, the more money you'll be able to accumulate.

* Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

**Source: newkirk.com

TIP # 5

MONEY AND MARRIAGE

Talking about finances before tying the knot

Have you had the money talk yet? You've surely had many conversations with your significant other/partner as you've been getting to know one another, but have you had the money conversation yet? You're not alone if you've avoided talking about this subject—people often have very different philosophies on money, saving it and spending it. Often money issues and the differences in spending/saving personalities are a major cause of divorce. People are set in their ways and habits are not easy to change—be sure to have the money conversation before marriage.

- **Skeletons in the closet.** Make sure you know about your partner's finances before you tie the knot. Finding out that your partner is knee-deep in debt after the wedding puts a major wrench in the romance.
- **People aren't always receptive to change.** If one of you is a spender and the other a saver, you may not be able to change your partner's ideas about money, but you can compromise if you communicate openly about it.

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Continued... TIP # 5
MONEY AND MARRIAGE

- **Goal setting.** Talk about your joint financial goals. Do you both have dreams of buying a home, saving for retirement and having a family? If so, prioritize those goals, create a budget and compromise on spending and saving money so you'll both be happy.
- **Joining forces or staying separate?** Decide early who will be responsible for the day-to-day financial responsibilities. Will you have joint or separate bank accounts? If you decide not to join forces, decide which one of you will be responsible for paying the joint bills. Regardless of your decision, make sure you both know where your money is, how to get to it, and where it goes each month.
- **Continuing conversations.** Once married, continue the money talks. Keeping the lines of communication open will help to address any money issues that may come up in the future before they spiral into bigger problems.

About Catholic Financial Life

Catholic Financial Life, a faith-based membership organization, puts Catholic values in action by serving God through serving others, providing financial security, and by enhancing quality of life for our member families and their communities. For more than 140 years, Catholic Financial Life has helped members take control of their future by providing real solutions to everyday challenges. Catholic Financial Life is the second largest Catholic fraternal in the United States.

For more information visit catholicfinanciallife.org

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