

“Does My Student Debt Make My Butt Look Big?”

And Other Personal Finance Dilemmas for Early Career Professionals

By Steve Juetten, CFP®

Congratulations. You have a job, maybe even a start on a career, and money is coming in. You have friends, co-workers and a life pretty much free from your parents. You're starting to accumulate stuff like furniture, a gaming system, maybe a car and are doing some travel. But somewhere deep in your subconscious, there is a little voice whispering that you should be doing something more with your money. And not just spending it either.

For one thing, there is that student debt sitting there. You're paying a something on it each month, but it still sits there and doesn't look like it's getting much smaller. You've always considered yourself to be pretty good with money. You don't use credit cards much and when you do, you usually pay off the balance right away.

Save for a house? Maybe someday, but not right now.

Save for retirement? Maybe, but that seems like so far away. And besides, you don't have the money right now. You know you have a 401(k) plan at work but the information is so confusing. And boring. And who do you ask about it anyway? Not HR. They're a bunch of pencil pushers.

What about investing for the future? You might be interested in that, but on the other hand, you don't know where to start and certainly don't want to make a mistake with your money. You're not even sure that investing isn't a rigged game.

Save money in a traditional bank? Please. You don't trust the big banks even a little bit. Look at the mess they made of things a few years ago and they all seem to be stuck in the last century.

So what do you do with the money you're earning?

Here are my suggestions. These ideas come from working with clients in all phases of life for more than 15 years. And I have a 19 year old son as well. I've probably seen most money mistakes that people make and even made many of them myself.

One more thing before I share my suggestions. Read the rest of this only if you want to [take care of your money](#). If that's not important to you right now, then don't waste your time reading the rest of this.

Come back to these ideas when you can no longer ignore the little voice in your head. Or come back to these ideas when you have a huge need for money for something important. Like buying a house, getting married or when you have your first child. It may be a bit late then, but if you don't feel the need right now, then fine. I'm not trying to persuade you to do anything you don't want to do.

But if you are fiscally responsible, if you got that gene from your parents or you're just that way, here are ten tips on how to take care of your money right now.

1. **Set some *life* goals, not money goals.** Money is the engine that moves you along to your life goals. So set some short, medium and long-term life goals. Then start saving money for each of those goals. Here's an example. For example, one of your goals might be to have financial freedom one day so you can do whatever you want. Work for a charity, travel the world, start your own business. With this ***life goal*** in mind, one suggestion is to save at least 10% of your gross income for your financial

freedom day and do it as tax effectively as you can. That's the day when you won't have to work unless you choose to. Use your company 401(k) plan if you have one or put as much as you can into an IRA if you aren't in a 401(k) plan. If you're self-employed, start a SIMPLE or SEP IRA. Several website have more information on these kinds of tax-efficient savings vehicles.

- 2. Take charge of your career.** You are the CEO of your own business; call it "**You, Inc.**" Even if you work for someone, only you are responsible for your future financial success and the sooner you start thinking this way, the better you'll be. If you're on a clear career path now, congratulations and see what you can do to accelerate or strengthen that path. If you don't have a clear path – one that uses your strengths and you can see yourself doing for at least the next 8 years – then go get some help to find the right path for you. ***The number one money mistake most early career professionals make is that they trade their time for money doing something they don't like to do.*** That's crazy. You're going to be working for a long time so make sure it's doing something you like.
- 3. Yes, pay off that student debt as soon as you can.** This doesn't mean eating Top Ramen for months on end, but challenge yourself to pay off the student debt as quickly as you can. It weighs you down like a chain around your neck. Ever try to swim with a chain around your neck? Not easy. One option is to renegotiate that student debt. If you go down this path, be careful. There are some downsides to negotiating student debt.

4. **Pay off any other debt like credit card debt immediately.** This might mean cutting back your lifestyle for a while. Then, once it's paid off, see tip #7.

5. **Participate in you company's 401(k) plan.** Set aside at least as much as the company matches. If the company doesn't match, change companies. Just kidding. But if your company doesn't offer a match to you, then they don't care much about you and you should move as soon as you can. If they can't put \$.50 for every dollar you save up to some amount (like 6% of your pay), then they aren't a good company. Even if you don't think you have any money to save, start anyway. If your income varies from paycheck to paycheck, set aside a percentage so you're saving more when your paycheck is bigger and less when it's smaller. Lucky enough to get bonuses? Set aside part of that too. Got a raise? Increase your 401(k) contribution.

6. **Consider starting a side hustle.** Many early career professionals are driven, are entrepreneurial, are natural hustlers, and are well connected. If you need extra cash to pay down debt or save for your goals, consider a side hustle. Drive for Uber, design websites, do whatever you can to make some side money. Use every dollar you make on the side hustle (after taxes) to first pay down your student loan and any other debt and then save every dollar you make with the side hustle for your short, medium and long-term goals.

7. **Never borrow money to buy something that is going down in value right after you buy it.** No cars, boats, horses, or big screen TV's. Yes, borrow to buy a condo, but not to buy a trip to Maui. Save up for these items and you'll enjoy them more.

8. Open a high-yield savings account at an online bank and **start creating an emergency fund/opportunity fund.** I hear from early career professionals all the time that a big, sudden expense set them back because they had to borrow for it. By the way, "opportunity" refers to a situation that comes up that will further your financial future, for example, the chance to put money into a start-up. This does not mean a great deal on a trip to Australia. Go to www.bankrate.com and look up some names for FDIC insured Internet banks and open an account at one.

9. **Learn about investing.** Please don't succumb to the siren song of day trading and try to beat the stock market. Subscribe to a couple of good blogs like MillennialMoney.com. (I wrote a good basic book on investing if you want to check it out on Amazon.com. It's titled ***Ditch the Guesswork: Creating Reliable ROI for Time-Starved Investors.***)

10. **Recognize risk and deal with it.** This means being realistic about what could happen if something bad and unexpected happens. For example, have renter's insurance if you rent, make sure you have good car insurance, and medical insurance if you're self-employed. Make sure you have disability insurance through work. By all means, take cyber security seriously and make sure your personal identity is protected. Keep in mind that as your life circumstances change, your risks change. Risk is not a fixed thing.

For example, when you go from renting to owning a house, the risk goes up; same applies if you get married or have a baby.

Bonus tip: get some help from a reliable resource when you need it.

Too many early career professionals try to go it alone when there is no need to do it that way. You can start by reading some good books and subscribing to some good website. Probably the best general personal finance book to start with is Ramit Sethi's "***I Will Teach You to Be Rich.***" Websites to check out include www.bankrate.com, www.wisebread.com, www.mymoney.gov, www.cashmoneylife.com and www.lifehack.com.

Follow as many of these tips as you can and you'll be well on your way to your financial freedom. And your butt will look smaller too. That's a pretty good deal.

Steve Juetten, CFP® is the Principal of Juetten Personal Financial Planning, LLC. Because Steve and his team are fee-only financial planners and fiduciaries, they don't sell products or receive commissions. Their Financial Foundations Program works with early career professionals to provide sound financial advice at an affordable price. They believe that no one should have to create their financial future on their own due to the high cost of traditional financial advice or because they don't have a lot of assets yet. Money smart early career professionals who want a financial guide with a human touch and not a heavy hand find Steve and his team to be great resources. [Take the Financial Wellness Quiz](#) today to check the health of your finances. You can also get in touch at wecare@takecareofyourmoney.com or by phone at 425-373-9393.

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