BUILDING A CAREER AND YOUR FINANCIAL FUTURE

Good financial habits learned in your 20s serve as a solid foundation

FINANCIAL SUCCESS IN YOUR 20s

When you are in your 20s and just starting out, it's an ideal time to create – and nurture – habits that will serve you well throughout your life. It's an ideal time to get to know yourself, focus on your career, learn to live on a budget, get out of debt, pay your bills on time, start saving and set some goals for the future.

Think of it as laying the foundation for a house. Do a poor job, and cracks will show up later. The floors will begin to sag, or in a worst-case scenario, it will collapse altogether.

Choose a career path

In your 20s, you should identify what you want from your career and set goals for how you are going to get there. This is about more than gainful employment; it's about establishing a career you enjoy and pursuing skills to advance that career.

Create a budget

A budget will help you determine how you are spending money, and what adjustments need to be made to allow you to begin paying off debt and saving.

Start saving

Your first savings priority should be an emergency fund. Your goal should be to save enough cash in an easily accessible account to cover three months of expenses in case of job loss, a medical emergency or car repairs.

Pay off your credit cards

If you have credit card debt and student loans from college, begin paying it off, and set a goal of paying it all off by age 30. Credit card interest compounds over time and you end up paying much more than the original cost. If you are finding your student loan debt to be a burden, talk to your lender about options. The credit cards should be a priority though because the interest rate on those tends to be much higher and the interest is not creditable for tax purposes like student loan interest.

Live on what you earn

Once you get your credit cards paid off, don't use them unless you can pay off the balance the same month. It's too easy to get into debt buying things you really don't need. Also, create a habit of paying all your bills on time, so you're not subject to late penalties.

Start investing

When it comes to investing, the sooner the better. If you start investing $200 a month at age 25 in an account with an average annual return of 6% compounded monthly, you will have saved $400,000 by age 65. But, if you wait until age 30 to begin saving, you will have only $286,000 at age 65. Easy options to get you started include a TFSA or RRSP.

Establish credit

A good credit rating can help you obtain better loans to buy a car or house, and sometimes you need it to get a job. You can establish credit by getting a secured credit card, which uses a savings account with the issuer as collateral.

Hone those marketable skills – and network

Acquire the skills you need to advance your career now. Your 20s is also a good time to begin building your network – the contacts you will find valuable in the future for personal and professional advancement.

Become self-reliant

If you rely on your parents for help, start becoming financially independent. Learn how to do your taxes, stop borrowing from Mom and Dad, and get your own place if you're still living at home.

Choose a good partner

You may have met the person you want to spend your life with, but does your partner have similar financial goals? Money problems can split up the most devoted couples. Before making a commitment, make sure your partner is willing to openly – and regularly – discuss financial issues.

A trusted financial advisor can help you build a strong financial foundation. Remember, it's never too soon to start planning. ■

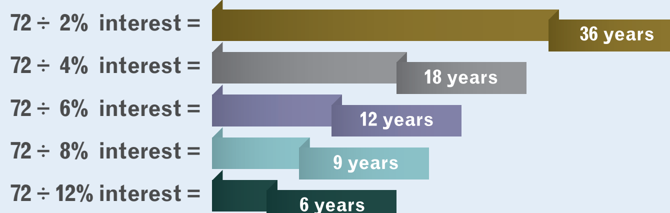
TFSA or RRSP?

A TFSA makes a good starting investment vehicle because the earnings on your investments will be tax free. It offers greater flexibility than an RRSP because withdrawals are not taxable and they can be re-contributed a year later or when you have extra money to save. However, you should find out if your employer offers a full or partial match to group RRSP plan contributions; a match is a perk that you shouldn't pass up. The CRA website explains more about TFSAs **(www.cra-arc.gc.ca/tfsa/)** and RRSPs **(www.cra-arc.gc.ca/tx/ndvdls/tpcs/rrsp-reer/menu-eng.html)**.

THE RULE OF 72

Contributing to retirement plans at an early age pays off later. The money you invest, if left untouched, will grow as interest earnings are reinvested, leaving a larger sum to earn interest each time. That compounding can maximize your returns and boost your retirement savings. The Rule of 72 estimates how many years you'll need before you double your money at a given interest rate.

Simply divide 72 by the compound interest rate.



With a 12% rate of return, your money will double in about six years.

This is a hypothetical example only and is not indicative of any security's performance. Investing involves risks including the possible loss of capital.

CORPORATE HEAD OFFICES: RAYMOND JAMES LTD.
SUITE 2100 – 925 WEST GEORGIA ST. // VANCOUVER, BC V6C 3L2 // 604-659-8000
SUITE 5300 – 40 KING STREET WEST // TORONTO, ON M5H 3Y2 // 416-777-7000
WWW.RAYMONDJAMES.CA

RAYMOND JAMES®

A recommendation of the above investments would only be made after a personal review of an individual's financial objectives.
Raymond James Ltd. is regulated by the Canadian Investment Regulatory Organization (CIRO) and a member of the Canadian Investor Protection Fund.