# 8 Financial Moves For Millennials

Youth is a great time. You have health, you have mobility. You have freedom. And you have a great future ahead. It is a great time to be carefree. Wrong! - at least as to the last. Youth is by far the best time to start planning for a long future. The choices you make in your 20s can free you up or tie you down in your 30s, 40s, 50s and even beyond that. Each recommendation this month and in the following months will only make a small differences. But know this – small differences add up and over time become large differences! If you don't believe it, check out #2 below.

### 1. Budget

Know what your income and out go are. Twice each year Idlewild Baptist Church offers a budgeting course called Financial Peace University. Take it and learn the opportunity and blessing of budgeting. Financial guidance and counseling is available through Pastor Rob Taylor and the stewardship ministry as well.

### 2. Start Saving

Saving should be a priority in your 20s even if you have some debt. It takes only a brief look at the miracle of compound interest to understand that. Try this very realistic scenario. Ben and Arthur were friends who grew up together. They both knew that they needed to start thinking about the future. At age 19, Ben decided to invest $2,000 every year for twenty years. He picked investment funds that averaged a 6% interest rate. Then, at age 38, Ben stopped putting money into his investments. So he put a total of $40,000 into his investment funds.

Now Arthur didn't start investing until age 29. Just like Ben, he put $2,000 into his investment funds every year, except that he never stopped. Instead, he continued until he turned 65. He got the same 6% interest rate as Ben, but he invested 17 more years than Ben did. So Arthur invested a total of $74,000 over 37 years.

When both Ben and Arthur turned 65, they decided to compare their investment accounts. Who do you think had more, Ben, with his total of $40,000 invested over twenty years, or Arthur, who invested $74,000 over thirty-seven years?

The answer is that Ben made the right choice by saving less but starting earlier. In fact, Ben has over $120,000 more than Arthur at retirement. At the end of this article you can check out the table that shows the calculations. The power of compound interest is incredible.

The message is simple – start early. If you contribute to your 401(k), IRA, and/or Roth IRA and other funds consistently year after year, you will find that your contributions will begin to grow incredibly thanks to compound interest. If you think long-term, and you should, this requires relatively little maintenance, effort or time on your part.

If you do not want to bear the expense of a personal financial adviser, there are free robot-advisers available on the Internet. The quality and capabilities vary, so check them out carefully.

**3. Keep Living Expenses Low**

The temptation is always to "keep up with the Joneses" and have the newest car and the latest everything. Temptation magnified by peer pressure can keep you spending. Resist temptation, flee from it! James 4:7.

Live well, but live frugally. In [Resources for You] at The Idlewild Foundation's website, we offer many ideas for minimizing your expenses.

**4. Pay Off Debt**

Many Millennials have debt and there are times when debt is unavoidable. But Solomon was right when he saw that debt was a cruel master. Proverbs 23:26-27 and Proverbs 22:7. Being in debt is stressful, a relationship killer and can become an anchor around your neck, slowing down your future.

However, one of the best things you can do in your youth is pay off debt. Start with your highest interest debt. Typically that is your credit card debt. Then, do not charge any more. If you own a home and you have a mortgage, many people will argue that you shouldn't pay a home mortgage off early. That is good advice unless the mortgage is your only debt. If it is, consider one of the simplest plans to pay your mortgage off in half the time; each month, pay the payment that is due plus the next month's principle payment. Always check to see if there is any type of pre-payment penalty before paying down on your mortgage. But if you have other debt, know that mortgage loans are usually at a far lower interest rate than other debts and the higher interest debts should be paid off first.

**5. Establish a Reserve Fund**

A frightening percentage of American live within two months of being homeless; that is 62%. 3 months living expenses is recommended, 6 months is better and one year is better still. It takes time and discipline but the peace that comes from financial security is priceless. You never know when an unexpected expense or expenses will happen to you.

## 6. Make Sure You're Properly Insured

Yes, insurance is expensive. But when you need it, not having it is even more expensive. There are a few types of insurance that you absolutely need to have. Auto insurance and health insurance are the two of those. There are multiple types of automobile insurance and while there is room for confusion, only a little time can be worth its weight in gold. Liability coverage covers you when you are sued for covered claims such as your own negligence. No fault coverage (PIP) provides you some small amount of lost wage and medical expense coverage regardless of fault. Comprehensive covers your car against physical damage to it in situations such as vandalism, hail, storm, etc. Collision coverage insures your car against damage in an accident. Uninsured/Underinsured coverage may turn out to be one of the most important as well as the most underused coverages. It applies when you are negligently injured by another in a car accident and that other leaves the scene or has no or very little coverage.

Of course you do get what you pay for. Insurance coverage is contractual and is limited by skillfully written experts. There are coverage limits, deductibles and other provisions that require careful reading and solid advice by an experienced agent.

If you are a renter, you should look into renter's insurance. If you own your home, you should look at homeowner’s coverage. You are almost certainly required to have homeowner’s insurance if you have a mortgage.

Health insurance is often not affordable except through your employer, but medical bills can destroy your finances for years to come so you should investigate its affordability. What is available and its affordability is a matter of great concern right now.

The best thing insurance can do is give you peace-of-mind.

## 7. Build Your Credit History

The future starts in 5 minutes (actually sooner)! Start now. Have a bank account. Have a credit card. If you are married, both should have bank accounts and credit cards to establish independent credit ratings. Start building credit now. Know your credit score and what affects it. Know how you can raise that credit score. A better credit score can make that emergency load easier and much faster to get – as well as cheaper because it can be at a lower interest rate. Higher risk equals a higher interest rate. Show yourself to be a good credit risk.

But minimize your use of any credit card. The solid rule is to NEVER charge something you cannot pay off that month. The interest rates on credit card debt cause the miracle of compound interest to work harshly against you.

It takes time to build good credit. It may take a few years to improve your score. Be patient and make it a project.

Ben, the early saver, vs. Arthur, who saves more but later. The result is not really surprising when you admit the power of compound interest.

| | Ben | | | | Arthur | | |
|---|---|---|---|---|---|---|---|
| Age | Invest | Jan. 1 | Dec. 31 | | Invest | Jan. 1 | Dec. 31 |
| 19 | 2000 | 2000 | **2120** | | 0 | 0 | **0** |
| 20 | 2000 | 2120 | **4120** | | 0 | 0 | **0** |
| 21 | 2000 | 4367.2 | **6367.2** | | 0 | 0 | **0** |
| 22 | 2000 | 6749.2 | **8749.2** | | 0 | 0 | **0** |
| 23 | 2000 | 9274.2 | **11274** | | 0 | 0 | **0** |
| 24 | 2000 | 11951 | **13951** | | 0 | 0 | **0** |
| 25 | 2000 | 14788 | **16788** | | 0 | 0 | **0** |
| 26 | 2000 | 17795 | **19795** | | 0 | 0 | **0** |
| 27 | 2000 | 20983 | **22983** | | 0 | 0 | **0** |
| 28 | 2000 | 24362 | **26362** | | 0 | 0 | **0** |
| 29 | 2000 | 27943 | **29943** | | 2000 | 0 | **2120** |
| 30 | 2000 | 31740 | **33740** | | 2000 | 2120 | **4120** |
| 31 | 2000 | 35764 | **37764** | | 2000 | 4367.2 | **6367.2** |
| 32 | 2000 | 40030 | **42030** | | 2000 | 6749.2 | **8749.2** |
| 33 | 2000 | 44552 | **46552** | | 2000 | 9274.2 | **11274** |
| 34 | 2000 | 49345 | **51345** | | 2000 | 11951 | **13951** |
| 35 | 2000 | 54426 | **56426** | | 2000 | 14788 | **16788** |
| 36 | 2000 | 59811 | **61811** | | 2000 | 17795 | **19795** |
| 37 | 2000 | 65520 | **67520** | | 2000 | 20983 | **22983** |
| 38 | 2000 | 71571 | **73571** | | 2000 | 24362 | **26362** |
| 39 | | 77985 | **82665** | | 2000 | 27943 | **29943** |
| 40 | | 82665 | **87624** | | 2000 | 31740 | **33740** |
| 41 | | 87624 | **92882** | | 2000 | 35764 | **37764** |
| 42 | | 92882 | **98455** | | 2000 | 40030 | **42030** |
| 43 | | 98455 | **104362** | | 2000 | 44552 | **46552** |
| 44 | | 104362 | **110624** | | 2000 | 49345 | **51345** |
| 45 | | 110624 | **117261** | | 2000 | 54426 | **56426** |
| 46 | | 117261 | **124297** | | 2000 | 59811 | **61811** |
| 47 | | 124297 | **131755** | | 2000 | 65520 | **67520** |
| 48 | | 131755 | **139660** | | 2000 | 71571 | **73571** |
| 49 | | 139660 | **148040** | | 2000 | 77985 | **79985** |
| 50 | | 148040 | **156922** | | 2000 | 84785 | **86785** |
| 51 | | 156922 | **166337** | | 2000 | 91992 | **93992** |
| 52 | | 166337 | **176318** | | 2000 | 99631 | **101631** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 53 | | 176318 | **186897** | | 2000 | 107729 | **109729** |
| 54 | | 186897 | **198111** | | 2000 | 116313 | **118313** |
| 55 | | 198111 | **209997** | | 2000 | 125412 | **127412** |
| 56 | | 209997 | **222597** | | 2000 | 135056 | **137056** |
| 57 | | 222597 | **235953** | | 2000 | 145280 | **147280** |
| 58 | | 235953 | **250110** | | 2000 | 156116 | **158116** |
| 59 | | 250110 | **265117** | | 2000 | 167603 | **169603** |
| 60 | | 265117 | **281024** | | 2000 | 179780 | **181780** |
| 61 | | 281024 | **297885** | | 2000 | 192686 | **194686** |
| 62 | | 297885 | **315758** | | 2000 | 206368 | **208368** |
| 63 | | 315758 | **334704** | | 2000 | 220870 | **222870** |
| 64 | | 334704 | **354786** | | 2000 | 236242 | **238242** |
| 65 | | 354786 | **376,083** | | 2000 | 252536 | **254536** |
| | 40000 | | **376,083** | | 74000 | | **254536** |

| **$376,083** | **$254,536** |
|---|---|
| **Ben** | **Arthur** |

**8. Remember God**

He made all of what you have accomplished possible. He gave you life, he gave you every breath you have had since birth and He has given you whatever you have. And, He will give you your future as well. Thank God for His faithfulness to you throughout your life and this past year. It isn't really your money; it is the money He allowed you to earn and keep.
He owns it all.

Psalm 24:1
1 The earth is the LORD's, and everything in it, the world, and all who live in it. (NIV)

It all was and will always be His. Since God owns everything, we should give thanks to Him. Give to Him, He is worthy.

THE IDLEWILD FOUNDATION