

**LIFELONG FINANCIAL STRATEGIES TIP SHEET**

**PHASE ONE: THE STARTING OUT YEARS (Ages 18-25)**

**From the ages 18 to 25, when you are starting out, everything's ahead and just about everything's possible – that is, IF you set out on the right foot, financially speaking.**

**These are the years where your debts – for your car, education, and credit cards – are greater than your assets. Your financial work during this period is to get out of this negative and begin building real wealth for your lifetime. Here are five tips for you to speed you on your way.**

**TIP #1: FIGHT THE URGE TO SPLURGE**

Plan your purchases and, no matter what, don't get too excited about a good deal. Make sure you know the details of any financial agreement you're entering, especially if it's putting you in debt. Remember any big purchase is negotiable.

**TIP #2: UNDERSTAND NEW RULES**

The latest healthcare and financial reform legislation have important changes – especially for young people. For example, it's now possible to remain on your parents' medical plan until you're 26. Also, your bank will no longer automatically cover overdrafts – so it's up to you to watch your bank balance.

**TIP #3: DO THE "CAR MATH"**

Cars are wonderful things. They are in many cases a necessity - Most people need them for a job. But don't buy more car than you can afford or need. A good rule of thumb is to figure out how much you can pay each month in car payments for 36 months, once other bills have been paid. Find out what the interest rate is on 3 year auto loan. Then multiply the payment you can afford by 36 or the number of months you'll be paying for the car. Multiply this number by 1 minus ½ the interest rate.

**TIP #4 : KEEP SCORE!**

Your credit score is as important as your Social Security number. It not only determines if you can get credit, but also a job. Make sure you have a high score, and, every year, get a free copy of your credit report.

**TIP #5. COMMIT TO GOOD CREDIT CARD HABITS**

This one is easy. Don't max them out. In fact, treat a credit card as you would a debit card. Although it may seem like it sometimes, it is not free money....it is in fact very expensive money. Set yourself bill pay reminders so you will never be late and always pay more than the minimum due.

**For more helpful tips and advice, please visit [www.CFP.net](http://www.CFP.net).**