**Financial Priorities in Your Twenties: A Selective List**

Tanya Kalmanovitch

In no particular order…

1. **Know that it is possible**. Remember, no one said it was against the rules to be an artist and to be financially stable.
2. **Define what your objectives are.** Figure out the tracks you want to follow. What are your next steps? How have others gotten there? What can you expect? What other ingredients, aside from money, are important to achieving your goals? What can money contribute?
3. **Define what success means to you.** Would financial success mean being able to have the flexibility to play the music you want to play? Would it mean being able to raise children and help them through college? Would it mean having the capacity to invest in a few years of (un-remunerative) artistic and professional development?
4. **Know your current profile and spending habits.** Do a self-audit. Look critically at your spending habits. Know the big picture of your income, debt and expenses and how your own emotions, imagination and ideas about money interact with your spending habits.
5. **Know how much money you really need.** Break down the costs for the things you need for a flourishing life. Be explicit and accurate – what’s the minimum cost versus the cost for an expansive ideal?
6. **Build an emergency fund.** Have enough cash on reserve to cover three months’ worth of expenses (rent, utilities, groceries, car or transit, health insurance). Keep it in a regular savings account where you can readily access it.
7. **Start funding a retirement account now.** Start now, even with a small amount. Ideally you should contribute 10-15% of your income to retirement savings, but in your 20s, every year that you wait can cost you tens of thousands of dollars in lifetime earnings.
8. **Create a plan to pay down debt.** If you have anything more than $1000 in debt, set up a plan to pay it off now. Treat debt early and aggressively! A caveat: you should balance debt repayment with investing in long-term tax-protected savings. Get good advice about your own situation.
9. **Pay attention to your credit rating.** Having a higher credit rating will save you significantly on car loans, mortgages and other debt. Get a free credit report online once a year (you’re entitled by law) and study financial books for advice on how to improve your score.
10. **Live within your means and keep your expenses low.** Keep a “big picture” outlook, while remembering that financial security is about the whole profile – earning, spending and saving – and not simply about earning “big money”. Find ways to economize on things that don’t matter so that you can spend money on the things that do matter. There’s a difference between cost and value.
11. **Develop good accounting and tax habits.** Learn – from a trusted source, and not from word of mouth – what’s truly deductible and what’s not. Set up efficient accounting habits. Report everything you earn, and take every deduction. Find a good accountant who can help set you on a good path.
12. **Save money by automating your finances.** Set up all your bills for automatic payment plans so that you never miss a payment. This will save you money, mental strain, and boost your credit rating. Get an online bank account that allows you to set up sub-accounts and automate your savings so that you direct funds to specific accounts (e.g. income tax, emergency fund, recording fun, fun fund) or use a program like YNAB (You Need A Budget) that keeps track of these for you.
13. **Think hard about what matters most, and spend accordingly.** Most of spend most of our money on things that aren’t important to us, leaving us with little money for those things that are. Think hard before you spend a dollar. A habit of grabbing a coffee and a bagel instead of bringing food from home can cost you a lot more than $5 a day: $5 a day is $1800 a year. And if you invest that amount in an IRA and let it mature for 40 years at an APR of 10%, it’s $839,191.
14. **Have health insurance.** Once you’re out of school, or have aged out of your parents’ plan (age 26), you’re on your own. A basic policy in MA costs around $350 a month in MA, another 25% more in NY. Plan for this expense in advance, and research your options.
15. **Earn more.** Brainstorm ways that you could earn an extra $100, $200 or $1000 a month. Can you give in-home lessons to a pair of siblings? That’s $200-$400 a month, depending on where you live, and who you market your services to. The hour a week you spend on this could fund a respectable net egg by age 65.

**A few resources:**

*Books*

John Armstrong, “**How to Worry Less About Money**” (Macmillan, 2012): an investigation into how we relate to money, that will enouage you ro redefine your feelings about money and desicver what is most important to you in life.

Ramit Sethi, “**I Will Teach You To Be Rich**” (Workman, 2009): a practical, hands-on and occasionally irreverent guide to financial well-being.

*Websites*

**Student Loan Borrower Assistance**: Education and advocacy for student loan borrowers <http://www.studentloanborrowerassistance.org/>

*Software*

**You Need a Budget:** Simple, intuitive budgeting that is ideal for freelancers and others with variable sources of income

<http://www.youneedabudget.com/>

*Blogs*

There is a wealth of smart, insightful blogs written by people facing the same issues as you. It’s an ever-shifting landscape, so dig around and find voices that you trust.

<http://www.nerdwallet.com/>

<http://cheapscholar.org/>

<http://poorerthanyou.com/>

<http://studenomics.com/>

<http://www.getrichslowly.org/blog/>

<http://www.budgetsaresexy.com/>

<http://moneyning.com/>

<http://www.punchdebtintheface.com/>

<http://ptmoney.com/>

<http://www.themuse.com/tags/money>

<https://www.youneedabudget.com/blog/>

<http://www.youngadultmoney.com/>

<http://www.thousandaire.com/>