Combatting The Financial Mistakes Of Our 20s And 30s

Early in their careers, people tend to focus on the here and now while ignoring the future. As you climb the ladder of success, you might think raises and promotions will never end and that you have forever to plan for the future. Surprisingly, though, the future comes faster than you can imagine.

Here are the six most common and avoidable mistakes younger people make:

#1: Not planning for retirement

Retirement may be ages away, but the only way to make sure you have what you need to retire is to start planning early. If you start saving for retirement when you get your first job, even if it's only a small amount, you will establish the habit and start building up savings.

Short-term goals, like a new car, can overshadow what seems like the very long-term goal of retirement. If you get your priorities straight early on, though, you will reap huge benefits.

#2: Spending too much on a car

It might make financial sense to buy a new car, but don't buy more car than you need. Choose a car that serves your current needs without sabotaging your long-term goals and savings.

#3: Not using a budget

You might look at a budget as unnecessary because you're not making enough money. Or, you may view it as something that will restrict your spending, or as just too much trouble. In truth, a budget can help you at any level of income and can provide you with financial freedom. Budgets allow you to track spending and determine where you need to be more careful. Also, budgets can be as simple as tracking money in and money out. As you earn more and your expenses get more complex, you can adjust your budget to fit your needs.

#4 Overusing credit

Credit cards make it far too easy to fall into the debt trap. You start carrying a little balance on your credit cards and it builds up, sometimes forcing you to dip into savings to pay your credit card bills. Avoid this situation by using credit sparingly and only for identified and planned purchases. Implement a plan to save for major purchases and pay for most, if not all of them, in advance.

#5: Having no emergency fund

In our 20s and 30s, we think we're invincible, but illness or job loss can happen at any time. Start a small system of saving to build an emergency fund that covers your expenses for at least three months.

#6: Not having adequate health insurance

While health insurance is expensive, it's irresponsible and short-sighted not to have sufficient coverage. Health insurance isn't optional, and young people are the first to ignore this rule. The cost may seem prohibitive, but it comes back to priorities and future planning.