YAHOO! FINANCE

Don't make these money mistakes when you're just starting out

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Carla Fried, special to CNBC.com | March 13, 2017

When you're in the early stages of adulthood, navigating a way-too-long list of financial priorities can feel like you're being tasked with juggling while riding a unicycle. Blindfolded.

No wonder that stops plenty of young people from getting started. More than 3 in 4 millennials surveyed by the Million Dollar Round Table, agree that having a financial plan is the ticket to reaching their goals. Yet fewer than 1 in 10 actually has a plan.

Slackers? Far from. In the same survey, nearly two-thirds of millennials said they weren't working on financial goals because they didn't feel they had the income to pull it off, or because they just didn't know where to start.

"It's a struggle for sure, but if you really take the time to devise a plan, even with just a few steps in it, you are going to be able to get going," said Skip Johnson, an advisor at Great Waters Financial in White Bear Lake, Minnesota.

Here's how to get rolling:

- **Live small (if just for a bit).** The trick to having some cash available to put toward financial goals is to curb your enthusiasm for living it up. "Your first place doesn't need to have stainless steel appliances," said Johnson. There will be time for that. Right now your future self will be incredibly grateful if you spend less — embrace roommates and ramen — so you can save and invest more.
- **Save your raises.** Promise yourself that whenever you get a raise or a killer new job, you will dedicate at least half of the extra dough to working on your long-term financial goals.

- **Do the bare minimum.** Keep current with all your bills. No paying Peter (credit card) a lot one month while starving Paul (student loan). Pay the minimum due each month on every loan and debt you have. That's going to help you build a solid credit score. At the same time, try to get your interest rates lowered. Call up your credit card issuer and ask for a rate cut — yes, this can work — and if that doesn't pan out, see if you can qualify for a balance-transfer deal where you will have low or no interest payments for a year or more. And be sure to check out your options for repaying student loans.
- **Game out how you'd handle a financial setback**. Doug Amis, 27, a certified financial planner at Cardinal Retirement Planning in Cary, North Carolina, challenges clients to think through where they would come up with $5,000 to cover a major surprise, such as a big medical expense. Unless you have a sugar relative you can rely on, Amis recommends this $5,000 cushion should take precedence over participating in a workplace retirement plan. Yes, even if there's an employer match. "If you don't have that emergency cushion, you end up making a bunch of bad decisions when you do need cash, such as putting it on a high-rate credit card. Those decisions can take years to dig out of," said Amis. To be clear, eventually your goal is to have an emergency fund that can cover six months of living expenses; but the goal at this stage is to just get the $5,000 air bag installed in your financial plan.
- **Grab the Roth IRA two-fer**. The best place for an emergency cash fund is a federally insured bank or credit union savings account. But in the early going you might consider building up your $5,000 emergency fund by contributing to a Roth IRA. Yep, this is a retirement account, but unlike your workplace 401(k), you are allowed to withdraw your contributions (though not earnings) at any time without owing any tax or an early withdrawal penalty. You can save $5,500 in a Roth IRA this year if you are single with modified adjusted gross income below $118,000 (married couples can each contribute that much if your joint tax return shows income below $186,000).
- **Start balancing the Big Three**: **high-rate debt, retirement emergency fund.** Once you have the basic bills covered and you've got the $5,000 mini-emergency fund in place, focus on upgrading your investing in the three main financial goals: Make extra payments on the credit card or loan with the highest interest rate; start participating (or increase your contribution rate) to a company retirement plan; and build a bona fide emergency savings fund in a bank or credit union account. You want to simultaneously work on all three, but if knocking off one goal would make you feel extra good and secure, lean into that goal hardest. That can be the best motivation to keep you rolling. "Get some wins under your belt and you'll want to keep going," said Johnson.