Steward Advisors

Ten Tips for Financial Success in Your 30's and 40's

#1: Build a Plan and Commit

- Create a comprehensive financial plan
- Start with the end in mind and work backwards
- Identify current resources and future income
- Understand how much you'll need
- Measure and track your progress

#2: Stop Borrowing

- Stop spending and adding to current debt
- Don't lock yourself into commitments you will later regret
- Paying cash will make you think hard about buying the next shiny object
- You can feel the true cost of things when you pay cash

#3: Create a Budget/Track Spending

- Decide where every dollar will go before you spend it
- Create a budget and then choose where to spend it; a new car, your next house, retirement, vacation
- Keep it simple
- Get help; consider Quicken, Mint or similar

#4: Get Out of Debt

- Stick to your budget
- Start by making minimum payments
- Split extra cash flow between repayment and retirement savings
- Pay off credit card, student loans, car loans and other high interest loans first
- Consider a 15-year mortgage; the lower rate may keep the payment close to a 30-year payment
- Consider a debt reduction strategy such as the debt-snowball method; use a debt calculator tool

#5: Build an Emergency Fund

- Target 3-6 months of income
- Start by saving $1,000 in the next month
- Having the fund helps keep stress levels down; and keeps you from spending on a whim

#6: Have the Right Insurance

- Buy adequate insurance, when you are young
- Disability, health, term life, property, casualty & umbrella
- Buy insurance to cover risks, not as an investment

#7: Take Advantage of Your 401K

- Invest enough to get the full match from your employer
- Max contribution was raised to $19,000 per year in 2019
- Set a goal to contribute 10-13% plus the employer match
- Each time you get a raise, increase your contribution

#8: Use Roth IRAs, Traditional IRAs, HSAs, 529s Strategically

- Consider IRAs especially if you don't have access to an employee sponsored plan
- Use Traditional IRAs to rollover old 401k funds
- Roth IRAs are tax free and contributions can be withdrawn at any time without penalty
- HSAs are also tax free so consider this when choosing your health plan

#9: Manage Investments With a Long-Term View

- Once your portfolio is 1X your salary, get some advice
- Early in your career, it's more important that you invest than *how* you invest
- Borrow from your 401K only a last resort
- Choose a limited number of funds to spread out your risk
- Use diversified funds to get exposure to stocks and bonds

#10: Practice "Smart" Financial Planning

- Investment research firm, Morningstar studied "smart" factors beyond picking investments that create real financial gain (asset allocation, withdrawal strategies etc).
- Know your investment management limits
- Get professional help early if you need it