FINANCIAL PLANNING TIPS FOR MILLENNIAL WOMEN

Millennial women have quite a balancing act. In addition to becoming breadwinners and financial decision makers in their own households, they continue to be primary caretakers; as part of the “sandwich generation,” they are responsible for caring for children and aging parents simultaneously. American women control more than $10 trillion in U.S. household financial assets, which is expected to triple in a decade due to the inheritance of wealth from baby boomer parents amid the Great Wealth Transfer.

With so much responsibility and so little time, how can millennial women implement sound financial planning? Read on for ways to start managing your money more efficiently and save.

EDUCATE YOURSELF

Research supports the fact that women are less confident than men when it comes to financial literacy and making investment decisions, but that can be easily solved through education. Learning about anything new takes time, so start small by carving out 30 minutes once a week to read some articles, or subscribe to financial trade publications like The Wall Street Journal and cnbc.com. If terminology becomes overwhelming, refer to investopedia.com, which features a financial dictionary with definitions of terms such as 401[k], stocks, dividends, mutual funds, and any other financial term you need to know.

As you start making financial decisions, it’s advised that you partner with a financial advisor, as she will help walk you through goal-setting and long-term financial plans.

KEEP TRACK OF EXPENSES, AND ALIGN PURCHASES WITH YOUR VALUES

No matter your stage in life, every investor can use this reminder. Create a budget and do your best to stick to it. Start with a simple spreadsheet or an app on your smartphone [like Mint or PocketGuard] that tracks your spending habits. Write down everything you spend, and then start organizing. List your after-tax income, gather your bills and pay statements, and break expenses down into categories. Start with essentials: housing, food, internet, and car expenses. Next, consider non-essentials, such as streaming services, dining out, gym memberships, and anything not deemed necessary for day-to-day life.

Last, think about how a purchase you’re pondering aligns with your values. By taking time to mull over whether a high-priced, material item truly makes sense if the money i could otherwise be put toward meeting your long-term financial goals, you may end up reconsidering. It can be tough for millennial career women to hold back on the occasional indulgence [like that beautiful pair of shoes or designer purse you’ve been eyeing], but if you do decide to dive in, you may want to purchase items from websites like Poshmark, thredup or TheRealReal, that feature gently used designer items at a lower price.

PAY DOWN YOUR DEBT AS QUICKLY AS POSSIBLE

Most millennials are carrying an average of $15,000-$30,000 of student loan debt, known as “good” debt, which obviously does not include consumer debt, or “bad” debt [such as credit card balances, due to the high interest rates charged on unpaid balances]. Credit cards are certainly a safe and easy way to pay for things, but it’s important to make sure they are not a substitute for bolstering your lifestyle. It is possible to manage debt, stick to a budget and save simultaneously, but it takes work and planning. Do some research on debt management tools like Quicken, Undebt.it, Debt Free and others to help you track amounts and make monthly payments.
START SAVING AS SOON AS POSSIBLE

Do everything in your power to start saving as early as possible. We already know that women live longer than men, and the earlier you start saving, the better; plus, you can take advantage of compound interest and growth of your assets over time since compounding has a “snowball effect.” As an example, someone who starts saving $5,000 per year at a 6% interest rate when she is 35-years old for a thirty-year period would end up with about $269,000 more than a 50-year old who started saving $6,000 annually for a 15-year period.

If you don’t have $5,000 to invest right away, consider participating in an employer-sponsored 401[k] account if one is available to you. Contributions are withdrawn from your paycheck before you pay taxes on your income, and employers will often match the amount you contribute every month. A 401[k] gives you a chance to invest in mutual funds, stocks, or other investments.

SET AND MEET SHORT AND LONG-TERM GOALS

A sound financial plan starts with goal-setting. Think about what it means to be financially stable and comfortable, and work from there. Establish concrete milestones for both the present and future so you can start paying off student loans while also saving for retirement. When you visualize retirement, think about what it means to you: will you be traveling the world, spending time with your future children and grandchildren, or doing something else?

Once you have established some tangible goals, know that they may change over time, depending on your life circumstances. Sit down with a financial advisor and start mapping out a wealth plan that will account for each of your goals with some wiggle room for unexpected expenses that may pop up over time.

PLAN FOR CHALLENGES AND UNEXPECTED EMERGENCIES

It is said often, but life can be unpredictable. It’s important to do your best to create an emergency fund with about three to six months of liquidity (e.g., cash) in case you face an unforeseen event like job loss or a medical crisis. Try and contribute a fixed amount every time you receive a paycheck. You’ll be surprised at how much you can save over time.

CREATE A SOURCE OF PASSIVE INCOME

Once you have saved a fair amount of money, it’s time to consider what you can do to make that money grow. The best way to do that is to start investing! Whether you decide to start slowly with dividend stocks, a retirement account, real estate, or a mutual fund, the key is to start early and build.

FIND THE RIGHT FINANCIAL ADVISOR

Of course, sometimes it’s tough to know where to begin and what makes an investment like a mutual fund the best one for your individual circumstances. It can feel overwhelming and confusing, but working with the right financial advisor can help you feel more in control of your finances so you can propel yourself to the next level. Click here to find a B. Riley financial advisor near you.