Younger Workers Must Balance Financial Priorities

If you're a younger worker just starting out in your career, you've got tremendous personal and professional opportunities ahead of you. But this is also when you will need to make some key decisions — especially about your financial priorities.

When considering your priorities, you may find it helpful to look at these three areas:

• *Paying off debts* – If you're like many young working people, one of your biggest debts may be your student loans — and paying these down is, by necessity, a priority, because falling behind on your student loan payments can lead to late fees and other problems. So, if you haven't done so already, you may want to enroll in autopay, which will help you stay current on your loan and possibly earn a rate reduction.

• *Saving for short-term goals* – At this stage of your life, you may be thinking about saving for at least one or two significant short-term goals, such as a wedding or a down payment to a house — or perhaps both. Obviously, your ability to save for these goals will depend on your income, your current cost of living and your debt situation. But if a wedding or a new home is indeed a priority for you, you'll want to look at what's possible, in terms of putting money away. Since you know you'll need a certain amount of money at a given time, you may want to automatically move a set amount from your checking or savings account each month to a low-risk account whose principal is essentially protected. You might not earn a lot on such an account, but at the same time, you won't have to worry about a drop in value just when you need to take out the money.

• *Saving for retirement* – Even though you may just be at the beginning of your working life, it's not too soon to begin preparing for its conclusion. You could spend two, or even three, decades in an active retirement, so you will need to accumulate considerable financial resources. Fortunately, here's an area in which you may be able to get some help, starting right away. If you work for a mid-size or large company, your employer may well offer a 401(k) or similar retirement plan. Your pre-tax salary deferral contributions are generally not taxable, so the more you put in, the lower your taxable income. Plus, your earnings can grow on a tax-deferred basis. (If your employer offers a Roth 401(k), your contributions will be taxable, but withdrawals will be tax-free, provided you meet certain conditions.) These days, even many small employers often offer some type of retirement plan, so it's likely to your benefit to take full advantage of it by contributing as much as you can afford.

Prioritizing these long-term savings goals, and striving to meet them with the appropriate solutions, can certainly be challenging. But as a young worker, you have the greatest — and most irreplaceable — asset on your side: time. So, make the most of it. Think carefully about your needs and options and take the steps that enable you to keep making progress toward all your objectives.

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