School's Out, Investing For Your Future Is In

Now that your college exams are behind you, look ahead and think about your financial future. Right now you may be thinking, "I don't make enough money with my part-time and summer jobs to think about saving and investing." Whether you're a freshman or a graduating senior, let me tell you why even small savings today can add up to big savings tomorrow.

It Pays to Start Early

The longer period of time you have to save and invest, the better off you'll be financially.

Budget, Set Goals, Create a Plan

Ask yourself a few basic questions:

- What goals do I want to achieve?
- How much money do I need to achieve my goals?
- How much can I afford to save and invest?
- What's my risk tolerance?

Think short term and long term. Create a budget for yourself so you can better learn how to manage your money. Figure out your "fixed" expenses (e.g., housing, groceries, transportation, student loans). Then, think about things beyond those expenses, such as going to the movies, dining out with friends, enjoying your favorite high-end cup of coffee, etc. Maybe in the short term, you want to buy a car or down the road you want to put some money away for an awesome trip. Also, consider credit card debt. Setting money aside to pay off high-interest credit card debt may be something for you to consider. No investment plan pays off as well as getting rid of high-interest debt. Factor all of those costs as you set your budget.

The Power of Compound Interest

Any amount of money can grow over time through the power of compound interest. Let's say you have an initial investment of $100 and each month you contribute $30 to that investment. That's basically a dollar a day, less than a cup of coffee! In 30 years, with an average interest rate of five percent, you will have more than $24,000. Not a bad start. And consider this, as your earning potential increases, you may be able to contribute more money each month making that investment grow even more over time.

Individual Retirement Accounts (IRAs)

I know it may sound crazy to think about retirement right now, but it's never too early to start building that nest egg for the future. While you may be jumping around from job to job at this stage of your life, you can still contribute to a retirement account. An easy way to get started is to establish an individual retirement account (IRA). IRAs provide tax advantages for retirement savings and you can contribute a certain amount each year based on the maximum amount allowed by the Internal Revenue Service. Traditional IRAs involve contributions that are typically tax-deductible and you pay no taxes on the IRA earnings until retirement. Roth IRAs involve contributions that are made with after-tax funds, are not tax-deductible, but the earnings and withdrawals are tax-free. Choose which is best for you.

Free Money

Once you get your first "real" job, participate in your company's 401(k) plan and max out any employer match if you can. Don't wait, start right away. I can't tell you how many times I've heard people say, "I don't plan on being in this job for very long so I don't want to deal with signing up." Guess what? They wind up staying in that job for years and they have missed out on years of saving and "free money." It's simple. If your employer contributes 50 cents for every dollar you save, that's an immediate 50 percent return. No other investment will give you that kind of guaranteed return. Don't miss out on this "free money!"

Research All Investments and Avoid Too Good to be True Opportunities

Research all investments thoroughly before investing. While some may think cryptocurrency and initial coin offerings (ICOs) are all the rage and you may want to get in on the action, think twice before doing so. Be aware of the serious risks involved with these kinds of investments. With social media, we hear about celebrity endorsements all the time. Don't make investment decisions based off of your favorite celebrity who may be making money off of their endorsement. And, if the investment opportunity sounds too good to true, it probably is. Conduct your own independent research and make decisions based on your goals and risk tolerance. Remember, as a first time investor, you may be better off looking at investment opportunities with some history rather than the latest trend.

School's Out, Saving and Investing is In

Even though school's out, saving and investing is in. Educate yourself and learn how to invest for your future.