UPDATE: How to start with pennies and retire a millionaire

5-20-15 6:01 AM EDT http://news.morningstar.com/all/market-watch/TDJNMW2015052051/update-how-to-start-with-pennies-and-retire-a-millionaire.aspx

By Robert Powell, MarketWatch

Retirement and financial advice for college grads

If you knew then -- when you graduated from college -- what you know now, what might you do differently with your money? What advice would you give your younger self?

We posed those questions to financial advisers in hopes that newly minted college graduates might benefit from the collective wisdom of those who have gone before them. Here's what experts had to say.

First, the budget

Do what's best for your current financial and life situation, said Philip Herzberg, a certified financial planner with the Lubitz Financial Group in Miami, Fla. and president of the Financial Planning Association of Florida.

What might that be? Establish a budget and learn how to use software, such as Mint.com (https://www.mint.com/) or TurboTax, to handle bills, savings and investing.

Establishing a budget will also help you learn how much you need to earn after college. "Come up with an estimated budget to determine what you need to earn from a job so you can pay for your living expenses," said Tracy St. John, a financial planner and founder of Financial Avenues based in Kansas City, Mo. "Estimate rent or mortgage with principal and interest, car expenses, utilities, food and necessities along with an "extras" amount. The total from these expenses is the minimum you would want to earn from your job."

But long before you ever receive your first paycheck, make whatever budget decisions necessary to ensure your ability to max-out your Roth IRA each year, said Kyle Moore, an associate financial planner with Pitzl Financial in Arden Hills, Minn. "This may mean splitting rent with a roommate, or finding an apartment close to work to save on transportation costs," he said. "Your 65-year-old self will be very thankful you made these smart decisions at a young age."

Create goals

Write down a few goals or priorities; what you want to accomplish in the first two or three years after college and then determine how to use your income to reach those goals, said St. John.

One trick of the trade: Assign every dollar you receive "a job," said St. John. "How will each dollar work for us and not be given away for someone else to make money off us," she said.

Money isn't everything

Karl Frank, a certified financial planner with A&I Financial Services in Englewood, Colo., says there are four things he would have liked to have known about money when he graduated from college. "Every money problem I've faced in life has come down to one of these," he says.

Joe Hearn, a financial planner with Teckmeyer Financial Services, in Omaha, Neb. and writer of the Intentionalretirement.com (http://intentionalretirement.com/) blog is of the same opinion. "Live an extravagantly modest lifestyle," he said.

Rather than living like Scrooge, Hearn said, he spends "extravagantly" on things that are important to me and "miserly" on things that aren't."

"That kind of budgeting meant that my wife and I spent more on travel last year than we did on house payments," he said. "We still saved for retirement, ate out once in a while and added to the wardrobe now and then, but for the most part we chose to allocate our limited resources in very intentional ways."

And when deciding where to allocate money, it helps to think like an investor. "Investors allocate capital and expect a return on investment, or ROI," Hearn said. "For me, travel has a high ROI. Alternatively, the type of car I drive has a low ROI. If I could easily afford both, I might do it, but for now I'm happy to drive a modest car if it means I can get the family on the road four or five times a year."

So when you get that first paycheck, outline your new budget and make your spending match your priorities. "Be frugal where necessary, but don't be afraid to spend on those things that really matter to you," said Hearn.

And no matter what, don't get caught up in the buying-more-stuff-will-make-you-happy camp. "Given the choice between spending on 'more stuff' or 'more experiences' you should almost always choose the experiences," Hearn said. "A life spent in dogged pursuit of rich experiences will usually have a much better payoff than one seeking the latest gadget or gizmo."

Pay off your student loans

Treat your student loan debt like the emergency that it is, said Moore. "Student loans have a way of burdening your career decisions and interfering with milestones such as purchasing your first home, Moore said. "Pay them off as aggressively as you can."

According to Leslie Beck, a certified financial planner with Compass Wealth Management in Wood Ridge, N.J., your post-college years are a "time to explore" career options and life in general. "Added debt will only weigh you down and limit your choices and options," said Beck.

Save early and often

Beck also recommends saving early and saving often. "The primary reason I am in, relatively, good financial shape today, despite life's ups and downs, is because my parents instilled in me a savings habit," she Beck. "I contributed the max to my employers' savings plans from the very beginning, and it has made a difference."

Others agree with this save-first advice. "Save in your company retirement plan and save from your net paycheck via automatic transfer to savings," said St. John. "Sometimes new grads use up their savings they have when getting their first apartment and/or home and all the furnishings and necessities that are needed."

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Stand on your own

"A man is not a plan," said Helen Modly, a certified financial planner and president of Focus Wealth Management in Middleburg, Va. "Young women need to be prepared to stand on their own two feet and maybe even support a family. You just never know what will happen."

Invest in yourself

Young college graduates also need to understand that importance of human and financial capital when they are starting out. "We always think of wealth as money, but investing in your career and your health can have just as big an impact on your ability to retire successfully," said Modly.

Paula Nangle, a certified financial planner with Marshall Financial Group in Doylestown, Penn., agrees with that advice. "Your human capital is the biggest asset you have, continue to invest in yourself and grow," she said. "Don't let others define you or limit you."

As you think about investing in your career, think also about most practical career advice Hearn has ever heard.

He quoted Scott Adams, creator of the Dilbert cartoon, who said there are two paths to an exceptional career: 1) Be the very best at one specific thing or 2) be very good, in the top 25%, at two or more things. "By combining these 'pretty goods' you eventually create a package that is very rare and likely valuable to a potential employer," said Hearn. "The first path is very unlikely for most of us, but the second path is fairly easy and nearly as effective."

Take chances

When you first graduate college, Moore said you never have less to lose. "Take smart risks," he said. "While most of my friends were taking their first 'real jobs,' I turned professional in golf with the goal of playing the PGA tour. I gave it my best shot for four years and wasn't able to save much money, but I will never regret trying and the connections I made then helped me to get to where I am today."

Move back home

Also, do not be embarrassed if you have to return home to live with your parents to save for your future, Herzberg said. If you do move back home, talk to your parents about their and your expectations regarding your financial and other contributions to the household.

Avoid instant gratification or not

"Don't fall into the trap of an instant gratification society and succumb to societal peer pressure," said Herzberg.

To be fair, though, financial planners don't always agree on this topic. "Yes, you should save early and often," said Hearn. "By all means, max out your 401(k) and IRA. Have an emergency fund. Set aside some money so junior can go to college. "

But don't assume that you can only do those things at the expense of your life now, said Hearn. "Don't sacrifice your best years for some mythical pot of gold at the end of the rainbow," he said. "Delayed gratification is overrated. It's great if it's allowing you to work toward something."

For example, Hearn said saving for that trip you've always wanted to take or giving up that extra hour of sleep so you can make it to the gym. "You're giving up something good now to get something better later," he said. "Where delayed gratification becomes a problem is when it is used as an excuse for life avoidance. Rather than allowing you to work toward something, it is keeping you from something. Unfortunately, 'retirement planning' has become the poster child for life avoidance. Too often it is mental laziness masquerading as responsibility. We treat it as 'either, or' when it should be 'this, and.'"

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05-20-15 0601ET

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