7 Money Decisions You Should Make in Your 20s

Ignorance may be bliss, but not when it comes to your finances. Being in your 20s means suddenly having to figure out a lot of stuff, like where you want to go with your career, how you're going to pay back those student loans, and whether you'll ever be able to afford a place of your own. It can all be pretty overwhelming, so the temptation to stick your head in the sand and not think too much about your money and where it goes is certainly understandable. But it's also pretty stupid.

The money decisions you make in your first decade of adulthood are going to reverberate throughout the rest of your life, for better or for worse. Take a lax approach to money management now and you'll pay the price later on. Or, you could establish good financial habits, like learning how to follow a budget and staying out of debt, and watch as they pay off big time in your 30s and beyond. If you want to take the latter route, here are seven money moves that will help you get on the right financial track in your 20s.

1. Set a budget
Three-quarters of people in their 20s and early 30s say they track their spending, a 2015 survey by T. Rowe Price found, and 67% stick to a budget. If you're not among them, now's the time to get started. Setting a budget (and following it) will help you cut back on unneccesary purchases and avoid racking up debt. For tips on how to get started with budgeting, check out this Cheat Sheet video.

2. Start an emergency fund

Reaching for your credit card is not the best way to deal with unexpected financial expenses. Yet 29% of Americans have no emergency savings whatsoever, a Bankrate survey found, which means that they may need to borrow money when a crisis strikes. You can avoid that possibility by setting aside between three and nine months of living expenses in a savings account. That money will serve as a financial cushion in case you lose your job or your car suddenly needs a new transmission.

3. Tackle your debt
If you've run up the balances on your credit card or have tons in student loans, you're not alone. Roughly 40% of millenials have credit card debt, and the same percentage are paying back money they borrowed to pay for college or buy a car, according to the Pew Charitable Trusts. You shouldn't beat yourself up over being in the red, but you do need a plan for eliminating those liabilities, since excessive credit card debt and burdensome student loans can hold you back from reaching your financial goals.

If you owe money, create a debt repayment strategy. Getting a side job and negotiating the interest rate can all speed up the process of paying off your credit cards. You could even try one of these five crazy ways to pay off your student loan.

4. Learn new skills

At this point in your life, your ability to earn a living is probably your biggest asset. You can increase the value of that asset even more by learning new skills that will make you a more attractive employee and help boost your career potential. Some valuable skills take less than a day to master, or you could sign up for a free online class to learn about graphic design, coding, grant writing, and numerous other subjects.

5. Save for retirement

If your employer offers a 401(k) or other retirement plan, sign up and contribute as much as you can (at least enough to get your employer's matching contribution). Consider an IRA is your job doesn't offer retirement benefits.

Even if you can't save a lot right now, you're young, so your investments have a long time to grow. Start consistently setting aside money for retirement in your 20s and you'll end up with more money while saving less than someone who waits until his 30s to get started.

6. Don't be afraid to invest

Investing is one of the best ways to build wealth, but many young people are too scared of the markets to seize that opportunity. Ninety-three percent of millennials surveyed by Capital One Investing in 2015 said that not knowing much about investing and a lack of trust in the markets made them less confident about taking a chance on stocks. That's unfortunate, because when you're young is the best time to invest aggressively for long-term goals like retirement.

"If you're a young person, the potential for needing that money could be 30 or more years away, so it may benefit you to stay invested in the market," Robert Payne, a financial professional with the Principal Financial Group, said. "Stocks have historically done well over periods that long."

7. Cut the financial cord

Part of being a grown-up is learning to fend for yourself, without handouts from the bank of mom and dad. Yet 29% of parents of 20-somethings help cover their kid's day-to-day living expenses, a 2013 Clark University survey found, and another 45% provide occasional support. Following steps like those outlined above will give you the confidence to stand on your own two feet financially, a move that will benefit both you and your parents.

http://www.cheatsheet.com/money-career/7-money-decisions-you-should-make-in-your-20s.html/?a=viewall