



# Five Stages of Your Financial Life

## Stage 1: Young Adulthood

### YOUR FINANCIAL JOURNEY BEGINS!

You have a great job in your chosen field and are getting used to the regular paychecks that are part of the rhythm of your work life. You notice that you are no longer living paycheck to paycheck and have a little more money at the end of the month than when it started.

Our consumer economy can tempt you to spend these early seeds of financial independence. But by taking the following actions you can begin to lay the foundation upon which the financial future of your dreams can be built.

#### 1. Establish a cash reserve

You should have cash in the bank equal to about three months of your living expenses. This will give you the cushion to handle unforeseen emergencies like sickness or an accident while you wait for insurance benefits to begin.

#### 2. Avoid high interest rate debt

Consumer credit (credit cards, car loans, etc.) can be a real drain on your wealth confidence. The best strategy is to avoid high interest rate debt all together. Use credit cards only for convenience, paying off their balances each month.

#### 3. Fund your 401(k) plan at work

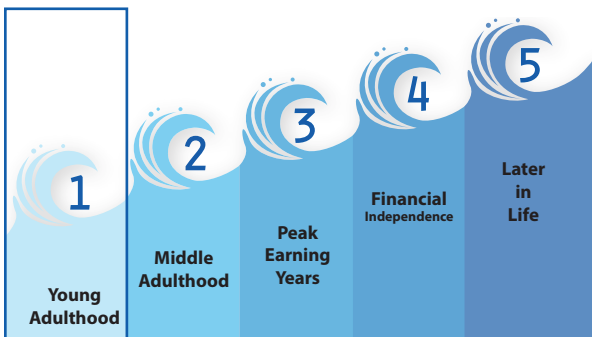
This is one of the first foundational steps you should consider when building your financial foundation. When you do this not only does Uncle Sam give you money through tax savings, but your employer may also match your contributions. When combined, these incentives can immediately double what you save.

#### 4. Fund your IRA

If you don't have a 401(k) plan at work, or you have maximized what you can save there, fund your own IRA. At this stage of wealth a Roth may be the best IRA for you to use.

#### 5. Invest

If you still have excess cash flow after the above actions, you can open an account at a discount brokerage firm like Charles Schwab or Fidelity and begin to create a portfolio consisting of no-load mutual funds. This should only be considered after you have taken the above actions.



Simple, right? But not easy. At this first stage of wealth you may also find yourself getting married, starting a family and buying a house. These life events can quickly lay claim on whatever excess cash flow you may have had. But if you can balance these lifestyle choices with the sound financial actions above you will enjoy your life more because of your improved wealth confidence.



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