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Lynn's Top Five

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Financial advisors spend a lot of time advising retirees or those nearing financial independence on all the moves they should be focusing on to maximize their financial resources. Unfortunately we don't always spend enough time helping millennials, thinking that they still have many years to work it all out. Yet millennials could really benefit from more attention as they are likely to live longer, have fewer government or corporate guarantees of assistance and medical care, and are graduating with daunting student debt.

A younger client recently referred to me by his parents called and posed a great question. He wanted to know what he should focus on first - contributing to his 401(k) or paying down student debt or saving up for a house? And my question to him was how are you doing on paying down debt, setting up an emergency fund and an impound account for nonsystematic living costs? After a long chat we were able to sort out his priorities, but this call brought me to understand that there are many in his generation struggling with similar questions. So here are my top five suggestions to millennials who are focused on launching a successful financial life:

1) Renting might be your smartest move: You really don't need to be so laser focused on buying a house. Renting versus buying means that you have less overhead and more flexibility. Unless you are sure where you are going to live for the next five years and you also have enough disposable income to handle not only the known expenses but the unknown, I suggest you embrace renting and push home ownership into a different time frame.

2) Yes to student loans that propel you into a career that's worth the debt. No to borrowing more than you can afford to pay when the bill comes on your credit card to buy things you don't need. Yes to borrowing to fund a reasonable and smart work wardrobe (if you only buy what you need and shop on sale). No to borrowing money to pay for a lavish vacation you can't pay off in full as soon as you are home.

3) Smart, honest budgeting is a millennial's best friend. Because most millennials didn't have the benefit of a personal financial planning class during their school years and may not have come from a household where learning personal cash management skill was a priority, it's time to make time to learn this important skill. Luckily it's simple and because most Millennials are very tech savvy there are a number of wonderful online resources to lean on. The point is to know your true annual take home pay - that is all you can spend! Then, list out all your annual expenses and add them up and don't gloss over the real spending on clothes, travel, pets, coffee house visits, etc. If your annual expenses are more than your income, guess what? You need to spend less, earn more or both. Budget and review routinely so that you face the realities of your situation before they get out of hand.

4) Think about protecting yourself with smart insurance choices: Insurance should protect you against losses that you cannot afford. Self-insure for the small annoying losses in life (like a co-pay for doctors visits or a small deductible on auto claims) but completely insure for the large issues such as your car being totaled (and you are at fault), or a robbery where all your electronics and other valuables are stolen and not recovered. Don't dismiss optional long-term disability insurance coverage that's available through work as your future income might be your biggest asset. And if you have dependents or a mortgage that a partner couldn't handle alone, use inexpensive term life insurance to protect them. Seek out insurance agents who get you and aren't just trying to upsell you on coverages you don't need at this point in your life. Do pay attention to protecting your net worth as it grows.

5) Make saving for your future a priority as your income increases. It's easy to absorb new-found pay into your lifestyle. I suggest that as you are successful at increasing your income, you commit to using every new dollar to pay off debt first, create an emergency fund (six months' of fixed expenses at a minimum), and set up an impound account for nonmonthly but real life style costs such as insurances, wardrobe renewal and car repairs. Next, start putting away money for your future by using available plans at work and your own savings, investing accounts. Engage a Certified Financial Planner or other trusted advisor and team to help guide you on this leg of your money management journey.

So millennials, it's all about balance: yesterday (paying down debt), today (developing a smart cash management system so you don't incur new "bad" debt and live within your means), and tomorrow (knowing what your moves are as your income grows and why). Stay focused and don't forget to build in AFFORDABLE fun and joy as you embark on your successful financial journey.

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