Just Graduated?
Here Are 12 Things You Need to Know About Money

Don't waste your youth. Just graduated high school or college? Make the most of the decade that follows. This is your chance to get on the fast track to financial success by saving diligently, investing intelligently and thinking clearly about your spending, your career and your goals.

And, no, none of this should be that tough. Looking to launch your financial life? Here are 12 tips to help you get started.

1. TAKE TIME

If you assume a reasonable rate of return and a 12% annual savings rate, you need 35 years and possibly more to amass a decent-size nest egg.

Start saving before age 30 and you may retire in comfort at 65. Leave it for too much later and it becomes awfully tough to accumulate enough for retirement without really cranking up your savings rate.

2. KEEP GOING

In your early years as a saver and investor, progress can seem excruciatingly slow. In all likelihood, your portfolio's growth will come mostly from the dollars you sock away, with little help from investment growth.

If you persevere, however, you may reach a point where your annual investment gains rival and even surpass the actual dollars you sock away – and your portfolio could start growing by leaps and bounds.

3. BEHAVE WELL

A fat salary makes it easier to save. But arguably, self-discipline is far more important. Folks with modest salaries but good savings habits can pile up hefty portfolios, while those with six-figure incomes may squander every paycheck.

4. IGNORE APPEARANCES

Of course, the big spenders with the six-figure incomes may appear wealthy. But just because they live in a grand house with a fancy car and a manicured lawn doesn't necessarily mean they have a lot of money. It does mean, however, that they likely spent a lot.

5. SPEND CAREFULLY

Feeling jealous? We hanker after the new car, the big pay raise, the larger house and the next promotion. But getting what we want often doesn't prove nearly as satisfying as we imagine, thanks to what psychologists call "hedonic adaptation" or the "hedonic treadmill." The notion: We quickly get used to lifestyle improvements and, soon enough, we are lusting after something else.

6. JUDGE KINDLY

The promotion may be slow in coming – and you may never get it. But don't consider yourself a failure.

Career success depends partly on luck, including the luck of being born at the right time. In 21st century America, Warren Buffett is celebrated for his investment acumen and his wealth. But in 21st century Sudan – or 17th century America – he might have been just another working stiff. The skills that are valued vary over time and across societies.

7. GET SMART

Make a point of educating yourself about money. That will give you a greater sense of financial control and contentment, it will help you get more out of the financial advisors you use and you should be in better shape when making decisions on your own.

8. STAY HUMBLE

Many people think they're better-than-average drivers, smarter than most and pretty good looking. Such overconfidence, however, could hurt you in the financial markets.

The danger: You buy and sell too much, triggering hefty trading costs, and you take too much risk. Indeed, instead of trying to beat the market, you will likely be better off diversifying broadly and favoring index funds, which aim to match the performance of a market index while charging fairly low costs.

9. KEEP COOL

In their overconfidence, many folks also like to think they're level-headed and rational. Market history suggests otherwise.

Investors will load up on stocks when the market is soaring, only to dump them at far lower prices during the

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market slump that follows. The lesson: Most investors' tolerance for risk isn't stable. Until you've lived through a few market cycles, you probably won't have a good handle on your personal tolerance for risk.

10. LIVE LARGE

When you purchase your first home, try to buy a house that's the right size for your family and that you can see living in for a good long time. That might mean spending a little more than you are comfortable with.

But if your job is secure and you expect your income to rise, that can be a smart strategy. Trading real estate can be horribly expensive, so you don't want to purchase a home that you soon become dissatisfied with and end up moving relatively quickly.

11. GIVE YOURSELF OPTIONS

With any luck, you find your job exciting and stimulating. That may not always be the case. After a few decades in the work force, you might be looking to change careers or work part-time. If you haven't saved, you could find yourself unhappily stuck in a job you don't like. But if you have been saving diligently, you will likely have more options.

12. MAKE PROGRESS

Those options might include retiring early. But don't assume you will be happy with endless leisure.

Most of us need a sense of purpose to our lives, that feeling that we are doing something that is both satisfying and important. That doesn't necessarily mean we have to be earning a paycheck. But it does mean doing something we find fulfilling, whether it's volunteering, hobbies or returning to school. The implication: Even as you pursue your career, make sure you have interests outside of work – because one day work won't consume all of your days.

FIRST STEPS

- Learn about personal finance basics at **www.mymoney.gov**.
- Go to **www.dinkytown.com** and use the site's calculators to see how much your savings might grow.
- Head to **www.hsh.com** to learn more about mortgages and how much house you can afford.

Sourcing: For more on hedonic adaptation and happiness research generally, see *The How of Happiness: A Scientific Approach to Getting the Life You Want* (Penguin, 2007) by Sonja Lyubomirsky.

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