Five things every young professional should know about…

Financial Literacy

Three in four adults agree that they could benefit from guidance and answers to everyday financial questions from a professional[1], do you agree with them too?

Here are a few tips to get you started on the path to Financial Literacy.

1. **Set a budget, and stick to it.** Don't have a budget in place currently? You're not alone, only 2 in 5 US adults say they have a budget and keep close track of their spending[1]. In order to reach your savings goals and take charge of your finances, you do need to put together a budget and hold yourself accountable to it.

   Find a system that works for you, whether it's an online tool or a simple spreadsheet, and be diligent.

2. **Establish an Emergency Fund, and update it each year.** Many people know that setting up a "rainy day" fund is a good idea, you may even have some money put aside, but make sure to evaluate your needs each year and save more if necessary. A good rule of thumb is to have enough liquid assets in your emergency fund to cover three to six months of expenses.

   As your lifestyle changes over the years, a new house, a new car, maybe even children, be sure your emergency fund can still cover you if it starts to "rain."

3. **It's never too early to start saving for retirement.** As a young professional, retirement may seem like a lofty concept, a distant dream. While it is far off in the future, starting to save early in your career will set you up for a secure retirement in the future.

   An easy way to get started is to maximize your employer's matching contributions to your 401(k). This will keep you from leaving money on the table, and provides a consistent savings vehicle.

4. **Know your credit score:** Your credit score is a crucial factor when looking to make major financial decisions, such as purchasing a house. While 52% of US adults have not reviewed their credit score in the past 12 months[1], there are many free services you can use to find yours.

   As is the case with many things, knowing the number is only half of the battle. Here are the main areas that impact your credit score, and the approximate weight of each[2]:

   Payment history: 35%
   Outstanding debt: 30%
   New credit and types of credit: 20%
   Credit history: 15%

5. **Don't forget, you are your most important asset.** For most people, human capital is the missing piece of their portfolio. You insure your car, in the event you get into an accident. You insure your belongings, in case they're lost or stolen. How do you insure your biggest asset, your human capital? Through life insurance products. While life insurance may be the further thing from your mind (next to retirement, perhaps?), the best time to purchase it is when you're young and healthy. There are many products that can be a good fit for any life stage, consider sitting down with a financial professional to talk about what can work for you.

Interested in learning more about how New York Life can help you educate yourself on financial matters and set you on the path to a secure future?

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[1] The 2015 Consumer Financial Literacy Survey, The National Foundation for Credit Counseling
[2] Women's Institute for Financial Education, 4 Credit Score Secrets, 2015

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