

# Big money decisions in your 20s, 30s, 40s and beyond

by Matthew Biddle

As the old saying goes, “A penny saved is a penny earned.” And while it may be cliché, when preparing for life’s biggest purchases and investments, it’s definitely true. Whether wanting a new car or considering retirement, creating a budget and savings plan can set you up for success at any age.

“Whether you’re 14 or 54, saving is the same thing,” said Larry Orsini, director of First Niagara Investment Services. “It doesn’t matter whether it’s a dollar or \$1,000, if you create the habit early enough, you will go through life knowing that saving is something you can do.”

## DECISIONS IN YOUR 20s AND 30s

In our twenties, our first full-time job brings the biggest salary bump of our lives. Make the most of it: Set aside about six month’s expenses in an emergency fund, pay off high-interest credit card debt and make all loan payments on time to build your credit score.

“Protect your credit; guard that judiciously,” advised Bruce Carrow, president of the Western New York chapter of the Financial Planning Association. “With good credit, you’ll get the most favorable terms on your credit, which saves you thousands of dollars over your lifetime.”

Though retirement may seem a lifetime away, begin planning for it now — especially if your company offers a 401(k) match, in which it matches your retirement contributions up to a certain percentage.

“That’s free money your employer gives you for participating,” explained Robert Kloss, president of ClearPlan Financial.

If your employer doesn’t offer a 401(k) match, Kloss recommends opening an IRA. A Roth IRA specifically offers many long-range tax benefits, but can also be used in the short term to save for your first house.

Your first home will be your largest purchase to date, so explore all the options. Some banks offer incentives for first-time buyers, such as interest rate reductions, and Elizabeth Vealey, senior vice president and market manager at Key Private Bank, recommends visiting at least three banks before applying for a mortgage. Also visit websites like bankrate.com to compare rates.

“When you go to buy your first home, that’s going to be one of your largest investments, so be smart on where you buy it,” Vealey said. “If you can find a property you believe will appreciate over the years, that could be a huge part of your retirement asset down the road.”



Larry Orsini, director of First Niagara Investment Services, says that saving is a habit you can develop at any age — although earlier is better.

As you settle into a new home, get married and start a family, it becomes increasingly important to protect your assets and your family’s well being. In New York, automobile insurance is not optional, and at this stage, life insurance becomes critical. “If you’re out of the picture, you need to replace your income so your spouse can continue to make mortgage payments and support the lifestyle you two have built together,” explained Tim Sobolewski, president

of the Financial Planning Center in Amherst. Also consider purchasing disability insurance if you’re the primary

breadwinner — it can be very expensive, but would substitute for wages if you became permanently disabled.

As families grow, most parents look to help children cover the cost of their future college education. The popular New York State 529 College Savings Program offers income tax deductions and tax-free withdrawals for qualified higher education expenses. Experts say, however, that college funds should never take priority over retirement planning.

“Parents should look at [college savings] after they’ve put money toward retirement and allocated money to their debt payments,” Carrow said. “You can’t finance retirement, but children in college can look for alternatives to fund that education.”



Elizabeth Vealey of Key Private Bank says you don’t have to put off your dreams until retirement if you plan things out carefully.

## IN YOUR 40s

As Vealey says, your forties are the time “to get real” and visualize retired life. Think about where you’ll live and if you’re comfortable downsizing. Vealey also recommends contributing the maximum amount toward any retirement accounts, if possible.

Also consider long-term care insurance at this stage. Under the New York State Partnership for Long-Term Care, this helps cover nursing home care, assisted living and other costs, which can top \$100,000 annually for a New York state resident.

### Tip

To determine whether you’re on track in your savings try AOL’s “Am I Saving Enough? What Can I Change?” calculator at [calculators.aol.com/tools/aol/retire02a/tool.fcs](http://calculators.aol.com/tools/aol/retire02a/tool.fcs)

### Tip

Learn what your estimated social security benefit will be at retirement by using the retirement estimator at [www.ssa.gov/estimator](http://www.ssa.gov/estimator) or call 800-772-1213.

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