

**Money mistakes to avoid when you are young**

Ah, to be 20 again. Adulthood is still so new and exciting. You are still discovering what it means to be independent. Going to college, buying a house, and getting your first real job can make you feel like you’re rich. It is a wonderful time!

As much fun as it is to be young, your 20’s can make or break your financial future. Time can be either your biggest asset or your greatest enemy.

Not understanding the value of time (and how quickly it passes) can cause you to make some costly decisions. In order to set yourself up for a fantastic financial future, here are 8 money mistakes to avoid in your 20’s.

**Not Saving for Retirement**

When you’re in your 20’s, retirement seems like it’s so far away, which makes it extremely easy to put off. However, not saving for retirement is one of the biggest (and most common) money mistakes you can make.

The beauty of saving in your 20’s is that time is on your side. The earlier you start saving, the more you can take advantage of the amazing effect of compound interest.

In addition to the money you save personally, your employer may even give you money to help fund your retirement through a work sponsored retirement savings plan. A contribution of just 5% of your salary can make a huge difference on how much you’ll have when you retire. By not taking advantage of this time, you’ll either have to work longer, contribute more later, or not retire at all.

**Going into Credit Card Debt**

To a 20-something who doesn’t earn a lot, spending a bunch of money on a credit card can be very tempting. It is easy to put it on a card and believe you’ll pay for it later.

Unfortunately, many in their 20’s don’t understand or respect how much debt can affect their life.

Getting into credit card debt can lead to lifelong money consequences. However, if you learn to understand and respect your credit, you may be able to avoid this money mistake altogether.

**Going into Debt for Your Wedding**

Having a giant wedding is a dream for a lot of couples. Unfortunately, that dream comes at a price. The average wedding cost in Ireland is €25,000. That’s a lot of money to be spending for one day and as you probably know, to spend €25,000 you probably have needed to earn closer to €50,000 before tax.

Rather than go into debt for your big day, consider downsizing the event instead. Skip spending the money on a reception at the 4 Seasons and put it down on a house instead.

Ten years from now, you won’t care that you served ham instead of lobster at your wedding. You will care that you’ve got a house that is nearly paid off.

**Spending Too Much on a Car**

Once you start making a little bit of money, it’s easy to fall into this trap. Spending too much on a car can be a financial mistake that will set your savings back years. Financing a car can compound the problem even more. Saving money can be hard enough without an enormous car payment. For most people, buying a reasonably priced used car is a great compromise.

Additionally, you don’t want to be borrowing money to pay for a depreciating asset. The only way you’ll get your money’s worth from a car is to drive it until it croaks.

So, skip the car loan and always use cash to buy vehicles.

**Buying More House than You Can Afford**

Buying a house can be a great investment for somebody in their 20’s. It is a great way to start building equity in an investment that has traditionally appreciated at a very nice rate. However, you must be careful not to make yourself house poor.

Even though you may be used to living in your parent’s beautiful home, remember that the house they have now was probably not their first. It takes most people years of saving and increasing their income to be able to afford their dream house.

And, keep in mind, that being able to afford a house only starts with the mortgage payment. You still need to be able to pay for utilities, taxes, insurance, and repairs. So, make sure that you don’t overspend just because that is what you are used to. Try purchasing a more affordable “starter” house before moving on to bigger and better things.

**Not Acting Your Wage**

Living life in your 20s can be a blast. However, temptation to spend is everywhere. From great clothing deals to meals and drinks with your friends, you can easily spend all that you earn and more. Not living within you means is a big mistake that can have major consequences down the road. Part of becoming a “real” adult means not needing to have everything all at once. Learning to live within your means now can set you up for a fantastic financial future.

**Failing to Start a Budget**

Far too many people live salary to salary, not because they don’t make enough, but because they don’t know how to manage their money. Starting a budget is the best way to take immediate control over your money. Budgets don’t have to be restrictive. You can still spend money on the things you want. You just need to budget for it. The younger you are when you learn to budget, the more you’ll be able to save over the long-haul.

**Not Being Prepared**

The problem with being young is that you often fail to have any foresight. By not preparing yourself to ride out a financial emergency, you are setting yourself up to fail. Starting an emergency fund can help you to make it through the tough times. Start with just €1,000 and build it to at last 6 months’ worth of income. When an emergency happens, and it always does, you can take care of it without having to stress about where the money is going to come from.

**Wrapping it Up**

Being 20-something means that you have the benefit of time on your side. Luckily, that also means many of these money mistakes can be fixed. However, by avoiding these costly mistakes altogether, you can build good money habits in your 20’s that can set you up for a lifetime of financial success.