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# **Personal Finance in Your 20s**

FOR  
**DUMMIES®**

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- Budget and develop a savings program

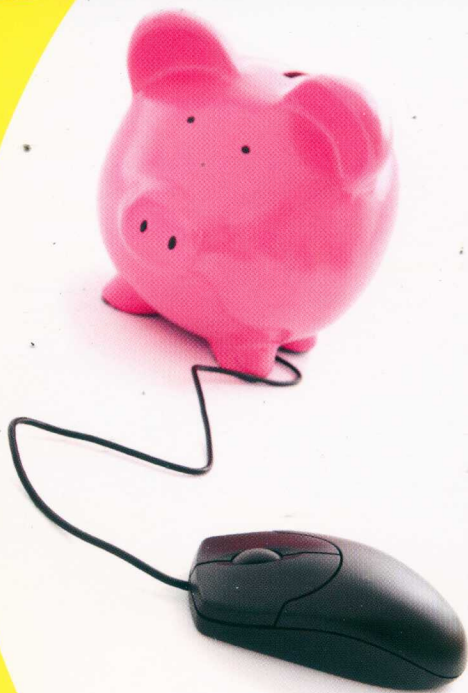
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Manage loans and debt

Make informed investment strategies

**Eric Tyson, MBA**

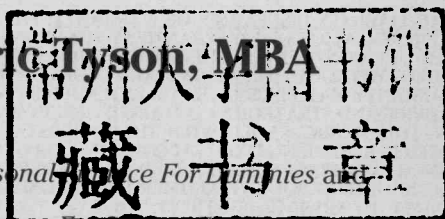
*Author of Personal Finance For Dummies and Investing For Dummies*



# ***Personal Finance in Your 20s*** FOR **DUMMIES®**

by Eric Tyson, MBA

Author of *Personal Finance For Dummies* and  
*Personal Finance For Seniors For Dummies*



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## ***Building a Solid Personal Finance Foundation in Your 20s***

You're finished with school and entering the workforce. You want to make sure you create a firm foundation for your personal finances. Keep the following in mind when you start:

- ✓ **Get a checkup:** Just as you benefit from a health checkup, be sure to get a checkup on your finances to ensure that you're making the most of your money and your financial decisions.
- ✓ **Determine what you need with transaction and savings accounts and evaluate which banks and other financial firms offer accounts that best meet your needs.** Be on guard for high fees that erode your savings.
- ✓ **Celebrate the savings habit.** The earlier in life you're able to save money regularly, the smaller the portion of your income you'll need to save to accomplish a given goal. Scrutinize your current spending so that you know where your money is going and you can identify what to do about it.
- ✓ **Be on the lookout for spending reduction opportunities.** Regularly saving money, especially on a modest income, is challenging. I present many ideas for reducing your spending, but ultimately, how you cut your spending is a matter of personal preference.
- ✓ **Understand good and bad debt.** Debt can be a useful tool to enable the purchase of real estate or other valuable assets. Avoid consumer debt, such as on credit cards and auto loans. Consumer debt tends to be costly, and the interest isn't tax-deductible.

## ***Grasping with Finances and Daily Living in Your 20s***

Getting a paycheck and having a job requires more responsibility. Be sure to consider these important points when you're encountering finances in your 20s:

- ✓ **Know and manage your credit score.** Your *credit score* is a number which quantifies for lenders how likely you are

to repay debts. Periodically access your credit reports, which you can do for free, and understand the steps you can take, as needed, to boost your credit score. Also take steps to protect your identity.

- ✓ **Consider all options before deciding to rent or buy.** Renting and sharing living space can be both economical and fun if you avoid the pitfalls. Buying and owning may make sense if you see yourself staying put for an extended period of time.
- ✓ **Communicate with your partner about money.** Money is often a source of friction in relationships. Thinking about money and planning how to manage it upfront with loved ones is usually time well spent.

## *Protecting Yourself and Your Income*

Insurance plays a significant role in protecting your interests, including your health, your income, your property, and so on. Make sure you insure the following:

- ✓ **Your health:** Though you may feel that you're not likely to need it, having health insurance is wise. With a properly designed plan, you can contain the cost and get needed coverage.
- ✓ **Your income:** Even if you have no dependents, you depend on your income, so you should have long-term disability insurance. And if you have dependents, you may need life insurance, too.
- ✓ **Your possessions:** Insurance on your car, home, and other valuable possessions protects those assets from loss and protects you from lawsuits. Beware, though, of small-stuff policies that aren't worth buying.

# Praise for Eric Tyson

"Eric Tyson is doing something important — namely, helping people at all income levels to take control of their financial futures. This book is a natural outgrowth of Tyson's vision that he has nurtured for years. Like Henry Ford, he wants to make something that was previously accessible only to the wealthy accessible to middle-income Americans."

— James C. Collins, coauthor of the national bestseller *Built to Last*; former Lecturer in Business, Stanford Graduate School of Business

"*Personal Finance For Dummies* is the perfect book for people who feel guilty about inadequately managing their money but are intimidated by all of the publications out there. It's a painless way to learn how to take control."

— National Public Radio's *Sound Money*

"Eric Tyson . . . seems the perfect writer for a *For Dummies* book. He doesn't tell you what to do or consider doing without explaining the why's and how's — and the booby traps to avoid — in plain English. . . . It will lead you through the thickets of your own finances as painlessly as I can imagine."

— *Chicago Tribune*

"This book provides easy-to-understand personal financial information and advice for those without great wealth or knowledge in this area. Practitioners like Eric Tyson, who care about the well-being of middle-income people, are rare in today's society."

— Joel Hyatt, founder of Hyatt Legal Services, one of the nation's largest general-practice personal legal service firms



# ***More Bestselling For Dummies Titles by Eric Tyson***

## ***Investing For Dummies***

A *Wall Street Journal* bestseller, this book walks you through how to build wealth in stocks, real estate, and small business as well as other investments.

## ***Mutual Funds For Dummies***

This best-selling guide is now updated to include current fund and portfolio recommendations. Using the practical tips and techniques, you'll design a mutual fund investment plan suited to your income, lifestyle, and risk preferences.

## ***Taxes For Dummies***

The complete, best-selling reference for completing your tax return and making tax-wise financial decisions year-round. Tyson coauthors this book with tax experts David Silverman and Margaret Munro.

## ***Home Buying For Dummies***

America's #1 real estate book includes coverage of online resources in addition to sound financial advice from Eric Tyson and frontline real estate insights from industry veteran Ray Brown. Also available from America's best-selling real estate team of Tyson and Brown — *House Selling For Dummies* and *Mortgages For Dummies*.

## ***Real Estate Investing For Dummies***

Real estate is a proven wealth-building investment, but many people don't know how to go about making and managing rental property investments. Real estate and property management expert Robert Griswold and Eric Tyson cover the gamut of property investment options, strategies, and techniques.

## About the Author

**Eric Tyson** is an internationally acclaimed and bestselling personal finance author and speaker who operates one of the Web's most popular personal finance sites at [www.eric tyson.com](http://www.eric Tyson.com). He has worked with and taught people from all financial situations, so he knows the financial concerns and questions of real folks. Despite having an MBA from the Stanford Graduate School of Business and a BS in economics and biology from Yale University, Eric remains a master of "keeping it simple."

He figured out how to pursue his dream after working as a management consultant to Fortune 500 financial-service firms. Eric took his inside knowledge of the banking, investment, and insurance industries and committed himself to making personal financial management accessible to all.

He is the author of five national bestselling financial books in Wiley Publishing's *For Dummies* series, including books on personal finance, investing, mutual funds, home buying (coauthor), and real estate investing (coauthor). His *Personal Finance For Dummies* won the Benjamin Franklin Award for best business book of the year. An accomplished personal finance writer, his "Investors' Guide" syndicated column, distributed by King Features, is read by millions nationally, and he was an award-winning columnist for the *San Francisco Examiner*.

Eric's work has been featured and quoted in hundreds of local and national publications, including *Newsweek*, *The Wall Street Journal*, *Los Angeles Times*, *Chicago Tribune*, *Forbes*, *Kiplinger's Personal Finance*, *Parenting*, *Money*, *Family Money*, and *Bottom Line/Personal*; on NBC's *Today Show*, ABC, CNBC, PBS's *Nightly Business Report*, CNN, and FOX; and on CBS national radio, NPR's *Marketplace Money*, Bloomberg Business Radio, and the Business Radio Network.

Eric's Web site is [www.ericTyson.com](http://www.ericTyson.com).



## ***Dedication***

This book is hereby and irrevocably dedicated to my family and friends, as well as to my counseling clients and customers, who ultimately have taught me everything that I know about how to explain financial terms and strategies so that all of us may benefit.

## ***Author's Acknowledgments***

I hold many people accountable for my perverse and maniacal interest in figuring out money matters and the financial-services industry, but most of the blame falls on my loving parents, Charles and Paulina, who taught me most of what I know that's been of use in the real world.

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