# 6 MISTAKES PEOPLE MAKE IN THEIR 20S AND HOW TO FIX THEM

Like many people, you may have blown through your 20s making financial decisions that served you well in the moment, but may not have been particularly responsible. Dinner out several times a week, credit card bills you barely looked at and luxury cars way beyond your budget—life was practically a party!

But now, the party's over. You've woken up in your 30s and realized that all that overspending is going to cost you big—and it's going to cost for years to come.

Luckily, there's hope. It's not too late to fix the financial mistakes we all make when we're young and blissfully ignorant.

Here are six of the most common mistakes people make in their 20s and how to fix them:

**1.) The mistake: Racking up credit card debt**

Maybe you were broke while in college, but desperate for a good time, so you swiped your way through vacations and nights out on the town. Or maybe you knew you were falling into the debt trap to cover student-related needs on a shoestring budget. Unfortunately, it didn't just go away like you'd hoped.

**The fix: Stop using your credit cards**

It's time to be an adult and own up to your mistakes. Learn how to say no to impulsive purchases and to live within your means. Create a budget to help monitor and track your discretionary spending instead of mindlessly plowing through your paycheck each month. Stop swiping your credit cards and stick to debit or cash only. Don't let those credit card bills get any higher!

**2.) The mistake: Ignoring your credit score**

Aside from being the gateway to endless spending, aggressive credit card balances have probably handicapped your credit score, making it difficult or impossible to obtain a personal loan. A poor score will also burden you with an unfavorable interest rate for the loans you do qualify for. And that means you'll be paying off the mistakes of your 20s for years to come.

**The fix: Know your score and pay down your credit card debt**

It's never too late to fix a credit score. Begin by monitoring your score. You can order a complimentary credit report once a year from each of the three major credit agencies at annualcreditreport.com. You can also check out your score on sites like CreditKarma.com and Bankrate.com. This will give you an idea of what you're working with as you work on climbing out of financial hardship.

Next, work on paying off credit card debt instead of only making the minimum payments each month. Look through your credit card bills and crunch some numbers until you know exactly how high your credit card debt really is. Then, choose one bill to pay down first and begin making the maximum payment your budget will allow. Once you've paid it off, divert all those funds onto the next bill until it's gone and repeat until you have no more debt. Paying down your debt and minimizing the utilization rate on your credit cards will greatly improve your score.

**3.) The mistake: Skipping student loan bills**

When you're facing a debt in the tens of thousands of dollars while earning an entry-level salary, it's tempting to just pretend it doesn't exist. Unfortunately, though, that's the worst thing you can do for your loan and your credit.

**The fix: Work it into your budget**

Call your lender to work out a more feasible payment plan. You can also check if you qualify for a student loan forgiveness program. Most importantly, make your student loan payments a part of your debt payment plan so you never miss a payment.

**4.) The mistake: Neglecting your retirement**

Planning for your decades-away retirement may be one of the last things on your list. However, starting to fund your retirement later in the game means missing out on years of compound interest gains.

**The fix: Think of it as a fixed expense**

Don't think of retirement savings as an extra; think of it as a necessary, fixed expense that belongs in your budget like your rent and phone bill. Work with the most you can afford and max out your contributions to an IRA or your company's 401(k) plan.

**5.) The mistake: Not having an emergency fund**

Life's great—who needs to think about emergencies? Unfortunately, you do. Scrambling for funds to pay for a large medical expense or to live off of during an unexpected layoff can be a nightmare. Turning toward credit cards to help you get through a rough time can also be the beginning of a debt cycle whose effects are felt for years to come.

**The fix: Start small**

Experts recommend socking away 3-6 months' worth of living expenses, but if that's just not possible for you, start small. Work with whatever you can to make monthly contributions to an emergency fund. Set up an automatic monthly transfer so you never forget. It's best to keep your emergency money in an account that offers an attractive earnings rate but allows you to withdraw funds without paying a penalty. [Credit union's Flex Certificates and Savings Accounts are both good choices. Call, click or stop by to speak to a MSRP about setting yours up today.]

**6.) The mistake: Not creating financial goals**

It's understandable not to have your entire life planned out yet, but it's important to set some financial goals.

**The fix: Create goals now**

Take some time to set some financial goals. Do you want to buy a house within the next decade? Do you dream of opening a business? Are you hoping to retire at 55? Having a concrete goal in mind will help you stick to your budget and manage your money responsibly.

Messed up while in your 20s? It's not too late to get your finances on track! Follow our tips for a financially sound future.

**Your Turn:** How did you fix the financial mistakes of your 20s? Let us know in the comments!


**SOURCES*:**

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