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Young adults need a saving strategy

SHE is only 27 years old. But she has a list of "somedays" to check off her list. "Someday, I hope to be married and have kids," said Shekinah Monee, a model and publicist in New York City. "And, someday I want to retire and be able to play."

TO reach the first goal, she dates men "with the intention of finding someone for a long-term relationship".

To achieve her retirement goal, she contributes monthly to superannuation and retirement savings accounts.

Unfortunately, financial planners say, not every young adult has such foresight.

"In fact, according to Hollywood, it's cool to be irresponsible and in debt," said certified financial planner and author Judy McNary.

Despite the recession and the high university costs that drowned so many with debt, 20-somethings can retire comfortably if they plan ahead, planners say. Experts suggest various steps for 20-somethings and the parents they may be living with.:

The easiest way to save money is to delay leaving the nest.

"Let your kid keep living at home," said Beth Kobliner, author of Get a Financial Life: Personal Finance in Your Twenties and Thirties.

"But that doesn't mean a free ride."

Acknowledge that jobs are hard to find, she added, but do not tolerate the grown child "sitting on the couch watching Netflix reruns of 'Scandal' while waiting for the ideal position to come along". Your young adult should at least pay his or her credit card, mobile phone and car insurance bills, she said, and help cover groceries.

"Talk about financial priorities with your kid," Kobliner said. "If she has lots of credit card debt, talk about the fact that living ... rent-free offers an opportunity to pay it off."

It's tough to make retirement contributions when loan payments eat your expendable income, especially when they include a complicated tangle of car, university and credit card debt.

"First, add up your debts," said Jana Castanon, outreach manager with Apprisen, a credit counselling agency.

Making a budget sounds simple to parents, but not to many 20-somethings, McNary said.

Seeing expenses on paper helps a person understand the difference between "wants" and "needs," McNary said.

"If you can use public transport, for example, a car is a 'want'. You don't have to spend money on a car and car insurance," she said.

Parents, instead of a frivolous birthday gift, give your 20-something a session with a "fee only" financial planner, who does not sell products on commission. The planner will help your young adult make a financial road map.

McNary encourages young clients to "make a sport of spending less. You can still have fun with your friends". Make your own lunch, shop at discount stores, get a flat mate, trade the sporty car for one that costs less to insure, live rent-free as a property manager, decline the invitation to be a bridesmaid at the pricey destination wedding.

"Write down your retirement goal and put it in your wallet," Castanon said. "The next time you go to buy something you don't really need, it will be there."

And remember: The sooner saving for retirement starts, the more time money has to snowball.

The money tucked away and the interest it earns both earn interest. Create a compounding chart. It shows that just $US5,500 a year in an IRA making five per cent, starting at age 22, builds to $US1,003,325 at age 60. If you wait until 40 to start, you will only have $US222,978.

"It's all about forming the savings habit early," McNary said. "Then, when you're in your 30s and want a bigger house, you're not tempted to quit making those retirement payments. By then it's a habit you won't break."

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