

## How to Save Money When You're Young

It seems young people get blamed for everything these days. Millennials have been accused of killing marriage, home ownership, chain restaurants, diamonds, department stores, face-to-face interaction and pretty much every long, boring sporting event imaginable.

They're also being accused of killing their own net worth. Here's a recent survey from [Bankrate.com](http://Bankrate.com):

*In particular, younger millennials (ages 18 to 26) are falling victim to vices that may feel good in the moment, but are far from worth it in the long run:*

- 54 percent of people in our age group eat out at least three times per week.
- 30 percent of millennials say we buy coffee at least three times a week.
- 51 percent typically go to a bar at least once a week. (Among people ages 21-26)

*Bottom line: We're spending a lot of cash on vices.*

This is pretty standard personal finance advice. *If you just stop buying coffee every day or bring a brown bag lunch to work you'll be a millionaire in 250 years!*

The problem is this advice doesn't really work. Nickel and diming your way to savings is no way to go through life. You need to prioritize the little things that make you happy and stop wasting money on the little things that don't.

But the real way to save money as a young person is by focusing on the big ticket items in your life.

Millennials are constantly being told that student debt is too high, wages are stagnant, the Great Recession made it difficult to find a job and the future is going to be a terrible place. I never liked the idea of blaming macro factors on your own personal situation. All of that stuff is out of your control anyway.

While it's not easy, here are some ways young people can actually take control of their finances and save a little money:

**Live like a college student for a few years.** College was the most fun period of my life...and I was basically broke the entire time. I never went out to nice dinners. I rarely purchased new clothes. The houses and apartments I lived in were dumps. If you can simply keep your lifestyle the same for a few years after school that can be a huge head start to getting your finances in order. You can pay off some student loans, develop good saving habits and avoid crippling credit card debt. And you can still have fun when you're young without spending a ton of money.

**Skip the starter home.** Buying a house is a [huge commitment](#), requires a lot of work and a consumes a large part of your budget. There's no reason to rush into buying a house when you're young just because it seems like the logical next step. There's nothing wrong with renting for a few years until you're ready financially to buy a home. Another easy way to save money in the housing department is to live with roommates. Whether you buy or rent, housing will likely be your biggest line item every month. Splitting that cost is a simple solution to save more.

**Skip the new car.** A new car is a depreciating asset. It falls in value by something like 20-30% in the first year. If you can't save money, you have no business buying a new vehicle.

**Focus on your fixed costs.** I've never been a huge fan of budgeting. I like the idea of understanding what your fixed costs are going to be every month and spending the rest (and yes, saving is a fixed cost). The [50/30/20 rule](#) isn't a bad place to start. You can also save money by understanding which periodic payments you're making -- gym memberships, Netflix, Apple Music, cable, Internet, phone service -- that are worth it and which ones you don't utilize enough.

**Automate.** The problem with the latte factor is we all have a limited amount of discipline. Decision fatigue will eventually catch up with you if you're constantly trying to skimp and save on every minor spending choice. Automate your bills. Automate your savings. Automate your credit card payments. Then spend whatever is leftover. This allows you to avoid late fees and overdraft charges as well.

**Make more money.** The best way to save more money is to make more money. That can be difficult when you're first starting out in the working world but here are a few suggestions:

*(1) Become indispensable to your employer.* And once they realize they can't function without you, that's when you negotiate a higher salary. People hate having that conversation but eventually, you'll make more money if you're worth it.

*(2) Invest in yourself.* Unless you have superior connections in the working world you absolutely have to be in the mindset of continuous self-improvement. That means reading, getting designations/certifications, taking classes, going to conferences, taking people out to coffee, etc. Your education isn't done when you get out of college, it's really just beginning.

**Understand yourself.** No two people have the same exact situation. You have to figure out what works for you. But delayed gratification is almost always painful. Have fun when you're young but develop good financial habits and your future self will thank you.

Further Reading:

[Some Things I Wish I Would Have Learned in College](#)

Now here's what I've been reading this week:

- Jon Boorman's lessons from 30 years in the investment business ([Broadsword Capital](#)) and 20 years in ([Principles and Interest](#))
- Think fractally to get rich ([Of Dollars and Data](#))
- Caring is free ([Seth Godin](#))
- Percieved vs. real risk ([Aleph Blog](#))
- An expert's guide to calling a market top ([Bloomberg](#))
- Stressing out over paperwork ([Abnormal Returns](#))
- Global diversification is working this year ([Irrelevant Investor](#))
- When E.F. Hutton talks... ([Big Picture](#))
- Are you ready for retirement? ([Humble Dollar](#))
- Active management needs to adapt or die ([Morningstar](#))
- Every great investment hurts ([Collaborative Fund](#))
- Read about my podcasting superpower ([WSJ](#))