



The Female Professional

The Female Professional

Easy ways to get started organizing your finances

I thought I'd put together a small startup list, so to speak, as a guide for any professional to get going on your financial house. This is by no means an exhaustive list of all the options available out there but is meant to be used as a starting point to get you going.

I've included links that I found to be helpful when I started my research, and hopefully they help you in gathering information as well.



Retirement

For many, your employer is most likely taking care of this in some way in the form of an automatic pre-tax deduction from your paycheck. **If your employer has a system of “matching” then make sure you do that, otherwise it’s money left on the table.**

Some employers also offer tax-deferred accounts such as a 403b, and/or 457b up to max of 19.5k per year. A side by side comparison:

403b	457b
Tax deferred	Tax deferred
Max contribution allowed: 19.5k per year	Max contribution allowed: 19.5k per year
Access to money after age 59.5	Access to money after age 59.5
+penalty if you withdraw before 59.5 years	NO penalty if you withdraw before 59.5 years
Amount here is sheltered from consideration when taking loans	Amount here is NOT sheltered from consideration when taking loans (meaning if you go bankrupt or default, banks have access to this money)
Can take it with you if you change jobs	Can take it with you if you change jobs (ONLY IF it’s a governmental 457b, meaning you work for a government institution)

As you can see there are many similarities between these two funds. No matter what you should definitely take advantage of the 403b as its protected and is yours no matter how many jobs you change. As far as a 457b, I’d only recommend you do this if it’s a governmental fund UNLESS you know that you will not be changing jobs at all.



The issue with 457b in the governmental vs non-governmental. Non-governmental can only be taken with you if you roll it into ANOTHER non-governmental 457b; they cannot be rolled into another type of pretax account, and there's no guarantee of what option you'll have when you're changing jobs. However governmental 457b plans CAN be rolled into another pretax account like a 403b etc.

IRA: Roth vs Traditional

Simple difference: a Roth is a post-tax account; a traditional IRA is pretax. Both have limits of 6k per year contributions. However, you can only contribute to a Roth if you are at or below a certain income level.

You put money into these on your own. With a traditional, since it's pre-tax, you then claim the amount on your tax return and get a refund. HOWEVER, this benefit also disappears above a certain income level.

<https://www.rothira.com/traditional-ira-vs-roth-ira>

Backdoor Roth

Direct Roth IRA contributions are only available for those individuals under a certain income level. With backdoor Roth, higher income individuals can invest, however its *indirect*. You put money into a traditional account and then convert it to a Roth.

<https://www.rothira.com/what-is-a-backdoor-roth-ira>

529

This is also tax deferred and is an education expense account to help with savings for further education endeavors. Many use this account to help with saving for their children's education, but money placed here can be used by anyone for educational purposes.

<https://www.sec.gov/reportspubs/investorpublications/investorpubsintro529htm.html>

HSA

A health savings account is another pretax account you can take advantage of if you have a high deductible health plan. You can read more about it here

<https://www.healthcare.gov/glossary/health-savings-account-hsa/>



The Female Professional

The Female Professional

Key Takeaways for Retirement

1. Ensure you are taking part in employer matching
2. Invest in pretax accounts like a 403b and governmental 457b up to the max amount of 19.5k per year each
3. Survey your income and take part in an IRA that gives you the most benefit and max it out to 6k per year
4. Consider a 529 if you have children
5. Consider an HSA if you have a high deductible health plan



The Female Professional

The Female Professional

Investing

I don't recommend hiring a financial advisor. Investing on your own is actually super easy. I use Vanguard, but other companies you can go through as well are Fidelity and Wells Fargo, to name a few.

Mutual Funds vs ETF's (Exchange Traded Funds)

With both of these, you invest in the stock market. However, instead of purchasing individual stocks, a purchase of a mutual fund or ETF gets you a bundle of stocks. Basically, you are spreading your money out in a very large basket. This greatly lowers your risk and increases your diversification of investment.

While they each essentially serve the same function, they do have a few key differences. The webpage below can direct you to some links highlighting the differences and advantages and disadvantages of each:

<https://investor.vanguard.com/etf/etf-vs-mutual-fund>

I recommend you do both and set up automatic investing. My thoughts are that if it's money I don't see then I won't miss it. Plus, it guarantees that you putting something away each month.

Stock Market

This one eluded me until recently when I was introduced to the Robinhood app. It's free and works kind of like a bank account. You transfer money to it and then create a "watchlist" of stocks/companies that you want to keep an eye on. When you think you're ready to purchase, you simply click on the stock you want, indicate how many shares you want to buy and the app will use the funds its already carrying to complete the purchase.

The app makes money from the interest that accumulates on your account, which they keep (versus in a real bank, you keep your own interest). There are no fees for trades and they do not keep any amount of your earnings if/when you cash out.

I personally don't put a large amount of money here each month. When you invest in mutual funds and ETF's you're essentially putting money into the same big companies. I like Robinhood though because it forces me to actively stay up to date with what's going on in the market (versus mutual funds and ETF's which I have on autopilot), and I get to play around with investing in other companies that I find interesting.

Cryptocurrency

The way I understand it, cryptocurrency is digital air. There are over a thousand cryptocurrencies. I caution too much emphasis on this. When you buy crypto you aren't actually



purchasing anything of substance, like you would if you bought into the stock market. The value of crypto only changes because of how many people are buying and selling into it, in other words, supply/demand. So why do it?

If you have money to gamble with, then you could take a chance. But you are doing exactly that, gambling. So whatever amount you decide to put into crypto, you need to be ok with losing. And make sure you stick to your maximum cap. Don't get sucked into it when you see the rising prices. So, take part, but with caution. It's not worth putting too many eggs into this basket.

If you're interested, I use the app called Coinbase to make crypto purchases.

Real Estate

Real estate, I think, is a great way to invest for the long term. So long as you do your research, purchase property you can truly afford (meaning you put 20% down and can afford the mortgage comfortably with or without a tenant), and are patient enough to watch the market, then this avenue can really pay off.

The caution against this strategy: your money may not be easily liquidable. This means that if for some reason something happens and you need access to fast cash, quickly selling your property may not be possible—compared to money in the stock market that you can readily withdraw. Take that into consideration before going down this route.

If you'd like to get started with real estate investing but are cautious about actually purchasing property, there is a loophole. [You can invest in real estate without purchasing property!](#)



The Female Professional

The Female Professional

Key Takeaways

1. Don't hire a financial advisor
2. Do research on mutual funds and ETF's and invest money into these funds regularly
3. Dabble in the stock market if you would like to play around more with the market
4. Avoid cryptocurrency unless you understand that you may lose it all
5. Real estate is not easily liquidable, however there are ways to invest in the industry without actually buying property.



Savings

So technically, how much money do you need for a rainy day? A good rule of thumb is to set aside 6 month's worth of rent. If you keep at all in your savings or checking account, then that cash is literally sitting there doing nothing. The interest rate on bank account is pitifully low.

High Yield Savings Accounts

There are high yield savings accounts out there with better rates. For instance, I use the American Express high yield account. The interest there is close to 2%. I like Amex because it doesn't require opening another bank account to use it; it's an online savings account that you link to your actual bank account and can transfer money to each month.

There are many other options out there. Per this article on CNBC, these are some of the best:

<https://www.cnbc.com/2018/09/07/the-best-high-yield-savingsaccounts.html>

Bankrate.com put together another list, with higher percentage rates, plus gives you further information regarding what to look for when choosing an account for yourself.

<https://www.bankrate.com/banking/savings/best-high-yield-interestssavings-accounts/>

CD's

A CD is a Certificate of Deposit. It's basically an insured savings amount that's set aside and can't be touched for a certain period of time. When that period of time passes, the CD "matures" and you'll have access to your money again.

CD's have fixed interest rates that your money will earn during the time it's untouched. The length of term, as it's called, for which you want to keep your CD is up to you, but on average is a few months to about 5 years!

The big difference between CD's and a regular savings account is that you can deposit and withdraw cash freely in a savings account and you can't with a CD. If you try to withdraw or mess with the CD before it matures you may have to pay a penalty.

Key Takeaways

1. Save for a rainy day, up to at least 6 months of expenses if possible
2. Put your savings to work by placing them in a high yield savings account
3. Or if you're able to put away savings and know you won't need them, a CD may be a good option



The Female Professional

The Female Professional

Debt

Items 1-10 on your to-do list: **Pay off your credit cards.** Their interest rates are absurd.

Next, **student loans.**

I am a huge proponent of freeing yourself from all debt. No matter what your interest rates are, I think having debt hanging over your head is just a happiness killer. Knowing that you owe someone something can be a hindrance to moving forward as well. However, I understand the need to live your life and using your income for pursuing other life goals.

I'd recommend that, before you go into crazy investing, pay down your debt. E.g., don't buy rental property if you have student loans. Make this a priority.

Think of it this way, assuming your interest rate is 7% (so kind of high), every 10k you pay off will save you \$700 in interest accumulation. Meaning that's \$700 you DON'T pay back; aka an extra \$700 in your pocket.

The stock market and real estate will give you great returns in the long run. However, paying off debt, will give you returns now.

My story is here. [One way to pay off student loans](#)

Paying off mortgage debt and car debt can take a lot longer and given the lower interest rates can be difficult to justify. However, I do recommend that you regularly check in with your lenders and see how the interest rates are doing. If it works in your favor, refinancing and getting a lower rate can go a long way towards saving you a lot of money.

Key Takeaways

1. Pay off debt as early and as much as you can
2. Regularly check and see if you can refinance to get better interest rates
3. Pay high interest rate loans first
4. Always pay off your credit cards each month (if possible otherwise, pay off this debt first!)