T F P
The Female Professional

Easy ways to get started organizing your finances

This startup list so to speak is a guide for any professional to get going on building a 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.

Included are links that will redirect you to get more information and help you make the best decisions for your financial situation.

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 its money left on the table.**

Some employers also offer tax-deferred accounts such as a 403b, and/or 457b up to max of 20.5k per year. A side-by-side comparison:

403b	457b
Tax deferred	Tax deferred
Max contribution allowed: 20.5k per year	Max contribution allowed: 20.5k 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 that you must make on your own (outside of work). With the Roth, you can only contribute if you are at or below a certain income level. With a traditional, since it's pre-tax, you can 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

T F P
The Female Professional

Backdoor Roth

Direct Roth IRA contributions are only available for those individuals under a certain income level, as mentioned above. 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

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 20.5k 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

Investing

You don't have to have a financial advisor in order to successfully invest your money. Investing on your own is doable, easy and straightforward. Popular online brokers that simplify the process include companies like Vanguard, Fidelity and Wells Fargo.

Mutual Funds vs ETF's (Exchange Traded Funds)

With both, 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 shares within the fun. Basically, you are spreading your money out in a very large basket. This greatly lowers your risk and increases your diversification of investment.

More information on how ETFs work and are formed:
https://thefemaleprofessional.com/exchange-traded-funds-etfs/

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 you're putting something away each month.

Stock Market

You can use the same online brokers mentioned above to research individual companies and invest where you see fit.

Another option is to use 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.

Cryptocurrency

There are over a thousand cryptocurrencies to choose from, and 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. Whatever amount you decide to put into crypto, you need to be ok with potentially losing. 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 is another 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 if 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!

https://thefemaleprofessional.com/invest-in-real-estate/

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/

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
6. Consider a 529 if you have kids
7. Consider an HSA if your health plan has a high deductible

Savings

How much money do you need for a rainy day? A good rule of thumb is to set aside 6 months' worth of expenses. 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. Many don't require opening an actual bank account.

Per this article on CNBC, these are some of the best options:

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: Certificate of Deposit

These are insured savings that are 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. If you're able to put away savings and know you won't need them, a CD may be a good option

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 if 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 in the future; 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 on how I paid of my student loans is here: https://thefemaleprofessional.com/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!)