



The Five Ages of Financial Planning

18 - 35 Starting Out

We produced a brief guide to help you gain a better understanding of what you should reflect upon financially as you progress through your life stages. Let's start at the time when schooling finishes and you legally become an adult.

At this early stage of your financial life, it is all about learning how to budget. Whether this involves employment or further education, a good understanding of what is coming in and going out will always stand you in good stead.

For those that are progressing through further education, learn how the Student Loan system works. It is not as simple as it seems. If you can, take the opportunity to speak to somebody who is starting to pay it back. It is more likely that they will have a better understanding of the process. As you start work, you will face the initial shock of Income Tax, add National Insurance, Pension Contributions (as a result of being automatically enrolled into your Employers Qualifying Workplace Pension Scheme) and student loan repayments (where relevant).

Whilst the shock eases as you get older, the quicker you can come to terms with all forms of taxation, the better. It doesn't go away. If you are offered an opportunity to join a Company Pension scheme, do try and commit to it. Your retirement may seem like a long time away, but these early contributions will make an enormous difference to your final pension fund.

As well as paying into your pension, get into the habit of some form of regular saving as early as you can. Whilst you should keep personal debt to a minimum, it is worth obtaining a credit card (as long as you use it efficiently).

This will help you build a credit score, which will be crucial once you start to consider a mortgage. Many credit card companies will offer deals for younger people as they look to obtain your loyalty, so do shop around. However, do remember that they are a very expensive form of debt, so take care with them.



Should you enter a long-term relationship (especially one that involves a mortgage and/or a house), you should consider a Will (as well as pension nomination forms). It is also a good time to think about some form of Income Protection. It may seem very unlikely that you will be affected, but this will only get more expensive as you get older.

Finally, start thinking about getting professional advice concerning your finances. Initially, this may just be concerning any mortgage you obtain, but the earlier you build a relationship with a financial planning firm, the better your financial plans will be. This is also a good time to start reading about financial matters.

When you are starting out, try and adhere to three key criteria list on the right hand side. Getting an understanding of your finances and making good financial decisions will ensure you benefit from those decisions sooner.

In the next article, we will discuss the next life stage, titled '35-50, onwards and upwards'.



Three key criteria when starting out:

- 1) Start Saving as soon as you can. None of us know what is around the corner and the sooner you have some savings behind you, the better
- 2) Seek Protection whenever you need it. We all think 'it' won't happen to us, but for many 'it' does
- 3) Try and understand what is going on – We know financial matters can often be dull and are invariably complicated, but the sooner you understand what is happening with your money, the more you will be able to control it (rather than it controlling you)



If you would like to find out more, please email hello@pfgl.co.uk