Investment tips before starting to invest in your 20s

Most young people enjoy their transition to young adulthood, literally, especially when they begin earning their income. While the excitement comes from purchasing their dream gadgets to travelling to their dream destinations, many forget about managing finances in a bid to save for the future with the notion that it is "too early".

It is never too early to start investing in your future. When one hits 20 years, they should start thinking and exploring different income streams that will help them plan and secure their future lives. It might seem very complex and hard but starting your investment journey will be the best thing to do much earlier in life instead of waiting for the "right time".

Being 20 years old might seem early but this is the perfect time to establish a foundation as far as investing is concerned. You might have just graduated from college or university, secured your first job and moved out of your parents' house to start a life of your own. In order to lead a more comfortable life, it is important to have a stable financial plan.

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Before you start your investment journey, below are some key considerations to bear in mind;

Create an emergency fund

Emergencies are part and parcel of life; from an unexpected job loss, medical emergencies, loss of a loved one or even unplanned travel expenses. An emergency fund is a stash of money set aside to cover financial surprises that life throws your way.

As a young investor, never rely on your investment returns for survival as they might sometimes tend to be difficult to access, especially when you are just starting out. Instead, build up an emergency fund on the side that you can count on in case of any unforeseen emergencies. Liquid cash in your savings account allows you to handle emergencies without tapping into your investments or plunging into debt.

Pay Off Debt

Investing allows you to set money aside for your future. Ideally, investment vehicles such as stocks, bonds, or a money market fund grow in value over time. Debts on the other hand represent money that you have already spent and that a lender is charging you interest on. Left unpaid, that debt will gradually grow, accruing interest charges.

As you embark on your investment journey, do not forget to come up with a plan to guide you through debt payment, by planning how much you need to pay off the debt each month to delete this debt in a reasonable time, perhaps six months to two years depending on the required payment period. For instance, never miss a repayment of a student loan. Instead, evaluate if eliminating this debt ahead of schedule significantly benefits you.

Manage your budget

Your spending habits are key determinants of how well you can manage your investments. Remember that you cannot invest your way out of poor spending habits. Having a budget to guide you through your expenses is the only way to track where your money goes.

When budgeting, make a list of all your fixed monthly expenses, such as rent, fuel and internet while giving enough room for variable expenses such as utilities, food and entertainment to create realistic spending goals each month.

With this in place, you will be in a good position to allocate some money towards investments. If possible, try as much as you can to trim your monthly expenditure so that you have enough money for investing.

Investing allows your money to grow over a given period of time. When you invest, you allocate funds toward assets such as stocks, bonds, money markets funds or even real estate. Become a young investor today and anticipate returns or profit in the future.

Get in touch with Orient Asset Managers for the best financial advisory to guide you as you begin this journey.