5 Simple Wealth-Building Tips For This Generation's Forward-Thinkers

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The manner in which young adults approach money management is one of the most debated topics in generational wars. However, it's also a conversation that lacks context. After all, you would need to consider the economic challenges that erupted since the start of the 21st century. There have been three significant recessions since the year 2000. While they were each distinct in terms of cause and impact, they also became progressively worse each time.

It started with the dot-com bust in 2001, followed by the 9/11 attacks and the Great Recession in 2008. More recently, the 2020 pandemic produced economic turmoil at the global level, leading to unprecedented job losses and financial hurdles from which many still have yet to fully emerge.

These are the unsettling economic waves that current young adults were essentially born into. The silver lining here is that they do not have to fall victim to the chaos so long as they partake in future-focused activities that revolve around strengthening their finances.

1. Side hustles for financial security

In times of financial unpredictability, side hustles have gone from being "fun-to-have" to a "must-have," strengthening

financial security by acting as a buffer against economic uncertainties. A recent survey from Experian revealed that 50% of millennials are pursuing some kind of side hustle. Those in the 55 to 64 age group, though less likely to have a side hustle, earn the most from it, averaging $1,061 per month.

Collectively, even an extra thousand dollars each month being placed directly into savings can help provide a safety net if one's primary job is under threat. The best thing about side hustles is that they typically offer plenty of flexibility and control. The options are also limitless when one considers freelance gigs, the sharing economy, or even monetizing a hobby or skill for financial gain.

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2. Making homeownership a reality

Due to increases in rent and high mortgage rates, young adults have been moving back in with their parents in recent years in an effort to save money while researching other options. This uptick led to the belief that young adults are shying away from homeownership, but that no longer seems to be the case.

According to research conducted by Wahi, 45% of aspiring homeowners in Canada are now tightening their belts, aiming to save for a home purchase at some point this year. Saving is clearly the right first step, as a recent survey from NerdWallet showed that over 75% of Americans who had planned to buy a home in 2023 did not end up following through.

This shift towards homeownership is far more than just a financial goal to work towards. It is also a step towards disciplined financial habits. Making regular mortgage payments is akin to a forced savings plan, steadily building equity and ensuring long-term financial stability.

3. The importance of building a robust credit profile

A good credit history demonstrates being on the right track in terms of finances, and the list of benefits of having good credit includes receiving better insurance rates, better loan terms, better odds of approval by lenders, lower car insurance premiums and better housing options.

Getting started can appear daunting for almost anyone. However, there are a few ways to ease this process. One can start building credit with secured credit cards and credit-builder loans. Becoming an authorized user on the card of a family member with good credit is also a helpful method to provide a boost.

However, these elements are only one piece of the puzzle. You would also need to demonstrate responsible habits, such as making payments on time while maintaining low credit utilization. Over time, this will lead to a good credit score, and with the average credit score in the U.S. at 715 in 2023, you will need to work at getting closer to the highest possible score of 850.

4. Invest in low-cost index funds

Low-cost index funds are rising in popularity for novice investors, thanks to the broad market exposure they offer through diversification and their cost-effectiveness. The diversification element comes in handy when one company underperforms, as the impact balances out by the investments in other companies.

Over the past 30 years, the S&P 500 index has delivered an average annual growth rate of 10.7% per year. These can also easily be purchased across numerous platforms with a small initial investment, making it an excellent option for young

adults looking to step into the investing world.

5. The power of planning for retirement early on

Planning for retirement is typically not something in the minds of young professionals, but there are plenty of benefits for those who choose to start early. This is because it’s not just about saving for the distant future; it’s about building a habit of financial mindfulness.

In 2023, retirement assets in the U.S. totaled $35.7 trillion, yet a significant number of Americans were not on target with their retirement savings, emphasizing the need for early planning.

As stated on U.S.News, prioritizing retirement planning helps with making informed career choices, such as opting for jobs that offer retirement benefits. Young adults have the advantage of time, allowing them to take calculated risks in their investments early on, to rake in potentially higher returns in the future.

Related: 3 Ways to Start Thinking About Retirement

At the end of the day, being proactive about finances is far more than just a smart move – it’s an essential step towards a more secure financial future. There is no time like the present for young adults to plan ahead with future-focused strategies to strengthen their finances.

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