NOV 2, 2015 @ 01:23 PM 7,775 VIEWS

Top Financial Mistakes Millennials In Their Early 30's Must Avoid

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I help people on their path to Financial Freedom. FULL BIO

I previously wrote an article on core savings strategies for Millennials in their early 30's. Millennials in their early 30s are often overlooked in personal finance media which got me thinking about more financial advice that is specific to you. While these early working years are the perfect time to set up your future financial freedom, it is also a time where financial mistakes are often made. To help you avoid these financial landmines, I've listed below part-one of my two-part series outlining the top financial mistakes Millennials in their early 30's should avoid making.

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1. Not making a commitment to financial independence

You must first choose to make a commitment to your financial success. Without this commitment, the steps you take will be less effective because as with any great undertaking there needs to be a commitment to a successful outcome. If you do not commit to your financial independence, it will be easy for you to not fully embrace the sometimes difficult steps you need to take. I equate it to losing weight. If you really want to get in shape, there will be difficult early morning or late night workouts and you will need to watch what you eat. These steps will not be taken if you lack the commitment and sneak in junk food and avoid exercising. ? Similar to losing weight, setting up your financial freedom needs commitment, a plan, and if you are struggling on your own, find a personal trainer/financial adviser/supporter to keep you in check.

2. Not having a written financial plan

Without a written plan that can serve as your financial guide, you will not know where you're headed, let alone how much you need to save each month. Not having a plan is akin to starting out on a cross-country journey without a map. When a luxury item purchase comes to mind or a fun trip presents itself, without a written financial plan there will be nothing in between you and each purchase. Your written plan should start with a monthly cash flow worksheet. I avoid calling it a budget and you should too. People don't think fondly of budgets; instead, let's call it your personal cash flow worksheet. In your cash flow worksheet be sure to include both essential expenses and some fun stuff too! Otherwise, you may find it too difficult to stay on track.

3. Not setting up automatic investments

One of the benefits of workplace retirement plans, like 401(k) plans, is the ability to invest automatically. If, however, you do not have such a plan in your workplace, or if you want to save more outside of a qualified retirement plan, you should establish an automatic method to save into either a savings or investment account. If choosing the investment account option, note that there are risks involved with investing, including possible loss of principal. Investments will fluctuate and may be worth more or less than when originally purchased. My point is that by not having this money sitting in your checking account, these funds are not easily available to spend and you will have to take one more step to access it. Moreover, this one step might give you the pause you need to not spend and instead keep this money allocated to your long term goals.

4. Overspending

It is highly likely that there will be a time when your income will rise and you will have more cash flow and hence be able to spend more. This is where a commitment to your plan will be very helpful. Overspending on aspirational purchases and living above your means today doesn't help your financial future. And, whatever you do, don't accumulate any credit card debt – don't get trapped with those tempting zero percent interest rate offers! If you cannot pay these cards off in full when the introductory rate expires, then your interest cost will skyrocket to almost 20% in some cases. I cannot stress enough that you must avoid overspending and credit card debt.

Overall, my top 4 financial mistakes are rooted in lacking a plan and/or focus. And I cannot stress enough how important a commitment to your plan will be in you realizing your financial success.

In Part 2, I'll dive into the top financial mistakes millennials in their early 30s make in regards to their 401(k) investments and insurance (or lack thereof).

Contributor's Bio

Mark Avallone is the author of Countdown To Financial Freedom, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the Wall Street Journal as well as in Forbes where he is a regular contributor. He has appeared on CNBC and has been a repeat guest on the Fox Business Network. His insights have also appeared in USA Today, U.S. News & World Report, The Washington Post, and other leading publications.

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