How to Make the Most of Your Finances in Your 30s

It’s easy to get caught up in the day-to-day challenges of a burgeoning career, friends and family life, but your 30s are the perfect time to get your finances running smoothly.

Getty Images

For those in your 30s, the time to secure your financial future is now. To ensure you can provide for yourself for years to come, your 30s are a **critical period to save** for retirement, develop emergency funds and much more as you take on new responsibilities and maybe even start your own family.

Data reveal that the personal savings rate as a percentage of disposable personal income was **33%** last April, a figure that hasn't been seen for 61 years. Here are my suggestions for you when trying to figure out what to do with that extra savings.

Emergency Savings

Emergencies are notorious for bankrupting people within a short time. You can't control when an emergency happens, but you can ensure that you have a **well-padded emergency fund** at the ready. A secure **liquid** emergency account is an excellent fallback plan for illness, natural disasters, home repairs, etc.

Ideally, this account should cover six months of your expenses while putting any excesses in a liquid investment account.

Retirement Savings

By your 30s, you have likely been employed for a while and have hopefully steadily made contributions to your **401(k) plan**. However, there is still more you can do to bolster your retirement savings, such as potentially adding an Individual Retirement Account (IRA) to boost your retirement plan. While this can be a great option, be advised that if you have a 401(k), while you can still contribute up to $6,000 to a traditional IRA — as long as you **meet the eligibility requirements** — your contributions may not be tax deductible. **Backdoor Roth IRAs** are possible but be sure to consult with your adviser to learn specifics for your situation.

IRAs can be either traditional or Roth. The difference between a Roth and a traditional IRA is the way that taxes apply to each. Should you choose a traditional IRA, you're up for tax-free contributions and taxable withdrawals after retirement. In the case you opt for the Roth IRA, you'll make your contribution with after-tax dollars but will make every withdrawal after retirement without being taxed.

College Savings

College graduates with a bachelor's degree typically earn **66% more** than those with only a high school diploma. College grads are also far less likely to face unemployment, and on average, they earn about $1 million more than those without a post-secondary education.

However, a college education comes with a hefty price tag. There are many loans available to help young people afford their education, but these loans can create long-lasting debt. If you are striving to pay for some or all of your child's college tuition one day, it is crucial to start thinking about it early on, even if it may seem far away.

The only college savings plan that offers state tax incentives is a **529 plan**. However, these deductions may not be available in every state, so be sure to check your state's regulations ahead of time. Starting a 529 account in your children's names is one way you can get ahead on saving for college.

Additionally, you can open a 529 account online through a financial adviser. If you tend to forget dates and deadlines, you can choose an automated investment plan linked to your bank account or a deduction plan.

Debt Management

Don't wait to pay your debt until you earn more or when you get married. The sooner you settle your debts, the closer you'll be to enjoying the benefits of a debt-free life. Additionally, keep your credit card spending down to avoid additional debt. It is important to avoid taking on new, costly, high-interest debts in your 30s, including borrowing for vacations and other non-essentials.

Advancing in Your Career

It's no crime to spend a part of your pay hike on “wants” every now and then. Treating yourself to a new suit, an expensive pair of heels you've been eyeing for months, or half of your Amazon wish list can be a nice reward for hard work occasionally. The problem is making it a compulsive habit.

When possible, try to estimate and factor in expected pay raises within the next few years so you can more efficiently plan for investment, buying a home, having more children or pursuing business goals. Whatever your goals, your 30s are the opportune time to launch financial planning strategies into action, because life only continues to get more expensive. Understand that as your income increases, your life expenses likely will too. If you are building your family or looking to protect your loved ones in the event something happens to you, consider putting some of that income increase toward life insurance and disability insurance.

Buying a Home

It's harder for younger Americans to own homes due to student loan debt, high down payments, and smaller savings. But recent **research** shows that this group is set on buying homes they can't afford. This may spiral into a debt disaster in a few years.

Prioritize finding a home you can pay for without racking up more debt in mortgage arrears. As you make more and pay off your debts, you can buy a bigger home.

The Correlation of Money and Happiness

In a 2018 study, **87% of Americans** said they were happier when they were financially secure. Forty-four percent of the respondents cited money as a major stress inducer, scoring 19% higher than personal relationships (25%). Anxiety and fear were also closely related to money problems.

Your 30s are the best moments to create a strong foundation for financial security. By putting in the work to build this strong financial foundation now, you can give yourself peace of mind and a sense of freedom. Your 30s can introduce new responsibilities that shift your thinking on wealth and what it means to be "rich." For many, building their wealth takes on a deeper meaning in their 30s: Wealth means having the ability to provide for your loved ones, give back to your community, and reach new heights professionally.

About The Author by: **Andrew Rosen, CFP®, CEP**
June 2, 2021

President, Partner and Financial Adviser, Diversified, LLC

In March 2010, Andrew Rosen joined Diversified Lifelong Advisors, bringing with him nine years of financial industry experience. As a financial planner, Andrew forges lifelong relationships with clients, coaching them through all stages of life. He has obtained his Series 6, 7 and 63, along with property/casualty and health/life insurance licenses.