

Praise for

GET A FINANCIAL LIFE

“One of the best guides to help young people get a handle on money matters.”

—Burton G. Malkiel, Chemical Bank Chairman’s
Professor of Economics, Emeritus, Princeton University;
author of *A Random Walk Down Wall Street*

“Smart, thorough—a tremendously useful guide to all the essentials of sound personal finance.”

—*Fortune*

“A daring book . . . A life’s worth of smart financial advice.”

—*Newsweek*

“A highly readable and substantial guide to the grown-up worlds of money and business. . . . This book could be tucked into one of those ubiquitous backpacks to guide novices through the thickets of apartment rentals, mortgage applications, taxes, and more. Its strength is in explaining both the principles and the practicalities involved in each chunk of the landscape.”

—*The New York Times*

“Get it. Read it. Reference it often.”

—*Kiplinger’s*

“Kobliner’s done it again! *Get a Financial Life* gives clear and straightforward advice on how to manage your money—even in a financial meltdown. A must read for twenty- and thirtysomethings who want to be fiscally smart and financially secure.”

—Soledad O’Brien, TV news anchor

“With numerous insights, this fine book demonstrates that, through discipline and enterprise, anyone can win their financial independence.”

—Tom Gardner, cofounder of The Motley Fool

“Kobliner provides concise but comprehensive solutions to the biggest financial issues facing young people today. This guide is just what millennials need to fix their finances, especially since personal finance is a subject far too many schools fail to teach.”

—TheStreet.com

“This is the book I wish I’d read when I was just out of college. Filled with life-altering financial lessons, *Get a Financial Life* reinvents the money guide for a new generation.”

—Farnoosh Torabi, financial expert and host of the award-winning podcast *So Money*

“Beth Kobliner’s book provides a much-needed and sensible guide.”

—Paul A. Volcker, former chair, Federal Reserve Board

“If you’re saddled with student loan debt from years in college and want tips on how to pay it down effectively, need to understand the basics of things like health insurance and why you get bills even though your insurer pays for other things, and don’t see how it’s at all possible to save for a home of your own someday, this book is for you.”

—Lifehacker.com

“Shaw said youth is wasted on the young. I suspect the Kobliner financial wisdoms will work out well at all our ages.”

—Paul A. Samuelson, Institute Professor Emeritus, MIT; Nobel laureate in economics

“Informative, laden with sound advice, and attractively packaged with charts and lists, this small book is ideal for anyone needing a primer on personal finance.”

—*The Christian Science Monitor*

“*Get a Financial Life* gives you the essential information you need to get your finances in order as you’re starting your career. The rest is up to you. Educate yourself, get motivated, and get your finances in shape now by reading this book.”

—Sharon Epperson, personal finance correspondent, CNBC

“Buying this book right now is probably one of the best—and cheapest—investments.”

—*Time Out New York*

“*Get a Financial Life* . . . offers the fundamental ABCs of how to manage your money. . . . Kobliner’s book is a gentle guide, carefully walking her money neophytes through the nuts and bolts of personal finance. There’s no magic formula for taking control of your financial life here, but rather frank meat-and-potatoes money-management moves that have stood the test of time.”

—*USA Today*

“Beth Kobliner has written one of the best personal finance books currently available. *Get a Financial Life* is ‘must’ reading for young adults—and has a lot of solid information for the forty-and-over crowd as well.”

—*The Midwest Book Review*



Also by Beth Kobliner

Make Your Kid a Money Genius (Even If You're Not)

GET A FINANCIAL LIFE

PERSONAL FINANCE

**IN YOUR TWENTIES AND THIRTIES
REVISED AND UPDATED 5TH EDITION**

BETH KOBLINER

SIMON & SCHUSTER PAPERBACKS

New York Amsterdam/Antwerp London

Toronto Sydney/Melbourne New Delhi



Simon & Schuster Paperbacks
An Imprint of Simon & Schuster, LLC
1230 Avenue of the Americas
New York, NY 10020

For more than 100 years, Simon & Schuster has championed authors and the stories they create. By respecting the copyright of an author's intellectual property, you enable Simon & Schuster and the author to continue publishing exceptional books for years to come. We thank you for supporting the author's copyright by purchasing an authorized edition of this book.

No amount of this book may be reproduced or stored in any format, nor may it be uploaded to any website, database, large language model, or other repository, retrieval, or artificial intelligence system without express permission. All rights reserved. Inquiries may be directed to Simon & Schuster, 1230 Avenue of the Americas, New York, NY 10020 or permissions@simonandschuster.com.

This publication contains the opinions and the ideas of the author. It is sold with the understanding that neither the author nor the publisher is engaged in rendering legal, tax, investment, insurance, financial, accounting, or other professional advice or services. If reader requires such advice or services, a competent professional should be consulted. Relevant laws vary from state to state. The strategies outlined in this book may not be suitable for every individual, and are not guaranteed or warranted to produce any particular results.

Copyright © 1996, 2000, 2009, 2017, 2026 by Beth Kobliner

All rights reserved, including the right to reproduce this book or portions thereof in any form whatsoever. For information, address Simon & Schuster Subsidiary Rights Department, 1230 Avenue of the Americas, New York, NY 10020.

This Simon & Schuster trade paperback edition May 2026

SIMON & SCHUSTER PAPERBACKS and colophon are registered trademarks of Simon & Schuster, LLC

Simon & Schuster strongly believes in freedom of expression and stands against censorship in all its forms. For more information, visit BooksBelong.com.

For information about special discounts for bulk purchases, please contact Simon & Schuster Special Sales at 1-866-506-1949 or business@simonandschuster.com.

The Simon & Schuster Speakers Bureau can bring authors to your live event. For more information or to book an event, contact the Simon & Schuster Speakers Bureau at 1-866-248-3049 or visit our website at www.simonspeakers.com.

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data is available.

ISBN 978-1-6680-9535-5 (pbk)

ISBN 978-1-4767-8239-3 (ebook)



Scan here to get book recommendations,
exclusive offers, and more delivered to your inbox.

*To my parents, Harold and Shirley Kobliner, who
taught me how to handle money, and to Sylvia Porter,
who gave me the opportunity to write about it.*

CONTENTS

Introduction	xvii
Chapter 1: Crib Notes	1
<i>A Cheat Sheet for Time-Pressed Readers Who Need Help Now</i>	
Chapter 2: Taking Stock of Your Financial Life	10
<i>Figuring Out Where You Are and Where You Want to Go</i>	
Putting a Price Tag on Your Goals	11
Learning How to Reach Your Goals	12
Figuring Out Where Your Money Goes	14
Three Financial Rules of Thumb	19
Getting Your Financial Life in Order	21
Automating Your Finances	24
Chapter 3: Dealing with Debt	27
<i>Finding the Cheapest Loans and Getting Yourself Out of Hock</i>	
Three Pointers for Anyone with Debt	28
Credit Cards	29
Student Loans	41
Auto Loans	52
Credit Scores and Credit Reports	57
Identity Theft	64
If You're in Serious Debt	67

When to Consider Bankruptcy	69
Skip Payday Loans	70
Chapter 4: Basic Banking	72
<i>How to Keep Your Costs Low and Your Money Safe</i>	
A Bank by Any Other Name	73
Managing Your Checking Account	76
What to Do with Your Savings	80
Joint or Separate Accounts?	84
A Warning About Bank-Sold Investments	85
Chapter 5: All You Really Need to Know About Investing	89
<i>The Fundamentals of Funds</i>	
Two Pointers for New Investors	90
How Funds Work	90
Money Market Funds	91
A Word About Inflation	92
Stock Funds	94
Bond Funds	104
The Right Mix of Investments	111
Do I Need a Financial Planner?	116
Chapter 6: Living the Good Life in 2075	119
<i>Think It's Crazy to Start Saving Now for Retirement?</i>	
<i>It's Crazy Not To</i>	
What Are Retirement Savings Plans, Anyway?	120
How Your Retirement Savings Grow	121
Contributing to Your Company 401(k)	122
Contributing to an IRA	124
Getting at Retirement Money Before Retirement	129
Inflation and Taxation	133
Retirement Plan FAQs	134
If You're Self-Employed	140

Chapter 7: Oh, Give Me a Home	143
<i>Advice Whether You Rent or Buy</i>	
What Every Renter Needs to Know	144
Should You Rent or Buy?	149
What Every Buyer Needs to Know	151
The Costs of Owning a Home	154
Programs That Make It Easier to Qualify for a Mortgage	159
Shopping for a Mortgage	164
How to Make the Homebuying Process Go Smoothly	170
Chapter 8: Insurance: What You Need and What You Don't	178
<i>Finding the Right Policies and Skipping Coverage You Can Do Without</i>	
Getting the Best Deal	179
Checking Out Credentials	181
Making the Most of Your Employer's Plans	183
Health Insurance	185
Auto Insurance	192
Disability Insurance	200
Home Insurance	205
Life Insurance	213
Insurance You Probably Don't Need	218
Chapter 9: How to Make Your Life Less Taxing	223
<i>Put More Money in Your Pocket and Less in Uncle Sam's</i>	
Why Is Your Paycheck So Small?	224
The Taxes You Pay	224
Figuring Out Your Tax Rate	226
Filing Your Tax Return	229
Maximizing Your Tax Breaks	234
Do You Need a Tax Preparer?	245

Chapter 10: Making the Most of Military Benefits	248
<i>Know What You Deserve If You Serve</i>	
Money for Education	249
Help for Homebuyers and Renters	253
Help Getting Insurance Coverage	255
Help Paying Off Your Debt	256
Support for Your Family	257
Free Financial and Legal Guidance	258
Some Additional Benefits	260
Help After You Leave the Service	262
Further Reading	265
Special Acknowledgments	269
Acknowledgments	273
Index	291

INTRODUCTION

IF YOU'RE LIKE most people in their twenties and thirties, you worry about money.

And who can blame you?

Student debt is at a near-record high. Rents are skyrocketing—up 30% from your parents' day, even after you adjust for inflation, and the median age when people buy their first home recently hit 40, the oldest it's ever been. Meanwhile, the job market is rough, and everyone is worried about being replaced by AI.

Despite these challenging times, there are steps you can take to get your financial life in order. Unlike most personal finance books, this one focuses on what you need to do when you're just starting out—whether you earn \$30,000 or \$300,000, whether you're single or partnered up, or whether you're living with roommates or your parents. And the good news is, if you act on this advice now, you'll have the added benefit of one major resource, time.

Time can work wonders when it comes to your money. By saving automatically over many years, you'll accumulate more than you ever thought possible, even if you're only setting aside very small amounts. The earlier you start, the more dramatically your money will grow in tax-favored investments and the easier it is to ride out the ups and downs of the stock market. From paying your bills on time to managing your credit, there are smart strategies to organize your finances that will benefit you for decades if you set them up now. This book will teach you how to do all of this—and more.

You'll get straightforward answers to specific questions: How can I fix my credit score? Where can I put my money so that it's safe and gets a good return? How do I manage to save if I have student loans and credit card debt? Should I invest in the stock market, and if so, how? You'll also get clear guidance, based on the latest research, on paying down debt, avoiding ridiculous fees, and reining in your spending. And the fact is, you can manage all this while still enjoying your life.

Maybe you feel that you've had it with money advice. Financial pundits dangle get-rich-quick schemes that you know can't possibly work. So-called experts dismiss practical, tried-and-true strategies by declaring that the system is rigged, so why bother? With social media influencers collecting commissions and celebrities more interested in building their brands than a solid foundation for others, it can feel exhausting.

But here's the thing: There's a reason this book has sold more than half a million copies over many years (more years than I should admit in print). Because it works. Whenever I encounter readers, they often tell me that by following my advice, they've ended up with hundreds of thousands of dollars more than they ever imagined. That kind of feedback never gets old. This book isn't a cure-all, but it does offer a decades-long track record of unbiased guidance grounded in data and a long view of the economy.

If the thought of reading an entire book on personal finance feels daunting, begin with Chapter 1, the Crib Notes. It's a great starting point that summarizes the steps you'll need to take. And if you read on, I think you'll find that getting your financial life in order is truly time well spent.

**GET A
FINANCIAL
LIFE**

1

CRIB NOTES

A Cheat Sheet for
Time-Pressed Readers
Who Need Help Now

IF YOU'RE OVERWHELMED by the idea of diving into a whole book on personal finance, this chapter is for you. It cuts to the chase and sets you on the path to a solid financial life. Adopting even one or two of these strategies will put you ahead of the game and—I promise—make a big difference sooner than you think.

Of course, as someone's mother once said, cheaters only cheat themselves. While this chapter is a good launching pad, ignoring the remaining nine chapters is a little like relying on an AI summary of *Hamlet*: You'll get the basic plotline but never understand what all the fuss is about. That said, the following crib notes will give you the “need to know” basics. I've tried to list the advice in rough order of importance, but your priorities will depend on your own situation.

1. Insure yourself against financial ruin.

You need health insurance. It'll help protect you if you have an accident or illness and guarantee that you don't bankrupt yourself—or your family—if you run into any serious medical problems. For these reasons, health insurance should be considered your number one financial priority.

If you work for a company that offers its employees health insurance, you're lucky; participating in a plan at work will almost always cost you much less than buying a policy on your own because your employer pays for part of it. Your company may offer more than one type of plan; make sure you consider not only the price but also the extent of the coverage. You'll want to find out exactly how much you'll be expected to pay out of pocket before insurance kicks in (this is known as the **deductible**), the rules for seeing specialists, and what happens if you want to visit a doctor who doesn't participate in the plan.

If your job doesn't offer coverage, if you work for yourself, or if you're looking for a job, you'll have to pay for it on your own. First, see if you can get coverage through a family member. Federal law says you can be covered by your parents' or legal guardian's insurance until you turn 26; some states will let you stay on even longer. If you're married and your spouse is insured through work, see about being added to that policy. Many companies also cover unmarried domestic partners.

If all else fails, you'll need to purchase a policy on your own. You can comparison shop at healthcare.gov or go directly to individual health insurance companies.

For additional tips on the insurance you need—and the kinds you should avoid—see Chapter 8.

2. Pay off your debt the smart way.

One of the smartest financial moves you can make is to take any savings you have (above and beyond money you need for essentials like rent, food, and health insurance) and pay off your high-rate loans. The reason is simple: You usually can “earn” more by paying off a loan than you can by saving and investing. That's because paying off a credit card or high-rate loan that has a 20% interest rate is equivalent to earning 20% on an investment, guaranteed—an extremely attractive rate of return. (Actually, it's even better; it's the equivalent of earning 20% *after taxes*.) If you want a full explanation of this concept, turn to p. 28. Otherwise, take my word for it.

The first step in attacking high-rate debt is to try to reduce your interest rate. Start by calling your credit card company and asking

for a lower rate. (Seriously, this often works.) Next, see if you can qualify for one of the lower-rate cards listed on sites like Credit Cards.com or WalletHub.

If you have several different types of debt—say, a balance on a credit card with a 24% interest rate, another credit card balance with a 16% rate, and a student loan with a 4% rate—pay off the debt with the highest interest rate first. One way to make this easier is to ask your federal student loan servicer to stretch out your payments for longer than the standard number of years by switching to a different repayment plan. This will reduce your monthly student loan payment, leaving you with extra cash, which you can use to pay off your credit card balances faster. Once you've gotten rid of your 24% card balance, increase the payments on your 16% balance. After you wipe out that one, increase your student loan payments to at least their initial levels.

The only time it doesn't make sense to kill your debt is when the interest rate you're being charged is lower than the rate you can receive on an investment. If, for example, you have a student loan with only a 4% rate and no other debt, you'd be better off maintaining your usual payment schedule on the loan and putting your cash into an investment that pays you an after-tax rate greater than 4%, assuming you can find it. One such place would be a 401(k) with matching contributions, which is coming up in the next point.

For detailed information on credit cards, auto loans, and student loans, see Chapter 3.

3. Start contributing to a tax-favored retirement savings plan.

This one might strike you as nuts at first. Why would you think about retirement now? But here's the reality: Saving money in a retirement plan is one of the smartest (and easiest) things you can do when you're young. If you're fortunate enough to work for a company that offers a retirement savings plan like a 401(k), you should take advantage of it. The big attraction here is that many employers will match a portion of the amount you put into such a plan. That means the company contributes a set amount—say, 50 cents or a dollar—for every dollar you contribute, up to a specified percentage of your salary. That's free money, equivalent to an immediate,

guaranteed 50% or 100% return. There's nowhere you can beat this. (In fact, if your company offers such a fabulous matching deal, you should probably contribute to the plan even before paying off your high-rate debt.) In addition, the federal government allows the money to grow tax-free. (See p. 121 for an explanation of how this saves you even more money.)

At this point in your life, it may seem crazy to lock up your money in a retirement savings plan. Ignore that feeling. While it's true that you won't be able to withdraw your money from a traditional 401(k) until you reach age 59½ without facing a penalty, the benefits of matching and tax-advantaged growth are so huge that this is still the best deal out there. If you switch jobs, you may be able to move your 401(k) money into your new employer's plan (or transfer it into something called an IRA; see below). Also, most plans allow employees to borrow against their retirement savings in an emergency. As of 2026, the maximum someone under 50 can contribute annually to a 401(k) is \$24,500, which may be more than you can manage, but try to at least contribute the maximum percentage for which you're eligible to receive matching funds.

If you don't work for an employer who offers a 401(k) or a similar retirement plan, you should start investing in an **individual retirement account (IRA)**. The most someone under 50 can contribute to an IRA as of 2026 is \$7,500 annually; if at all possible, contribute the maximum amount every year.

IRAs don't provide matching contributions, but certain IRAs known as Roth IRAs do offer one special benefit: There's no penalty for withdrawing the money you contribute to them at any time. This is an appealing escape hatch if you're afraid of tying up all your money. You're not allowed to freely withdraw the interest you earned on the money you contributed until after you turn 59½. (Note that some companies offer something called a Roth 401(k); see p. 123.)

Bottom line: Max out your company's 401(k) up to the matching limit if you have one. If that's not an option, go with an IRA.

For all your questions on tax-favored retirement savings plans, see Chapter 6.

4. Build an emergency cushion using an automatic savings plan.

The rule of thumb: Put away three to six months' worth of living expenses to cover any unexpected cost that crops up in life, whether it's a broken AC in the summer or a trip to urgent care. The easiest way to do this is to have the money automatically withdrawn from each paycheck and funneled into a federally insured, **high-yield on-line savings account** or something called a **money market fund**. (For more on this, see Chapter 4.) That's a relatively painless way to force yourself to accumulate your emergency savings.

Mathematically speaking, it's wisest to max out your 401(k) with matching and then pay off your high-interest credit card debt before you start putting money into emergency savings. But you might feel more secure if you start putting a small amount toward your three-to-six-month cushion before you wipe out your high-rate credit card debt. To figure out how much you need to save per month to meet your goal, use the worksheet (Figure 2-1) on p. 13.

5. Consider investing in stock and bond funds.

Once you have your savings cushion in a federally insured, high-yield savings account, it's time to get more aggressive with your investments and start paying attention to **stocks** and **bonds**, which have tended to earn more for investors over long periods of time, yielding higher returns that stay ahead of inflation. (For a discussion of inflation and why it matters, see Chapter 5.)

The downside of stocks and bonds is that they're riskier than savings accounts or money market funds. In other words, you can lose money by investing in them. So for money that you absolutely need to be there—say you've set it aside for a down payment on a home in a couple of years—don't invest it in stocks or bonds.

Only you can decide how much risk you're willing to accept, but there's an old rule that you subtract your age from 100, and that's the percentage of your investment money that should be in stocks; the rest should be in bonds and money market funds. Like any generalization, this one must be tailored to your specific situation, but it can be a useful starting point.

If you do decide to put some of your money in stocks and bonds, invest it in funds, a type of investment that pools together the money of thousands of people. Here are some general rules: Avoid investing in **funds** with a **load**, which is the commission that some companies charge each time you put money into or take money out of a fund. They don't perform any better on average than no-load funds, so there's no point in paying extra for them. I also recommend that you consider only funds with low expenses, the annual fees charged by the fund that can take a huge bite out of your investment returns if you're not careful.

Although stock funds are considered somewhat riskier than bond funds (see below), they have also performed somewhat better over long periods of time. If you decide to invest in a stock fund, I like low-cost **exchange-traded funds** (ETFs) and **stock index funds**. (To find out exactly what these are, you'll need to read Chapter 5.)

Three companies that offer a large selection of low-cost ETFs and index funds are Charles Schwab (schwab.com), Fidelity (fidelity.com), and Vanguard (vanguard.com). You can start investing with as little as a dollar in each of these companies' ETFs. (See p. 99 for more details.)

Holding bonds as well as stocks will help to diversify your investments, reducing your overall risk. These companies also offer low-cost bond funds. While there are several different types of bond funds, a reasonable approach would be to choose a **bond index fund** that invests in government securities and highly rated corporations.

To learn more about stocks, bonds, ETFs, index funds, and investing in general—you guessed it—you'll have to read Chapter 5.

6. Find out your credit score and improve it.

A **credit score** is the number that tells lenders whether you're a good risk or not. The score is based on information in your **credit reports** from the three major credit bureaus: Equifax, TransUnion, and Experian. These reports are made up of information about your bill-paying habits from your various lenders. You can get free reports from each of the bureaus from annualcreditreport.com. It's

smart to check your credit reports to make sure all the information included about you is accurate.

You can think of your credit score as the GPA of your financial abilities, a numerical representation of how appealing you are to lenders. Unlike your GPA, however, your credit score is being recalculated all the time. If you want to qualify for a low-rate credit card, car loan, or home loan, rent an apartment, or get insurance, your credit score will matter. You can get a free version of your credit score at creditkarma.com. Before you apply for a loan, it may make sense to get your “official” FICO credit scores from all three bureaus (they often vary) at myFICO.com for about \$60. Better yet, check and see if your bank or credit card company provides a FICO score for free (many do). See Chapter 3 for details.

The better your credit score, the better the loan deals you’ll get. For that reason, it’s important to take steps to make sure your score is as good as it can be. The biggest component of your credit score is your track record for making on-time payments, followed by the amount of credit you’re using and the length of your credit history. One of the easiest, most foolproof ways to keep your score in good shape is to pay all your bills automatically online. That way, you’ll be much less likely to miss a payment. For more on your credit, including how to fix and prevent identity theft, see p. 57.

7. Think hard before buying a home.

At some point, you may feel it’s time to purchase a place of your own. The decision about whether to switch from renter to owner involves more than simply comparing your monthly rent to the mortgage payments you’d make as an owner. A range of financial factors should enter into your decision, including any tax breaks you may get from buying, the fees you’ll pay when you buy, and how long you plan to live in the new home. For a discussion of how to analyze your own situation, see Chapter 7.

If you do decide you’re ready to buy, you’ll need to apply for a home loan, or a **mortgage**. One of the main obstacles for first-time homebuyers is coming up with the down payment required by the lender. You will likely need to have an amount equal to at least 10% (and ideally 20%) of the purchase price of the home.

In addition, you will need a good credit score to qualify for the lowest rates. You will also have to prove that your salary is high enough—and your other outstanding debts are low enough—to make the monthly mortgage payments.

To shop for the best mortgage deal, you'll want to look at services like HSH and Zillow and use the Consumer Financial Protection Bureau's "Buying a House" tool. It's also a smart idea to check with your local bank or credit union—sometimes the best home loan deals are right in your own backyard.

But what if you're eager to buy and can't come up with the full down payment or don't have great credit? All is not lost. For several alternative loan options—as well as caveats to make sure you don't get in over your head—see p. 159.

If you don't qualify for a mortgage (and still want to buy), don't give up. Make it your goal to spend the next one to two years improving your credit score (pay those bills on time!) and saving up for a down payment. You'll be surprised how quickly you can improve your credit record (and increase your savings) if you follow these simple steps.

For more housing-related tips for renters as well as buyers, see Chapter 7.

8. Get smart about income tax.

Nobody likes paying taxes. One way to decrease the portion of your paycheck that goes to Uncle Sam is to take as many tax **deductions** as you're eligible for. Deductions are specific expenses that the government allows you to subtract from your income before calculating the amount of tax you owe.

You can take deductions in either of two distinct ways. By far the most common and easiest approach is to take the **standard deduction**, which is simply a fixed dollar amount (\$16,100 for singles or \$32,200 for couples in 2026) that you subtract from your income. Most taxpayers take the standard deduction, but in rare cases, depending on your circumstances, you may wind up owing less if you itemize your deductions instead. Itemizing means listing separately the specific items that are deductible under the tax laws and then subtracting their total cost from your income.

If you do itemize, you'll file a tax form called a 1040 and list your deductions on an attachment called Schedule A. Among the expenses you may be allowed to deduct are state and local income taxes (or state and local sales taxes) you've paid, charitable donations, housing costs like mortgage interest and property taxes, and some medical costs. (A list of deductions begins on p. 235.)

Depending on your specifics, you may also qualify for valuable **tax credits**, which subtract money directly from the amount you owe the government. (For a list of tax credits to consider, including help with your health insurance premiums, see p. 240.) For other ways to cut your tax bill, see Chapter 9.

When the time comes to submit your tax return to the IRS, if you earn less than \$89,000 (in 2026), you can use irs.gov/freefile to file online without any charge. Otherwise, try tax prep software from TurboTax, H&R Block, or TaxSlayer, which will cost at least \$100 if you have a complicated return. Based on the answers to a few questions, this software will help you determine whether you'll save money by itemizing, as well as identify all the deductions and credits available to you.

If you've read this far—it wasn't that bad, was it?—you've already done yourself some good. The next eight chapters go more in-depth on the above topics, while Chapter 10 offers information tailored to military service members, veterans, and their families.

2

TAKING STOCK OF YOUR FINANCIAL LIFE

Figuring Out Where You Are
and Where You Want to Go

IF YOU'RE LIKE a lot of people, you're not sure where your money goes. After you pay for essentials such as food, utilities, student loans, and rent, most of what's left disappears. The concept of setting aside any money for the future seems like a cruel joke.

But hey, you're still young. There's plenty of time to get your financial life in order, you keep telling yourself. You'll get control once you start earning some real money, right?

Well, unfortunately, there's no guarantee it'll get any easier. Unlike, say, a fancy bottle of wine, financial management skills do not necessarily improve with age. Although your paycheck will increase as you get older (let's hope!), your financial obligations will also grow.

The good news is that if you start paying attention to your finances today, you can set in motion habits that will pay off for the rest of your life. You just have to put in a little effort up front, starting now. This chapter will help you get organized.

PUTTING A PRICE TAG ON YOUR GOALS

Most of us have one or two specific financial dreams that we'd love to realize at some point in the future. You may want to buy a car in the next five years. You may long to own a house or apartment in the next ten. You may imagine the day that you're free from credit card debt—or that you've paid off all your student loans (or even better, that they've been forgiven after years of payments).

The first step toward turning your financial desires into achievable goals is calculating the dollar value of your dreams. If you're not sure what that figure is, use the following guidelines:

- **A home.** People are buying homes later these days. The median age of a first-time homebuyer, as of this writing, is 40, a historic high. And home prices are also hovering near all-time highs. The median starter home price in 2025 was about \$260,000. To qualify for a home loan, you'll ideally make a down payment of 20% of the total price, though you can often qualify for less than 10%. You'll also need to pay an additional 2% to 5% of the house price for "closing costs." So for that \$260,000 home, you'll need to have saved somewhere around \$32,000 at minimum. Of course, these figures could be higher or lower depending on where you live and the mortgage deal you get. For details, see Chapter 7.
- **A car.** Down payments vary, but you should aim to pay about 20% of the total price to the dealer up front. To buy the average new car (about \$50,000) you'll need \$10,000 in cash. To reduce that cost by a lot, buy a used car—definitely a smarter move. For more on why this is the case and the specifics of auto loans, see p. 52.
- **Freedom from student loans.** The typical student debt for recent college graduates is about \$20,000. No matter the

amount you owe, find the repayment plan—or the quickest path to forgiveness—that’s best for you. For more on this, see Chapter 3.

- **An emergency savings cushion.** Generally, you’ll want a savings cushion equal to at least three months’ worth of living expenses, although six months is even better. This amount will help guard against a total and sudden disruption of your life if, for example, you lose your job or incur a major unexpected expense like a car repair. Although saving for a home or car may seem like a lot more fun, accumulating enough for a financial emergency cushion is something you should consider a necessity.

LEARNING HOW TO REACH YOUR GOALS

Once you’ve figured out your goals, you’re ready to work toward achieving them. To start, use the table in Figure 2–1 on p. 13. It gives you a rough idea of how much you’ll need to put aside each month to end up with a specific dollar amount in a set number of years. For example, to have \$3,000 saved three years from now, you need to sock away \$87 a month.

If you tend to be a good saver, you may not be fazed by the amount you’ll need to save each month. But you’ll probably have to set aside more than you think you can spare. Don’t get discouraged. The next part of this chapter will help you figure out how to draw this money from your current income. Though you still may ultimately decide to adjust your planned goal—or the amount of time it takes for you to reach it—at least you’ll be on your way to making it happen.

Figure 2-1

HOW MUCH DO YOU NEED TO SAVE EACH MONTH TO MEET YOUR GOAL?

Look across the top row and find the dollar amount you hope to achieve your goal. The point at which your goal and the number of years intersect is the amount that corresponds to your goal. Now look down the far-left column and locate the number of years in which you need to save each month.*

YOUR SAVINGS GOAL

	\$1,000	\$2,000	\$3,000	\$5,000	\$7,000	\$10,000	\$20,000	\$30,000	\$50,000	\$70,000	\$100,000
1	\$85	\$169	\$254	\$423	\$607	\$845	\$1,691	\$2,536	\$4,227	\$6,067	\$8,454
2	43	86	129	215	301	429	859	1,288	2,146	3,005	4,293
3	29	58	87	145	203	291	581	872	1,453	2,035	2,906
4	22	44	66	111	155	221	443	664	1,107	1,549	2,214
5	18	36	54	90	126	180	360	539	899	1,259	1,798
6	15	30	46	76	106	152	304	456	761	1,065	1,521
7	13	26	40	66	93	132	265	397	662	927	1,324
8	12	24	35	59	82	118	235	353	588	823	1,176
9	11	21	32	53	74	106	212	318	531	743	1,061
10	10	19	29	48	68	97	194	291	485	679	969

* The table assumes that inflation will be 3% and that your money will earn an interest rate of 4% before taxes in a high-yield online savings account. It also factors in taxes (at a combined federal, state, and local rate of 30%) because you'll have to pay them on the earnings of certain investments. The goals listed across the top row of the table are in constant dollars. This means that, if your goal is to buy a car in five years that's equivalent to a \$30,000 car today, you need to set aside \$539 every month to end up with a sum that has the right purchasing power. (Today's \$30,000 car will cost roughly \$35,000 in five years.) In other words, you don't have to worry about keeping track of inflation eroding the value of the \$30,000; the table factors it in for you.