

# FIRE Starter: Advice on Saving & Investing in Your 20s [Part 1]

*Last month I shared the first of a series of interviews with you. Zach, the newest GYFG team member, was the first to be interviewed. Going forward he will be a regular writer for the GYFG blog. He is 24 years old and killing it. His wisdom belies his age and is a great example of how to get started off on the right foot, financially and otherwise.*

*At 32, I find myself on the older end of the millenials' age range, which in 2018 is 22-37, [according to the Pew Research Center](#). Guys like Zach have got me thinking that there is a younger part of my generation that may not be able to relate to where I am in life personally. Thus the decision to bring on Zach as a regular GYFG contributor, to reach those younger millenials. He will be writing about earning, investing, and saving money in your 20s. At 24, with a net worth in excess of \$100,000 and an income approaching six figures, he is more than qualified. Believe me when I say there is always someone younger and better than you out there, and Zach is putting my own 24-year-old self to shame. I share that only to say that I wish I had been reading people like Zach when I was in my early 20s.*

*His new column will be called "FIRE Starter" and will be published monthly. For the astute observer, you will notice that I have added three new series to the blog: [LateFIRE](#), [FIRE Starter](#), and [Chasing FIRE](#). Notice a theme? They all capitalize on the explosion - one might say the COMBUSTION - in the FIRE (financial independence retire early) movement. But let's set the record straight: on the GYFG blog, "FIRE " is defined in a slightly different way, as I see it meaning Financial Independence / Recreational Employment. That's because I am after **freedom**, not a typical retirement, and see myself working forever. But once I hit [my number](#), my employment will represent my recreational choice.*

*I'm happy to share **Part I** of Zach's inaugural column with you Freedom Fighters. It is full of valuable actionable information that could change the rest of your life if you follow it.*

*Without further delay, I figuratively pass the mic - take it away, Zach!*

As a 20-something, it can be hard to know where you should spend your time to grow your wealth most effectively. Should you focus on increasing your income, reducing your expenses, or both? What are strategies that actually work for boosting your income? What are the best ways to keep your expenses low? For answers to these questions, here are nine actionable tips for savings, investing, and growing serious wealth in your 20s.

## **1. When you're just starting out, focus on growing your income.**

When you're just starting out, you likely don't have a significant amount of savings to invest. Even if you do have \$10,000 saved up through working retail jobs and flipping items on Ebay, this just isn't enough capital to make you wealthy any time soon.

For example, if you invest \$10,000 into a stock index fund and earn 5% in a given year, that's only a \$500 return. Or if you invest \$1,000 in an individual stock that doubles in price in 12 months, that's only a \$1,000 profit...before trading fees and taxes.

That's why you should focus on becoming an income machine, not an investment guru. And the best way to earn a high income when you're young is to focus on growing a skill set that others find valuable.

Personally, I graduated with both a bachelor's and master's degree in statistics, which helped me land a job as a data scientist with a salary of \$80,000 per year by age 23. Statistics is a niche field that very few people are knowledgeable in, which is why it pays so well.

I also tutor high school and college students in statistics for \$40-50 per hour, which is a lucrative side hustle for me. This enables me to earn additional income outside of my day job, and that helps me grow my net worth at an even faster pace.

In general, you can make serious money when you're young by accumulating knowledge and skills in fields that most people avoid. Some examples of these fields include statistics, math, programming, chemistry, physics, and engineering. Because there is high demand for skills in these fields, you can make good money there even as an entry-level employee straight out of college.

## 2. Follow the opportunity, not your passion (at least not initially)

As a 20-something, it can be tempting to think that the best way to find both success and happiness is through following your passion. Unfortunately, this turns out to be a poor approach for most young people.

When you're just starting out, you simply haven't had enough experience to know where your skills are, what type of work you enjoy doing, or what type of environment you thrive in. For this reason, it's best to follow opportunity. Just get started working *somewhere*. It doesn't have to be your dream job. Focus on earning some money and once you do, find out what type of work you enjoy doing.

From the book [Tribe of Mentors](#) by Tim Ferriss, the founder of Wired Magazine Kevin Kelly gives the following advice to young people about to graduate college:


*“Don't try to find your passion. Instead, master some skill, interest, or knowledge that others find valuable. It almost doesn't matter what it is at the start. You don't have to love it, you just have to be the best at it. Once you master it, you'll be rewarded with new opportunities that will allow you to move away from tasks you dislike and toward those that you enjoy. **If you continue to optimize your mastery, you'll eventually arrive at your passion.**”*

This is practical and actionable advice. Very few 20-somethings are successful entrepreneurs who earn their own income - not because the world hates 20-somethings and won't pay them for their work, but because most young people fundamentally lack the skill set and experience needed to earn money working for themselves.

This is why it's a good idea to follow the opportunity, not your passion. When you're young, it's okay to work for someone else and help them build *their* dream while you build *your* skill set. Eventually, after enough time and effort, your skills will reach a level where you'll have more flexibility in your day job or even the ability to work for yourself.

One of the best positions to be in as a recent college grad is one where you can earn an income working for someone else while having the ability to grow your skill set on the job.

In my own life, this played out in my first job straight out of college, where I earned \$52k as a data analyst. This isn't an insane amount of money, but I had the freedom and flexibility to learn as much as I wanted during my hours in the office. This helped me grow my skill set, which I later leveraged to land my current job [with a salary of \\$80k](#).

Another practical piece of advice from [Tribe of Mentors](#)  comes from human rights activist [Ayaan Hirsi Ali](#):

*“Many students come to me full of wonderful intentions hoping to change the world; they plan to spend their time helping the poor and disadvantaged. **I tell them to first graduate and make a lot of money**, and only then figure out how best to help those in need. Too often students can't meaningfully help the disadvantaged now, even if it makes them feel good for trying to.*

*I have seen so many former students in their late 30s and 40s struggling to make ends meet. They spent their time in college doing good rather than building their careers and futures. I warn students today to be careful how they use their precious time and to think carefully about when is the right time to help. It's a well-worn cliché, but you have to help yourself before you help others. This is too often lost on idealistic students.”*

Ali tells her students to “graduate and make a lot of money.” The more money you have, the more freedom you have to do work you actually want to do. If you follow her advice, you won't be forced to work at a job you hate just to pay the bills, and you will ultimately be able to help many people besides yourself.

Build your skill set and your net worth when you're young. By doing so, you'll have the financial means and the ability to pursue a work situation where you can have the greatest personal freedom and the greatest possible impact on the world.

### **3. Once you do start making good money, resist the temptation to blow it on lifestyle upgrades.**

Most 20-somethings who make good money make the unfortunate mistake of upgrading their house, car, wardrobe, and lifestyle to a point where their expenses match their earnings.

I recommend doing the opposite. When you do start making good money, buy assets, not liabilities. Buy stocks, real estate, websites, ownership in businesses, or anything that tends to pay *you* over time. Don't waste your money on things that require payments *from you*. This will make you rich in *net worth*, which is what leads to true wealth.

In your early 20s especially there will be a huge variance among people you know who are landing \$80k+ jobs and those who are still working entry-level jobs while living with their parents.

If you're on any type of social media, you'll come across subtle (and sometimes not so subtle) flexing from people buying new cars, houses, and other trinkets to show they "made" it. I call this the "trophy game." People love to show off trophies that don't actually mean anything in the long run. Just remember that the shine eventually wears off on these trophies but the monthly bills remain.

In addition, if your motivation to upgrade your lifestyle is to impress your peers, this likely won't have the intended effect due to the ["Rich Man in the Car Paradox."](#)

When you see a rich man in a car, you don't think about how cool he is. Instead, you think about how cool it would be if *you* personally owned that car and the attention that would come from it.

This phenomenon extends to most material purchases. When you buy new shoes, a watch, a car, or a house, your peers aren't impressed with *you*. What they are thinking about is how sweet it would be if they themselves had those things. They care about themselves, not you!

Upgrading your lifestyle and accumulating possessions merely to impress your peers is a waste of both your resources and your focus.

## **To Sum Up, Part 1**

Grow your income, follow opportunity, and increase your net worth. This will leverage your 20s for maximum growth towards achieving the financial goals of your dreams, and the freedom every 30-year-old covets.

To be continued...



## Gen Y Finance Guy

**Hey, I'm Dom** - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)