pennsylvania
DEPARTMENT OF BANKING AND SECURITIES

12 Investing Principles That Every Young Person Should Know

1. **Map your financial future.** Take time to list your financial goals, along with a realistic plan for achieving them. You can go places you want to go without a roadmap - but seldom on the first try.

2. **Don't expect something for nothing.** Be leery of advertisements, sales people or other sources of financial offers promising anything free. Like non-financial opportunities, if it sounds too good to be true, it probably is.

3. **High returns equal high risks.** Recognize that no one will pay you high interest rates on a sure thing. In most cases, the higher the interest rate offered to you, the investor, the higher the risk of losing some, or all, of the money you invest. Diversification of assets is the best protection against risk.

4. **Know your take-home pay.** Before committing to significant expenditures, estimate how much income is likely to be available for you. Net income, after all mandatory deductions, is more important to estimate than gross income before deductions.

5. **Compare interest rates.** Obtain rate information from multiple financial services firms to get the best value for your money.

6. **Pay yourself first.** Before paying bills and other financial obligations, set aside an affordable amount each month in accounts designated for long-range goals and unexpected emergencies.

Source: Jump$tart, Financial Smarts for Students

7. **Money doubles by the "Rule of 72".** To determine how long it will take your money to double, divide the interest rate into 72. For example, an account earning 6% interest will double in twelve years (72 divided by 6 equals 12).

8. **Your credit past is your credit future.** Be aware that credit bureaus maintain credit reports, which record borrowers' histories of repaying loans. Negative information in credit reports can affect your ability to borrow at a later point.

9. **Start saving young.** Recognize that your total savings are determined both by the interest you earn on those savings and the time period over which you save. The sooner you start saving, the more funds you'll be able to amass over time.

10. **Stay insured.** Purchase insurance to avoid being wiped out by a financial loss, such as an illness or accident. An insurance plan should be part of every personal financial plan.

11. **Budget your money.** Create an annual budget to identify expected income and expenses, including savings. This will serve as a guide to help you live within your income.

12. **Don't borrow what you can't repay.** Be a responsible borrower who repays as promised, showing you are worthy of getting credit in the future. Before you borrow, compare your total payment obligations with income that you will have available to make these payments.