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The One Thing Students Must Do Now to Build Future Wealth

By Juliette Fairley

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NEW YORK ([MainStreet](#)) — The average 30-year-old today is facing higher financial stakes than those of previous generations, according to a new study.

An Urban Institute report revealed that 30-something year olds in 2013 have 21% less net worth than 30-somethings in 1983.

"Much of it has to do with high-interest [student](#) loans and credit card debt. The return on investment of a college education is excellent but paying off that investment without outside help is exceedingly burdensome for a graduate," said John McDonough, CEO of Studemont Group College Funding Solutions.

Although college grads earn 84% more than those with only a high school diploma, according to Georgetown's Center on Education and the Workforce, many [students](#) get in over their heads with student loan debt.

"If their parents are in debt or lost their home in the 2008 mortgage crisis or lost their investments in the stock market, then today's students don't have a model to emulate," said Kimberly Foss, a CFP and founder of Empyrion Wealth Management in Roseville, California.

As students use the month of August to prepare for the coming academic year, managing money and making sound financial decisions without their parents while in college will be their greatest challenge/

"Most parents don't even know how to balance their own checkbook," Foss told *MainStreet*. "So the youth entering college now are lost like babes in the woods. It's their intelligence and internet savvy that saves them."

According to the Consumer Financial Protection Bureau (CFPB) more than 7 million Americans are in default on federal or private [student loans](#).

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"Make sure the total amount of your [undergraduate](#) student loans is no more than the typical first-year salary in the field you plan to enter," said McDonough.

With time on their side, investing is the single most important thing a college [student](#) can do to cultivate wealth while studying.

"When you are young, you may be money-poor, but you're rich in time, which is a powerful wealth builder," says Eleanor Blayney, a CFP.

Foss suggests college [students](#) get in the habit of saving money by investing a minimum of \$25. "Pulling together a minimum investment of \$1,000 can be a challenge but there are alternatives," said Foss.

Investment alternatives with low or no minimum investment requirements include dividend reinvestment plans (DRIPs). Of the companies in the Standard & Poor's 500 index, 74% currently pay dividends.

- 1. Enroll in the Kraft company's direct stock purchase or DRIP program by submitting an account authorization form along with a payment for initial investment through Wells Fargo's shareowneronline.com. Minimum investment is \$500 and \$50 thereafter.
- 2. Enroll in Proctor & Gamble's direct stock purchase plan through www.computershare.com/pg and authorize automatic withdrawal with an initial enrollment form along with a one time initial investment of \$250 and \$50 payments thereafter.
- 3. Get a Roth IRA registered through Schwab.com -An advantage of the Roth IRA is fewer withdrawal restrictions and requirements as well as the fact that transactions inside an account—including capital gains, dividends and interest—do not incur a current tax liability.
- 4. For \$3.99, Learnvest.com creates a financial plan, which includes customized investment recommendations even for students who have no extra money saved to pay an investment minimum. The service also allows users to connect bank accounts, credit cards, investment accounts and loans to provide a broad snapshot of your financial situation.
- 5. Country Financial, a life insurance company, offers fixed flexible premium annuities in 18 states with a minimum investment of \$50.

--Written by Juliette Fairley for MainStreet

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