10 GAME-CHANGING WEALTH-BUILDING HACKS FOR STUDENTS

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Earning income is a critical step to building financial wealth, but earning income is not enough. This comprehensive guide provides simple, actionable financial hacks to help you establish wealth-building habits.

"Do not save what is left after spending - spend what is left after saving."

– Warren Buffett

HACK 1: Pay Yourself First

Strategy: Pay yourself first by setting aside a portion of each paycheck until you have enough saved to cover 3-6 months' worth of expenses. Consider the 50-30-20 rule (50% needs, 30% wants, and 20% savings).

Example: If your monthly expenses are $300 and you save $100 a month ($50 per paycheck) you'll reach your emergency savings goal in one year.

"The sooner you start to invest in yourself, the greater your opportunities will be to achieve financial freedom."

– Mellody Hobson

HACK 2: Invest in Skills and Education

Strategy: Allocate time and resources toward learning new skills or certifications (i.e. AI, digital marketing, data analytics, coding, project management, communications) that can increase earning potential.

Example: Investing $500 annually in courses that boost future income could result in saving an extra $1,000 annually. If this $1,000 is invested each year, it could grow to $391,198 in 30 years at a 10% annual return.

"You can't have financial freedom if you're not willing to put in the work. It's about making sacrifices today for a better tomorrow."

– Suze Orman

HACK 3: Budget Wisely

Strategy: Create and stick to a budget to monitor where money goes each month and identify areas for cost-cutting. Check out the great budget building resources at financialsmarts.umbc.edu in the Learn area!

Example: Maybe you budgeted $50 for entertainment but noticed you spent $75 last month. Check out the SEB event calendar to find free events so you stay within your budget in the future. That $25 can go into your savings!

"Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it."

– Albert Einstein

HACK 4: Start Saving Early

Strategy: Take advantage of compound interest by starting to save small amounts regularly, even if it's just in a high-yield savings account.

Example: Investing $100 per month ($1,200 annually) could grow to $57,090.50 in 30 years with just a 3% annual return, showing the power of starting early, compound interest, and maintaining consistent investments.

"Debt is like any other trap, easy enough to get into, but hard enough to get out of."

– Josh Billings

HACK 5: Avoid Unnecessary Debt

Strategy: Only take on debt for essential needs like education or a reliable vehicle and avoid credit card debt by paying off the balance in full each month.

Example: By avoiding unnecessary interest charges and investing $300 saved annually, you could accumulate $117,359 over 30 years at a 10% annual return.

"Beware of little expenses; a small leak will sink a great ship."

– Benjamin Franklin

HACK 6: Watch Out for Lifestyle Inflation

Strategy: As your income increases, maintain your current lifestyle for as long as possible to save and invest the extra earnings.

Example: You've been eyeing a new iPhone (that will cost approx. $35/month) but your current phone works fine. Instead of upgrading just because you can, hold off and invest the money into your savings and you'll reach your Hack #1 goal even sooner!

"He who buys what he does not need, steals from himself."

– Swedish Proverb

HACK 7: Prioritize Needs Over Wants

Strategy: Differentiate between needs and wants to make intentional spending choices that align with long-term goals.

Example: Choosing to make your own dinner instead of ordering take out via a delivery service can save $20 per meal. If you eliminate just one delivery meal per week, you'll save over $1000 per year.

"Time in the market beats timing the market."

– Ken Fisher

HACK 8: Stay Consistent with Investments

Strategy: Commit to investing regularly, even during market fluctuations, to take full advantage of long-term growth. Consider leveraging an automated investment plan through a brokerage in which you contribute funds to an investment account in regular intervals. Set it and forget it!

Example: Consistently investing (through automation) $100 per month $1,200 annually could grow to $469,437 in 30 years at a 10% return, demonstrating the power of steady investing through all market conditions.

"Short-term convenience can lead to long-term debt."

– Unknown

HACK 9: Avoid Payday Loans at All Costs

Strategy: Recognize the high risks and costs associated with payday loans and choose safer alternatives like personal loans from a credit union, borrowing from family, or utilizing emergency savings.

Example: Getting your $500 paycheck early via a Payday Loan is likely to cost $75 in fees! You'll pay $1950 per year in fees if you take out a payday loan for every bi-weekly paycheck.

"It's not about how much money you make, but how much money you keep."

– Robert Kiyosaki

HACK 10: Be Smart About Taxes

Strategy: Utilize tax-advantaged accounts like a Roth IRA or 401(k) to minimize tax liabilities and maximize savings.

Example: A student contributing $1,200 annually to a Roth IRA, growing tax-free at 10% annually, could accumulate $469,437 in 30 years. Withdrawals in retirement would be tax-free, maximizing net wealth.

"An investment in knowledge pays the best interest."

– Benjamin Franklin

BONUS HACK: Increase Financial Literacy

Strategy: Continuously learn about personal finance, investing, and budgeting to make informed financial decisions. Start with FinancialSmarts – a specially curated collection of personal financial management resources for UMBC students. To learn more visit **financialsmarts.umbc.edu.**

Example: Using student loans? Do you calculate how much you intend to borrow or simply go through the motions of accepting the loan as offered? It's worth reviewing your budget and calculating IF you need the full student loan. By reducing your student loan borrowing by $500 per semester, you would be saving not just $2,000 in principle to repay but also could save $2,700 in interest also!

These strategies and examples highlight the importance of disciplined investing and consistent financial planning to build substantial wealth over time, assuming a 10% annual return based on the historical performance of the S&P 500 index. We invite you to learn more by visiting **www.financialsmarts.umbc.edu**