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Financial planning tips for young professionals

Whether you have been in the workforce for the last three years or are a recent graduate, here are some quick financial planning tips to jumpstart your wealth accumulation journey.

Pay yourself first

A good rule of thumb for savings and budgeting is the 50/30/20 rule. 50% of income is spent on needs, 30% of your income is spent on wants and 20% of your income is saved. However, if you would like to save aggressively, we would recommend a 50/20/30 rule: 50% spent on needs, 20% spent on wants and 30% saved.

Set up your accounts

Over the course of your career strive to have four core accounts that are regularly funded:

- Checking
- Savings
- 401(k) or 403(b)
- Discretionary IRA or Roth IRA

Live beneath your means

Set yourself up early by creating healthy habits around how much you spend on larger expenses such as rent, a car, and trips. Rather than utilizing 100% of what you need to spend on these expenses, aim to use 70-80% of your monthly budget.

Create a monthly budget with short- and long- term goals

Getting into the habit of budgeting will allow you to truly analyze how much money you are spending rather than just taking an estimation. We recommend saving at least 50% of your bonus annually.

Understand your company's benefits

Many people, no matter what age, don't take the time to learn their company's benefits. Knowledge is power— understanding what is available to you right from the start will help guide your financial planning decisions. We recommend reviewing for the below benefits before you start or take on a new job:

- 401(k) or 403(b) Plans

- Health Savings Account (HSA)
- Flexible Spending Account (FSA)
- Commuter and/or work from home stipend
- Health Insurance plan

Learn investing basics

Taking the time to learn the basics of investing will set you up in the long run. Below are a few facts we believe can help shape a good investing strategy at an early age:

- The S&P 500 Index average rate of return is 10%[1]
- Know the Rule of 72: The rule of 72 tells you how long it will take an investment to double based on the rate of return (as an integer)

Max out your 401(k) plan

The limit on employee elective deferrals for a traditional and safe harbor plan is $23,500 in 2025. Know the 401(k) matching policy at your company and take full advantage of it. If you can't max out, add a percentage of each raise received up until the matching point is reached.

Next steps

While all of this may seem like a lot to do now, it is just the tip of the iceberg when it comes to saving and investing. The biggest take away we want you to have is this: Simply to diligently put small amounts of dollars away to fund your lifestyle once you have retired.

1. The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges in the United States. Mesirow Wealth Management is a division of Mesirow Financial Investment Management, Inc., an SEC-registered investment advisor.

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