

SPECIAL REPORT: Smooth Financial Moves When Turning 18



Turning 18 is a milestone for any young adult. For them, it's another step toward the independence to make their own decisions.

As a parent, grandparent, even a mentor, do you consider them prepared for this journey? You understand their strengths—what more would you like them to know?

This can be a key moment to look back on all the money lessons you have provided over the years and to build upon that foundation of financial values and literacy.

Significant wealth creates greater opportunities for families; it also creates greater responsibilities to educate the next generation about how to manage it.

It may help to first explain to your young adult some of the realities of turning 18: the legal independence to make their own moves (such as signing a contract or getting a credit card) but also the ability to make potentially costly mistakes.

Parents and other supportive adults can use this publication to identify topics that are beneficial to their young adult and to emphasize how to distinguish potential options and risks in order to make responsible decisions that suit their needs.

These topics can range from budgeting and saving to understanding credit, debt, and investing, and then on to the details of eventually buying a car or home. Covering all those topics can be overwhelming for many 18-year-olds. In addition, each family's finances and views on money will differ. Therefore, it falls upon parents to judge which financial topics to focus on and how best to open the discussion.

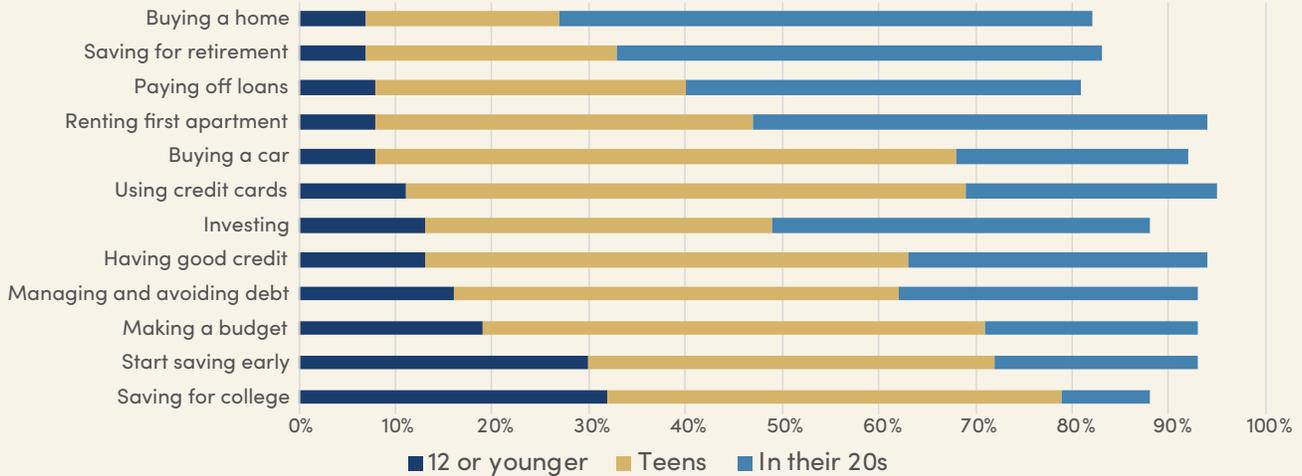
The payoff can be knowing your young adult will be equipped with practical financial knowledge to help foster independence and instill habits that lead to responsible and successful money management throughout their lives.

18 Tips for 18-Year-Olds

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Parting Advice: Work On Your Cooking Skills (Cheaper Than Eating Out)

When Do Parents Start Talking Finances With Their Children?



Source: Capital Group/American Funds

Financial Literacy is a Superpower

Many of us learn money habits from parents or other trusted adults. With that in mind, when your child was younger and received money for a birthday or holiday, did you make them divide it into separate piles for spending, saving, and maybe a small portion for charity? If so, you've likely already instilled some elements of financial literacy.

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A young adult's plans—whether it's to eventually build a career, buy a house, or save for retirement—rarely

come together quickly or easily. Financial literacy, though, can arm your young adult with the confidence and capability to navigate the complexities ahead.

One lesson of financial literacy is that even with the best-laid plans and prioritized needs, there will likely be roadblocks for those just starting out:

- **Low initial income:** Income levels often are low for entry-level jobs or part-time work, making it challenging for someone to save or invest regularly.
- **Student loan debt:** More than 42 million Americans owe money on student loans for a total of \$1.814 trillion in 2024 (the average outstanding balance for federal student loans is \$39,075), creating financial strain and making it difficult to prioritize other goals.
- **Peer pressure and social media:** Falling prey to peers' expectations or social media influences, particularly for those coming from high-net-worth families, can lead to unnecessary spending and poor financial decisions.
- **Economic uncertainty:** Fluctuating job markets and economic instability can make financial planning seem futile or overly daunting.



Perhaps the best reason to prepare and persevere is that parents' financial support—even among high-net-worth families—likely won't last forever.

Needs Should Prevail Over Wants

Have you ever walked through a grocery store and spotted a snack on the shelf that sparked an instant craving, but you instead told yourself "I want it but don't need it" and kept walking? That's an example of choosing to satisfy your needs, such as by purchasing foods essential to your continued good health, before adding a snack.

It may sound farfetched at first, but the grocery store scenario can also become a financial lesson. Your money stretches only so far; therefore, take care of the "needs" (for an 18-year-old, that may be school tuition, rent, utilities, car insurance) before using what's left for "wants" (perhaps concert tickets, a new tech device, or a late-night food delivery).



Consider Some Financial Goals

The planning horizon at this stage of life may not be very far ahead. Still, even general goals are better than none, and they can be staggered over short, middling, and longer periods.

The value of goals is that they involve skills such as critical thinking and seeking out reliable sources for assistance, and serve to help one focus on the finish line while evaluating opportunities (such as whether to switch jobs and move to a new city, or pay off a credit card before putting money toward a new gaming device or other electronics).

In addition, while individuals may be looking to achieve instant success through financial home runs, it's more likely that smaller "wins" over time are more achievable and can eventually add up to larger gains. For example, if the goal is to accumulate \$30,000 within 5 to 6 years for a home down payment, the finish line may be easier to reach if the total amount is broken down to smaller, annual goals of \$5,000, or even monthly goals of \$417.

These are some examples of types of goals:

- **Immediate goals (up to 24 months)**—Put money away for college or to fund a 529, save for a down payment on an apartment or vehicle, build an emergency fund, open an Individual Retirement Account with plans to contribute \$1,000 within a self-determined period.
- **Start getting serious (2 to 5 years)**—Weigh career choices and compensation, compare cost of living in different cities and buying versus renting a home, budget for repaying student loans.
- **Planning for the life you want (5 years or longer)**—These will be the most difficult goals because they can require years or decades of perseverance to reach the finish line: starting a business, imagining what retirement will be like, estimating health care needs as you age, saving for a trip around the world.

Build a Budget

Helping your young adult create a budget will clearly lay out monthly income, expenses, and anything left over. Their needs, though, will vary based on their upcoming path, whether it's off to college, joining the military, taking a gap year, or something else. A budget can determine whether your young adult can afford, for instance, a computer suitable to their situation versus wanting a more elaborate gaming model, a reliable vehicle versus a sports car, or tuition at a state university versus a private school.

A college may also provide estimated costs for room and board, books, etc., which can help parents who are footing the bill to establish an appropriate budget. Providing a pot of money to meet those expenses either all at once or monthly—and perhaps adding a little extra—can nudge your young adult into growing accustomed to paying bills themselves and experiencing the gratification of applying anything left over toward a perk for themselves.

Nothing is Set in Stone

If an 18-year-old thinks establishing priorities is tough initially, the ebb and flow of time has some surprises for them. One of the lessons of youth can be that financial goals and planning will change over time, from establishing stability and growth in youth to maintaining security and legacy in later years. Health issues, economic miscues, or other unexpected events can also pop up and alter goals.

Flexibility is critical, particularly amid the possibility of fluctuating income or unpredictable expenses. Overcome these challenges by setting aside a portion of income, however small, for savings that can cover unexpected events.

Avoid Impulse Buying & Don't Spend to Impress

Building a budget is irrelevant, though, if the budget is not followed. Overspending or impulse buying can result in embarrassing repercussions, for example, cellphone service being suspended due to an unpaid bill after the money was spent on something else.

Overspending is particularly reckless because it is unsustainable and can result in buyer's regret and emotional stress.

This spending trap can be avoided:

- Understand that fear of others' judgment often is inflated. Most people are too busy with their own lives to pay attention to what your young adult is buying.
- Work out a budget before shopping.
- Try to wait 24 to 48 hours before making non-essential purchases.
- Invest in things that genuinely improve your life.
- Mimic friends who prioritize financial responsibility and ask how they are able to stay on track.

Define Bad Debt vs. Better Debt

Various forms of debt are utilized by many families (to the tune of \$18.59 trillion in debt held by households as of the third quarter of 2025). To call some debt a “bad” choice as compared to a “better” choice, though, can depend on its purpose.

“Better” debt often is considered an investment in your future or for something that could grow in value, particularly if the repayment terms or interest rate are favorable.

For instance, taking out a mortgage can be beneficial because the home can be expected to grow in value. A student loan can improve your professional skills and lead to a better job. A loan can help you open or expand a business.

“Bad” debt, on the other hand, can drain wealth when used to buy something that is not really needed or is likely to lose value immediately. Using a credit card for luxury items or entertainment and not paying off the balance monthly is an example. Another is taking out a high-interest auto loan for an expensive vehicle when a lower-cost model is available and is a better fit for a budget.

The key may be to limit borrowing to situations where it can be an investment rather than for immediate gratification.



Saving Now Can Mean More Financial Opportunities Later

Pitch the idea of saving as a “nest egg” (money set aside for a major goal, such as a home, travel, or retirement). The term comes from farmers who put eggs in hens' nests to stimulate them to lay even more eggs.

Saving isn't just about accumulating money—it also can allow you more freedom to take advantage of financial opportunities and reduce the stress of otherwise living paycheck to paycheck or relying on credit cards for unexpected expenses such as a car repair or trip to an urgent care.

Begin saving and investing as early as possible. A common complaint among young adults is that they can afford to save only a small amount each month, so why bother. Consider, though, that starting at a young age allows a long runway for money to grow, and even only a few dollars put away each month could eventually become a significant amount over a number of years. The secret is in the value of compounding, that is, when your money earns even more money.

For example, if you put \$1,000 into an account that earns 4% interest compounded annually, with no additional deposits or withdrawals:

- At the end of the first year, you could have up to \$1,040
- After the second year, up to \$1,081.60
- By the end of the third year, up to \$1,124.86

This illustrates a simplistic model, but it serves to illustrate the point that disciplined saving—even of small amounts—can prove invaluable later. “Someone's sitting in the shade today because someone planted a tree a long time ago,” a comment by investor and philanthropist Warren Buffett, nicely sums up the delayed gratification and foresight required to benefit from compound interest.

Consider Some Common Types of Accounts at Financial Institutions

There are any number of savings vehicles suitable for young adults. One of the most common account types is a savings account because they are offered at most financial institutions. People often use them to separate emergency or short-term savings from funds intended for daily expenses.

Another option is a checking account that allows easy access to money, and accommodates bill payments

by handwritten check, debit card or online. If you are also on the account (something parents might consider doing with a college-age child), you can deposit money as needed and help track your young adult's spending through monthly printed or online statements, which can emphasize money management efforts.

Personal Check Writing Going the Way of the Dinosaurs?

Business classes once taught generations of high school students how to write a check and balance an account ledger. In this age of electronic banking, though, writing checks to pay bills is becoming a rarity. The Federal Reserve Bank of Atlanta reported that the average American now writes about nine checks a year, down from about 60 checks annually in 2000.

Both types of accounts may allow direct deposit of money from a paycheck or other sources. When opening a savings or checking account, be sure to read the fine print on whether there is a charge if the balance drops below a minimum amount or whether balances above a certain level are eligible to earn interest.

Individual deposit accounts holding up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC), meaning that if a member bank were to fail, account holders' deposits are protected up to that amount. Similar protection is available at credit unions through the National Credit Union Administration. An individual can protect more than \$250,000 in several ways, such as by opening separate accounts at different institutions.

Tax-Advantaged Savings and Investment Accounts For the Future

An Individual Retirement Account (IRA) or 401(k) may not be top of mind to an 18-year-old but they should be aware of the potential long-term value and tax benefits of retirement and other accounts.

Retirement accounts. Traditional IRAs and 401(k)s are examples of tax-deferred savings plans. The taxes on the contribution and its investment returns will be due only when the money is withdrawn, generally after retirement and at a time when post-retirement income may put an individual in a lower tax bracket. For both options, penalty-free withdrawals begin at age 59½. Roth versions of both accounts are slightly different; taxes are paid before the contributions are made but future qualified withdrawals are tax-free.

An IRA can be opened at various financial institutions and generally offers investment management with a wider spectrum of investment options. There is no age requirement to open a traditional IRA but your young adult must have earned income in order to contribute to their account, and income limits apply to Roth versions.

A 401(k) account is managed by a third-party administrator selected by an employer and can be made available to employees after they meet eligibility requirements of the plan, such as age or length of employment. Investment options generally are limited. In 2024, 72% of employees in private industry had access to retirement plans but only about half of eligible workers participated, according to the U.S. Bureau of Labor Statistics.



Health Savings Account (HSA). When your young adult has a job and no longer is claimed as a dependent on your health insurance, they may be eligible for an HSA. These accounts are a type of personal savings account that offer a triple tax advantage: contributions are made pre-tax, appreciation is tax-free, and spending is tax-free, so long as the funds are used for qualified medical expenses. Also, the account has the potential to grow through investments in stocks, bonds, ETFs, mutual funds, or other options.

Spouses can each have an HSA, but both cannot contribute to a single account.

These accounts are not for everyone, though. To be eligible, you must be enrolled in a high-deductible health plan (HDHP), generally offered by employers and a wide number of insurers. (HDHPs have a higher deductible but often a lower monthly premium.)

Money that is not used in a calendar year can be rolled over indefinitely without penalty. At age 65, the money can be put to any use, though withdrawals for non-medical expenses would be subject to ordinary taxes.



529 plan. Named for Section 529 of the Internal Revenue Code, these are designed to encourage saving for future education costs. They continue to grow in popularity among families, often with grandparents also making contributions, with nearly 17 million 529 accounts in use at the end of 2024, up from about 10 million accounts in 2009.

Anyone 18 or older with a Social Security number or Individual Taxpayer Identification Number can open an account, for either themselves or someone else.

These accounts provide several financial planning advantages, regardless of income level. For instance, while contributions are not deductible on federal income tax returns, many states offer a state income tax deduction as an incentive to use the home-state plan. Also, contributions grow tax-free, and withdrawals for qualified education expenses are tax-free. A grandparent or other individual can also reduce their taxable estate with a lump-sum contribution to a beneficiary's account of five years' worth of the annual gift-tax exclusion (currently, \$19,000 per individual times five years equals \$95,000). That contribution can be doubled for married couples.

In some circumstances, 529 accounts no longer are just for qualified college expenses. Federal law and some states allow distributions up to \$10,000 per beneficiary annually to go toward K-12 public, private, or religious schools. (Check with the 529 plan in your state to determine whether qualified K-12 expenses are allowed.) Graduate and professional school qualified expenses also may be eligible.

Understand investments. Can your young adult define types of investments, such as stocks, bonds, mutual funds, and exchange-traded funds (ETFs)? A stock is a share of ownership in an individual company. A bond is issued to raise money by a government or corporation. A mutual fund is a professionally managed

portfolio that pools money from many investors to buy a variety of securities such as stocks, bonds, or other assets; the fund's net asset value (NAV) is calculated once per day. An exchange-traded fund (ETF) is like a mutual fund in that it holds a diversified portfolio of securities, but ETFs trade on exchanges like stocks and can be bought or sold intraday at market prices, which may differ slightly from their NAV.

While the stock market can produce tremendous wealth—for nearly the last century, the average annual return has been about 10%, as measured by the S&P 500 Index—it also typically experiences some declines. Annual inflation rates and fees are additional factors to be considered.

The importance of diversification to an investor is that typically during a downturn not all the asset classes in a portfolio will behave the same. In fact, an investor is counting on some assets classes to have a negative correlation with each other, meaning some may potentially rise in value as others decline. The outcome is a potentially lower volatility and smoother returns over time.

Type of Asset	Risk Level	Growth Potential
Cash and cash equivalents	Very low	Very low
Fixed income (e.g., bonds, certificates of Deposit, Treasurys)	Low	Low
Equities	High	High
Alternatives	Varies	Varies

Source: *The Motley Fool*

Start Building Credit and Use It Wisely

Perhaps the best lessons are to avoid needless debt and not open too many accounts. A secured credit card (which requires a cash deposit usually equal to the card's credit limit) or a card with a low credit limit may be ideal to help your young adult start building a credit score.

A credit score—used to measure risk—generally is independent of how much money you make and instead is based on how you manage your finances, i.e., how much you owe and how you pay it back. It also can ripple through other aspects of life:

What's a Good Credit Score?

Credit scores generally range from 300 to 850. Experian, one of the three major credit agencies, considers a score of 670 to 739 as "good." Credit scores of 740 and above are "very good" while 800 and higher are "excellent."

- Consideration for apartment rentals or credit card offers
- Lower insurance premiums
- More favorable terms in cellphone plans
- Potential edge during hiring process

Related Article
[Can You Have Good Income But Bad Credit?](#)

A free credit report can be obtained once a week through the three major credit reporting agencies at annualcreditreport.com. Other sites may require a fee.

Checking your report regularly helps you verify that the credit cards and loans reported on your behalf are valid and can alert you to any unauthorized accounts opened without your knowledge. It also shows how often bills are paid on time and any debts in arrears.

Does it Feel Like You Are Working for the Taxman?

More than 200 years ago, Benjamin Franklin predicted that “Nothing can be said to be certain, except death and taxes.” He’s still correct. Sales tax, property tax, payroll tax, income tax, and capital gains tax are some prevalent types. At the federal level, more than \$5.1 trillion in gross taxes were collected by the Internal Revenue Service in fiscal year 2024.

Young adults may initially come face to face with taxes through their first job, and after receiving their first [pay stub](#) they may be in shock about how much goes to taxes. The sample pay stub shown here breaks down some common deductions.

BIG BOX STORE			EARNINGS STATEMENT			
EMPLOYEE NAME	SOCIAL SEC. NO.	EMPLOYEE ID	CHECK NO.	PAY PERIOD	PAY DATE	
Casey Smith	123-45-6789	101	123	8/01/16-8/15/16	8/22/16	
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR TO DATE
1 GROSS WAGES			200.00	2 FEDERAL TAX	8.43	93.51
				3 FICA SS TAX	12.40	125.40
				4 FICA MEDICARE	2.90	31.90
				5 STATE TAX	0.74	8.21
				RETIREMENT	20.00	220.00
6 YTD GROSS	YTD DEDUCTIONS	YTD NET PAY	TOTAL	7 DEDUCTIONS	8 NET PAY	
2,800.00	479.02	2,320.98	200.00	44.67	155.33	

Source: Consumer Financial Protection Bureau

The information provided to the employer on Form W-4 affects some of the amounts withheld (for instance, withholding can be affected by claiming dependents or by using other adjustments).

Say that the employee’s pay rate in a part-time job is \$10 an hour and this young adult has worked 20 hours over a two-week period. They might be looking forward to pocketing \$200 before realizing that nearly one-quarter of that amount has been deducted for these reasons:



Federal tax. This is the amount withheld each pay period to satisfy your federal tax obligation each year. Adjustments, credits, and other factors also can impact the annual tax bill, but for simplicity we’ll focus on 1) tax brackets with different income ranges, each taxed at a specific percentage; 2) marginal rates, meaning that as income increases, not all of it is taxed at the highest rate—only the portion in each tax bracket. To muddy the waters further, the actual tax burden (known as the effective tax rate and calculated by dividing tax paid by total income) can be lower than the marginal rate.

Some or all of that may be returned as a refund, but only if a federal tax return is filed.

FICA tax. 6.2% of gross wages goes toward Social Security and counts toward the earning record used to help determine eventual benefits.

FICA Medicare. 1.45% of gross wages goes toward the federal health insurance program.

(An employer contributes a matching amount to the FICA percentages).

State/local taxes. Will depend on any taxes imposed by the state or municipality where an individual works and lives.

Renting a Place or Driving a Car? You’ll Need Insurance

Premiums for some types of policies may be higher for younger adults. Understanding the potential trouble spots can help in determining whether they can be mitigated.

Auto

A driver not yet 25 who is unaccustomed to insuring a vehicle may suffer sticker shock when they first request quotes from reputable companies. That’s because drivers under that age generally are viewed as a higher risk for being involved in traffic infractions, and insurers will likely balance that risk by charging a higher premium.

In some instances, the best option may be to simply accept the higher cost while maintaining a safe driving record until age 25, when rates potentially will begin to decline. Drivers also can ask the insurer for a list of vehicles that typically cost less to insure because of safety features, costing less overall, or costing less to repair.

Parents may be able to help your young adult by adding the young driver to their insurance and potentially receiving discounts for having multiple drivers or vehicles on the same policy. Bundling other insurance types (like home or renters' insurance) can also lead to additional savings. In this instance, your child could reimburse you for their share of the policy.



Renters

A young adult headed off to a college dormitory or first apartment may look over their belongings—such as a laptop, TV, bicycle, furniture, bedding, kitchen gadgets, and clothing—and easily underestimate the value.

However, a quick inventory may show more than they expected, and while perhaps not all the items are high value, the replacement costs can add up. A relatively inexpensive renters policy can cover 1) belongings; 2) liability in the event someone is injured in the rental or if someone else's property is damaged; and 3) emergency housing costs that partially cover expenses in case the rental becomes uninhabitable.

Up to age 25, someone living in on-campus housing already may be covered under their parents' homeowner policy.

Coverage can protect against theft, fire, vandalism, and certain natural disasters (e.g., lightning, windstorms).

Coverage for flooding or earthquakes may be extra.

Several factors can impact premiums:

- The property is located in an area with a higher risk of theft or vandalism
- Policy holder has made several claims
- Higher deductible may translate to lower annual cost

Health

A young adult (single or married) generally can remain on parents' health insurance until turning age 26. Some plans maintain coverage through December 31 of the year the child turns 26.

Left to their own devices, some young adults may choose to go without insurance, perhaps because of the cost or that they have no current health issues. This choice, however, ignores the impact of an unexpected health event due to, for example, a sudden accident or illness.

When researching policies, the monthly premium can quickly become the primary decision point. However, other variables could make a low-premium policy more costly over time.

- **Deductible.** The amount paid out of pocket before insurance kicks in. A larger deductible generally results in a lower premium.
- **Co-insurance.** Generally expressed as a percentage such as 80/20; it represents the amount the insurer (80%) and policy holder (20%) each pays for a covered service or medical test. It is separate from the deductible.
- **Co-payment.** A set amount paid for a doctor visit or a prescription. For instance, \$30 for a primary care visit or \$50 to see a specialist, and \$10 for a prescription.
- **Maximum out-of-pocket cost.** This is the maximum amount a policyholder will pay during a specified period, usually a year, for deductibles, co-insurance, and co-payments. Once this amount is reached, other expenses during that period will be paid by the insurer. (Note that the start of a new year customarily resets the clock on all these costs.)

College May Offer Coverage

Some colleges may require students to show proof of insurance or offer a policy that provides basic coverage. Such a plan generally is in addition to care available through the student health center on campus and can cover anything beyond the services available through the campus center.

Who Can Act in Your Child's Name?

Individuals are recognized as an adult with full legal capacity upon turning 18—a milestone in one's autonomy but also in newfound responsibilities. It marks a turning point where parental authority no longer automatically applies and the 18-year-old could:

- Exercise full control over medical decisions
- Enter into legal contracts, such as leases, loans, or employment agreements
- Control finances, including bank accounts and credit
- Limit access to personal information (e.g., academic, medical, and financial records)

A conversation may be in order to be certain your young adult is fully aware of this new landscape but also to consider the outcome if something were to happen and they could not speak for themselves. Would they want you to become involved?

In all likelihood, disputes will not arise and your young adult will remain your young adult and rely on your guidance. This conversation is more about creating a safety net while a young adult finds their footing.

Some of the items listed below could prove beneficial. An attorney can help draft these forms to comply with the relevant laws.

Health Care Proxy

Medical providers generally consult close relatives about care options when someone is incapacitated. If there are no immediate family members familiar with one’s wishes, or if family members disagree about potential treatment, a court can be asked to appoint a guardian.

An option is to specifically designate a health care proxy to make decisions about care.



Medical Records

Similarly, Health Insurance Portability and Accountability Act (HIPAA) rules generally prevent discussion of an adult’s medical records or health status—even in instances when the adult is on his or her parent’s health insurance. Signing a release allows parents access to the information, which

can be beneficial in responding to cases such as a medical emergency, chronic condition, temporary incapacitation, or a mental health crisis.

Power of Attorney

This is similar to a health care proxy, but for financial matters. It also allows parents to act when a young adult is unavailable rather than incapacitated, such as by signing an apartment lease for a student who is studying abroad for a semester.

Family Educational Rights and Privacy Act (FERPA)

Enacted in 1974, this federal law protects the privacy of student education records. Upon reaching age 18 or moving beyond high school, control of who may allow access to the records passes from parents to the young adult. For instance, a college or university level student in some instances could restrict access to grades or other information unless a waiver is signed.

Everyone Online Doesn’t Need to Know Your Business

Social media encourages everyone online to be friends with everyone else. Interactions online, though, can share too much and leave digital footprints that could be harvested and misused by others. There’s also the risk that a comment or video posted while you are young could resurface and hinder future academic or employment opportunities.

Perhaps an even more critical factor is the risk that personal details could be usurped by cybercriminals. About one-third of Americans were victims of identity theft in 2023, some of them for the second time. The AMG publication “Keep Your Guard Up” explains common scams and how to fight back. Your AMG advisor can provide a copy.

Your young adult should be made aware of potential threats and perhaps learn that it can be easier to take precautions beforehand than try to recover afterward. As an example, this publication will illustrate the repercussions of how a scammer could turn a photo or video from a vacation or other event against you:

Identity theft and impersonation. A scammer could use a photo to bypass facial verification systems to take over accounts, or for fraudulent online profiles to coax friends and family into sharing personal information.

Unwanted exposure. Opinions expressed online can trigger harassment or privacy invasions.

Property break-in. Telling social media that you are currently on a vacation can make your home or apartment vulnerable to break-ins or other safety risks while away.

Some simple precautions can be put in place:

- Use a unique, strong password for each app
- Opt for two-factor authentication
- Adjust privacy settings
- Be wary of links from one site to another
- Avoid online quizzes or other posts that ask for your interaction

Tracking More Than Keystrokes

Internet Service Providers (ISPs) can track your device's connection details and the websites you visit. Once you are on a site, that site may use its own trackers to collect additional information—often used for targeted advertising and marketing. The information collected can be:

- Your name, gender, age, and other demographic information
- Your interests and hobbies
- Your browsing history, your views of certain websites, your IP address
- Your previous and current location, as well as time spent in that location
- Characteristics of your device, your browser, and settings

Avoid Lifestyle Inflation

Lifestyle inflation, or lifestyle creep, occurs when a person's spending increases on par with income but there is no corresponding increase in savings. It can become like a habit: as income grows, spending grows—leaving you just as broke despite a bigger paycheck. Over time, little to no savings means no cushion for financial emergencies such as a medical bill or car repair, and no leverage to invest in a bright opportunity. The outcome for your life goals can be stress and anxiety rather than the satisfaction of a secure retirement.

The transition from college student to full-time employee can serve as an example: A college student on a budget may make do with a less fashionable apartment and simpler meals. The onset of significantly higher, steady income can lead to a new apartment with higher rent and other amenities. A young adult may not even realize the consequences of eating out several times a

week, buying expensive coffees throughout the day, or splurging on other purchases.

Treating oneself to such things is not the problem. Rather, it's neglecting to stick to a budget that accommodates a few of these expenses each month while also boosting savings.

Another temptation may be to try to keep pace with friends' spending or to impress others. That is another losing battle and can lead to living paycheck to paycheck or relying on credit cards to maintain the status quo. Instead, remain focused on your goals. By revisiting them often, you may be less likely to spend recklessly or take on new debt to maintain a lavish lifestyle.



Spending Time on Negotiations Can Save Money

Imagine you are helping your 18-year-old buy a used vehicle listed for \$8,000. Agreeing to the full price would seal the deal outright, but you notice that the radio doesn't work, there's a crack in the windshield, and the tires will need to be replaced. Instead, you offer \$7,000, and the owner counters with \$7,200—saving \$800 for some of the repairs.

The lesson? Negotiation can be a valuable skill. It can help in salary discussions, promotions, job offers, seeking a discount on a phone plan or new appliances in an apartment, and even convincing a roommate to do the dishes.

Negotiation also teaches strategic thinking. For example, say that a college grad is offered a job with a \$58,000 salary, no health insurance, and no retirement plan.

If salary is the primary concern, this offer may be adequate. But strategically, health benefits might save thousands in future care costs, and a 401(k) with company matching would help build retirement savings. In the back and forth, the employer agrees to include those two benefits but in return for fewer paid days off. It's up to your young adult, then, to evaluate and negotiate the best *overall* deal.

Learn From Parent's Legacy

Children may tend to want to create the same type of lifestyle for themselves as they had while growing up. This view, though, often focuses on the family's current lifestyle without fully understanding the lifetime of hard work by their parents to get there.

At the same time, parents may look at wealth as something deeper: a legacy to be shared with the next generation and an opportunity to show what can be accomplished over a lifetime—the satisfaction of wealth creation as well as what it takes to achieve wealth—while also serving as a guidepost for how to handle their own affairs.



When talking about legacies, people often focus on executing estate plans, minimizing taxes, and ensuring heirs are financially secure. Those are important aspects, but a legacy can be about more than wealth. It can be about transferring values to future generations. These values can encompass many of the aspects of financial security already discussed: hard work and savings, living within one's means, and investing for the future.

Parents should also talk about what happens after they are gone. This is an opportunity for parents to share information about their will and estate planning—including end-of-life decisions—and explain how this eventually will affect loved ones.

Parents likely don't need to explain in detail what each child would inherit. It may be better to use broad strokes to outline your wishes so that they can prepare. In AMG's experience, families generally find that while uncomfortable, these discussions can help ease children's burden as parents cope with illness or old age.

Here are some suggestions:

- **Set the tone quickly.** Dispel foreboding about an imminent health event.
- **General details first.** Rather than flood your young adult with information all at once, keep it simple. Start with general details, such as "Here's a binder/memory stick/shared drive/document vault with all the information and contacts, and here's how to access it." Emphasize that you are making sure all is in place now in order to make it easier for loved ones in the future.
- **Explain their role.** Prepare them if they will be expected to make decisions on your behalf one day, such as serving as your health care proxy or power of attorney.
- **Make clear your end-of-life preferences.** Explain your choices regarding advance directives and living will preferences. Oftentimes, individuals organize their memorial and burial plans.
- **Encourage questions.** Assure yourself that your young adult's concerns and opinions have been answered. Perhaps also consider including loved ones in the next scheduled meeting with your financial advisor or other professionals.

Mistakes Happen; Learn From Them

Mistakes can be embarrassing, awkward, frustrating, blush-inducing events. They're also absolutely normal and the sign of an achiever or doer. It's how we learn. As Albert Einstein said, "Anyone who has never made a mistake has never tried anything new."

Becoming responsible for a greater level of decision-making is part of adulthood, and the number of choices your young adult will be responsible for will multiply—along with the margin for error. For instance, heading off to college carries with it certain choices, such as maintaining grades (rather than skipping class or not studying) and living within a budget, certainly, but also potentially understanding the obligations of an apartment lease and the cost of noncompliance. Students also may be targeted with credit card offers they can't afford and shouldn't accept.

There is a learning curve, and someone attempting something new might not make the best choices, perhaps due to inexperience or not seeking advice, incorrect assumptions, or emotions and pressure.

Maturity is built upon such predicaments, but these steps can help:

- Recognize what went wrong
- Ask yourself: What can I do differently next time?
- Adjust your decision-making to avoid repeating the mistake
- Don't dwell on it. Learn, improve, and keep going



Parting Advice: Work On Your Cooking Skills (Cheaper Than Eating Out)

Not everyone is up to the challenge of coming up with a meal and cooking each night. However, it can be healthier because the cook controls the ingredients. And whether it's a simple breakfast or a fancy dinner, people will appreciate it. Want to impress a date? Cook them a meal.

Compared with dining out, eating at home is typically much easier on the wallet. A typical home-cooked meal costs about \$4 to \$6 per person, versus \$20 or more at a restaurant. Another factor in favor of eating at home: in 2024, grocery prices rose just 1.2%, while the cost of restaurant meals climbed 4.1%, according to U.S. Department of Agriculture data.

Organize, Act, and Measure Success

People often are tripped up by new situations, and there can be plenty of new and unusual events ahead for young adults. Parents and other trusted individuals can help young adults organize and prepare their lives for the future.

However, there is a difference in financial planning between organization and action. Organization refers to gathering information and setting goals. Action is the implementation of those plans.

The items presented here for young adults lean more toward organizational goals. These can be creating a budget, understanding income and expenses, setting financial goals (e.g., saving for a house, retirement, or an emergency fund), or planning to repay a student loan after graduation. Down the road, deciding to buy a home, attain a high-level position, or plan for retirement are all life events that may become actionable.

Both steps are crucial for successful financial management—lack of organization can spur illogical action; without action, organization never moves beyond an idea. For example, it makes little sense to move to Hawaii (or anywhere, really) without first exploring the salary levels in your field, cost of living, and the price of homes.

At regular intervals—at every age—individuals should look back on their decisions to measure success toward each goal. Accept that there likely will be some setbacks. It can sound trite, but it often is best to remain positive and patient while considering whether a course correction is needed.

If you would like to schedule a **free consultation** with AMG about financial security in every phase of your life, call 800.999.2190 or [email](#) with the best day and time to reach you.

DISCLOSURES

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