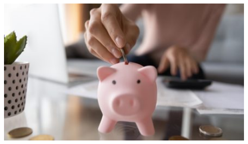

RETIREMENT INCOME CHANNEL

6 Tips for Young Investors Saving for Retirement

JAMES COMTOIS JULY 26, 2022

New investors saving for retirement may be concerned that they've begun their investment journey at the start of a bear market. But not to worry; not only do bear markets occur from time to time, there's also still a lot that investors can do to protect themselves from bears.

At Barron's, reporter Sabrina Escobar offered six tips to help young investors save for retirement in any market, bear or bull.

Learn the Fundamentals

Before investing, first-time investors should strengthen their financial fundamentals, according to Catherine Valega, a certified financial planner with Green Bee Advisory. One way to do this is to build an emergency savings fund with at least six months' worth of living expenses. It's also a good idea to set up a retirement savings account, either through a work-sponsored 401(k) or an individual retirement account.

Pay Down High-Interest Debt

Vivian Tu, a financial literacy content creator on TikTok, advised young investors to pay down high-interest debt (i.e., any debt with an interest rate above 7%). With interest rates likely to keep rising, that debt could become more expensive over time.

Invest Cautiously and Diversify

A good way to take advantage of the stock market's long-term gains is to invest in an exchange traded fund that tracks the S&P 500. Investing in a target-date fund tailored to the investor's expected retirement date is also a good idea.

Investors who want to be more hands-on can focus on consumer staples stocks and shares of industrials, materials, and energy companies, which aren't as dependent on consumer spending. But Tu advised that investors should only allocate what they think they can afford and avoid putting money in the market that they may need in the next year.

Diversification is also key. Rather than investing everything in one stock or asset, Anne Lester, former head of retirement solutions at JPMorgan Asset Management, advised investors to invest in a diversified mix of high-quality stocks and bonds.

Practice Dollar-Cost Averaging

Rather than investing a lump sum in the market, Valega recommended dividing up that money into equal portions and investing it periodically, a strategy otherwise known as dollar-cost averaging. Investors who dollar-cost average buy more shares of an investment when the price is low and fewer shares when the price is high, which averages out to a lower average cost over time.

Avoid Trendy Investments

Bear markets aren't the best time to invest in riskier assets like cryptocurrencies, nonfungible tokens, and speculative stocks. If a young investor is heavily invested in crypto, for instance, Valega recommended finding ways to diversify into more traditional assets, such as stocks and bonds, to cushion the volatility.

Do the Research

Investors should always do their homework before investing. Social media might be a good starting point, but Tu said it's important to verify this information with a more authoritative source, like a respected financial publication, a financial advisor, or an expert in the subject matter. Lester recommended checking websites like Investopedia and NerdWallet.

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