Retirement 101 – The Student's Guide to Retiring in Style

Something that many college students and young professionals so often overlook is the fact that they will one day retire. While it may seem ridiculous and somewhat irrelevant to think that far ahead, investing early in retirement can yield fantastic benefits down the line. Despite the threat of student loans and an unstable job market, planning for and working towards retiring in style should still be part of every young professional's financial agenda. Let's take a look at three important components of a young investor's successful retirement plan.

1. **Budget –** You know that detailed (or not so detailed) budget you've spent so much time building? Take a look at it, and if it's not there already, dedicate a percentage of your income explicitly to retirement. It doesn't need to be large, but every little bit helps (if you haven't developed a personal budget yet, check out this awesome guide). Generally, financial planners will recommend putting away 10-15% of your income for retirement, but the main idea is really just "as much as you can."
2. **Compound Interest –** If you're not familiar with compound interest, you can find an excellent in depth explanation here. The single most important thing to take away from the concept of compound interest is this: *start saving now*. Open up a Roth *today* - even if you can only afford to put in a few bucks a month, it is well worth it. A single dollar invested today will be worth significantly more in 40 years than a dollar invested 5 years from now that only has 35 years to compound. It's important to take full advantage of those last few years where you really start to see exponential growth, as the interest gained becomes the bulk of the account's value. If you're a visual learner, check out these graphs, and note that the degree of the upward curve increases significantly over time. That means that for every additional year of the account's existence, the slope of that line has even greater opportunity to approach a vertical slope (meaning your money is multiplying *ridiculously* fast). Thus, investing small bits of cash even a few years earlier than normal can result in ridiculous long term benefits.
3. **Consistency –** An essential point to note for the young investor is that while investing little bits only occasionally is far better than doing nothing at all, investing consistently is the key to unlocking the treasure chest of the retirement fund. This is a major difficulty for many young professionals, as a large portion of their income tends to end up in the purchasing of inconsequential items reflecting their new social status. If you're able to hold off on purchasing some of those things and make a commitment instead to consistently invest for the long haul, you'll likely find yourself joining the millionaire club before you know it.

If you can manage to build these simple principles into your daily routine and are able to consistently stick with them, you'll be amazed at how quickly your retirement account tops 7 figures. At first, especially for the college student or young professional, following these principles will be very difficult. However, by building a habit of consistently budgeting for retirement, you'll find the full beauty of compound interest working on your behalf and will be able to retire with all the style you could ever dream of.