What the three-leaf clover can teach people in their 30s

BY PATRICK AMEY
Special to The Star

The shamrock, while not the national symbol of Ireland, will be one of the most prevalent symbols around town on March 17 as we gather to celebrate St. Patrick's Day. A popular legend from many centuries ago says that St. Patrick used the shamrock and its three leaves to explain the Catholic mystery of the Holy Trinity.

While the symbol evokes different meanings today — sometimes of green beer and revelry — I will use the shamrock symbol to provide three areas of financial planning that people in their 30s should focus on: saving consistently, building an emergency fund and managing your human capital.

Saving consistently: Income and expenses change annually for everyone, so figuring out how much to save at the end of each month can be difficult. Get in the habit of paying yourself first. Allocate a part of each paycheck to 401(k)s, Roth IRAs, brokerage accounts and personal bank accounts.

Where you save is important but developing the habit of saving is paramount. There are many rules of thumb on how much to save. My favorite is to spend 70 percent of my take-home pay, save 10 percent for long-term goals, 10 percent for short-term goals and give 10 percent to charity.

Again, the habit of saving is more important than the amount. For many people in their 30s, their biggest earning years are ahead of them. So having a system to save consistently will be beneficial as you earn more.

Build an emergency fund: Once you have established the habit of saving, it's crucial to establish some form of cash reserve. Dave Ramsey, a well-known motivational speaker and author on debt reduction, is a big fan of the $1,000 emergency fund to get out of debt. I think that $1,000 is a little lean, but his premise of having some type of reserve to keep us from turning to credit to finance the unexpected is spot on.

We need to have a buffer when something goes wrong — a job loss, a roof replacement, the hot water heater goes out — they all have the same effect. They interrupt our monthly cash flow, so we need to come up with a quick solution. An emergency fund allows us to finance life's disasters on our own terms.

How much should you have in your emergency fund? I recommend at least three months' of fixed expenses. Talk to your financial adviser about what is reasonable and plan to save toward that number.

Managing your human capital: We speak of human capital in two lights: your career and your passions. Establishing a written career plan in your 30s can set you up to be a big-time wage earner in your 40s and 50s (our highest earning years.)

Invest in your education and training to be sure you are ready when your name is called to take the next step in your career. Develop a relationship with a mentor to help give you guidance as you grow your career. A sponsor or someone within the organization that appreciates your work and promotes you to others is also an important relationship to establish.

Our passions are what keep us going each day. We all have them, even if we must dig deep for them. These can get lost or fade to the background in our 30s as life can become more complicated with more demands on our time. It's important to continue to make time for the leisure activities that keep us moving forward.

I, for one, look forward to enjoying one of the more cherished Irish leisure activities this St. Patrick's Day: family, friends and perhaps a pint.

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