THE FIVE BIGGEST MYTHS ABOUT SAVING MONEY, ACCORDING TO A MILLENNIAL

Investing's simpler than it looks, says Ethan Bloch, so young people should chill.

http://www.bloomberg.com/news/articles/2015-11-11/the-five-biggest-myths-about-saving-money-according-to-a-millennial?cmpid=BBD111115_BIZ

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November 11, 2015 — 8:00 AM EST

Ethan Bloch has some financial advice for his millennial peers: “Just have your f------ latte!”

The 30-year-old founder of Digit, an online financial company, can get heated about espresso drinks when discussing the clichéd financial advice given to his generation. In this case he is peeved about the “Latte Factor,” a term popularized by the author David Bach to signify how people can save by cutting back on little things. Bloch doesn’t buy it. “Just having that conversation in your head and using self-control over $3 is time and energy misspent,” he says.

Bloch isn't against saving. He just believes that technology — specifically, his — is better suited to help people get the job done. An algorithm developed by Digit tracks a user’s checking account to analyze income and spending patterns; when the software judges there’s “extra money” on hand, an automatic transfer whisks the surplus into a savings account. The average age of Digit users is 27.

Bloch's life seems lived in startup hyperdrive. He was fiddling with QBasic programming language at 9, sold software on EBay at 11, tripled and then lost $7,000 in bar mitzvah money day trading in the tech boom, started bingeing on Buffett and Munger at 20, and co-founded a startup called Flowtown at 23. He started working on Digit three years ago.

I asked Bloch, who has a lot of strong opinions about life and money, what common financial advice to millennials he considers off the mark. A warning for financial planners: The content of this article may be disturbing.

"It's important to get a job and start saving for retirement the minute you're out of college."

Actually, argues Bloch, it’s more important to spend time thinking about what you want to do and improving your earning potential:

It’s this kind of thinking where people should be spending their anxiety. Think about much you care about money, and what that means about a job for you. If your goal is, I just want to relax and surf and I’ll work my ass off so I can do that one day, well, it doesn’t cost that much to surf in South America. You could do that easily.

Even if you have a ton of student of loans, I’d still say figure out what you want to do even before you think about paying them back. If you’re 21, 22, spending the next few years deciding what you want to do will be more important long-term than making payments for three years. When you get out of school, it’s like you have to pay your student loan or you’ll go to hell. My point is to get out of that fear zone a bit.

"Getting a credit card right out of school is dangerous."

Not necessarily, says Bloch, who got his first credit card when he was 11 years old, from Chase Manhattan:

If you can, get a credit card. It comes down to you not using it to finance short-term experiences. Getting one that maybe has a $500 limit and using it to capacity will be really good for the long run. Set it up on autopay. If the limit is $500, you can’t destroy your life with that. It’s like training wheels.

"The American dream involves buying a house."

Bloch gets a little exercised on the issue of home ownership.

Don’t buy a f------ house. It depends on where you live, but nowadays it often makes a lot more sense to rent than buy. It goes back to values: Are you at a stage in your life when you’re really going to enjoy being a homeowner vs. having that idea implanted as something you want by an older generation or the U.S. government?

People in their twenties don’t have a lot of responsibilities, and that should be leveraged. Even though you don’t have a lot of money, you are rich in unattached time. You can be a bit riskier now than you can be as you age, possibly, and things become more determinate.

"Once you graduate, immediately try to build up a cash emergency fund."

Bloch goes off the personal finance reservation on this point.

People spend too much time thinking about or having anxiety about emergency funds. If you have a 401(k) through your job and start putting money into it, if something crazy happens, that money will be there, even if you have to pay a penalty. That is, by default, an emergency fund. Finance people hate it when you say that, but it’s the truth. It’s pretty pragmatic.

When you’re young, a lot of decisions that you come across are short-term risky, like using a 401(k) as an emergency fund, but the long-term benefit outweighs that.

"Investing is difficult, and stocks are sexy."

It's actually really simple to manage your money, but a lot of people have agendas and have to sell products. There is a lot of noise and very little signal. So people in my generation check out.

For long-term investing, just put money in an index fund on a recurring basis and go back to living your life and you’re done. You don't need a financial helper to do that. If productivity increases, the economy does well. Then, barring nuclear war or an asteroid destroying the planet, you will compound your money at a reasonable rate for the rest of your life.