FINANCIAL TIPS FOR GRADUATES

Once you enter the workforce, it's time to start planning for your financial future.

THE END OF A COLLEGE CAREER CAN BE A JARRING EXPERIENCE FOR GRADUATES. FOR MANY, IT'S THE END OF A RELATIVELY WORRY-FREE LIVING EXPERIENCE, WITH FIRST-TIME FINANCIAL OBLIGATIONS POPPING UP JUST AS THEY LEAVE THE CLASSROOM.

There are a number of important steps that a college graduate can take to establish responsible financial habits. Below are a few of our recommendations:

- **Start young:** Invest and save early and often, as a small recurring investment over a long period of time can produce greater returns than investing a larger amount over a shorter period of time. Additionally, getting an early start allows you time to recover from errors or market downturns.

  For instance, If you invest $75 a month beginning at age 25 and continue until you are 65, your earnings will be greater than the 35-year-old who invested $100 a month until reaching 65 (assuming an equal rate of interest for each).

- **Addressing student debt:** You'll generally have six months post-graduation to begin paying off a student loan. If you begin making payments before the grace period ends, you can save on interest.

  If your monthly payments on your federal loan are too high for you to pay them off each month, you can apply for an income-driven repayment plan that places a limit (10% to 20%) of your income, forgiving any remaining balance after a term limit (20 or 25 years). However, this doesn't apply to private loans.

- **Create a budget:** Developing a budget is a practical way to manage your finances and achieve a positive cash flow. One popular and easy rule to follow is to allocate your after-tax income on a 50/30/20 basis: 50 percent on your needs, 30 percent on your wants, and 20 percent to savings.

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Your needs include goods and services that you cannot live without, like mortgage payments, groceries, insurance, and healthcare. As an example, a car payment is a need; HBO Max is not.

Your wants are comprised of discretionary items, like eating at restaurants, leisure travel, and that premium Internet package or luxury car (choose instead middle-of-the-road broadband and a more economical vehicle).

If possible, putting away 20 percent of your net income to savings has the potential to help you save for retirement and establish an emergency fund, the latter to be used if you incur an unexpected expense or loss of income.

- **Plan for an emergency:** Expect unexpected expenses, such as those for a medical emergency, major car repair, and an appliance replacement, establishing an emergency fund that can pay for these costs. Additionally, you'll want to keep three to six months of living expenses in the fund, in case you lose your job. Without such a backup source of funding, you may have to incur credit card debt.
- **Invest for retirement:** Saving for your retirement is a personal decision that will help shape your lifestyle during your Golden Years. It's never too early (or late) to begin investing in your future. Consider an individual retirement account (IRA) or a 401(k), which offer tax deductions and tax-deferred growth opportunities. A common guideline is to put at least 5% of your income into a retirement account.
- **Build credit:** If you are a first-time credit seeker — applying for a credit card or loan, for instance — you may have to establish your credit score, which you can do in several ways, including by getting a secured credit card or becoming an authorized user of someone else's card. To improve your credit score, there are a number of steps you can take, like paying your bills on time, decreasing the amount of debt you carry, and staying within your established credit limits.
- **Seek help:** Planning for your financial future includes myriad considerations; a financial professional can be invaluable in getting your plan on the right course. Their training allows them to take a comprehensive assessment of your financial needs and goals and designing a strategy that optimizes your tax consequences. Additionally, they can help you avoid mistakes that arise from inexperience or emotional decisions.

By establishing responsible financial habits at an early age, you will be on your way to creating a more secure financial for yourself (and future family).