

9 THINGS NEW GRADUATES CAN DO NOW TO HAVE MORE LATER

By: Lia Sestric - May 23, 2016

This spring's college grads will receive their diplomas at a steep price. Seven out of 10 students borrowed money to pay for college, and they are the most indebted students to date, according to The Wall Street Journal. In fact, the average debt for grads this year is \$37,172.

Still, the news isn't as dismal as it might seem. Research shows that today's graduates are finding jobs with high salaries. According to the National Association of Colleges and Employers, someone who earned a bachelor's degree in 2015 had an average starting salary of \$50,651. As new grads prepare to enter the working world, they need to take steps to ensure they spend their money responsibly, while reserving enough to pay back college loans.

Follow these nine tips now to ensure you have more money later (to read all tips, visit <http://www.nasdaq.com/article/9-things-new-graduates-can-do-now-to-have-more-later-cm624693>).

Create an Emergency Fund

According to Britney Sheehan of Better Money Habits, a free online resource powered by Bank of America, many grads are unsure of how much they should set aside for savings. In fact, she reveals that 43 percent of millennials are stressed about not saving enough.

Sheehan recommends that new graduates put money aside for emergencies and other unanticipated costs. According to Business Insider, it's wise to have enough in the bank to cover three to six months of living expenses at any given time.

"Accidents happen to everyone," she said. "And they don't happen on a predictable schedule or evenly spaced out, and they can take a heavy financial toll."

Create a Budget

Because new college graduates are likely earning more than ever before in their lives, they need to be mindful of their spending.

"Do whatever it takes not to spend your entire paycheck at once," said Dolph Janis, founder and owner of Clear Income Strategies Group in Charlotte, N.C.

Janis recommends creating a budget and sticking to it. Additionally, he suggests that new grads find ways of slashing costs by living with roommates, cutting coupons or getting side jobs.

There are many online budgeting tools that can help grads create effective budgets, according to Katie Ross, education and development manager for American Consumer Credit Counseling (ACCC), an organization that provides consumers with guidance on issues like identity theft, credit, debt and budgeting. She advises grads to consider the following components when building a budget:

- Gross and net income
- Fixed expenses (rent and car payments)
- Variable expenses (utilities and groceries)
- Periodic expenses (car insurance and prescriptions)
- Discretionary expenses (cable and gym memberships)

Sheehan noted that individuals should create budgets using net pay as opposed to total salary. After all, you don't want to count on spending money that's earmarked for Social Security, federal

income taxes or health insurance premiums.

Take Advantage of Opportunities to Increase Savings

Many people have opportunities to earn extra cash at their jobs in the form of tax refunds, bonuses and raises. Rather than spending this unexpected income, Jay Messing, senior director of planning for Wells Fargo, advises new grads to use it for investments.

"Through the power of compounded interest, systematically applying discretionary income can ramp up the success of a financial plan," said Messing.

A Roth IRA is a particularly smart investment tool because individuals don't have to pay taxes on the funds they withdraw during retirement.

"You can contribute up to \$5,500 each year — as long as you've earned that much — and expect it to be worth over \$1 million in retirement," said Janis.

Pay Down Student Loans

Along with planning for their futures, new graduates need to take care of past responsibilities. For many grads, this means paying down student loan debt.

"Student loans are a roadblock to this generation," said Rachel Cruze, a personal finance expert. "If you're going to get ahead financially, you need to get rid of student loans quickly."

According to Matt Cosgriff, a certified financial planner with Lifewise, graduates should start by taking inventory of their loans. Next, they should subtract their financial obligations — like rent and car payments — from their income. After determining how much money they have available for loan repayment each month, they can explore available repayment options.

Said Cosgriff, "They'll need to balance loan payments with available cash flow, while also trying to minimize interest paid on the life of the loans and other moving pieces in their financial lives."

According to Lynn Ballou, regional director of EP Wealth Advisors, Federal Student Aid offers a useful tool for comparing the various repayment plans. She went on to advise graduates to define their overall financial planning and career goals and look at government aid options. For example, the Public Service Loan Forgiveness Program offers graduates working in public service the opportunity to qualify for loan forgiveness after successfully making 120 monthly payments.

"Your career choice or desire to continue your education can make you eligible for deferment of your loan payments, and in some cases, even result in loan forgiveness," she said.

Establish Good Credit

It's no secret that having good credit is essential for securing home and car loans. Unfortunately, many new graduates lack an

established credit history. According to Messing, paying bills on time will help your credit score, as well as minimize debt incurred from interest penalties. However, grads might need to take additional steps to boost their credit ratings.

According to the National Foundation for Credit Counseling (NFCC), individuals should follow the ABCs of establishing and maintaining good credit to protect their financial futures:

Apply for credit carefully. After all, you don't want to apply for too much credit at once, as this can impact your credit score negatively.

Be aware of how credit works. The NFCC reveals that borrowers need three lines of credit to be evaluated properly. To diversify your credit, consider closed-end credit loans for which payments are the same each month.

Consider a co-signer. If you can't establish credit on your own, arranging for a parent to co-sign on a loan or credit card can be a good move.

Get Insured

Although new graduates should avoid spending every dollar they earn, it would be a mistake for them to forgo necessary expenses like auto, health and renters insurance. Otherwise, they run the risk of liquidating their savings in the event of an accident.

"One small accident could put all your savings into a hole," said Janis. "Whether it's a flood in your apartment, a car accident or a broken ankle, it can hurt you. Have insurance to protect yourself from the unknown and stay on track."

Janis went on to recommend that grads do their research when choosing insurance plans.

"There are a lot of intangibles that may make your insurance cheaper but that could exclude a number of things that could hurt you," he said. "For example, car insurance that only covers if you hit someone else."

To minimize insurance costs, look into bundling multiple insurance types with the same company or provider.

Find a Trusted Advisor

No one said mapping out your financial future was easy. To ensure they are making smart spending choices, new grads should consider finding financial advisors.

"Most advisors offer free consultations, and it never hurts to start learning early about saving for your future," said Janis. "Plus, when you talk to someone about your life goals, it helps you to stay accountable for them."

When searching for the right advisor, it pays to consult family and friends for referrals. You can also search for a planner directly by visiting the Financial Planning Association or the National Association of Personal Financial Advisors.



Randall "Dolph" Janis, founder and owner of Clear Income Strategies Group, has been in the retirement services industry for more than 11 years, building a strong network of satisfied clients in Charlotte, N.C. and surrounding areas. Dolph's goal is to provide fulfillment for the visions, hopes and dreams from baby boomers to seniors by providing common sense solutions for their retirement needs.

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