FINANCIALWATCH
Smart money tips for your everyday life

Four Easy Money Lessons for College Graduates

What is the one thing many college graduates fail to learn that could make a difference in their financial future? They don't know how to manage their money. More and more college graduates are drowning in student loan debt. According to an Urban Institute 2015 report, 17% of borrowers are behind or in default on their payments as part of the nation's $1.2 trillion in college loans.[1] College students also managed to rack up credit card debt with an average balance of $499 despite the credit card act that banned credit card approvals for students under 21 years old.[2]

Between student loans and credit card debt, newly minted college graduates might find that their first job paychecks don't stretch as far as they'd like. College grads can start their careers with less stress about paying off debt by following these four simple money lessons. Grads who stay in control of their spending and manage their money can look forward to a debt-free, stress-free financial future.

- **Stick to a budget –** While a new graduate may find the word "budget" unnecessary once they land their first job, it's essential. With easy access to online banking and credit card apps, a budget can help prevent them from being surprised when the bank account says $0 or even plunges into the negative. Overdraft fees can be weighty if this happens too often. Instead, the tech-savvy Millennials can take advantage of online budgeting programs like Mint.com or Budget Tracker. While Mint.com allows you to connect your bank accounts and automatically documents your spending by identified categories, other sites like Budget Tracker allow you to manually enter account information and spending if you prefer your accounts not be accessed by a third party app. Grads will see how the essentials of rent, electricity and car payments add up and how their discretionary expenses can suck their bank account dry. With these applications, new grads can see what they are spending on a limited entry-level income. This will help them budget accordingly to afford to buy the things they want when they can afford them.
- **Start a virtual piggy bank –** The word "saving" may be lacking from the vocabulary of a new college graduate when spending is a more attractive option. Good news – there's an easy way to start saving money with a virtual piggy bank. Simply schedule a transfer of money each paycheck from your bank checking account to a savings account that is not linked to a debit card so there will be no temptation to withdraw funds. Just $25 per

paycheck, if paid twice a month, would add up to $600 a year. Plus, banks add interest for keeping your money where it is, it may be a puny one percent, but it's a nice addition to a virtual piggy bank that's stuffing itself.

- **Get insurance** – It may be tempting for college graduates to save a few extra bucks by skipping on healthcare insurance, taking their good health for granted, but that could be a huge mistake. While the new government healthcare reform law allows children to stay on a parents' healthcare plan until they are 26 years old, many grads can also get insurance through their first job, or through the Affordable Care Act. Think you don't need insurance? You could be one emergency away from losing everything if not insured. In fact, a Bankrate.com study reveals 60% of Americans don't have enough money set aside to deal with such a medical calamity.[3] Renters insurance is also a good idea for a graduate to invest in protecting their belongings and saving the hundreds or even thousands of dollars it would cost to replace stolen items.
- **Don't borrow too much** – New grads or undergraduates, who are contemplating attending graduate school, need to watch how much they plan to borrow in financial aid. Not just an undergraduate financial issue, graduate students are borrowing against their repayment means and falling deeper into student loan debt. That's because graduate students can borrow an unlimited amount of money from the government up to the cost for attendance at the school of their choice. While tempting, the lesson learned here is don't borrow what you don't need. With a budget and some extra savings, there may be an opportunity for students to limit how much financial aid they will need. And ask the question: do you really need to go to graduate school? Will it help you advance in your chosen field? Or are you going because you aren't quite sure what else to do?

A financial advisor can assist college graduates with strategies to save, invest and spend their new income wisely.

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[1] http://www.usnews.com/news/articles/2015/06/08/heaviest-college-debt-burdens-fall-on-3-types-of-students
[2] http://www.nasdaq.com/article/credit-card-debt-statistics-cm393820
[3] http://www.bankrate.com/finance/smart-spending/money-pulse-0115.aspx