

Financial Management Tips For the Recent (or soon-to-be) Graduate

by Kristin Coleman

Feeling a little financially disoriented? No wonder: The Dow's gone from peevish to downright volatile.

Longstanding companies are suddenly—poof!—gone or at least rearranged. Unemployment is on the rise.

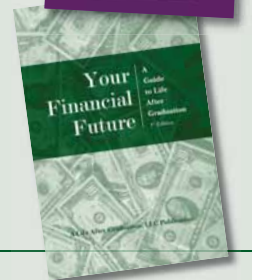
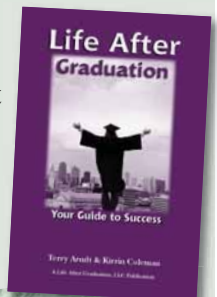
Suddenly, the average Joe knows as much about credit default swaps as he does about the Phillies' line up. And you? As a recent graduate or soon-to-be graduate, is your head swimming from financial information overload? Stressed? Anxious? Unsure about if or how all of this news directly affects you?

To make matters even more confusing, financial experts themselves are uncertain about just how the credit crunch will play out and what it will mean ultimately to the average American. The good news is that basic financial common sense can help guide you through these disorienting times. As described in *Life After Graduation: Your Guide to Success*, here are four things you can do to take control over your personal finances right now:

- 1. Know your income and expenses.** Can you summarize your monthly income and expenses without digging through your files or looking through a pile of statements? If not, it's a great idea to take an hour or two to look over exactly what you earn and what you spend. The goal is to know, not judge, your current financial situation. And that's the first step to feeling in control.
- 2. Evaluate your expenses.** You have two major categories of expenses: Fixed and Variable. Fixed expenses are the stable, predictable, have-to-pay bills. Rent, for instance, is a fixed expense because you know how much it will be every month. Food, on the other hand, is a variable expense. Yes, you've got to eat—that's a certainty. But you have a choice of dining at home or in restaurants, selecting a \$5 gallon of ice cream or a \$2.50 gallon. Part of the evaluation process will be to make decisions about your expenses. And, while variable expenses are the easiest to change, it's worth considering those fixed expenses, too. Once you do the math, you might find that moving to a lower-cost apartment or finding a roommate to share your rent expenses is the best way to recalibrate your budget.
- 3. Check your credit.** There's lots of uncertainty in the credit market right now, but there is one thing you can count on: You have access to one free yearly credit report from each of the three major credit agencies. Why the vigilance, especially when even people with great credit reports are encountering difficulties qualifying for some loans? First, reading your credit report regularly will limit your exposure to identity theft and its repercussions. Second, it will provide you with a snapshot of your fiscal profile. If you discover you have excellent credit, great! If there are a few blemishes on the report, you can take action to fix them up now. Go to www.annualcreditreport.com to request a free report if you haven't done so recently. Additionally, you can one free report every four months, rotating between the three major agencies (www.equifax.com; www.experian.com; www.transunion.com). Note: Ordering a credit report DOES NOT affect your credit score.
- 4. Plan for retirement.** OK, OK, it may seem like I'm jumping the gun here, as you're at the very beginning of your career. Or maybe even in the pre-planning stages of your first job search. Or just heading down the final stretch of your college degree. However, if you are currently employed and your employer offers a retirement package—start contributing now, now, now! As in, stop reading this article and sign up immediately. Why? Well, you have one thing current retirees don't have: Time. These volatile economic times do allow for huge growth potential—if you have the time to let your money grow. If you invest \$1,000 at age 25, and it earns an average 8% interest, it will be worth over \$21,000 by the time you're 65. Invest that same \$1,000 at age 30, with the same rate of return, and you'll have about \$12,000. Those 5 years make an enormous difference! So, as soon as you get in the job market and have the opportunity: Put a little away for your future self.

The take-away message is this: When so much is out of your control, take a few hours to figure out exactly where you stand and what you can do to take charge of your personal finances. And while it may seem like a difficult time to be graduating or entering the job market, that's not necessarily true. After all, you probably have an advantage over those who graduated into a great job market, but who currently may be stuck in an out-sized mortgage and a devalued home. And you certainly have an advantage over those people who had planned on retiring in the next couple of years, as you have the time to ride out the bear market. Finally, because you are in the early stage of your financial independence, you can build some good habits based on old-fashioned common sense that's just now coming back into fashion.

For more financial management tips, read *Life After Graduation: Your Guide to Success* or *Your Financial Future: A Guide to Life After Graduation*.



Kirrin Coleman is the co-author of *Life After Graduation: Your Guide to Success*

