



Congratulations, Graduates!

What are your next steps, financially?

What recent graduates (and their parents) need to think about

Spring is here, summer weather has begun (in many places), and graduation time has arrived. Across the country, students are finishing their high school, college, and even graduate school lives, after years of hard work, stress, excitement, and even some boredom.

Graduation is a time to celebrate. But what comes next? More school in some cases, jobs in others, and new financial concerns for all. It is important to think about your money at this time, make some rules you can follow and set yourself on a prudent financial course.

High School to College

Going from high school to college is a major step in anyone's life. Public high school is free, aside from the fees and expenses for student sports, music, and other activities. However, college is not free, so how can we afford it?

Saving for college. It is, of course, best to start early when saving for college. There are various online tools to help you calculate the future costs of college. Some of the best ways to save for college include:

- Education IRAs, also called Coverdell Education Savings Accounts
- 529 College Savings Plans

- Prepaid tuition plans, at some colleges or universities

How is it possible to understand these options? Talk to your financial advisor, of course.

Student loans. Student loans are widely available to students of all types. About 70% of college grads leave school with student loan debt, at an average of \$35,000 per student. But with all this student loan debt, is a college degree really worth it?

Financial benefits of a college degree. Many people have had happy, successful lives without college degrees. However, people with bachelor's degrees earn on average \$32.60 per hour; the average high school grad earns \$16.50 per hour. Over the years, that's easily enough to pay the student loans.

College to Career

College graduation is a time of hope for the future, but it's important to stay grounded when it comes to your finances.

So, how should you manage money after college? After you graduate, even if you have a high-paying job, you'll find that life is not a financial wonderland. The best practices are to spend wisely by living below your means and to plan for the future, even though you're only 22.

Dealing with credit cards. Living below your means can be hard, especially with all the credit card opportunities you will receive. The fact is, college students and recent grads receive dozens of credit card offers every month. The best strategies for dealing with credit cards include:

- Use a credit card only when you can pay the bill. Credit card issuers charge massive interest rates.
- Be careful about opening credit card accounts. The more cards you have, the more temptation to use them and go into greater debt.
- Guard your credit score. Monitor your credit reports and statements to make sure no one's stolen your identity.

It's important to know that credit cards can be useful. You need to build your credit history, but you also need to avoid rising credit card debt.

Dealing with student loans. You took out student loans because you knew it would be worth it to get your degree and career, but what should you do about paying your student loans back? Simple: pay the bill when it's due, but know about student loan repayment options for times of financial difficulty. These options include:

- Deferment, if you return to school or enter a public service program.
- Forbearance, if you don't earn enough to pay your loans or cannot find a job.
- Repayment plans, which adjust your payments based on your income level.

Financial Priorities

So, with all this concern about debt, there has to be something good. Handling finances can't just be about the drudgery of repaying debt. What about the upside?

When you're making money, as a graduate in a new career, you can spend, save, and pay down debt. There are always opportunities to spend money, but it's important to consider the best ways to save or manage it.

Amidst all the current expenses of living, eating, driving, marriage, kids, etc., there are important future expenses to consider. These include:

- Retirement. You just started your career, but it's important to be ready for the day that it ends.
- Emergencies. Job loss, high medical bills, and family changes happen to everyone, so you need to set aside money for these big, unexpected events.
- Major expenses. You'll want to save toward major, planned expenses, like a home, a new car, a vacation, or even your child's college expenses.
- Paying down your debts.

Remember, the financial decisions that you make at age 22 can either haunt you or help you when you're 42. Managing your debts and your savings can be a daunting proposition. How should you go about planning and prioritizing?

Working with Your Financial Advisor

Graduation is a time to celebrate. However, there are quite a few financial issues to consider when planning for college, going through college, or graduating from college. Throughout each of these phases, a financial advisor is a great source of guidance. He or she understands the benefits and uses of the specific strategies listed above.

So, here's a key step early in your career: Find a qualified financial advisor. Consulting your financial advisor is a great way to plan your expenses, handle your debts, and save and invest your money. He or she can guide you in planning for the future that you hoped for during school.