



Congratulations, Graduates!

What are your next steps, financially?

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

When Spring has arrived, summer weather is approaching, and graduation time has also arrived. Across the country, you can find students who 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

Student loans. Student loans are widely available to students of all types. About 70% of college grads leave school with student loan debt, at this writing. 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 have historically earned enough over time in excess of that of the average high school grad to make the student loans make sense. Increasing total cost may be tipping that scale a bit for some. A careful assessment is warranted to consider the cost of the loans and what the education and career opportunities are looking to yield.

College to Career

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 credit card offers. 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. Decisions made at 42 can affect age 62 and beyond. Managing your debts and your savings can be a daunting proposition. How should you go about planning and prioritizing?

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 we can be a great source of guidance.