Financial Words of Wisdom for Graduates

Your Green® with
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Time is money - literally. For a recent graduate, time might also seem like an abundant resource, with many thinking they have plenty of time to save for their future - later. Here are some financial tips to help those starting out in their independent adult lives whether graduating from high school or college:

Set goals for yourself. Financial goals help keep you focused and help you decide where you really want to go.

Create an emergency fund. Be prepared for the unexpected financial challenge. Before you begin investing, set aside at least 3 months living expenses (including car payments, bills, entertainment, etc.) to protect you should you lose your job or suffer some unexpected health issue that affects your ability to work.

Set up an automatic payroll deposit into an investment or savings account. Get used to living on a percentage of what you actually take home – and put the rest into an investment account or a savings account. This works in your favor because it removes the temptation to spend the money and helps you develop good saving habits. This is what they mean when you hear "pay yourself first".

Protect yourself from risk. It is critical to make sure you have at least catastrophic medical insurance coverage no matter how healthy you believe you are. Review your situation to determine what other areas could be financially devastating without insurance protection and seek coverage.

Use credit wisely. The credit record you establish now will either help you or haunt you for years. Bad credit will cost you tremendously over time by forcing you to pay higher interest for loans and credit cards; potentially disqualifying you from buying a home, and by preventing you from obtaining funding should you decide to go into business for yourself. If you have student loans, make sure you are making payments on them as required. Make more than the minimum payment on your credit cards, or pay them off in full monthly. Pull your credit report for review at least annually.

Live within your means. Don't spend money you don't have, and learn to separate your true needs from your wants and desires. Put your attention toward meeting your needs and responsibilities first.

Carefully weigh the decision to use student loans. If starting college and considering using student loans to attend a more expensive college than you can afford, carefully consider the long-term impact of that debt on your adult lifestyle. Think about what you could be doing in your future with the money you will be paying for years on your student loans. Is it really worth having to pay chunks of your income toward student loans every month for many years after you graduate? How will that impact your ability to live the adult life you imagine for yourself? Would it be wise to find ways to lower your over- all college expenses to lessen the impact of loans on your future? One solution could be to consider a community college or instate school for at least your first two years of college. There are many ways to lessen your college expenses, starting with maintaining good grades in high school.

We caution parents about co-signing for student loans. LendEDU, an online marketplace for student loans and refinancing, conducted a survey and found that nearly 57% of parents said their credit score has been negatively affected by co-signing for a student loan, and 58% said their children have asked them for help making payments. The survey said that 34% of parents responded that co-signing has hurt their ability to qualify for their own mortgages, auto loans, and other types of financing.

Max out your company's 401K. Participate in any 401k or similar retirement plan your employer offers. If they match your contributions, put in enough to get the full amount they will match, as this is free money! If your employer doesn't offer a 401(k), ask them why. We can help a small business establish a plan for their employees. If you are in a 401(k) plan, make sure you have selected diversified funds within the account – don't put all your eggs in one basket, especially the employer stock basket. For most people, this is the best way to start investing for your future.

If you are ready to settle down, and have a stable income or expect continued income growth, consider buying instead of renting. After several years of lower home prices and interest rates, both have been on the rise recently. We don't know where this will go, but this makes this an uncertain time for many to become homeowners. Make sure you are ready to take on the responsibility for the time and expense of caring for and maintaining your home inside and out – in addition to the overall cost. If you are truly ready, then home ownership also may provide you with mortgage interest tax deductions and perhaps home equity. Rising home prices, however, may result in negative equity depending on how values play out in the future.

Learn the power of growth and start early. Even relatively small amounts of money can grow into an impressive figure if you start early. With 40+ years before retirement on your side, you have time to grow your assets through compounding and investment earnings potentially achieved through growth-oriented equity investments. No 401k plan offered at work or wanting to establish investments outside of your 401k? Consult a financial professional about setting up an IRA, Roth IRA or another type of investment account - and start investing now for long-term growth. To further convince you of the power of growth, you'd have to save almost $29,000 a year or about $2,417 a month for 35 years to have a million dollars for retirement in the absence of compounded growth on your assets. With growth, you can potentially have $1million in 35 years by saving less than half the monthly amount – only $1,094 monthly if you achieve a 4% growth rate on your investments. Or you can potentially achieve a $1million portfolio with- in a much shorter 15 years by saving $2,890 monthly at a higher 8% rate of return. Compounded growth may make a big difference over time. See the chart below for more examples of how you can potentially reach a million dollars with these monthly investment amounts:

Years to $1 Million	@4%	@6%	@8%	@10%
15 years	$4,064 monthly	$3,439	$2,890	$2,412
20 years	$2,727	$2,164	$1,698	$1,316
25 years	$1,945	$1,443	$1,052	$754
30 years	$1,441	$995	$671	$442
35 years	$1,094	$702	$436	$263

Note: These examples are for illustrative purposes only, and the rates of return are hypothetical and do not represent the returns of any particular investment, but you can see the impact of being able to achieve growth on your investments, as well as the benefits of starting as early as possible. A financial professional can help you determine the mix of investments that may help you increase the odds of achieving your financial goals through growth.

Put "surprise" cash into savings. If you come into extra or unexpected money – a company bonus, a holiday gift from a relative, an inheritance, or all that graduation money you have rolling in - always set aside at least a portion for your future.

If you are looking to get started early with a long-term investment plan, and a focus on your financial future, we can help. Contact 770.931.1414 to schedule a free consultation to review your situation in person, or visit our website at www.RogerSGreen.com.

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