Smart Financial Steps After College

Don Akridge, MBA, CFP®, CPA/PFS
U.S. Marine Corps Veteran – Emory University Alumnus

Did you recently graduate from college? The years after graduation are crucial not only for getting a career underway, but also for planning financial progress. Consider making these money moves before you reach thirty.

Direct a bit of your pay into an emergency fund. Just a little cash per paycheck. Gradually build a cash savings account that can come in handy in a pinch.

Speaking of emergencies, remember health insurance. Without health coverage, an accident, injury, or illness represents a financial problem as well as a physical one. Insurance is your way of managing that financial risk. A grace period does come into play here. If your employer does not sponsor a health plan, remember that you can stay on the health insurance policy of your parents until age 26. (In some states, insurers will let you do that until age 29 or 31.) If you are in good health, a bronze or silver plan may be a good option.[1,2]

Set a schedule for paying off your college debt. Work toward a deadline: tell yourself you want to be rid of that debt in ten years, seven years, or whatever seems reasonable. Devote some money to paying down that debt every month, and when you get a raise or promotion, devote a bit more. Alternately, if you have a federal college loan balance that seems too much to handle, see if you qualify for an income-driven or graduated repayment plan. Either option may make your monthly payment more manageable.[3]

Watch credit card balances. Use credit when you must, not on impulse. A credit card purchase can make you feel as if you are buying something for free, but you are actually paying through the teeth for the convenience of buying what you want with plastic. As Bankrate.com notes, the average credit card now carries a 16.8 percent interest rate.[4]

Invest. Even a small retirement plan or IRA contribution has the potential to snowball into something larger thanks to compound interest. At an 8 percent annual return, even a one-time, $200 investment will grow to $2,013 in 30 years. Direct $250 per month into an account yielding 8 percent annually for 30 years, and you have $342,365 three decades from now. That alone will not be enough to retire on, but the point is that you must start early and seek to build wealth through one or more tax-advantaged retirement savings accounts.[5]

Ask for what you are worth. Negotiation may not feel like a smart move when you have just started your first job, but two years in or so, the time may be right. It can literally pay off. Jobvite, a maker of recruiting software, commissioned a survey on this topic last year and learned that only 29 percent of employees had engaged in salary negotiations at their current or most recent job. Of those who did, 84 percent were successful and walked away with greater pay.[6]

Of course, you also have the power to negotiate your pay when you change jobs. That ability is not always acknowledged. Robert Half, the staffing firm, recently hired independent researchers to poll 2,700 U.S. workers employed in professional environments. The pollsters found that just 39 percent of these workers attempted to negotiate a better salary upon their most recent job offer. The percentage was higher for men (46 percent) than for women (34 percent).[7]

Financially speaking, your twenties represent a very important time. Too many people look back over their lives at fifty or sixty and wish they had been able to save and invest earlier. These are the same people who may face an uncertain retirement. Rather than be one of them years from now, do things today that may position you for a better financial future.

Citations.

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