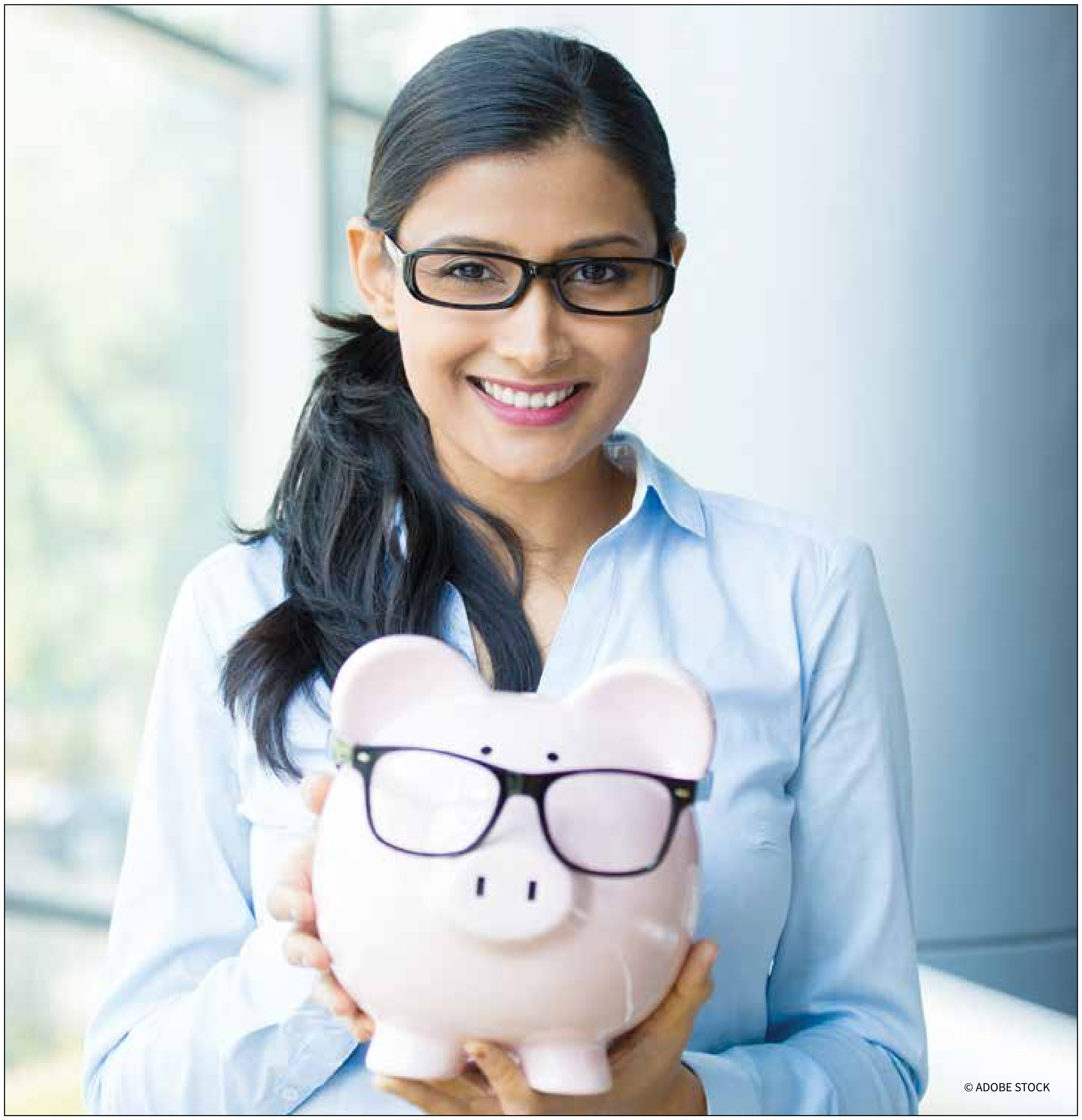
Personal Finance Guide

10 Money Truths For Grads

According to the National Financial Educators Council and a KeyBank report, 76 percent of college students wish they had more help to prepare for their financial futures.



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Another recent study by education tech company EverFi found that the average American college student can only answer one-third of all basic financial questions correctly. This lack of knowledge should be a red flag to students, educators and parents.

College years are a crucial period to establish good financial understanding. Learning about how to build solid credit history and how to practice sound financial habits will carry you through your life.

Here are 10 truths about money you should know before you graduate college.

1. Living with your parents for a few months (or a year) can be a good thing. That is, if you take it for the serious financial opportunity it is. This will likely be the last time in your life when you have a roof over your head and food in the fridge — neither of which you pay for.

2. Automate your savings. You might have heard the phrase, "pay yourself first." Automating your savings is following this philosophy. Plus, if you have your savings automatically transferred when you get paid, you are more likely to keep it there and not spend it on miscellaneous things you won't be able to name later.

3. Your student loans won't just magically disappear. Get to know them. Understand them. How many loans do you have? What are your interest rates? If you can, start paying on them before your grace period ends.

4. Think twice about graduate school. Graduate school can be incredibly rewarding and hugely beneficial to your career. Just be sure to weigh the financial investment of attending with the benefits of an advanced degree.

5. Don't ruin your credit. According to a 2015 Nationwide report, the average college senior graduates with more than $4,000 in credit card debt. Don't be one of them. If you already carry credit card debt, there is not a more opportune time than right now to get ahead of it.

6. Roll your spare change. If you aren't already doing it, this task should go at the top of your list — no need to wait until you graduate. Spare change can add up quickly.

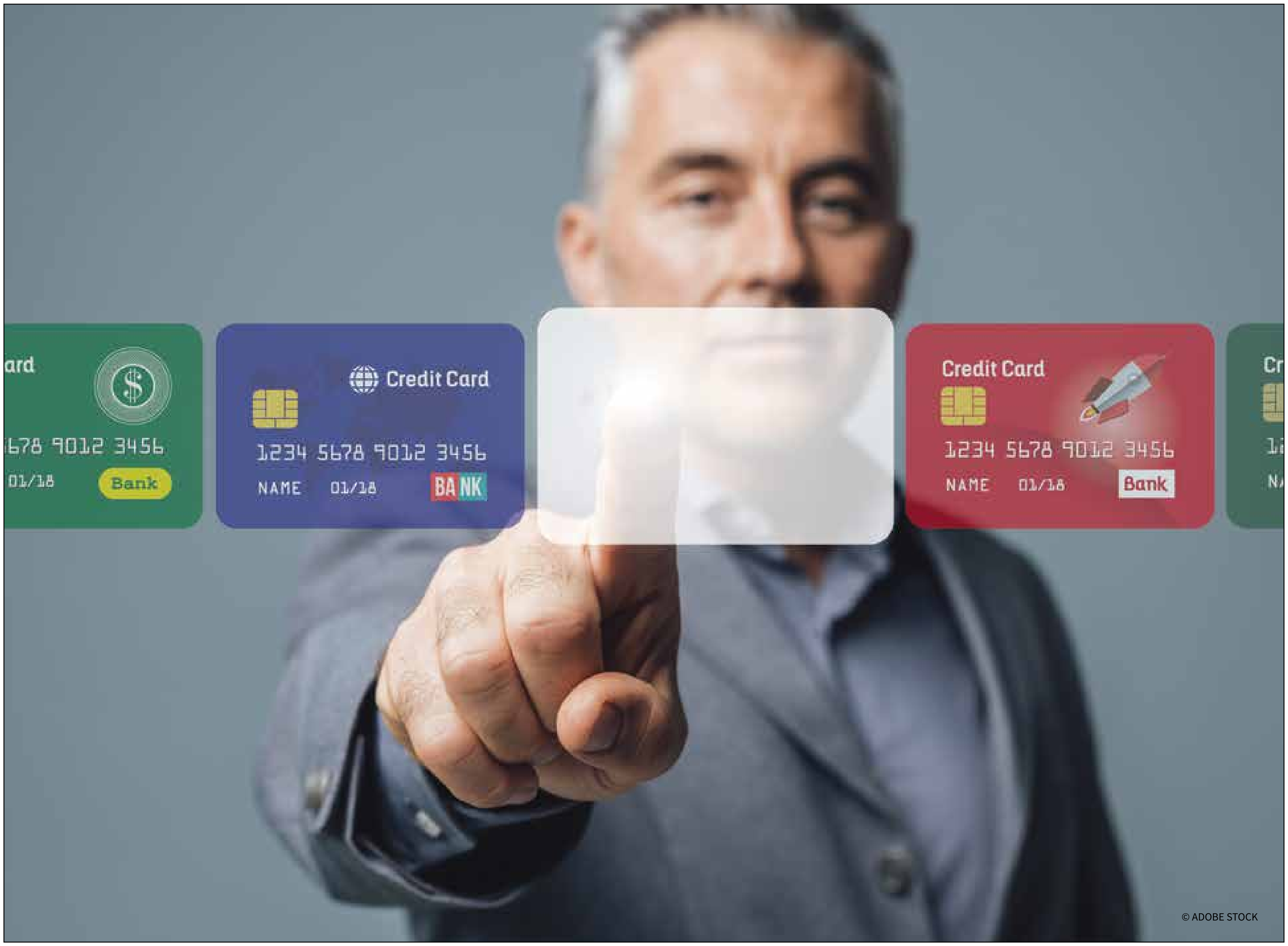
7. Create a budget — but don't be married to it. Creating and following a budget is the best way to ensure you don't spend more than you make, and stay on top of how you spend your money. The time after graduating can be tumultuous at best, so understand that your budget might need to change.

8. Don't pass on your employer's 401(k) plan. If your employer offers a matching 401(k) plan — take advantage of it. This is free money. And if you've learned nothing else in college, let it be to never pass up truly free money.

9. Or health insurance. Paying a premium every month might seem expensive because "you never get sick," but think of what would happen if you had to deal with the unthinkable — a bad car accident or a devastating diagnosis. Your policy will pay for itself many times over.

10. Financial independence takes practice. Almost no one gets it perfect right out of the gate. Go easy on yourself and keep at it.

Choosing a Credit Card



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Money is a fact of life — and yet, there are times when you just won't have enough. This is especially true for the larger purchases you will inevitably make throughout your life.

A credit card can be a very useful and lifesaving financial tool, but it also can be a quick path to financial ruin if you don't approach it with respect and a certain amount of caution.

If you are looking to get your first credit card or to reopen a card after an extended absence, here are three aspects you need to consider before signing on the dotted line.

UNDERSTAND YOUR NEEDS

Understanding what you want a credit card for is a necessary first step to making a financially sound decision. For which expenses do you intend to use your credit card?

For example, if you are looking for a card to serve in "emergencies only," you will want to look for a major credit card provider.

If your intent is to use it to build a positive credit history, you will do better to set your limit low. You also should choose a card with a more specific purpose, such as a specific store's credit card.

MAKE IT WORK FOR YOU — NOT AGAINST YOU

If you are a frequent traveler, look for a card that offers frequent flyer miles. If you love to shop a particular brand, consider that brand's card as you will likely receive discounts otherwise unavailable to you.

There also are many cards with cash back rewards for every dollar you spend. The bottom line is if you have to charge something, make sure the provider gives you a little something for the privilege of choosing its card.

KNOW WHAT YOU HAVE TO PAY — BESIDES THE BILL

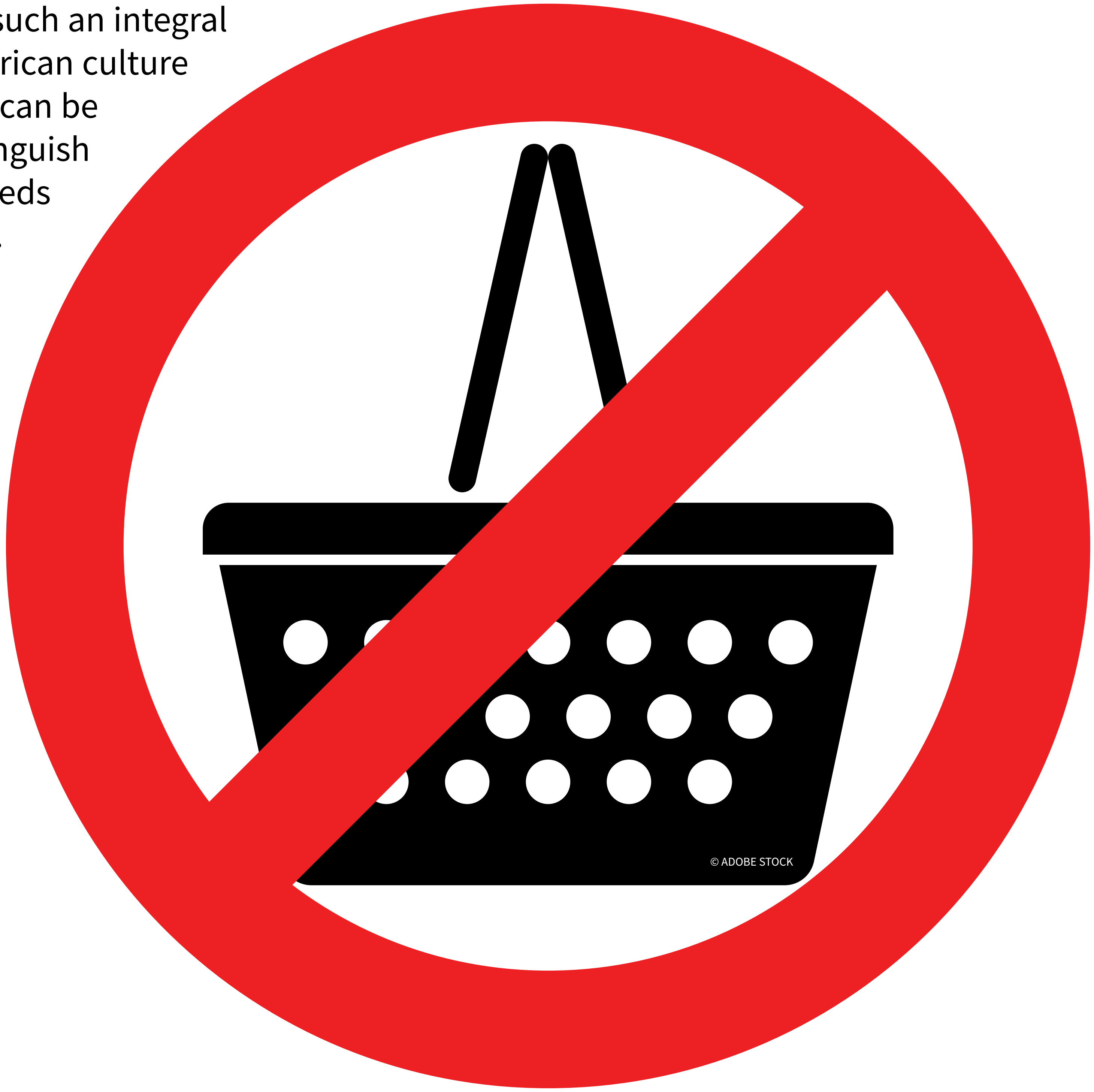
Pay your bill in full every month. If this is not possible (it happens, especially when emergencies arise), plan to pay off your bill in as few payments as possible.

Understand that your purchases are not the only thing you are paying for. The APR (annual percentage rate) will impact your total amount due if you don't pay your bill in full.

Know what this rate is for each card you are considering, and avoid cards with APRs above 20 percent.

Try Out a Shopping Ban

Shopping is such an integral part of American culture that at times, it can be difficult to distinguish between our needs and our desires. Many of us can justify that we need almost anything.



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This mindset often results in out-of-control spending. One way to keep yourself in check is to practice a shopping ban and reassess your relationship with shopping.

It also can be fun to challenge yourself to cut spending in order to reach your savings goals or payoff debt.

CREATE YOUR OWN RULE BOOK

There are so many blogs and websites touting their own version of a shopping ban, but their way may not be your way.

Your way has to work for you. The general idea of a shopping ban is to cut out certain (or all) miscellaneous expenditures for a defined amount of time.

CHOOSE AN AMOUNT OF TIME

How long do you plan to practice a shopping ban? If you've never completed one before, it is best to begin with a short, manageable period, such as 30 days.

Some people find the challenge exciting — or start to see a significant increase in their savings — and extend their shopping bans. But better to start small than set an unrealistic goal that will make you miserable and thus lead you to failure.

CHOOSE WHAT THE BAN APPLIES TO

Giving up clothing? Make-up? New gear for your favorite hobbies? Take-out? Think about what you spend the most of your discretionary funds on.

It might be helpful to look back at past bank statements and let the figures sink in. It is equally important to choose what your ban does not apply to. Purchases such as basic groceries, for example, obviously shouldn't be restricted — but maybe alcohol or pre-packaged and processed foods could be banned.

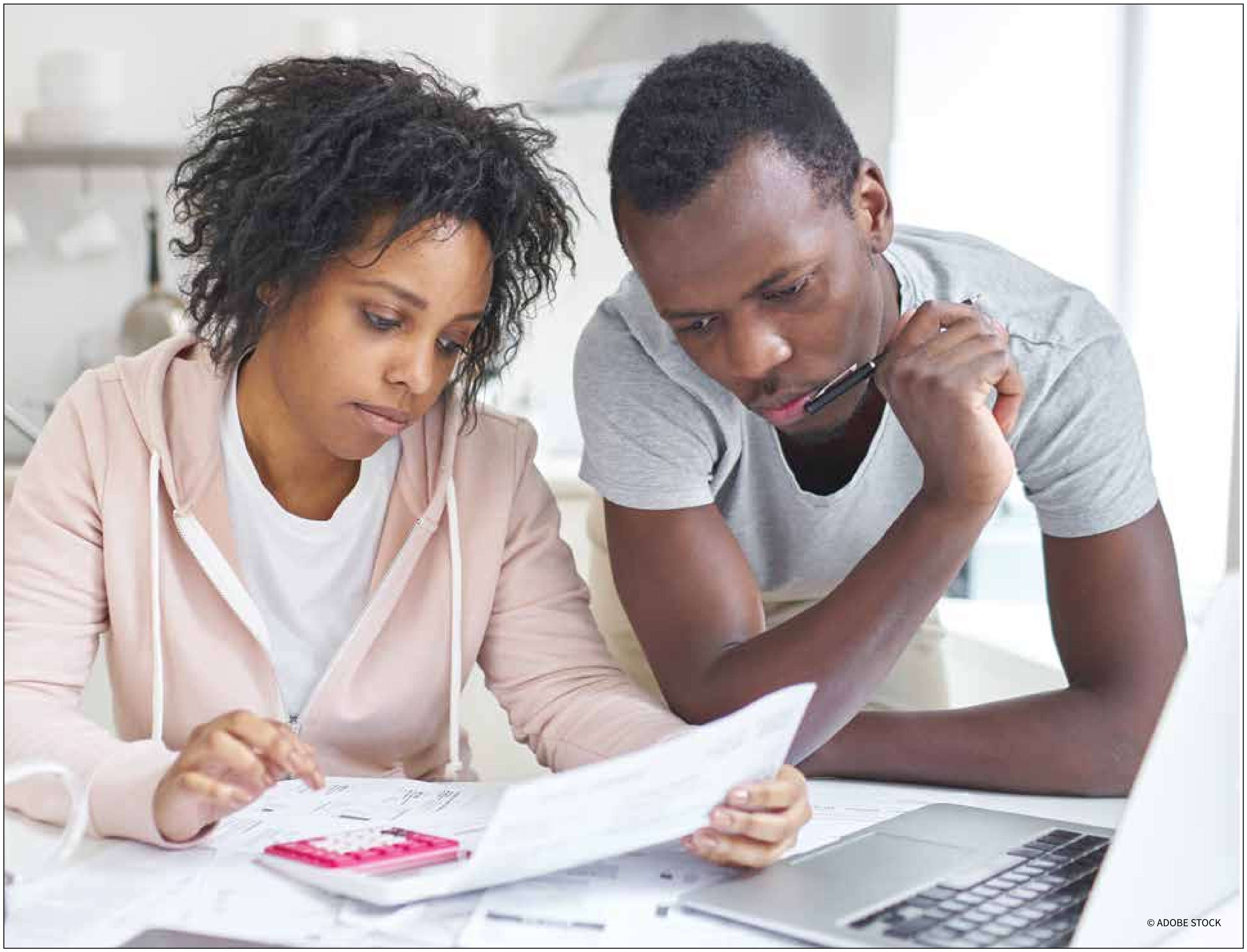
UNDERSTANDING NEEDS VS. DESIRES

During your shopping ban, take the time to assess not only your relationship with shopping but with your own belongings.

During your break, you may start to panic about "all the stuff you may need," but more often than not, you will realize you already own something that will do the trick.

Couples, Money and Honesty

It's easy to slip into the day-to-day without setting clear, defined financial goals with your partner on a regular basis.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According to a recent study published by Business Insider, during the first and third years of marriage, money matters were the most commonly reported source of marital arguments and that couples with high amounts of debt generally have lower levels of satisfaction in their marriages.

Whether you're just starting off in your marriage or have been married for decades, it is critical to have routine "money talks" with your partner.

Money can be a touchy subject, but one that must be broached with honesty and respect with anyone with whom you intend to spend and build a life.

TELL EVERYTHING, HIDE NOTHING

Honesty is always the best policy — and never more so than with money. You and your partner should be up front about major expenditures, all debt and any investments and savings.

Remember that a vast majority of people carry some form of debt. Without honesty about what debt is out there, you will never get out from under the burden. Even if you do, the victory won't be half as sweet if you can't share it.

RECOGNIZE RED FLAGS

Issues such as credit card abuse, frequently missed payments or avoidance of large debts are cause for major concern. Recognize that these red flags have nothing to do with the type of financial responsibilities your partner might have, and work together on their management.

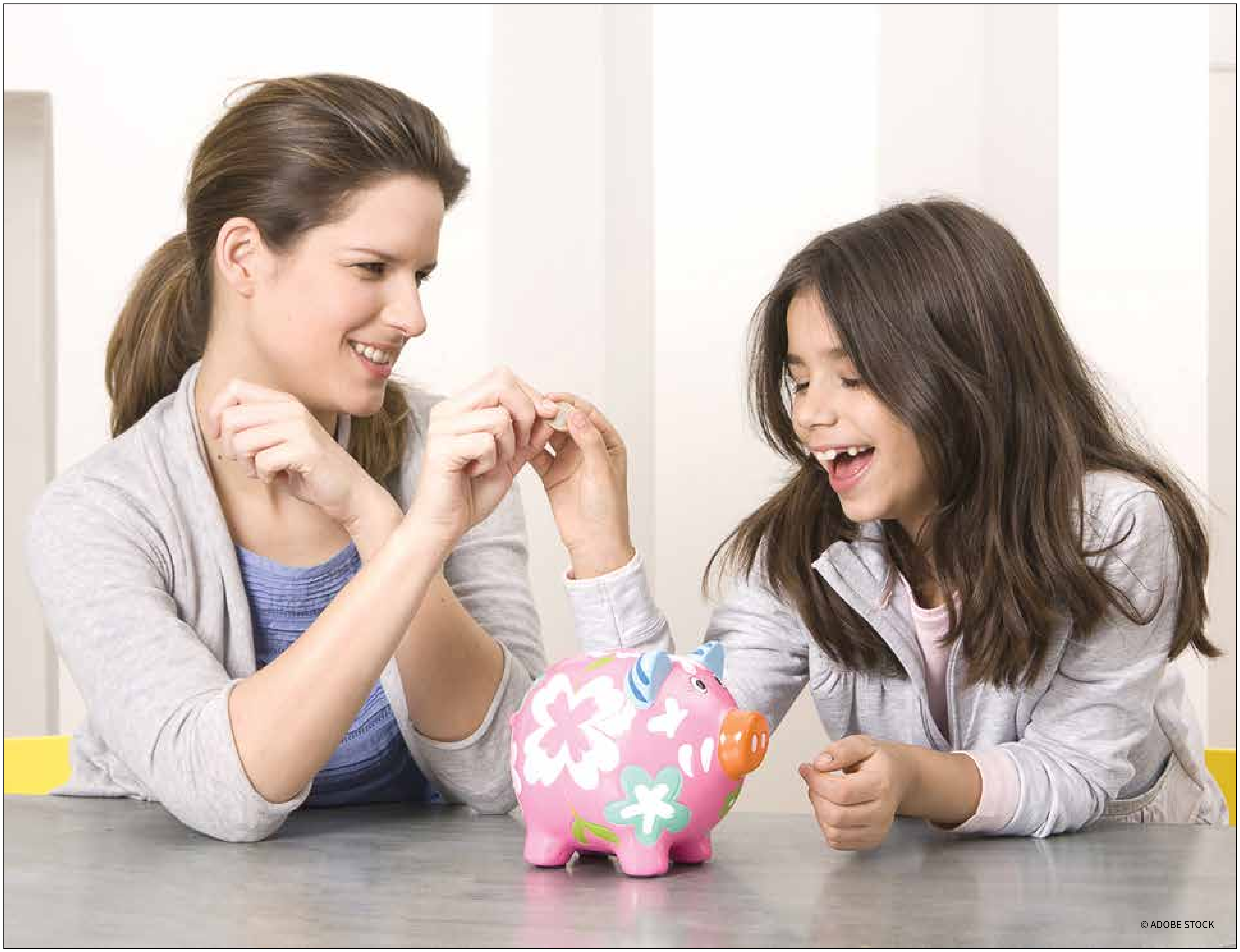
Identify these issues from the beginning and you won't be blindsided when a bank or credit lender identifies them.

WHAT'S YOURS IS MINE

This is quite literal in the financial aspect of marriage. Even if you choose not to share a checking account and retain a certain amount of financial freedom from one another, you will need to work together to set and achieve financial goals, such as retirement and buying a home.

Your partner's debt will impact you and vice versa. By being honest with your partner, you can create hypothetical future scenarios and discuss how you want to approach them.

Teach Good Money Habits



Money is a fact of life — one that kids should know about and understand early. According to a KeyBank report, 76 percent of current college students wish they'd had more help to prepare for their financial futures.

This underscores how important a financial education is for your child. Yet seminars, workshops and classes on personal finance are not typically included in primary and secondary education.

This puts the pressure and responsibility on adults outside of schools — parents and other family members — to teach children about the value of a dollar.

Here are just a few ways to educate your kids about money at any age.

Create a savings jar. Have your children add in money they earn or receive as gifts. It is best to use a clear vessel, such as a glass jar, so they can see the money grow. Encourage them to take the coins and bills out every day and count them. They will quickly grasp the diligence it takes to save and the excitement of seeing their savings grow.

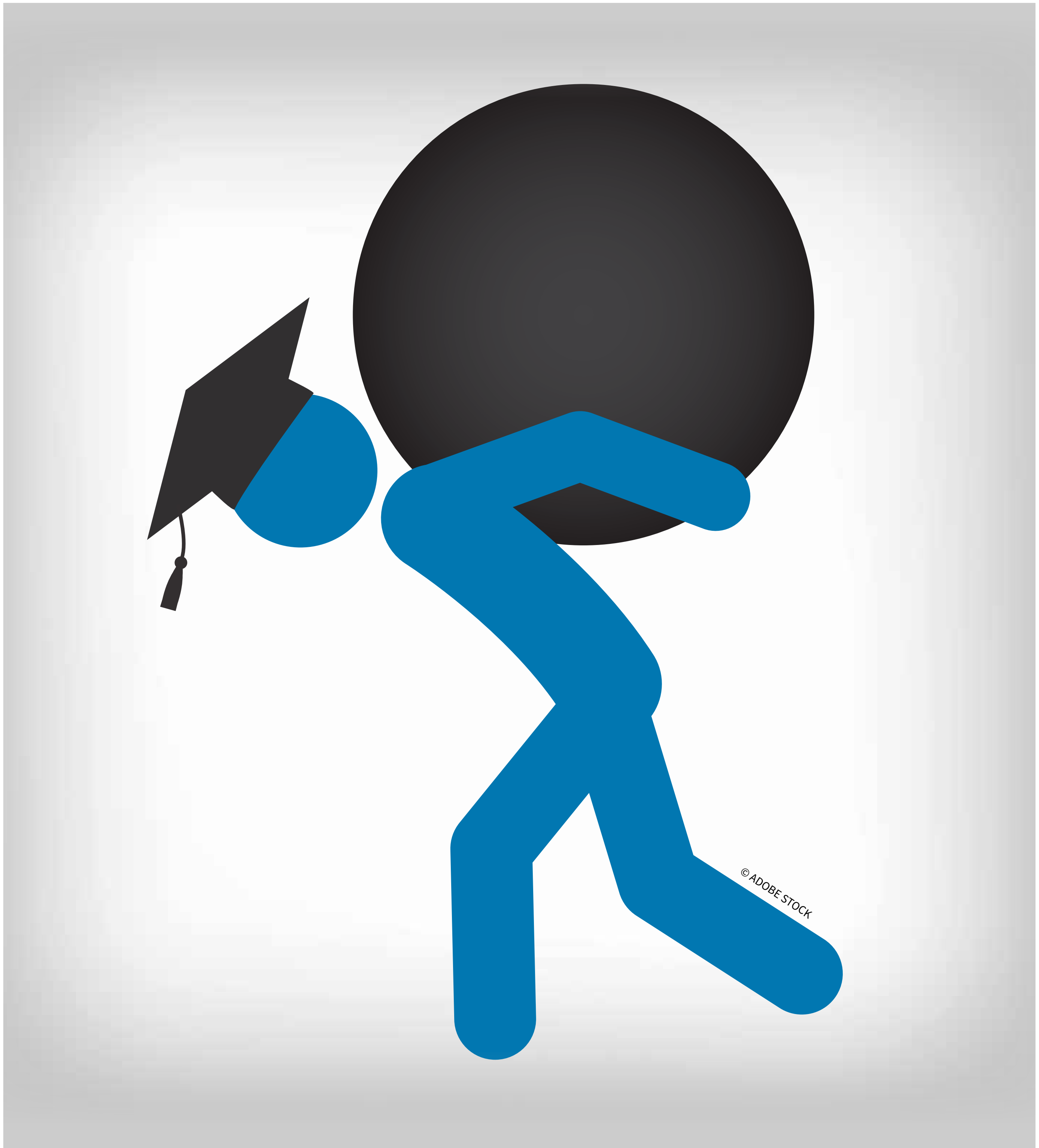
Show them the value of a dollar. When you take your kids to the store and they point out a toy, show them the price tag. Teach them what the numbers mean and how many dollars something costs. Children are incredibly tactile, so take extra cash with you to the store and count out the money together. If you choose to purchase the item, let your child hand the money to the cashier.

Teach them about opportunity cost. Kids, especially older children, tend to pick up this lesson quickly. Essentially opportunity cost is about weighing purchasing decisions. Talk your children through the multiple spending options for their money and let them make the final decision.

Teach them about investment cost. Think of the neighborhood lemonade stand. If your children make $10 selling lemonade during your yard sale, have them pay you for the cost of the lemons and sugar. You could also charge them a small rental fee for using the front yard. This will help them understand profit.

Handling Student Debt

Post-grad financial stress is real. It's also pervasive in our society today, as many graduates grapple with paying back out-of-control student loans.



If it didn't sink in when you were borrowing money to pay for college, after graduation you are truly hit with the fact that you must pay back every dollar you borrowed.

With your degree fresh in hand, juggling a new job and sustaining your life can feel like an insurmountable task. Take a deep breath, and know that you are not alone.

Here are some key steps to successfully paying off student debt.

UNDERSTAND YOUR LOANS

Know who you owe and how much you owe. Know what your interest rates are for each loan, as they most likely vary.

It also is important to understand the terms of each loan. Do you hold private loans, federal loans or a mixture of both? Are any of your loans eligible for income-based repayment or deferment during hardship?

CHOOSE A PAYMENT PLAN

Now that you understand your loans, you need to choose a payment plan — and not wait until your grace period is over before making payments.

If you have an extensive amount of debt or if the total of your debt is greater than your yearly salary, you will most likely qualify for income-based repayment.

CONSIDER CONSOLIDATION

Consolidating your loans is one way you can potentially lower your interest rate. This generally is only a viable option for people with decent credit scores.

The other perk of consolidating your loans is that they can be easier to keep track of and stay on top of, as you will only have one payment rather than multiple payments each month.

EXPLORE LOAN FORGIVENESS

There are multiple loan forgiveness options available, depending on your flexibility. Check out volunteer programs, many of which offer to forgive a portion of your student loans for your service.

Depending on your chosen profession, some employers offer student loan payoffs as part of their compensation package. The federal government also offers a public service loan forgiveness program, which is available for many professions.

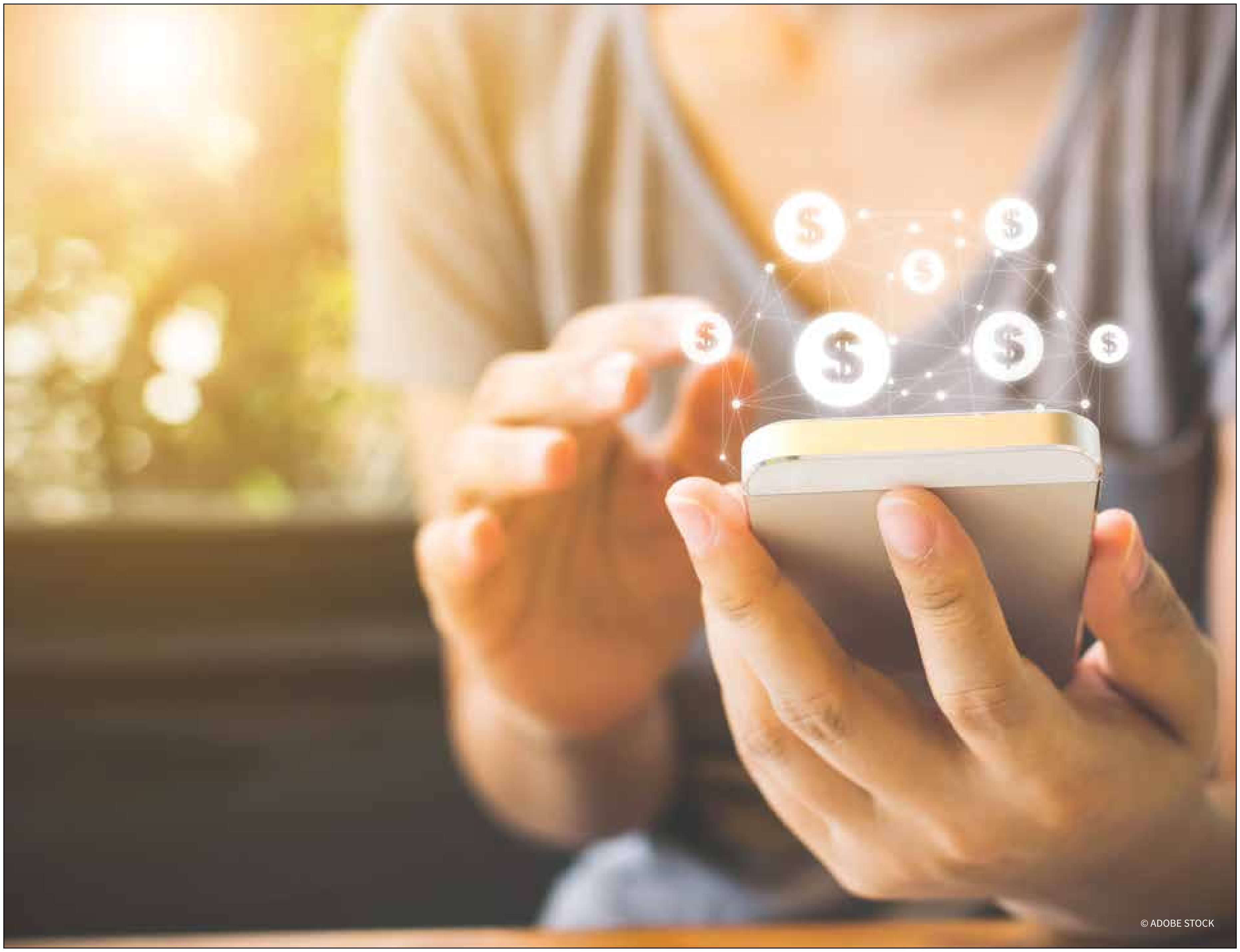
DON'T FOCUS ON THE PAST

Maybe you made some bad decisions with your loan money. Perhaps you chose an expensive university over a more affordable one, or spent some of that student loan money on a trip to Costa Rica.

It's time to put your mistakes in the past and start chipping away at your financial future. Make timely payments and make an extra payment a few times a year, if possible. You'll be surprised at how quickly you start to see results.

Four Great Money Apps

There is an app for everything these days, and money is no exception. This is a good thing, because many people have trouble budgeting and tracking their finances.



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Have no fear; finance apps are here. Your first thought is probably something along the lines of, "But there are so many!"

Do a search in your phone's app store and you will undoubtedly get dozens of results. If you're overwhelmed and don't know where to start, consider this list.

Using any one of the following apps is a great step toward becoming financially healthy.

MINT

From the people who created TurboTax and Quicken comes Mint — the personal finance app that helps you create a budget using your financial data. You can sync your bank accounts and set it up to inform you of unusual charges.

The app also gives tips on how to reduce spending and delivers easy-to-read charts and graphs so you can see exactly how your spending breaks down every month. If you are in need of a budget but have no idea where to begin, this is your app.

ACORNS

Acorns is the 2.0 version of saving your loose change — only it collects your change in an investment portfolio.

There is a fee of $1 per month for all accounts with a balance under $5,000 and .25 percent of the balance per year on all accounts over $5,000, but the app is a great way to start investing if you're a beginner.

SLICE

Slice is not a budgeting or savings app. Its mission is slightly different, but no less helpful when trying to manage your finances.

This app helps you track and manage all of your online purchases by pulling tracking numbers and other information from your email. It also keeps a record so you can track your online spending over time.

STUDENT LOAN HERO

If you have student loans and don't have Student Loan Hero, your life is about to get a lot easier. This app is like Mint for your student loans. Think big picture overview, day-to-day management tools and even refinancing options.