

10 Essential Tips for the New Graduate

Life after college should be fun, exciting and full of promise. But much of your success will be based on the early choices you make. These easy to follow tips can get you started on the right path.

1 First, Make the Resume Right

Make it short and to the point

One page is a good length. You don't have to tell your life story in your first resume. Make your past work experience relevant to the position for which you are applying. For example, your job as a paper carrier may not be appropriate to mention for an accounting job, but it may help if you are applying for something in logistics or transportation.

Play up your strengths

Always include activities where you had a leadership role or were a team player. These skills are important to highlight in your resume, even if you don't think they are relevant to the position for which you are applying.

Make it professional

A complaint employers make about resumes from new college grads is the use of e-mail addresses that may seem funny in college but may be inappropriate in the workplace. An e-mail address like slackerdude@aol.com isn't going to help your job search. Something like cjones@aol.com or chrisj@aol.com puts your name top-of-mind and has a lot more professional appeal.

Finding a job is a full-time job

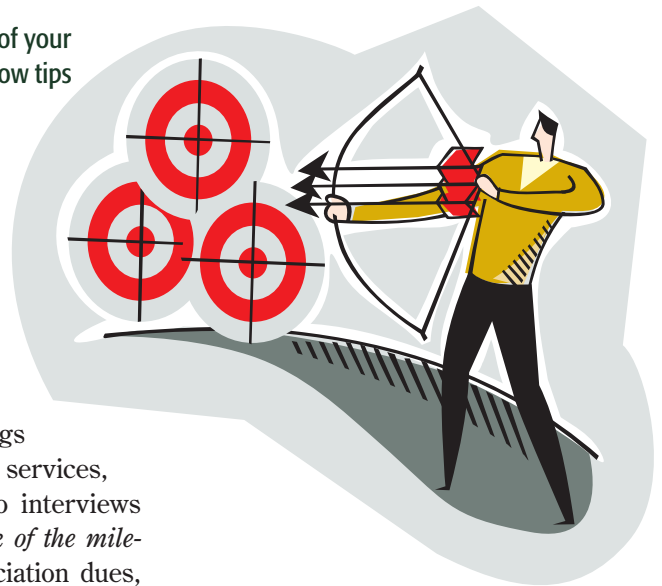
Posting resumes to high-traffic job sites is just a starting point. You need to use your university's career service office and network, network, network. Don't sit back and wait for the job to find you, treat the process of finding a job as a full-time job. It takes a lot of hard work, but it will pay off.

2 Keep Track of Your Job Hunting Expenses

You may not know it, but many expenses related to your job search and relocation for a new job are tax deductible... things like fees for resume services, mailing costs, travel to interviews (*if you drive, keep track of the mileage*), professional association dues, subscriptions to journals, moving expenses related to starting a new job and setting up a home office. Just keep your receipts and records in a file, and you'll have it handy when tax time comes. Many popular tax programs will walk you through it, as will tax preparation services.

3 Choose Your Job Wisely

Remember that a job in your chosen field is likely to be a better idea in the long run than a higher-paying job in a field in which you have no long-term interest. Accepting a job in an unrelated field, simply because it pays more, either delays your career progress or traps you in a field of work that may not make you happy. When you are happy in your work, you will excel... and when you excel, you will advance and grow.



4 Think About Finding A Roommate

If you are thinking about moving back in with your parents to save money, make sure you consider the pros and cons of your living situation. During your college years you have grown into your own person, and independence is not a luxury, it is a necessity. If you can live with the constraints of living with family, it can be a way to save money or pay down your student loans... IF you have the willpower not to spend the extra cash.

But if you decide to get your own place, you'll likely grow more as a person and learn a lot about life and being on your own. Some of the best experiences come from having to deal with life's little surprises and problems. If you go with your own place, finding a good reliable roommate can really help with the costs. Just be sure to establish the ground rules and expectations going in to avoid misunderstandings down the road.

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Consider Holding Off on That New Car

Once you start getting a regular paycheck, don't be surprised if you start hearing the siren song of a new car. The advertising is everywhere, many of your buddies will have new wheels, and the various financing deals make it seem so easy. But for someone on a starting salary, the much lower price and good value of pre-owned cars might make better sense (see sidebar). Many of today's car models are still very reliable and solid when they are several years old. Take a look at *Consumer Reports* or similar consumer services to see which makes and models hold up the best over the long run.

If you are paying off student loans or maybe saving for a down payment on a house, the money you save driving a used car could be a big help. And of course, if you live in a big city like New York or Chicago, you can probably do without a car entirely.



Use Credit Cards Wisely

Freshly minted graduates are a favorite target of marketers for everything from credit cards to cell phones. They understand the temptations of that first regular paycheck, and the peer pressures of “what everyone else has.” By all means you should indulge yourself a little bit... you've earned it.

But try not to get carried away. Instead of reaching for the first credit card offer that comes your way by mail, check out who's offering the lowest rates. Beware of zero interest introductory offers – that initial rate can jump dramatically once you move through the introductory period.

Credit cards are a kind of double-edged sword.

On the one hand, you need them to establish a credit history in order to buy a car or house. You also need them for things like renting cars and hotels. On the other hand, their convenience and ready spending limit can be a powerful temptation. One good habit to get into is paying off your credit card bill in full every month, or using them only in emergencies. If the monthly bill starts getting too big to pay off, you might want to consider cutting back on spending.

You might also think about getting a debit card instead of a credit card. Debit cards take money directly from your checking account, so it's really impossible to spend money you don't have. Another thing to watch is department store credit cards – the discount they offer the first day you open your account is more than made up for by their typically high interest rates.

Automate Your Financial Life

The Web's good for more than just chat – you can make bill payments and savings happen without even thinking about it. This will become important as your energies get focused on your career and starting a new life after school.

Start by automating your credit card payments and any utility payments that allow you to pay electronically (*check company websites for online payment options.*) You can also put your savings on automatic pilot too. Consider an automatic plan where money is withdrawn from your paycheck and moved into a bank account or mutual fund. Any of the big mutual fund families will help you set up such a savings account.

The great thing about automating your finances is it makes sure all the really important things (*like bills and savings*) get paid first, so you know exactly how much “fun money” you have to play with each month. Think of it as “electronic willpower.”

Set Up Some Spending Rules

While it may seem time consuming, try to sit down and plan out a budget. (*This exercise will go hand in hand with the “automated bill paying” mentioned in Step 7.*) Your budget can take the form of a monthly chart of how much money you are making and how much you plan to spend on everything from daily expenses to paying down your debt.

Here are some guidelines to shoot for:

- Spend no more than 30 % of your monthly take-home pay on rent or mortgage payments (*if it's higher, you may want to look for a cheaper apartment... or find a higher paying job!*)

did you know?

In the first five years, new cars lose about 65% of their value. That means a car that cost \$25,000 new can be purchased in the neighborhood of \$8,750 five years later.

- Ideally, your overall debt should be less than 20 percent of your annual take-home pay. Of course, this is hard at first with student loans, but as you get those paid down, the 20% debt rule is a good one to follow.
- Try to save 10 % of your take-home pay each month.
- Consider setting aside an emergency cash fund of three months' worth of your living expenses. This would be kept in a money market fund or savings account where you can get to it quickly. This cushion will give you a lot of flexibility to make important career changes, not to mention protecting you from the unexpected.

Start Saving Early for Retirement

Even though you aren't thinking about it now, the money you save very early in your career is worth so much more than money saved later in life. Why? Because it has so much longer to earn interest and grow. In most cases, if you start saving when you are young you could actually STOP SAVING in your later years and still come out ahead of someone who starts late (*see sidebar for example*).

So, if you make the decision to save, what's the best option? By far your best choice is likely an employee sponsored 401(k) plan. Most employers provide a matching contribution, meaning they match your contribution up to a certain percentage. That's free money! And there's some pre-tax "magic" that happens with 401(k) plans (*see sidebar*).

If your employer doesn't offer a 401(k), there are several kinds of IRAs available to individuals, with many of the same benefits. Any financial advisor would be happy to help you set up an IRA, or you can go directly to a provider like Charles Schwab, Fidelity or many others.

Don't Miss Overlooked Insurance Needs

Most graduates will initially rent an apartment or a house, but few think of getting renter's insurance. You might think the landlord's insurance covers you if something happens, but that's not true. Renter's insurance also covers liability, which would pay some of the costs if your dog bites the mail delivery person.

Another commonly overlooked insurance need is disability insurance. While some companies may offer some level of disability, it's still worth looking into getting an individual policy. The benefit to getting disability as a new graduate is that it will be very affordable (*the cost goes up with age*). Try to get a non-cancelable, guaranteed renewable policy. That means it can never be canceled, the rates will never be increased, and it's good until age 65.



Finally, and maybe most important, you need to think about health insurance. In most cases, your parent's health insurance no longer covers you after graduation. If you are starting a job immediately and your employer offers health benefits, that's great. But if it's going to be a while before you are settled in a job, you really should consider short term health insurance.

The fact is, going without health insurance is a very risky choice. The costs from even a minor injury or illness can set you back financially for years. Going without health in-

surance is actually one of the leading causes of bankruptcy among young adults. Fortunately, short-term medical insurance is readily available and affordable. You can buy a policy for just the number of months you need, with surprisingly low monthly premiums. For more information about short-term medical insurance go to protectyourgrad.com or call 1-800-334-8195.

did you know? THE ADVANTAGE OF STARTING EARLY

If you start saving \$500 a month when you are 24 years old, you'll be a millionaire when you turn 67. If you wait until you are 44 to start saving, you'd have to save about \$2,000 a month! (*based on 8% rate of return*)

THE POWER OF THE 401(k)

Assume you make a \$200 contribution per paycheck into the company 401(k) plan. If your employer matches it, so the actual amount going into your retirement savings is \$400. But the money you contribute is taken out pre-tax, so your take-home pay is only reduced by \$150 or so (*depends on your tax bracket*.) That's just \$150 to generate \$400 savings!

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