


Getting Started On Your Own


Personal Economics for New Graduates

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Our Goal for Today

- P Budgeting for everyone
- P Pay yourself first - savings
- P Credit Cards
- P Credit Reports
- P Student Loans
- P Other
 - < Apartment/housing
 - < Insurance
 - < Any other burning worries



A Typical Friday at Work



Budgeting

Not Rocket Science

P Do this before you make big commitments (apartment/car)

P Simple budget

- < Housing
- < Car, incl insurance, gas & repairs
- < Food & Clothing
- < Student loan payments
- < Savings
- < Fun!

P How to live by it

- < Big part (housing/car) is covered/committed if do one.
- < Don't spend what you don't have!



Pay yourself first

Save for rainy day

P Need to save

- < Rainy Day (what if you lost job from downsizing?)
- < "Stick-it" Fund (what if need to quit your job?)
- < Retirement (yes, even now)

P Rainy Day

- < Rule of thumb: Have 2 months pay in reserve
- < Way to start
 - B** Have bank automatically transfer money each pay cycle (monthly, semi-monthly)
 - B** If it happens off the top, you won't miss



Retirement savings

Aren't we a little young for this?

P Takes a lot of money to retire

- < All comes from you
- < The most growth comes from the earliest savings

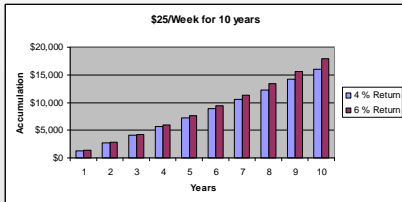
P 401(k) & other employer assisted savings

- < Save pre-tax - Earnings aren't taxed until you spend them (when you retire)
- < Growth/interest isn't taxed either
- < Can save up to 25%
- < Best way to save for retirement



Seems Like Magic, But It's Not

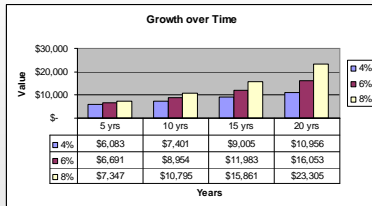
- § Consistent steps, even small ones, can add up.
- § \$25/week for 10 years @ 5% = \$16,950.
- § Add \$1 a week, and you'll have \$178,840!
- § It's not magic; it's compound interest!



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Seems Like Magic, But It's Not

§ The Rule of 72



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Budget Worksheet

Guideline
Monthly income (before taxes) \$ _____
 Taxes 30% _____
 Available \$ _____

Savings & expenses
 Savings 5% _____
 (pay yourself first!)
 Student loans _____
 Food 11% _____
 Rent 16% _____
 Utilities 3% _____
 Insurance _____
 Car/transportation 7% _____
 Medical _____
 Clothing 4% _____
 Fun! _____
 Other (giving, emergency) _____
 Total expenses _____

Remaining \$ _____
 should be zero or positive

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Credit Cards

Why use them?

- < Safer than cash
- < Organize your spending
- < Build credit history
- < Loan (short term only)



Use Credit Wisely

- § An introductory credit-card interest rate can be a trap.
- § Avoid having multiple credit cards.
- § Pay in full every month.
- § Pay on time.
- § Avoid cash advances.
- § Stay within your credit limit.
- § Review your statements carefully.



What to do if you're in trouble How to Reduce Debt

- § Don't panic!
- § Cut back on spending so you can pay more each month.
- § Consolidate your debt on one low-rate card.
- § Seek out payment options, including discounted rates.
- § Don't miss payments, and don't default.
- § If you own a home, use your equity to get credit. - Home equity credit is often cheaper than other credit.
- § Bankruptcy is a last resort



Credit reports

- Your Abusiness® for everyone to see

P What-s in here

- < What you owe/Who you owed - Full credit history
- < How you paid

P What-s it mean? Who uses it?

- < Potential lenders
- B Car, house, credit cards
- B Landlords are lenders of a sort and do look
- < Employers!

P How to see it/fix it

- < <http://www.ftc.gov/bcp/online/pubs/credit/crtdis.htm>



Student Loans

P Exit interviews

P Repayment

- < 10 or 20 years (for some loans)

P Other options

- < Deferment
 - B Student
 - B Hardship/Forbearance - Interest still charged/accrued
- < Cancellation
 - B Perkins only - teachers, military, law enforcement, nurse, death/disability



Other important stuff

P How to find an apartment/housing

- < Employer
- < Realtors
- < Web ? (Look at the source)

P Insurance

- < Health insurance
- < Renter-s insurance




Your Friend, Benjamin

A joint creation of the AICPA and the Ad Council.

Help is available at www.FeedthePig.org.

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FREE WEEKLY EMAIL SAVINGS TIP

HELLO... I'M BENJAMIN BANKS.
WELCOME TO MY WORLD OF MONEY.
Please, don't take your financial stress too far.

Your average credit card debt is \$4,088. Your average student loan debt is \$20,000. You spend 24 percent of your income just on debt payments. You now have the second highest rate of personal bankruptcy in the nation.

When things seem too heavy for what you can hold, it's time for FEED THE PIG. Get out of your current financial bind. Your choice. We'll help you create your own path to success. Take charge of your money. Help feed the pig. It's a matter of time.

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Use your PDA or online calendar to create savings reminders for long-term goals.

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Are You Ready? - Windows Internet Explorer powered by Yahoo!

Address: <http://www.aicpa.com/pressroom/pressreleases/Video/StudentLoanQuiz.htm>


So you're headed for the real world...
ARE YOU READY?

POP QUIZ
 Are you financially fit?

CREATE A BUDGET
FINANCIAL CALCULATORS
 As easy as 1,2,3

WEB RESOURCES YOU CAN USE
COLLEGE SHOULD BE FUN
 Let's keep it that way

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Financial Fitness Ohio

Be excited about working!



Questions?

<http://www.geocities.com/phillaube/SeniorSurvival.html>

Some information provided by the AICPA and California Society of CPAs from the 360 Degrees of Financial Literacy and the Feed The Pig campaigns