

Financial Tips for College Graduates

U.S. News offers [10 financial tips for young adults](#).

Actually, financial advice for anyone starting out in the work world. Or even for those who have been working for awhile and now want to begin investing.

Good advice. A few comments from my side.

I shan't cover all the points, but do want to make a few observations.

Start Saving From Day One

[Good investors save](#), invest, and grow their funds.

Enroll immediately in a plan where money is automatically deducted from your pay each period. Company plan, personal tax-deferred investment account, etc.

You did not have any income yesterday. Missing \$50 or \$100 per pay period will not be felt. But if you wait and get used to the extra cash in your chequing account, it will be more difficult to lose it later on.

Invest for the Long Term

How you invest should, in large part, reflect your [phase in the life cycle](#).

Presumably you are young. With 40 plus years until you need to access your retirement funds. Starting out in the world, you hopefully are entering an accumulation stage of life.

With a [long time horizon](#), you can handle some volatility in your portfolio. That means you should consider relatively riskier assets when you are young.

No, not betting double zero on the casino roulette wheel. Nor even putting half your money in corn futures. This is speculation. I am talking [investment risk](#). Based on your [personal risk tolerance](#) and individual circumstances. For a typical young investor, that often means a well-diversified portfolio with an [emphasis on equities](#).

[Do not shun risk](#) at a young age. Risk can be an asset for young investors. Just make sure it is well considered, prudent investment risk.

As your time horizon decreases and your personal circumstances change, then you can slowly move to a lesser risk portfolio.

Maintain an Emergency Reserve

Last in, First out (LIFO). An inventory term in accounting.

But also a reality for young employees who lack seniority within a company. If things go sour, new employees often suffer.

Start investing on day one. But also [start accumulating an emergency reserve](#) in case you suffer a loss of employment income. The amount should be based on various factors. A good benchmark is often 3 to 6 months of living expenses.

Don't Live Like a King

Or queen. Or my nephew.

Yes, it is nice to finally get out of your parents' basement and begin earning real money. But live within, or even below, your means.

Try to keep life frugal and invest any spare cash. Take advantage of your youth and the [power of compound returns](#). Yes, you may enjoy that week in the Dominican Republic. But investing the money and watching its [compound growth](#) over time will allow for many more weeks vacation down the road.

Financial Advice for Younger Adults

The New York Times offers some [“Financial Tips for Younger People”](#).

Not bad financial advice for young investors. Worth a read.

Key points offered:

Those Under 40 Are Not Saving Money

With stagnant wages, a tough job market and heavy student debt, American under about age 40 have accrued less wealth than their parents did at the same age, even as the average wealth of Americans has doubled over the last quarter-century, according to a new study by the Urban Institute.

You can substitute “American” for most nationalities.

With government deficits and heavy debt levels, ever increasing tax rates, and high unemployment, the ability for individuals to save and create real wealth will get even tougher. That is why it is crucial to start saving as soon as possible. The earlier you begin to save, the less actual money you have to set aside (thanks to the [power of compound returns!](#)).

Develop a Saving Habit Today

Individuals, especially younger ones, must see savings as a habit. They:

... need to start saving – even if it’s as little as \$10 a month, if money is tight – to get in the habit. With the

uncertainty about the future of Social Security benefits, he said, "There's a high likelihood they're going to be personally accountable for their own retirements."

Do Not Overspend on Homes or Cars

Younger adults should:

not to aim to buy a big, expensive house right away, because they are likely to move around before settling down. Ditto for fancy cars.

I would differentiate between homes and vehicles.

Not buying too big a house now may save significantly on mortgage interest. Buy something reasonable, then pay down any debt as quickly as possible. In the early years, interest takes up the vast majority of mortgage payments. Take steps to reduce the principle and the overall cost of the house (purchase price plus mortgage interest) will be much lower.

One may make an argument to invest in a large home now, given current popped housing bubbles in many locations. Over the long run, real estate has been a good investment. If you can find a large home, at a reduced price, fine. But remember that your true cost will include interest on any assumed debt. So be cautious about overextending.

Vehicles are different as they are depreciating assets. We are not talking classic collectible cars, but vehicles you use for day to day use. You buy a new car and the second you drive off the lot it is worth substantially less. Vehicles are not investments.

A good rule of thumb is to invest in appreciating assets and minimize purchases of depreciating assets.

Spend money on items that will retain their value or increase

in price. Spend as little as possible on wasting assets.

College is an Investment

Another good piece of advice is:

taking only as much college debt as they can reasonably expect as their first year's salary in their chosen field.

I am not sure I agree with the ratio, but the point is valid.

Education, job training, etc., is an investment to help increase earnings during your lifetime. You must always consider the return on that investment before spending your money or taking on high debt levels.

A few other pieces of advice are offered in the article. So please give it a read.

Get Busy on Your Future Today

Too many people wait until the last minute (or when it is too late) to try and improve their career prospects. If you want a prosperous future, you had better get busy today.

Young adults should start developing necessary lifelong skills and experiences before they enter the workforce. That means taking courses, developing direct and indirect skills and experiences, and beginning to build networks.

If you want to succeed in the future, you need to plan now. Then strengthen your resume over a 3-5 year period to make yourself an attractive job candidate.

Some of This I Have Already Covered

You do not have to be the best student in your speciality or have the best background to get the job. I believe that you can really improve the odds of getting hired and promoted by planning ahead and developing complementary skills. However, you do need to plan ahead and build over time. It is not a one week process.

I have previously written about how to enhance your marketability. Education, extracurricular activities, and networking are effective ways to strengthen your resume.

You can easily [optimize your time in school](#). If you are taking a non-business major, [learn some basic business skills](#). If you are a business major, [learn about the industries](#) in which you may work or deal with.

[General skills](#) are crucial. Especially as you strive to climb the corporate ladder. Courses and experiences that teach leadership, effective communication, project management, and strategic planning are key to advancement.

The business world is a global one. [Foreign language skills](#) are important.

[Extracurricular activities](#) can also develop important skills. When thinking of things to do outside the classroom or work, see if you can use your time to [add value to your resume](#).

Finally, [networking](#) can be an important resource to help you grow your career.

It Is Not Just Me Preaching

The Wall Street Journal offers similar advice in [“Dear Class of 2016: Get Moving on Your Future”](#). If you are a young adult, it is well worth a read.

There is specific advice for freshmen, sophomores, juniors, and seniors. Highlights for freshmen include:

You'll likely be required to take certain basic courses or prerequisites for your major. But this also is the time to sharpen basic—but essential—communication skills ... sign up for writing and public-speaking classes. They will help you do better on written and oral assignments in other classes. And you'll be able to carry the skills over into your job search and professional life.

Multinational corporations often prefer job candidates who can speak multiple languages.

... start fostering relationships with professors or alumni who will later help with career advice and internship and job leads.

Many career-services offices offer personality tests to help students figure out their passions and interests

... can gain valuable skills from a summer job. Try to tailor the job to your field of study in some way.

... consider asking about volunteer opportunities at a company or organization in your field of interest

Some of the advice for older students is below, but the article fleshes things out. Much is similar to my view of how young adults should properly improve their marketability.

If you can pick up even one tip that strengthens your resume, it is well worth your time to try.

FRESHMAN YEAR

- ◆ Take writing and public-speaking classes
- ◆ Find a mentor in my field
- ◆ Visit career-services office

SOPHOMORE YEAR

- ◆ Sign up for accounting and personal-finance classes
- ◆ Take an active role in a club or team
- ◆ Form relationships with alumni for career advice

JUNIOR YEAR

- ◆ Declare a major
- ◆ Network with alumni and other professionals in my field
- ◆ Seek out a summer internship

SENIOR YEAR

- ◆ Meet with mentors for interview and job leads
- ◆ Set up mock job interviews
- ◆ Polish cover letters and résumé