

FINANCIAL REALITIES FOR COLLEGE GRADUATES



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The joy of graduating from college can quickly disappear once graduates understand that they are on their own and the bills are starting to pile up. Graduation usually marks the point at which grads find their first real jobs and take on the full responsibility for their financial future – and that can mean failure or success.

Graduates soon realize that there are a myriad of financial burdens including rent, car payments, car insurance, utility bills, internet services, cable, groceries and the list goes on. The wonder and awe at the amount of money they are making (perhaps for the first time in their lives) at their new job diminishes when they discover the deductions for benefits, payroll taxes and income taxes. The lifestyle they started based on their gross salary is usually too elaborate for their net income.

But the worst thing that the graduates can do is start using their credit cards to help maintain that lifestyle. It is then that the decline into debt happens very quickly and, seemingly, without warning. According to statistics the typical graduate already owes \$3,262 on credit cards at the time of graduation! And most are also in the process of paying back school loans, which average close to \$20,000.

Here are the typical “eye-openers” for recent college grads and some tips on how to plot a course to avoid these financial land mines.

BILLS, BILLS, AND MORE BILLS



There are more than a few college grads that can remember their mothers or fathers pouring over a kitchen table full of bills – and muttering to themselves during the process. Of course, most never gave it a second thought. Get ready for a dose of reality. College grads dream of beautiful apartments with top-of-the-line audio/visual equipment and new furniture – and there is also the new stylish car that they have been fantasizing about. But what about food, gas for the car, utilities, clothes for the new job and a few extra bucks for a night out on the town? There are alternatives. Grads can use public transportation, take on a few roommates to help with the monthly bills and reach out to alumni in their local area for suggestions. They can contact the alumni affairs office at their college to see if there is a local chapter in their vicinity.

BE AWARE OF YOUR NEW INCOME

Many college grads are starry-eyed at the salary they will be making at their first job. They should do their homework and find out the difference between the gross and the net pay they will be receiving. They can then build a budget according to their “true” salary.

CAR INSURANCE – SURPRISE!

The days of mom and dad paying for car insurance are just a memory for most college grads. Even if students are paying for their own car insurance while they’re in college, they may be benefiting from the family’s multi-car and multi-policy discounts. Since many graduates relocate away from their home, car insurance rates may come as a major shock. Also, college grads gravitate toward new and flashy vehicles being produced and don’t realize the expense of insuring those cars. If a policyholder allows another person – a roommate, brother or sister, or a boyfriend or girlfriend – to drive their car regularly, that has to be revealed to the insurance company and can affect the premiums, which adds to the financial burden.

An additional issue for insurance companies is the amount of debt a college grad is already carrying. In some states, if the debt is substantial, the college grad’s rates can increase due to the chance of deliberately burning their car or setting up a false carjacking scenario in order to collect the insurance.

MORE INSURANCE

The majority of college grads rent an apartment or a house but forget to obtain renter’s insurance. The landlord may have insurance but it is usually for the structure and does not protect any personal belongings – which means the new TV, stereo system, computers and the furniture, not to mention all the other objects that will not be replaced if damaged.

In some states, if a number of people rent an apartment together, they can’t get a policy together, and some items, such as high-end electronic equipment and computers, might be difficult to insure. Also, college grads should be aware that most renter’s insurance policies cover what an item is worth today, not replacement cost. The reality is, what’s a three or four-year-old computer worth if it is destroyed? Grads should do the research and see if renter’s insurance is right for them.

TAX RETURNS



Most college students have filled out a simple tax form before but now that they have joined the “real world” tax forms become much more complicated. Grads will go to their local tax service and not be properly prepared with a list of deductions that they can take. A few of the activities that can be identified as tax-savings for new graduates include job-hunting expenses such as resume services, mailing costs, travel to interviews (if you drive, keep track of mileage), professional association dues, subscriptions to journals, moving expenses related to starting a new job, charitable contributions and setting up a home office.

UNDERSTAND CREDIT BEFORE YOU USE IT

The bottom line is credit card companies want your business and really don't care if you go up to your eye balls in debt. An onslaught of credit card applications with appealing offers to sign up confronts college students and grads everyday. Most of these students and grads who are targeted by the credit card companies know very little about interest rates, late fees and the damaging string of events that occur when only the minimum amount due is paid off each month. A college student or grad does not need more than one card. Many students and grads carry three or four different cards and max them all. The debt does not go away and for many grads, they find that they are paying off their credit mistakes 10-15 years down the road!

Something else students and recent grads should remember is that their credit reports will be reviewed when they are trying to rent an apartment or buy a new car. Also, job opportunities can be lost if employers check credit reports to see if they are, or were, financially responsible. Many employers will not hire a recent grad who displays the inability to show restraint and accountability in regard to credit cards and finances. The main objective is to keep a minimum of one major credit card for emergencies only. Remember, for most college students and recent grads, if the credit cards are in their wallets, they will use them.

THE FUTURE IS NOW



Recent college grads should take every advantage of what their employer offers them toward their retirement. Of course, the last thing on the minds of recent grads is retirement, but it is an offer they should not refuse. Utilize the human resource departments of their new employers and contact the help lines of the 401(k) plans that the employers use. By taking advantage of this free assistance, the college grads will be on their way to a more financially secure future.

NOTES



ADDITIONAL RESOURCES



www.usacreditcounseling.com/west-virginia

www.crediteducation.org

www.cautionwithcredit.com

U. S. Financial Literacy and Education Commission

www.mymoney.gov

American Consumer Credit Counseling, Inc.

www.consumercredit.com

Center for Student Credit Card Education, Inc.

www.cscce.com

Myvesta (formerly Debt Counselors of America)

www.myvesta.org

National Foundation for Counseling Credit

www.nfcc.org



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