

Great Advice for Grads

SUMMER 2015



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Years ago, when it was my time to wear the cap and gown, the world was a much different place: I could count on one hand the number of people I knew with cell phones, a gallon of gas was \$1.46, and everyone used AOL dial-up to connect to that new thing called the World Wide Web. To say that things have changed is a bit of an understatement. I'm sure I won't be the first during this graduation season to make comparisons to days of yore; it's a pretty easy way to drive home the fact that with each graduating class, the world is already much different than it was even one year ago. We here at Inceptia took note of that fact, and kept it in mind as we developed this, our 2nd edition of "Great Advice for Grads."

In this year's guide, we wanted to connect you to finance experts from across the blogosphere who have their finger on the pulse of current trends in the world of personal finance. By offering their best advice on the hot topics of 2015, student loan repayment and how to plan for your future, our goal was to provide you with a variety of voices and perspectives from which to learn, and maybe choose a favorite new blog or two to help your continued navigation of financial waters. Rounding out our submissions, we hear from college faculty, financial literacy and financial aid professionals who share with you the advice they impart to the students on their own campuses. Truly, this guide combines the best work from those who are passionate about students and post-graduate success.

In keeping with the notion that change is constant, this year I wanted to share an alternate message that seems to run contrary to one of the most common graduation sentiments: to follow your passion. Though a handful of folks have offered up their rebuttal of this advice, I like the way Mike Rowe, host of "Dirty Jobs," explains his wariness of this platitude:

When it comes to earning a living and being a productive member of society - I don't think people should limit their options to those vocations they feel passionate towards. I met a lot of people on Dirty Jobs who really loved their work. But very few of them dreamed of having the career they ultimately chose... I would never advise anyone to "follow their passion" until I understand who they are, what they want, and why they want it. Even then, I'd be cautious. Passion is too important to be without, but too fickle to be guided by. Which is why I'm more inclined to say, "Don't Follow Your Passion, But Always Bring it With You."

Regardless of whether you choose to be guided by your passion, or you choose to take it with you, we wish the Class of 2015 much success, immeasurable happiness and the freedom of financial wellness.



Best,

Carissa Uhlman
Vice President of Student Success
Inceptia

Retirement: The Sexiest Story NO ONE Wants to Talk About

By Andrew Meadows, Broken Eggs Film



Imagine your future: You're a millionaire, living the (insert dream life here). You've had those grandiose visions of being fat with cash, and NOT punching a clock. Money is sexy, and you want to be sexy.

This is no fictional tale, friend. It's your possible future, although some would find getting there not so sexy, or easy. No one likes to talk about it. In fact, people would rather talk about ANYTHING ELSE.

Remember that age-old story your elders would regale you with, perhaps in a fashion that soon had you snoring or daydreaming of anything else? It went something like this:

- 1) Go to school
- 2) Get a job
- 3) Work your a** off for 40+ years
- 4) Retire
- 5) Live the dream

Here's the deal: 99.9% of you didn't learn anything about retirement planning in school. You may know what a pension, 401(k) or an Individual Retirement Account (IRA) is in theory. But are you prepared to take advantage of any one of them when entering a job? Not

to mention, you watched as your parents were (probably) affected by the stock market crash and you're like, "Here is the harsh reality of that age-old story, imho":

- 1) Go to school: may or may not include college; if college, graduate in extreme debt
- 2) Get a job: well, try to get a job...or live with parents for the foreseeable future
- 3) Work your a** off for 40+ years until you're dead
- 4) Retire
- 5) ~~Live the dream.~~

(Insert dramatic pause here)

Here's the deal on the revised list above. You totally can retire, and the earlier you start planning, the earlier you can get out of the job pool. You don't have to work until you're dead. You can in fact retire as a millionaire. The proof is in the pudding, and that pudding is made out of cash. CASH PUDDING. DELICIOUS.

While saving and retirement in general don't seem like the glamorous road to your millions, it's actually super achievable. Even without that record label recording contract, or winning the lottery, or being the mastermind behind the next Snapchat.

But it's not always easy to start a retirement plan, because OMG - it's boring and hard and what is a 401(k)/IRA/Pension anyway? Take a breath, and let's have a quickie on that 401(k)/IRA/Pension:

- **401(k)** – Offered at your job to allow you to sock away pre-tax money for your retirement, effectively lowering your taxable income. Plus you can sock away more than any other pre-tax retirement savings vehicle. #winning

- **IRA** – Traditionally pre- OR post- tax contribution, with a lower savings limit than a 401(k). This is the most accessible plan out there, and available to you as just you (no job required). In fact, you can get one through all sorts of entities, including your bank.

- **Pensions** – The nearly extinct dinosaur of retirement plans that helps you save, and even pays you a regular check after retirement. This is usually limited to schools, public works, and government employees.

That's the boiled down version. And while the retirement industry at large will try to overcomplicate all of this, you can take those three bullet points to the bank. Not so bad.

SHAME, SHAME

The truth is, there is a tremendous amount of shame around savings. No one wants to talk about it because we know we could be doing more. A study from 2012 shows that the top recurring regrets we have as a nation is not saving enough. Similar to how there previously was shame about credit scores, there is shame around our lack of savings.

On the credit score front, the state of the union has changed due to incredible marketing and advertising

efforts that changed the broad perception of the masses. Now there are hundreds of companies that offer credit score results and even help deliver a better score.

Good news: While retirement needs the same concerted national campaign to raise awareness, retirement savings are not like credit scores!

YOUTH = CASH PUDDING

You have a unique advantage (queue drumroll)!

"Finally!" you say in extreme exasperation.

You have an advantage that your parents DON'T HAVE (throws confetti).

Time, baby! TIME. Yes, you are youthful and awesome, and you can be a millionaire, retire, and get out of the

grind! No matter how much you love your gig, your career, your job – everyone has an expiration date (queue FREE documentary Broken Eggs: The looming retirement crisis in America). And there is a possibility that through "life happens" events you may not actually get to choose when your expiration date arrives. So what can you do to prepare?



GAME THE SYSTEM! This is literally the best part. Are you numbers challenged? Do you immediately look for your calculator app at the mere mention? Me too, but we aren't just talking numbers here, we are talking about sexy cash numbers! So let's start with the basics, because this is the best part of the story.

WHERE'S THE MONEY? COMPOUND INTEREST

Compound interest is interest added to the principal of a deposit or loan, so that the added interest also earns interest from then on. (Make sense so far?) This addition of interest to the principal is called compounding.

Money isn't everything, but it is when you start thinking about putting money away for your retirement days.

— Andre Leon Talley, Contributing Editor, Vogue

For example: If you put away \$25/week with a 5.5% growth rate, you could easily end up with almost \$350,000 upon retirement. Factor in that new diploma, a few smart career choices, add even more promotions and bonuses (carry the one), and you have yourself a cushy retirement made of delicious cash pudding.

LEAVE YOUR WORRIES BEHIND

Start saving now. The result will be that you will stress less in the future and will be actually prepared. And not prepared just in a casual, "I have some bucks in the bank" sort of way, but a significant, you can live the dream sort of way.

Just like all the time you spend leveling up a character in your favorite game, saving for the future will give you unique abilities to actually enjoy life after working. The plus side is you will also have time to create your next life – the luxe life.

My best advice: work in your passion so it feels like both work and retirement are just a wonderfully long vacation. And save, save, save. Because a big fat load of cash is sexy. And achievable.

Information taken from, <http://wallstreetonparade.com/2013/01/theres-a-retirement-planning-crisis-in-america/>



Andrew Meadows is an award-winning public speaker, broadcast personality and advocate for all things retirement. He has worked primarily in the 401(k) and personal finance industry for over a decade, weighing heavily on his experience in marketing and media to spread the word and motivate others to plan for their futures.

Managing Debt after College

By Melody Bell, Executive Director, Financial Beginnings



Congrats new grad, it's time to spread your wings. It's an exciting time! But aside from that feeling of post-grad excitement, you may be feeling a little anxious. Totally normal; after all that student loan debt is intimidating. But don't worry – successfully managing money and debt after graduation is possible! Take these initial steps to start your own pathway to postsecondary success.

The Excitement of Income, the Reality of Expenses National figures show the average salary of someone with a bachelor's degree is \$71,552. If this figure is applied over 40 years, that equates to \$2,862,080 in earnings. Yet sadly, and disturbingly, nearly half of all Americans die with less than \$10,000.

WHERE DOES THE MONEY GO?

Over a lifetime, the average American spends \$224,000 on food, \$121,000 on cars, \$250,000 on housing, \$171,816 on education expenses, \$256,049 on taxes, \$94,500 on retirement, and a whopping \$600,000 on interest payments. This does not include items like vacations, clothes, electronics and technology, cable and internet, or other extras.

WHAT CAN WE DO ABOUT IT?

- **Start saving early**, because time is on your side. The earlier you start saving the more time you have for the value of your savings to compound and grow. Make savings automatic by using payroll deduction or automatic account transfers.
- **Minimize interest on debt** by keeping your credit in good standing. Using a \$20,000 three-year auto loan as an example, someone with poor credit will pay nearly \$5,000 more in interest over the total life of the loan compared to someone with great credit.
- **Be a lifelong learner.** The finance industry is constantly changing; keep up-to-date on changes in the market and adjust your behaviors accordingly.

YOUR LOANS: UNDERSTAND AND MAKE A PLAN

UNDERSTAND

A Federal Student Loan is a loan funded by the federal government. There are several types of federal student loans, the most popular of which are under the Direct Loan Program, which began in 2010. Through these Direct Loans, the U.S. Department of Education is your lender and loans generally have a six-month grace period after students leave school before payments are due. The second most popular loan type falls under the Federal Family Education Loan (FFEL) Program, and includes federal student loans borrowed prior to 2010. Like Direct Loans, FFEL loans include subsidized and unsubsidized Stafford Loans, PLUS loans, and Consolidation Loans, which combine one or more types of federal loans.

There are many loan repayment calculators online to help you determine your monthly payment under a variety of loan repayment plans (we recommend finaid.org).

The most important loan to pay is your student loan. It's more important than your mortgage, car and credit card payments. You cannot discharge student loan debt in the majority of cases.

— Suze Orman, Personal Finance Expert, Host of CNBC's The Suze Orman Show

As an example; a student with \$27,000 in student loan debt at 6.8% interest will pay \$310 per month for ten years to pay back the loan under the Standard Repayment option.

Which repayment plan makes the most sense for you? It's important to know that you have options when it comes to loan repayment, with some of the most common plans listed below. More options can be found at the U.S. Department of Education website.

■ **Standard Repayment Plan** – Payments are a fixed amount of at least \$50 per month for a time frame of up to ten years. Quick comparison: you'll pay less interest overall under this plan than you would others.

■ **Graduated Repayment Plan** – Payments are lower at first and then increase, usually every two years, for a time frame of up to ten years. Quick comparison: you'll pay more for your loan over time than under the ten year Standard Repayment Plan.

■ **Extended Repayment Plan** – You must have more than \$30,000 in Direct Loans or FFEL Loans, and you must be a new borrower as of October 1998. Payments may be fixed or graduated for a time frame of up to 25 years. Quick comparison: your monthly payment will be lower than the ten-year Standard Plan but you'll pay more for your loan over time due to interest.

■ **Income-Based Repayment Plan** – All Direct Loans and FFEL Loans are eligible but you must demonstrate a partial financial hardship. Your maximum monthly payments will be no more than 15% of your discretionary income, which is the

difference between your adjusted gross income and 150% of the poverty guideline for your family size and state of residence. Your payments will change as your income changes and these plans are offered for a time period of up to 25 years. Quick comparison: your monthly payment will be lower but you will have to pay more for your loan over time due to interest.

■ **Consolidation** – Many recent graduates are easily swayed by the promise of a lower monthly payment that consolidation loans may offer. However it is critically important to consider how interest rates can change with consolidation, and how much interest you will pay over the life of the consolidated loan. Consider a graduate with a student debt payment of \$281 per month at 6.3% interest. Consolidation would drop the monthly payment down to \$183.20 (a savings of \$97.81/month) but at a slightly higher interest rate of 6.8%. Those few percentage points might not seem like much, but over the total life of the loan the graduate would pay \$19,986 in interest if he or she consolidated, versus \$9,921 if he or she chose not to consolidate.

■ **Deferment** – This option means repayment of the principal and interest of your loan is temporarily delayed. Deferment can be an option if you are unemployed and looking for a job, if you are in a period of economic hardship, if you take part in an approved graduate fellowship program, if you are in an approved rehabilitation training program for the disabled, or if you are in a period of active duty military service.

When borrowers fail to repay loans, there are negative consequences that can have long-lasting and far-reaching effects.

- **Forbearance** – You may be able to stop making payments or reduce your monthly payment for up to 12 months. Forbearance can be available if you are serving in a medical or dental internship or residency program, your total amount of student loans is 20% or more of your total monthly gross income, or you are serving in a national service position such as AmeriCorps. Be aware, however, that interest will continue to accumulate on your loans during forbearance, which can result in an even higher loan balance when you reenter repayment.

THE CONSEQUENCES OF DEFAULT

When borrowers fail to repay loans, there are negative consequences that can have long-lasting and far-reaching effects. The worst of these consequences occurs when you default on your loans, meaning you have not made a payment in over 270 days.

- Defaulted loans are reported to credit bureaus and can negatively affect one's credit score, making it harder to obtain other loans or credit in the future.
- You may also be ineligible for additional federal student aid.
- Your loan could immediately become due and payable in full.
- You could lose eligibility for repayment plans, deferment, and forbearance options.
- You could face wage garnishment and garnishment of tax refunds.

These consequences are extremely damaging – which is why I urge you to avoid default at all costs.

MAKE A PLAN

Creating a realistic budget that incorporates debt repayment and savings will position you for long-term financial success. Start by tracking your expenses so you know exactly where your money is going, and to help you identify where you can cut back on expenses. It's also important to calculate your monthly take home pay, and estimate your average monthly living costs. In this example, using the average undergraduate starting salary of \$44,000, gross pay is \$3,667 a month and net pay is \$2,595 a month. Below are average ranges to keep in mind when creating your budget:

 **Housing**
typically between 25-35% of income

 **Transportation**
typically between 4-15% of income


 **Food**
typically between 10-15% of income

 **Personal Care**
typically between 5-10% of income

 **Health care**
typically between 10-15% of income

 **Loan Repayment**
typically between 7-15% of income

 **Utilities**
typically between 4-7% of income

 **Entertainment**
typically between 1-5% of income

Based on this budget example, this graduate will spend approximately \$1,739 a month on the basics, leaving \$856 for savings or other financial goals (e.g. buying a car, taking a vacation, or purchasing a home). The important thing is that all financial obligations are accounted and paid for so that \$856 is free to be allocated in whatever way this grad chooses.

Financial planning is an important process you will want to revisit throughout your life. It's smart to set short,

intermediate, and long-term financial goals, and review all of these goals regularly as your life circumstances change. And by getting into this good habit early-on, you'll ensure that financial planning (and financial wellbeing!) becomes second nature to you.

Congrats, grad! Now, go make those millions and enjoy the rewards that come with proper money management.



Formed in 2005 and based in Portland, Oregon, Financial Beginnings is a nonprofit organization that provides no-cost financial education programs to youth and adults. Financial Beginnings' courses incorporate all aspects of personal finance to provide individuals the foundation needed to make informed financial decisions. This article is excerpted from Financial Beginnings' Pathways to Postsecondary Success program. More information is available at www.financialbeginnings.org.

There are too many smart
tips to list them all here!

What did we miss?

Let us know on Twitter!

🐦 #gradadvice

Five Life Pro Tips to Jumpstart Your Post Grad Adventure

By Sophia Bera, CFP® Founder Gen Y Planning



Here's what I love about Millennials: our generation wants to learn about money. We ask questions like, "How can I be financially successful?" We want to avoid making the same mistakes as our parents, and make smart choices to ensure a secure financial future. But we also care deeply about that work-life balance, and finding inspiration in our career path. We're looking for rewards in our life that extend beyond the typical paycheck.

During the past few years with Gen Y Planning, we've covered a myriad of topics aimed at helping the average consumer gain financial wisdom and success. Through all my research and investigations, collaborations and travels, I've gained an in-depth understanding of the complex world of personal finance, and have picked up some tidbits of life wisdom along the way, too. Here's a quick list of a few of my favorite findings:

GEN Y: YOU NEED TO SAVE MORE MONEY

Spending less than you earn is one of the fundamentals of good money management. You build financial security every time you put money into your savings. And if you invest money wisely in your 401(k) and Roth IRA, compound interest also works in your favor. That's why it's important that you not only save, but start investing now.

It's great if you can live frugally; cutting every expense that you can ultimately means more financial freedom for you. If you can live well beneath your means, you can save and invest more money, and you can reduce the amount of money you need to live happily in the future.

But saving money, as powerful as this action is, comes with limits. Not many of us can figure out ways to live for free and save 100% of our income. And as the personal finance bloggers at Get Rich Slowly put it, the goal is to grow wealth and enjoy it. Financial success should not mean we "live poor comfortably." You need to save money, but that's just half the battle.

GEN Y: YOU NEED TO EARN MORE MONEY, TOO

Earning more as a way to build wealth is much harder than learning to pinch pennies. You're in control of your own budget, but most people don't feel like the amount of money they earn is within their control. After all, if we all got to decide how much money we made, wouldn't we all be crazy rich?

But here's the thing: theoretically, your earning potential is unlimited. Seriously! There's no rule that states your income is capped at a certain amount. You can only save so much, but technically, you can earn as much as you want. But you have to do more than wish for it. You have to work for it.

Research and negotiate a higher salary the next time you're job hunting or are due for a raise at your current gig. Or you can turn one of your hobbies into an entrepreneurial side hustle. You can be the boss and not only increase your income but diversify where it comes from.

Saving more money and earning more money are both positive actions you can take to improve your finances – and you should work to do both if you want to reach financial success.

BUILD UP SAVINGS, OR PAY DOWN DEBT?

Financial priorities can get muddled when you have items that are seemingly an either/or endeavor. When it comes to savings vs. eliminating debt, most personal financial advisors focus on stressing one or the other, but don't necessarily explain how to decide your course of action if both are goals you want to accomplish.

How much you already have in savings plays a big role in this decision. Some financial gurus advise you should have at least \$1,000 (Dave Ramsey's baby step 1), others feel like you need

eight months of savings (Suze Orman). My answer is somewhere in between. I feel it's extremely important to be able to have at least one month of your income in savings before you aggressively begin paying down debt. Eventually, the goal is to build up 3-6 months of emergency savings after you've paid off your high interest debt.

Look at the interest rate attached to your loans, credit cards, or other forms of debt you have. Here's the guideline that I use with my clients: if your interest rates are higher than 5%, you need to create an action plan to eliminate that debt.

However, if you only have a few hundred dollars in savings, keep paying the minimum on your debt until you can get some savings set aside. Otherwise, you may end up using a credit card for emergencies, a hard habit to break.

INVEST IN RELATIONSHIPS

Often times we think about investing in terms of assets, like stocks or bonds; but what about investing in your relationships? Take a moment, right now, to think about the people you care about. Consider how much you enjoy having those people in your life. Now think about the last time you prioritized enjoying that person's company or spending time with them.

I was reminded of this recently while listening to a podcast, "Top 5 Regrets of the Dying" featuring an interview with Bronnie Ware, an Australian nurse.

According to Bronnie, one of the top regrets of dying patients was wishing they had stayed in touch with their friends. It made me think about how important it is to invest in the relationships that are most important.

It's easy to get caught up in the everyday grind, to throw yourself into your work. But I encourage you to pause to figure out how you can take a little more time – and possibly even a little money – to reconnect. If you're placing more value on the stuff in your life, rather than the people around you and your relationships, it's time to reevaluate your priorities.

Invest in your relationships with the same dedication that you would invest money in your financial future. Make time for what's important. Try to live a well-rounded life. Create room for family and friends. Don't throw all your time and money into jobs, possessions,

We may think of investing as only about the dollars and cents, but investing in your relationships is what enriches our lives.

Know your net worth. Because if you don't know where you are, it's going to be tough to figure out where you need to go to achieve your goals.

or stuff. If you're already investing for your financial future, that's excellent – but understand that investments in relationships can pay even higher dividends in our lives.

KNOW YOUR NET WORTH

A few times a year, I try to take a moment to calculate my own net worth – or what I have vs. what I owe. I open a spreadsheet, log into my accounts online, and enter the balance of each of my retirement accounts, savings, investments, and so on. Then I enter any debts, and subtract this number from my assets to determine my net worth.

Why do I bother doing this – and why should you? Because if you don't know where you are, it's going to be tough to figure out where you need to go to achieve your goals.

Many people don't have any clue what their net worth is. Even if you're tracking your money in a budget system, many times there's one loan that doesn't link or one account at a credit union that won't sync. If you

have 20 or 30 different accounts to keep track of, it's possible you've never seen everything accounted for on one page. Tracking your net worth gives you a good overview of not just how much debt you have, but also how much your investments have changed, and how much your emergency savings has grown.

Paying down debt, building up savings, and the changing value of your investments can all affect your net worth. But these three things can actually work together to grow your net worth exponentially. Sometimes we feel like we're working so hard to pay down debt or max out our Roth IRAs that we forget how it impacts our bottom line. The good news is that both of those things can actually increase your net worth!

So I know I've covered some diverse ground here, but I hope as a new grad, you take some of this advice to heart and add it to your plan-of-action. There are a lot of big picture items to consider as you move into a new phase of life. But I have no doubt, you'll do great. Congrats!



Sophia Bera, CFP®, is the Founder of Gen Y Planning and is the top Google search for "Financial Planner for Millennials." She has been quoted on various websites and publications including Forbes, Business Insider, Yahoo, Money Magazine, InvestmentNews, and The Huffington Post. Her new book is available on Kindle: What You Should Have Learned About Money, But Never Did: A Gen Y Guide to Empowered Personal Finance.

Five Tips to Help You Conquer Your Grace Period

By Nate Peterson, Assistant Director of One Stop, University of Minnesota-Twin Cities



Whether you just graduated from college, or have decided to take a leave of absence from your education, understanding the basics around your student loan grace period is critical. But it doesn't have to be complicated. Follow these five steps to help you prepare for your loan repayments, and get yourself on the right track to financial success.

BE FAMILIAR WITH YOUR LOANS

Subsidized. Unsubsidized. PLUS. Perkins. Private. Who knew there could be so many different types of loans? And what are you supposed to do if you have multiple types? The answer is surprisingly simple: familiarize yourself with your loans.

As the borrower, it is imperative that you do your research. If you don't have certain information handy, contact your lenders (or your school) to discuss the types of loans that you have. You can also check out the National Student Loan Data System to find your loan information.

To sum it up, knowledge is power. The more you know about your loans, the better. Do your research and find out who your lenders are, how long your grace periods last, and what your interest rates are.

TO CONSOLIDATE OR NOT TO CONSOLIDATE? THAT IS THE QUESTION!

Put simply, consolidation combines one or more loans into a single new loan, but it does have eligibility restrictions. When speaking with your lenders, simply ask them which loans can be consolidated. The general rule is that federal loans can be consolidated with other federal loans. If your loan is a private loan through a bank or a credit union, it does not qualify for federal loan consolidation.

Keep in mind that by consolidating, you may be expected to begin repayment immediately, thus losing your grace period. Be sure you read the fine print regarding repayment due dates, and get all the information you need from your lender(s) before you head down this path.

To sum it up, knowledge is power. The more you know about your loans, the better.

WHAT ABOUT REPAYMENT?

As your grace period starts to wind down, it's important to examine your repayment options to determine which plan is the best for you. Options can vary in number of years to pay off your loan, the amount you pay in a month, and amounts that go to your interest. There are even repayment options based on your income rather than your debt level. Take a quick look at this chart for many of the repayment options available to you.

An important perk to take note of; there are also certain career fields (e.g., public service, teaching) where you can have your student loans forgiven after a number of years of service. Do your research and you may be surprised at the various repayment options available to you, depending on your future career plans.

LIVE CHEAPLY

These two simple words can have a huge impact on your life. Even if you have a full time job where you are making a decent salary, the point of a grace period is to allow you to get on your feet financially as you start your post-grad chapter.

It may feel like you have this large influx of liquid cash

after your first few months at work, but keep in mind that when your grace period ends, you could have monthly payments of hundreds of dollars. Hold back on any large purchases (e.g. trips, cars, and homes) until you know what your life – and budget – is going to be like while you are repaying your student loans.

ASK QUESTIONS WHEN YOU HAVE THEM!

It's okay to admit it: student loans, repayments, and consolidations can be confusing topics. Just remember that your lenders, your school's financial aid office, and even the Federal Student Aid website are handy resources to do your research and find answers. It is better to ask a question and get clarification than make a mistake on your repayment or consolidation that can have a lasting effect on your finances or your credit score.

Preparing for life beyond college can be an exciting time – so many possibilities to plan for, and so many goals to work toward. As you start your new chapter, just be sure to keep tabs on your student loan repayments. By taking the tips above and adding them to your repayment strategy, you'll be on the right track to financial success.



Nate Peterson currently serves as an Assistant Director for One Stop Student Services at the University of Minnesota-Twin Cities. He has worked in higher education since 2007 in positions ranging from student housing to registration and financial aid. At the University of Minnesota-Twin Cities, Nate directly oversees "Live Like a Student," the financial literacy outreach campaign for students, staff, and faculty. Nate holds a Master of Arts degree in Higher Education and Student Affairs from The Ohio State University, and a Bachelor of Arts degree in Sociology and Spanish from the University of St. Thomas.

How to Negotiate a \$13,000 Salary Increase (With Just \$20 and 4 Hours of Prep)

By Stephanie Halligan, Founder & Editor, Empowered Dollar



When I got my first job offer out of college, I said yes. Yes to the job, yes to the salary, yes to the benefits. No questions asked.

Sure, it would've been nice to have been offered a higher salary, but \$48,000 a year felt livable. Plus I knew that it was my first "real" job, I was working in the nonprofit world, and we were in the middle of the Great Recession. So I didn't ask. I was just happy to be employed.

Fast forward a few years, and a few of my work circumstances had changed: I'd gotten a promotion (and a small bump in salary) and the recession was cooling off. Yet I still felt like I wasn't earning what I was worth.

That's when I realized a basic work truth: no one was going to just hand me more money. No one was going to walk into my office and give me a briefcase of cash because they thought I was awesome. I had to stop waiting around. I had to ask.

So I researched, I prepared and I made myself into a negotiation expert. And in that one year, I asked for a raise at my current job. Shortly after that, I negotiated up my starting salary at a new job. Those two conversations combined netted me an extra \$13,000 in income, a

move that paid off both financially and professionally. And it's something that anyone can do, with a little time and preparation. \$13,000, JUST BY ASKING.

So did I use that hard-negotiated pay increase to buy a car, new clothes, or a better place to live? Nope. I paid off my student loans in less than four years, a feat I'm incredibly proud of and that allowed me the financial freedom to become my own boss. Makes you (and me) wonder why I hadn't just asked for a raise in the first place.

WHY IT'S SO UNCOMFORTABLE TO ASK FOR MORE MONEY

Asking for more money is hard for anyone, but it's especially hard (according to statistics) for women. It's not that women are afraid of negotiating. One study found that when women negotiate a salary on behalf of a friend, they ask for just as much money as men; but when women negotiate a salary for themselves, they asked for \$7,000 less than men.

So why don't we advocate for what we deserve to get paid?

Some of it has to do with self-worth: valuing yourself and your work enough to identify what you're worth. Some of it has to do with the value we place on maintaining



positive work-place relationships, sometimes above our professional or financial needs. And some of it has to do with social stigma; women who assert themselves are often perceived as aggressive.

Whatever the reason (and whether or not you're a woman), there's a lot of emotion behind asking for more money. That's why I knew I had to use logic, strategies, and numbers to support my case.

TWO TOOLS FOR GETTING A RAISE AND NEGOTIATING A STARTING SALARY

1. For Getting a Raise at Your Current Job: GetRaised.Com

When I asked for my first raise, I used the website GetRaised.com.

For \$20, GetRaised.com helped me craft the perfect raise request letter. It pulled in the salaries of similar positions in the area to help me back up my raise request with facts and figures. It also helped me articulate my value at the organization and frame my enthusiasm for continuing to grow at that job. I never ended up turning in the letter itself, but I used it as the framework for my

conversation. More importantly, it helped me take my emotional reservations out of the equation and just lay down the facts. Best \$20 I ever spent.

2. For Negotiating Your Starting Salary: Ramit Sethi's Negotiation Videos

Before I went into negotiations with my new job, I headed over to Ramit Sethi's website. This is hands-down the best website to help you practice for your salary conversation. Ramit has compiled hours of video, and a library of resources on negotiation tactics. He breaks down exactly what to say if you feel trapped in a corner with a recruiter, and shows you how to assert yourself without showing your hand. I spent at least four hours watching Ramit's negotiation videos, taking notes and practicing what I was going to say. While that might seem excessive, those few hours netted me a few extra thousand dollars. That's a great return on investment.

A FEW FINAL TIPS

The most important thing you can do to prepare yourself is to practice negotiating with someone in person. Talk with a friend or family member and say what you want to say aloud. If you've never bartered or negotiated something in person, it's very different from reading a book. You have to think fast and speak articulately.

Finally, remember that even a salary negotiation is just a conversation between two people. Ultimately, you both want to get to some sort of an agreement, and it is totally possible for both sides to win. So remember, know your worth, do some research, practice, and hopefully your dream job will come with your dream salary. Good luck!



Stephanie Halligan is the founder, blogger, and cartoonist of EmpoweredDollar.com and ArtToSelf.com, where she illustrates and shares ideas about personal finance (and much more) through doodles and writing.

Building Better Credit, One Step at a Time

By Megan Scherling, University of Nebraska Student Money Management Center



Most students know they should track their income and expenses, and they should be aware of exactly how much they owe in student loans. However, many students also have limited knowledge about credit (especially credit scores), and that lack of knowledge can really hurt them down the road.

Your credit and credit score have a major impact on what you can do and where you can go in life. Poor credit can mean being denied for a loan, or result in high interest rates that increase your overall costs. Your credit background will also be checked and factored into your application decision for insurance, a car loan, an apartment, or a mortgage. Increasingly, an employer credit check could even sway whether or not you'll land that dream job.

So how do you get your credit in order? First things first: go check your credit report – now! To access your report, go to annualcreditreport.com and choose from the credit reporting bureau options: Experian, TransUnion, or Equifax. By law you can request your credit report for free once a year from each of these three reporting entities. So by staggering your requests among these three, you actually have the opportunity

to check your credit report for free every four months. Second, review your report carefully. Your credit report has a list of all accounts under your name, personal information, inquiries about your credit, and any negative information that could affect your score. You need to make sure that all of this information is correct. In addition, the three credit reporting bureaus may have different information, so keep track of each report in case of conflicting info. If some details are incorrect, contact the bureau right away to correct the problem.

Third, understand how your report is used in credit decisions. The items in your credit report are used to generate your credit score, which is essentially a numerical reflection of your credit risk. There are a number of different credit scoring models out there, but the most common is your FICO score, which ranges from 300 to 850. The higher this score the better, with a very good score starting in the mid 700's. A high credit score will help you get the lowest interest rates on loans and credit cards and give you a better chance of being approved for items that require credit checks because it shows you have a good history of paying your debts on time.

Here are a few quick need-to-know items that will maintain (or improve) a good credit score:

- **Pay all of your bills on time**, and pay at least the minimum amount due.
- **Don't close accounts if you don't have to.** Closing accounts reduces your average account length; having a long average account length shows you have been responsible with your money over time and can positively affect your credit score.
- **Use 25-30% or less of your credit limits.** For example, if you have total credit available of \$1000, try to keep your balance under \$300.

- **Don't open a lot of accounts too rapidly**, or apply for a lot of loans or credit cards at once. This may signal to creditors that you are struggling with funds, and can't be considered financially responsible.

Remember, building or repairing your credit won't happen overnight. Maintaining good credit is something you will have to work on your entire life. But if your credit is already less than stellar, don't fret. By making some changes in your spending habits and smartly monitoring your finances, you can slowly improve your credit situation. Just know that it's easier to keep up good credit than it is to recover from credit mistakes, which is why there's no time like the present to take control of your credit.



Megan Scherling is the Program Coordinator for the Student Money Management Center at the University of Nebraska-Lincoln. Megan is passionate about all aspects of financial education, but she especially loves budgeting. At the Student Money Management Center, Megan helps undergraduate and graduate/professional students of all ages and backgrounds to successfully manage their money and organize their financial life.

What's your great advice for
2015 grads?

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The Six Most Powerful Words in Networking

By Danny Rubin, Creator and Writer, *News to Live By*



You've probably heard it already, but when it comes to work and jobs, it's all about who you know; in a word, it's networking. The well-tended network can provide professional connections that help you expand and grow your career, as well as pay it forward further down the line. But it's about more than just collecting a business card or connecting via social media – networking is work!

So do you want to be a great networker? Then you have no choice. You must learn to love “who, what, when, where, why, and how.”

These six words demonstrate maturity, selflessness and a natural curiosity. They prove you can set yourself aside and be genuinely interested in another person's life. They provide, you know, authenticity. And as a guiding framework through all your lifelong endeavors, these words can continuously provide you with new ways to broaden your personal and professional horizons. After all, it was Albert Einstein who noted that “curiosity is more important than knowledge.” You can't really argue with the master.

Anyone. A stranger at a happy hour, a friend of a friend, someone you're meeting for coffee, or even the stranger next to you on a plane. Everyone else knows something you don't, and life is full of ready-made learning experiences. Why spend the entire time talking about you? What will you learn there?

Sample questions: Who do you admire most in your field? Who are some of your clients?

WHAT do I talk about?

You talk about whatever subject the other person wants to talk about. Let them guide the conversation. If he says, “I like my job, but it can be tough at times,” then you come right back with, “What makes it tough?” Not only does it show you're paying attention, but it demonstrates your interest in their experience. People will offer all sorts of information if someone is genuinely curious about their perspective.

Sample questions: What kind of projects are you working on? What do you enjoy most about that process?

WHEN is the most appropriate time?

Anytime. Even a five or 10 minute conversation could yield information that's useful in your career path, or help you create a connection with a like mind. The old adage is true: people love to talk about themselves. In fact, they'll probably give you as much info as you can handle. They think: “You're curious about what I do for a living? Of course I'll blab about it!”

Sample questions: When did you decide to focus on that aspect of your career? When did you know it was time to shift your career path?

Networking is one of the most effective job-search strategies. Start by making a list of everyone you know and reach out to them for job advice and referrals. You'll be amazed at who knows who, which could be the tipping point for moving your application to the top of the pile.

— Sara Whitwer, Director of Marketing, Inceptia

WHERE are the best places?

Anywhere, but specifically in situations that could aid your career. Networking events, work conferences, and job interviews are great places to give the six words a whirl. But you never know when dinner with a group of friends and acquaintances could surprise you with a new contact or career idea.

Sample questions: Where do you travel for work? Where do you see yourself in 10 years?

WHY is it such an effective strategy?

With each question, you take the conversation deeper and build trust. Plus, if you two find a way to network further, the person is more likely to help because they like you. It may seem like all you did was let them ramble on about themselves, but really, you took a genuine interest in their ideas and opinions. That counts for something.

Sample questions: Why did you decide to pursue XXX degree? Why does your line of work appeal to you?

HOW do I keep up with all the questions?

You listen - intently. You stay in the moment, absorb what the person has to say and come back with a thoughtful response. Although you're asking the questions, the conversation isn't all about them. It's about testing the waters to see where you have things in common, and that means a mutual exchange of ideas and experience.

Sample questions: How did you start your own business? How did you tackle that first big client?

In conversation, our instinct is to dive right in with our personal experiences and cut off a conversation by saying, "Well, I..." But you...you're smarter than that. You can harness the power of WHO, WHAT, WHEN, WHERE, WHY, and HOW, starting conversations and networking opportunities that have the potential to change the path of your life. Using these six words will allow you to forge lasting relationships, broaden your knowledge, and create new career opportunities. When you focus on others, the world starts to shift in your favor.



Danny Rubin writes the blog News To Live By, which highlights the career advice "hidden" in the headlines. His work has been featured in The Huffington Post, Business Insider and the New York Times. Follow him on Twitter @NewsToLiveBy.

7 Habits of Financially Stable People

By Jason Vitug, Founder and CEO, Phroogal



I have had my fair share of money mishaps: I fell for bogus incentives to sign up for credit cards, car payments equivalent to rent for a one-bedroom apartment, and spending 125 percent of my income. Yeah, the 25 percent came from those awesome credit cards I applied for to get a free Frisbee.

Eventually, I realized my mistakes. I began looking at my mindset on all things relating to money, and I realized I had some habits I had to break. But I needed to create new habits if I wanted to get closer to financial independence.

Back in my graduate school days, I read Stephen R. Covey's book, "The Seven Habits of Highly Effective People." The self-help book focused on mindset and how we perceive our situation. I saw that this could be applied to finances, too.

In my own personal quest for financial capability and independence, I've identified seven money habits that make people live richer lives. I call them the 7 Habits of Financially Stable People.

1. // SET LIFESTYLE GOALS. Financially stable folks set clear lifestyle goals. These aren't goals to pay off debt or start an emergency fund. A lifestyle goal is how you envision the type of life you want to live. We can talk about setting financial goals but money only

provides the avenue to live a certain lifestyle. If you are unable to articulate the type of lifestyle you want to live, getting there is arguably impossible.

For example, imagine if you were given all the tools needed to drive cross-country from east coast to west. You feel the excitement of the journey ahead knowing you have the resources to make the 3,000 mile trip. But without setting a more clearly defined goal of where your journey will end, your plans to soak up the sun in Los Angeles will be dashed by clouds when you realize you've arrived in Seattle.

2. // LIVE PROACTIVELY. We might think we are proactive about the majority of things important to us. But I've found that when it comes to money issues, the opposite is true. People tend to wait to pull credit reports until they've been denied credit or only ask to review credit agreements after being hit by an interest charge.

Proactive people ask questions and read the fine print before signing loan agreements. They check credit reports before applying for credit and they proactively call their creditors when faced with situations that impact their ability to make payments. And while others may wait till an emergency to start an emergency fund, proactive people start today.

Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.

— Ayn Rand, Novelist, *The Fountainhead* and *Atlas Shrugged*

3. // ORGANIZE EVERYTHING. Before I became organized, it wasn't unusual for me to find a \$150 refund check stuffed between unopened letters. Or to spend days looking for tax return paperwork for a potential IRS audit. It wasn't pretty for me back then. I realized that organizing my financial life needed to be a priority.

Organization means a system that makes things easier to track, store and find when needed. It means organizing your time, home, computer, and online accounts. Organization provides comfort in knowing where important documents are located and helps you keep track of important financial dates and bill payments.

4. // DO THINGS ELECTRONICALLY AND ONLINE.

I originally thought holding onto statements meant control. It just meant clutter. I began opting out of paper statements and discovered the convenience of logging into my accounts online and getting reminders via email. Online and mobile access to my bank statements, credit card bills, utilities, and investments made my life easier and gave me more time to do the things I enjoy. Eventually, I added personal finance apps that made handling my money even simpler. Instead of having to log into my accounts individually, I had one place to view all my bills, statements, and documents.

5. // SEEK FINANCIAL UNDERSTANDING. It sounds less stressful to be told what to do, but that hands the control of your money to someone else. A person who continually seeks financial understanding has more power than those who completely depend on others to make financial decisions for them.

There is a saying that "ignorance is bliss." But, when it comes to your money, ignorance is stress. The more you know about money, the better decisions you make. Financially stable folks seek to know what's important and what resources are available.

Read financial blogs, ask questions, and seek understanding (not just answers). Talk with friends and family, and know about government, nonprofit, and employer financial programs. The more you know about finances, the easier it is for you to focus on the right things to live a richer life.

6. // COMMUNICATE.

Communication isn't just talking but listening, too. Early on in my financial life, I found myself nodding to terms and agreements and rarely asking questions. I'd listen to people boast about how they purchased a new \$500,000 home with an interest-only mortgage payment; I was awed by their financial prowess only to realize years later they, too, never asked the necessary questions they needed to make a wise financial decision.

Although I had lacked financial know-how, I realized the importance of asking questions; it's less about getting answers, and more about gaining understanding. It's also important to communicate with your partner, creditors, employer, and others who have a direct impact on your financial well-being. You may even have connections within your social circle that can help you grow your knowledge of money – the key is to communicate.

7. // TAKE THE EMOTION OUT OF MONEY. Let's face it: emotions are a part of who we are as human beings. Emotions are what make living quite fulfilling. They are also directly tied to our finances. Think about a time you bought something you really wanted. What feeling did you get...excitement? Happiness? What happens when the bill collectors start calling? Do you feel anxiety or sadness?

Emotions are a powerful thing. They make us think that a bargain is a need versus a want. When you take the emotions out of the equation, you'll come to realize a bargain is only a bargain if it's actually

needed. Additionally, emotions make us purchase items to get an emotional boost, what we jokingly call "retail therapy." It's what made me break my budget by spending more than I could afford. Financially stable people are able to create purposeful plans for their money that help them avoid emotional spending.

By following these habits and examples of the financially stable, you'll be on the fast track to achieving your ideal lifestyle. So take the time now to reassess your financial habits and ingrain new ones; that's a choice that will pay dividends for years to come.



Jason Vitug is a speaker, author, CEO, and founder at Phroogal. He holds an MBA and a B.S. in Finance from Norwich University and Rutgers University. Jason has worked in the financial services industry for nearly a decade championing financial capability. In 2012, Jason left his successful career as a senior executive to find his purpose and backpacked around the world through 20 countries in 12 months. Jason's vision is to democratize financial knowledge and empower a generation to make better financial decisions helping millions of people live their dream lifestyle. In his free time, Jason travels, explores, hikes, does yoga, and meditates when he's not chasing around his 12 nieces and nephews.

Share your best life or financial tips with this year's grads!

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Budgeting for College Students

By Thomas Frank, College Info Geek

This article has been abridged from its original form; if you'd like to read the whole thing, you can find it at collegeinfo geek.com/budget.



Budgeting, as a concept, is very simple. You manage inputs and outputs, hopefully keeping the latter higher than the former. If you're anything like me, you learned the basics of budgeting when you were 10 years old by playing "Age of Empires II." You had to manage the production of resources – wood, food, gold, and stone – in order to build new facilities, research technologies, and advance through the ages.

Eventually, like me you probably just typed in the cheat code for the red sports car with laser cannons and tore the Celts a new one. Unfortunately, and it pains me to say this, there are no laser-shooting sports car cheats in real life.

In this life, budgeting takes on even greater importance. The lack of cheat codes – and the general importance of having enough money to eat – mean you need to have budgeting competence...

DO YOU EVEN NEED TO BUDGET?

I'll be honest: I don't really want you to put a ton of thought into budgeting. It should be simple and, after some initial setup, it should become just a little more than a background process in your head. It shouldn't be an item of too much concern once you've structured everything correctly and fixed your spending habits.

Think of your mind's ideal picture of "budgeting." What comes up? Do you think of the financially savvy member of the household sitting at the table every month, writing down spending caps in all the family's different expense

categories and minutely balancing available funds?

This, my friend, is called micromanaging. It's something you probably don't want to be doing with your time. And, incidentally, it's something the best budgeters actually don't do.

Here's an excerpt from Jeff Yeager's book, *The Cheapskate Next Door*:

"Contrary to what non-cheapskates seem to think, only about 10 percent of the cheapskates polled said that they have a formal, written household budget. For most of us, a budget seems too much like a diet: a plan that's always looming over you, bringing you down, when what you really need is a lasting lifestyle change that makes the desired behavior effortless."

Habits + well-defined goals > micromanaging. This is true for studying, it's true for dieting and exercising, and it's true for budgeting.

DO A FINANCIAL SWOT TEST

When businesses plan for the future, they often do what's called a SWOT test, which analyzes their strengths, weaknesses, opportunities, and threats.

Guess what? You can (and should) do this too! But let's modify it a bit: instead of SWOT, your personal financial analysis gets the decidedly less-memorable acronym IEOT. Don't ask me how to pronounce that, but it stands for: income, expenses, opportunities, and threats.

Take a bit of time and assess your own situation in each of these areas. One exercise I recommend is getting your “number.” By that, I mean the number of dollars you have to spend each month. I did this myself recently, and here are my stats:

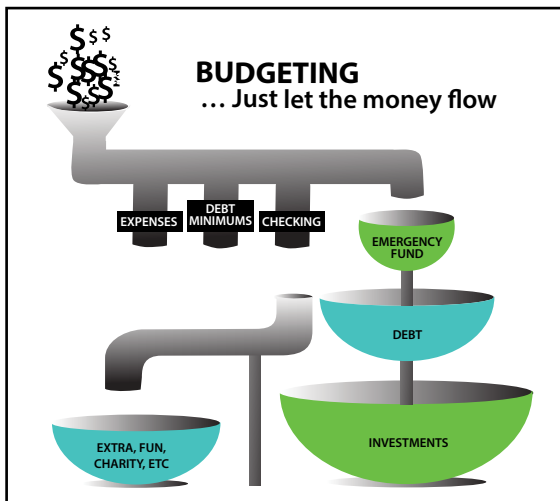
■ Rent	\$305
■ Utilities	\$75
■ Phone	\$85
■ Car insurance	\$15
■ Groceries	\$200
■ My “number”	\$680

Your number may be higher or lower, but either way, it’s good to know it. It’ll be integral to the next step. The goal here is to be aware of where you are instead of lost.

CREATE A MONEY PIPELINE

I have a brain that likes to visualize a lot and create analogies for everything. To that end, I think of money management in terms of water flowing through a pipe system.

The main reason I use this analogy is because I want to create a system that tells me where my money should go. I’m well aware that human willpower is limited, even when we build strong habits, so externalizing as much of the process as possible is a smart thing to do. My goal: Build the system, then let it do its work and keep an eye on it. So here’s my money pipeline:



At the top, we’ve got income flowing in. The way the pipeline is designed, the most important areas get filled first before the money can flow to the next area. So, when money comes in, we take care of (in order):

- Monthly fixed expenses – rent, utilities, bills
- Debt minimums
- Fill the checking account (more on this in a bit)
- Fill a separate “emergency fund”
- Take down debt

Invest most of what’s left, but let a little go to fun, charity, etc.

Now, the biggest thing to keep in mind is that this is a conceptual pipeline. It does not represent the order of actual payments you’ll make. Take your debt, for instance. You won’t make a minimum payment, then fill your checking account, then make an additional payment. Rather, you’ll use the pipeline as a planning tool when income hits your bank account.

An example thought process:

“I owe at least \$50 on my student loan, and I need to put \$800 into checking to keep it at my desired level. I’ve got \$2,000 left after fixed expenses though, and my emergency fund is filled. So I can actually put \$1,200 toward debt this month instead of \$50. Score!”

Let’s talk about your checking account. Personally, I want to have 250–300% of what I need after fixed expenses (things like rent, bills, etc.) are accounted for. I can come up with a hard dollar amount for these fixed expenses every month, then automate all payments. But I want to be sure my checking account is still well funded after that number is taken into consideration. Now, here’s one question you may have after looking at my pipeline: “Don’t I need a savings account?” The answer is...maybe. Here’s the thing: these days there isn’t much of a difference in the interest earned from a savings versus a checking account. Based on inflation and how much you can earn through investments, the interest from savings and checking accounts both might as well be zilch.

However, if you are concerned with your ability to keep your spending in check, one thing you can do is keep a portion of your income in a savings account. My roommate does this and calls it his “spending firewall.” Beyond the complication of an additional account, a savings account doesn’t hurt you, so do what works best for you.

As for your emergency fund, this should be a reserve of cash that’s only for emergencies. As in, “life as you know it can’t go on if you don’t pay for this”-type things. Now, nobody agrees on how these things should be set up, so I’ll just stick my own neck out and say it’s smart to have an extra \$500-\$1000 on hand (at first). Just remember, there’s no need to postpone paying off debt to build a huge fund.

AUTOMATE MOST OF THE PROCESS

With the pipeline model now firmly planted in your prefrontal cortex, you’re no longer unsure of what to do when you get paid each month. There’s now a clear picture of how that money should flow and where it should be allocated first.

Now, let’s take it a bit further, by building a system that takes care of as much financial heavy lifting as possible each month. The way I’ve accomplished this is by setting up automatic payments on almost all of my monthly fixed expenses. Most of these auto-pay systems can be set up online. If you can’t find one for a particular expense, call the company up and let them know what you’re trying to do.

I’ve got auto-pay enabled for:

- **Rent**
- **Electric and gas**
- **Internet**
- **Cell phone**
- **Subscriptions – web hosting, Spotify, etc.**

In addition to my fixed expenses, I also automate my investments. Each month, I’ve been auto-investing \$500 into my Vanguard mutual fund.

GET YOUR SPENDING HABITS IN CHECK

Once your fixed expenses are taken care of and your saving quotas have been met, anything leftover is yours to spend. Just remember, your goal is to have 2.5 to 3 times the amount of your “number” in your checking account at all times.

Using a credit card makes it difficult for you to appreciate how much money you’re actually spending. But when you use cash, you can actually see the individual dollars leave your wallet, and how much is left over.

People get stressed here, because their spending habits don’t match up with their goals. So they sit down at the end of the month, pout about how much they spent on Starbucks, and declare – ONCE AND FOR ALL! – that they’ll cut down their spending from here on out. Then they’re right back at Starbucks the next morning rationalizing, “I’m really

in a rush today. I’ll start making my coffee at home tomorrow, I swear.”

Now, here’s the thing; I’m not against buying Starbucks lattes. I buy coffee at my local coffee shop a few times a week. If there’s something you like, and you can afford it after all your important financial goals are taken care of, then let yourself buy it! My point is that habits are powerful, and creating a strict budget is not likely to change them.

Instead, start building changes into your daily routines and attacking the habits at their roots. One simple way to do this is to pay for everything in cash. Using a credit card makes it difficult for you to appreciate how much money you’re actually spending. But when you use cash, you can actually see the individual dollars leave your wallet, and how much is left over.

Your future will put you at crossroads at every turn, with decisions that will affect you for the rest of your life. Some will be easy, others gut wrenching. You may be tempted by profit, peer pressure, or immediate gratification. But if you just ask yourself “what’s the right thing to do?” and you search your heart for an honest answer, you’ll never regret the direction you’ll take.

— Ron Lee, Strategic Business Director, Inceptia

If you want to take it a step further, start writing down every purchase you make. You can carry around a small notebook for this, or you can use a mobile app like Spending Tracker. This act of manual tracking has been well-documented as a successful habit changer in weight loss, and many people insist it works for spending as well.

The idea is to make tracking the expense an integral part of the routine while you shop. When you have the urge to buy something, the process should go like this:

- **Decide whether the purchase is a good decision**
- **Buy the thing (or don’t, then you’re done here)**

■ **Record the transaction**

■ **Get the reward**

Without recording the transaction, it’s easy to fail to realize the cost of getting that reward and the spending habit continues unchanged.

WRAPPING UP

With all these tips, you should have a good idea of how to start budgeting. Sure, life doesn’t have any of those useful cheat codes, so getting started takes just a bit of work. But by making some changes in the way you organize and track your money, you’ll reduce stress and reap the many benefits of having a solid handle on your finances. And that’s a huge life benefit that’s worth the work!



Thomas is a 2013 Iowa State University grad and the founder of College Info Geek, one of the most-visited college blogs on the internet. During his undergrad years, Thomas met an amazing group of friends, traveled to Japan on a whim, worked as an RA, and paid off almost \$15,000 in student debt while still in school. Now his passion is to help other students do the same thing.

A Five Year Family Plan in Four Easy Steps

By Derek Olsen, Financial Whiz, DerekandCarrie.com



High school was the first time I noticed that, as I got older, time was going by faster and faster. My freshman year seemed to crawl by at a snail's pace; my senior year flew by in the blink of an eye. Every year since then goes by faster and faster, and I'm sure you may have already noticed the same.

A few years ago, you probably dreamed of graduation. And here you are already; where did the time go?

As you reflect on your journey, this is the ideal time to begin thinking about your future and, specifically, those life-long expenses you'll soon be facing. I've been there. I know it can seem daunting. But if there was one thing that I found helpful when I was in your shoes, it was creating a five-year plan to keep me on the right path financially. To help you on your own financial journey, here are some lessons I've learned while coaching couples of all ages on financial planning.

LIVE ON HALF

Living on half of your income might sound impossible, but plenty of people do it. You might not be able to pull this off right away, but with a plan, some discipline, and a frugal lifestyle, you can get close.

Establishing a "live on half" mentality has far-reaching and long lasting benefits. Setting conservative lifestyle expectations and habits early on makes navigating the rest of your financial life much easier. Take a close look at your income and expenses at least once a year and ask yourself what would need to happen for you to live on half.

PAY OFF DEBT

As part of your "live on half" lifestyle, you've made room to pay more than the minimum on your student loans, as well as pay down any other debt you might have. Five years from now, you could either be tired of paying on those loans, or you could be finished. How long it takes and how much interest you pay is largely determined by the habits you establish in the first five years of your post-graduate life.

START INVESTING

Living on half also creates margin in your financial plan for investing. Retirement might seem far off on the distant horizon, but it's coming (remember how quickly the years are starting to fly by?). Getting a good head start on your investment plan sets the tone for smart saving through your life. If you still aren't sold, just take a look at the effects of compounding interest over time and you'll be convinced that starting early is best.

TRANSITION TO PARENTHOOD

A lot can happen in only five years. Love, marriage, perhaps even children! This is where the live on half theory can become a really smart reality.

Here's what I'm trying to help you avoid. You get married and both of you are earning a good salary. You establish lifestyle expectations and financial commitments based on having two incomes. Before you know it, there's a little bundle of joy in your life!

There is a good reason they call these ceremonies “commencement exercises.” Graduation is not the end; it’s the beginning.

— Orrin G Hatch, US Senator (R-UT), Chairman of the Senate Committee on Finance

Congratulations, life is about to get more expensive and your ability to maintain a dual-income home is going to be tested. If part of your five-year plan includes children, there’s a real possibility that one parent will want to stay home at least part time. Your household income could drop by as much as – you guessed it – *half*.

This transition into parenthood could be financially stressful, or handled with ease. If you’ve already been living on half when you broach the parenthood

adventure, not only will the transition be easier, but you’ll likely have a decent cash cushion to help smooth out the bumps.

Life gets busy, and time moves fast. Why not commit yourself to the live on half challenge now? If you can make this spending plan a part of your goal set for the next five years, you’ll have an incredibly solid financial foundation for you and your family’s future.



Derek Olsen is the author of the book One Bed, One Bank Account. Derek and his wife Carrie host the podcast Better Conversations on Money and Marriage. The Olsens post their net worth and monthly budget each month at DerekAndCarrie.com.

Money Tips for New College Graduates: Spending, Saving & Budgeting

By Ben Edwards, Founder, Money Smart Life



College is all about being frugal. When you're in school every penny counts and you learn to manage your money on a very tight budget. Saving money simply becomes second nature, and I was no exception. I was so cheap in college that I would:

- Wear every last piece of clothing to delay paying for the laundry.
- Ride my bike everywhere so I wouldn't have to pay for gas.
- Keep the heat turned down as low as possible.
- Eat breakfast in the dark to save on the electric bill.

Any of those sound familiar? I'm sure you could give many more examples of ways students save money. The question is, now that you're finished with school do you still have to live like a broke college student?

MAKING MONEY

Once you start your first job you may feel like you're rolling in the dough. You may go from couch surfing for coins to earning a regular income every payday. As my parents used to say, your money may be "burning a hole in your pocket." You've been scraping by for years and now you may be eager to buy the things you've needed or wanted but couldn't afford. But before

you go out and blow your new income on a shopping spree, think about the following story.

STARVING FOR MONEY

A man is rescued from a desert island after four years of surviving on nothing but coconuts and fish. He's taken to an all you can eat buffet and gorges himself on the food he's dreamed about for the last 48 months. His body goes into shock at the massive amount of food he's taken in. He becomes very ill, his bodily systems shut down, and he almost dies from the health repercussions.

See any parallels between that guy and a new college grad? Of course you won't die from a spending spree, but you can kill your financial future for years to come if you go on too many buying binges. As a recent college graduate, one of the greatest assets you have for building your financial future is understanding the value of compound growth over the next several decades. How you choose to spend, save, and budget your money now can determine whether you struggle with money for the rest of your life, or have the financial freedom that many people only dream about.

Figure out how much you'd like to spend, how much you need to spend, and then find a happy medium. Be realistic; don't create a budget you won't follow.

YOUR FINANCIAL FUTURE

If you're a single adult earning a salary, your options for building wealth are pretty promising. You don't have to support anyone else. Your money doesn't have to pay for diapers, engagement rings, or your spouse's credit card bills. You don't have to discuss with anyone how or why you're going to spend your money.

Your money is all yours to do with what you wish, but that means it's also on your shoulders to not blow it. You likely won't always have this kind of financial freedom, so by spending wisely now you'll be setting smart financial habits that will help keep you on track in the future. Here are a few smart tips to maximize the amount of money you keep in your pocket.

Don't buy that brand new, flashy car. You may think it is a good investment, but a car will never be worth as much as you initially pay for it. Just driving that new car off the car lot decreases its value up to 20 percent. Additionally, be sure to use an auto loan calculator to show you just how much you are paying for the car with interest included. Between continued depreciation, interest expense, and maintenance and upkeep costs, does this expense make sense?

Avoid expensive rent. Do you really need to live downtown in that luxury apartment? The fact is, that apartment in the suburbs will provide shelter just as well and most likely at a much lower price. Plus if you're renting, you aren't building equity. It makes more sense

to search for a lower end apartment that fits your needs, then funnel the rest of your money into savings. Do think about cheap real estate options if they are available. Purchasing in a buyer's market can make real estate an affordable option, and chances are good you'll be well on your way to making a sizeable investment long term if you buy when terms are favorable.

Look for a roommate. Sharing the expenses of owning a home or renting an apartment is a great way to save plenty of money.

Use credit carefully. While credit cards can be a good financial tool if used properly, they can also get you into a lot of trouble financially if you abuse them. Whatever you decide, be sure you're spending smart, and are paying off your full balance every month if at all possible.

Managing Your Money In addition to saving money on your biggest expenses, there are a few other tips to consider when managing your money.

Create a monthly budget and stick to it. Figure out how much you'd like to spend, how much you need to spend, and then find a happy medium. Be realistic; don't create a budget you won't follow. Use your mobile device to record your spending and use spreadsheets or software like Quicken to track and analyze it. Watch out for spendy items like eating out, bar tabs, and buying gadgets. These are luxury expenses, and they add up faster than you realize.

Financial peace isn't the acquisition of stuff. It's learning to live on less than you make, so you can give money back and have money to invest.

You can't win until you do this.

— Dave Ramsey, Financial Author, Host of the Dave Ramsey Show

Build an emergency fund available to you in a separate but easy-to-access savings account. Use these funds instead of a credit card when you need money for something necessary but unexpected. Set up a direct deposit to funnel a modest amount from each paycheck, so you can start building up your fund right away.

Use online banking to stay on top of all of your balances and to know where your money is really being spent. You can download your transactions into your financial software to make tracking your spending easier.

Leaving university life for a job in the real world is a pretty exciting time; after being a poor student for years, the money that comes with a job is refreshing. If you can combine the frugal tricks and habits you learned in college with your new post-graduate lifestyle changes, you'll be able to have fun with your newfound cash and still build toward a financially stable future.



Ben Edwards is the founder of the personal finance blog MoneySmartLife.com. He's been addicted to personal finance since he was 12 years old. When he's not writing about money he juggles his job, raising 3 kids, and occasionally squeezes in a jog.

Money or Happiness? Finding the Balance

By Todd Tresidder, Founder, FinancialMentor.com



Let's be brutally honest...nobody's life is perfect. You're going to make mistakes and have setbacks. I wish I could regale you with stories of my brilliance, and how I deftly maneuvered around every obstacle to swiftly and effortlessly overcome financial mediocrity and achieve wealth in record-breaking time. But I would be lying.

The truth is, my path to financial freedom was anything but picture perfect. I've done enough things right to succeed, and I've done enough things wrong to become a very good teacher. My hope is that you will learn from my experiences (both positive and negative) and take these lessons to make your journey more successful.

THE YOUNG ENTREPRENEUR

My first business was a paper route, but I didn't do it like most kids. I reinvested my profits to buy a motorcycle so that I could acquire additional paper routes in surrounding neighborhoods. This allowed me to make more money while working less, and having fun riding motorcycles. I also had a boat refinishing business, a pool supply business, and I was the weekend auto mechanic and manager for a chain of service stations. This was all before I went to college.

In short, while most kids were doing "kid stuff," I was already deep into entrepreneurial business. It was ego-

gratifying to be relatively successful for a kid, and I liked the cool toys I could buy with the money.

My first big financial realization occurred when I prepared to leave for college. I was going to live in the dorms and didn't need my cool muscle car, motorcycles, and other various toys. I sold everything off, and was shocked when the sum total of all my work bought little more than a few months at college.

Imagine my utter dismay when I realized I had spent my high school years working more than intended, and how it was all over, with no going back. I had paid a price for my financial success without knowing what it was. This was a wakeup call from the mindless pursuit of money and all the things it can buy.

Ultimate lesson? Don't piss your life away at work. I can't think of anyone who, on their deathbed, wistfully recounted that they should have spent more time in the office.

THE OTHER SIDE OF THE COIN

During college, I made a conscious decision to fully savor the experience. I had worked away my high school career for trinkets, and I wasn't going to let it happen again in college.

The result was my refusal to work during school. I got involved in intramural sports, student government,

joined a fraternity, and partied hard. I had the time of my life and lived every facet of the college experience. I still look back on those years fondly – great growth, great fun, and great friends. It was a positive experience all the way around.

However, there was a downside. I was flat broke all the time.

I attended U.C. Davis – the bicycle capital of the United States – and I couldn't afford to buy a bike. I couldn't go to the bar with friends because I couldn't afford to buy a round of drinks. Similarly, my friends traveled on breaks but I worked to earn money to stay in school. I cooked for the fraternity to pay my house bills and even lived an entire quarter on a \$100 budget (and had money left over after it was done).

I was happy but lived in perpetual poverty mode where every dollar was squeezed to yield maximum blood. It was painful. Again, new lessons were cemented in my bones from that life experience.

Ultimate lesson? Happiness and money aren't correlated. You can be happy and broke. But (big but) being broke stinks, because it greatly limits your personal freedom.

FINDING BALANCE

Upon graduation, I had some plans to formulate. I had lived the limits of poverty in college, and I had wasted valuable high school years in pursuit of lifestyle. Neither extreme proved acceptable. I knew my joy in life

came from experiences – not stuff – and climbing the corporate ladder while being encumbered in expenses and debt seemed more like a prescription for a mid-life crisis than a fulfilling life experience.

This was a pivotal point because this is when I committed to financial freedom as a path to maximize life experience – not to own stuff. This distinction is critical. As long as I had to work and earn a living I would make choices to help me achieve financial freedom.

A life without goals and meaningful work is its own prison with its own limitations. I know enough to be certain that essential components to the art of happiness include creativity, contribution, and connection – all found through meaningful work. If you're trading time for money every day, you're on a dead-end path.

Ultimate lesson? A fulfilling life is filled with experiences – not stuff. And those experiences include finding meaningful work.

I won't lie and say it's easy to get there – likely your journey will be filled with small triumphs and failures alike, and there isn't a one-size-fits-all solution to the happiness question. This adventure is different for each of us. But a universal truth to the happiness-versus-wealth life pursuit is that you can have both, but you have to commit to making it happen.



*Todd Tresidder is a former hedge fund manager turned writer and financial coach at financialmentor.com. He loves playing the money game like a kid loves playing Monopoly. Get his free email course *52 Weeks To Financial Freedom* and discover how to invest smart, build wealth, retire early, and live free.*

Realize that this is the beginning of your education, not the end.

The Inception Of A Movement.

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