THE MORE YOU KNOW:
GREAT ADVICE
FOR GRAD & PRO
2020
Brought to you by
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Congratulations
Class of 2020!

At the time of this publication, we are in a very uncertain world during an unprecedented challenge to our status quo. Many of you may have had to leave your campuses unsure of how the term will end or if you will see your classmates again. Others may have continued along with online studies, but now from the safety of your homes, and with many questions about how a worldwide challenge will affect your futures.

While this wasn’t exactly the kind of challenge I faced when I first graduated, I want you to know that I understand. You see, I graduated college in May 2001. I spent the summer working my first professional job as a call center manager, planning my next steps until I landed a new gig. My new role was scheduled to start on September 11, 2001.

9/11…as we all know now, the world and everything about life as we knew it changed forever on that day.

I lost my job just three weeks after I started, after I had already relocated for the position. All the dreams and plans I had for my career and even my personal life were suddenly gone. I had no idea if I could pay for groceries the next week, let alone cover rent next month. I felt panicked, heartsick, terrified, unsettled – all the feelings you would expect when we face a national tragedy.

I tell you this not to compare our experiences. Rather, I tell you this as someone who has faced a great deal of uncertainty and fear at what should be a time of great celebration. I tell you this to let you know that we find strength and inner resources when we are tested. The events that were set in motion that day forced all of us to become more reflective, less oblivious, and more appreciative. We came out the other side better prepared for adversity and more informed to be our own advocates.

I tell you this to let you know that this, too, shall pass.

Because it will pass, although the world may be changed, you will still need to face the same challenges as graduates before you. You may struggle to know which job offer to take, whether you should move to a new place, how much apartment or house you can afford, or how to pay back your student loans. Especially now, you may have a lot of questions about money and how to plan for the future, however uncertain.

That’s why, in the midst of this chaos, we’re proud to debut our first publication of The More you Know: Great Advice for Grad and Pro.

Building on the success of our undergraduate version, this e-guide is a collaborative effort with the personal finance site NerdWallet and the AccessLex Institute to bring you articles to help you become financially empowered. It is your best defense against uncertainty and fear.

Remember, the world may not always comply with your carefully laid plans, but you can build an armor of knowledge to protect yourself when it doesn’t. We are collectively facing a topsy-turvy world, but this too, shall pass.

Be well and proceed boldly,

Carissa Uhlman
Vice President of Student Success
Inceptia
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BACK TO
THE BASICS
4 Things to Know if You’ve Never Budgeted Before

BY COURTNEY JESPERSEN

We’ve entered a new year and a new decade. Not surprisingly, this fresh start has probably brought new goals to mind — like money management.

If you’re planning to start balancing your income and spending, here are four things to keep in mind before you dive headfirst into budgeting in 2020.

1. BUDGETS AREN’T JUST A NEW YEAR’S RESOLUTION

If budgeting is one of your New Year’s resolutions, maybe it’s time to think about it differently.

“My personal opinion is forget New Year’s resolutions,” says David G. Metzger, certified financial planner and the founder of Onyx Wealth Management in Chicago. “They never work.”

Budgeting is more than just a January whim, so don’t view it as such. Before you begin, be honest with yourself about if you’re ready to make changes that extend into the foreseeable future.

2. YOU’LL NEED A SUPPORT SYSTEM

Know that you don’t have to do it alone. Tools like budget apps can help track your spending, while people in your life can hold you accountable along the way.

“An accountability partner or budget buddy can really be helpful when your motivation is waning about the end of February,” says Colleen Weber, a CPA and certified financial planner in Chanhassen, Minnesota.

If you’re part of a couple, devote 20 minutes each week to talking about money together, she says. Look back at your recent money decisions, anticipate major expenses coming up and get on the same page about strategies to reduce spending in the week ahead.

Even if you’re not part of a couple, potential encouragement is everywhere.

(continued)
“If you have a picture of a vacation place that you want to go to, post it on your refrigerator or somewhere where you would see that regularly,” Weber says. “You can say, ‘This is why I packed my lunch today. I’ll be in the Bahamas this time next year.’”

3. FUN WON’T BE A DISTANT MEMORY

When you commit to budgeting, you don’t have to kiss movies, concerts, vacations and fancy dinners goodbye. In fact, it’s crucial for you to leave room for discretionary spending.

“A budget where there is no room to have fun — you’re wasting your time,” Metzger says. “Nobody wants to live that way. Nobody’s going to live that way.”

Ideally, according to the 50/30/20 budget, 50% of your budget should be allocated for needs, 30% for wants and 20% for savings and debt repayment.

When you do have to cut back, it helps to change your thinking. Budgeting doesn’t always have to be confining, especially if you’re accomplishing goals like saving for a house or paying down debt.

“Think of it in terms of a predetermined spending plan and not a budget restriction plan,” Weber says.

4. DON’T EXPECT PERFECTION

Remember, you’re not perfect — and your budget doesn’t have to be perfect. Be patient with yourself, especially if you’re taking steps in the right direction.

“Cut yourself some slack,” Metzger says.

That being said, check in on your progress regularly to review your spending and ensure you’re following through with the budgeting goals you’ve implemented.

“If you’re making positive changes and you’re making these positive incremental steps, take stock of them,” Metzger says.
The article 4 Things to Know if You’ve Never Budgeted Before originally appeared on NerdWallet.

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Handy Money Rules of Thumb for a Quick Financial Checkup

BY GREGORY KARP

To calculate a restaurant server’s tip, double the first number on the bill. A $62.47 tab gets a $12 tip. If the bill is more than $100, double the first two digits.

That’s an example of a money rule of thumb that is imperfect but useful, which is the idea — inexact starting points for goals, conversations and calculations.

Americans apparently could use the help. Many are winging it through their financial lives without confidence in their ability to afford retirement, an emergency expense or even daily living costs, according to a survey by The Associated Press-NORC Center for Public Affairs Research.

Money-related benchmarks can help and are especially timely as we turn to a fresh decade and make money resolutions anew. Still, finances need regular monitoring for budgeting, assessing progress toward goals and evaluating debt reduction, said Paul Golden, spokesman for the National Endowment for Financial Education.

“As you condition yourself, you can build on more time [to review finances], but use a half-hour a week as a starting point.”

• Try to save 15% of income for retirement. Aim to replace about 70% of your preretirement income. And when you tap the nest egg, drain just 4% per year.

• Start an emergency fund with $500 and eventually build it to three to six months of essential living expenses.

Other rules address specific situations:

• Limit student loan borrowing to the amount you expect to earn in your first year working.

• Full-time hourly workers can double their wage rate and tack on three zeroes to approximate their annual earnings. Making $15 per hour yields about $30,000 per year.

Professional advice and online calculators will provide more accurate and detailed answers, especially for people who have unusual money situations. But here are some handy rules of thumb to get started.
50/30/20 BUDGET. Figure half of your take-home pay should go toward “needs,” such as housing, food and transportation. Then 30% goes to wants, and 20% funnels to savings and debt repayment.

RULE OF 10. For big discretionary purchases, reflect on how it will make you feel in 10 days, 10 weeks and 10 years. Perspective can calm buying urges for purchases you later regret. Related: Give yourself cooling-off time equal to one day for every $100 the purchase costs.

TERM LIFE INSURANCE. Buy a policy worth 10 times your gross annual income only if somebody else depends on your income.

KID ALLOWANCE. Give $3 weekly per grade level in school. A fourth-grader gets $12. The overall average is $30 per week, according to a survey by the American Institute of CPAs.

WINDFALL. Do responsible things with cash infusions, like a tax return or inheritance. But set aside 2% to blow on something fun, so you don’t feel deprived.

HOUSING

HOUSE PAYMENT. Your mortgage, including taxes and insurance, should not exceed 30% of your gross monthly income.

CARS

CAR PAYMENT. Limit payments to 10% of your monthly take-home pay, so you can keep your total car costs — gas, insurance, repairs and maintenance — below 20% of your income. Also, put 20% down and limit the loan term to four years.

REPAIR OR REPLACE. Replace your car if a repair costs more than your car is worth — as determined by, say, Kelley Blue Book — or exceeds one year’s worth of monthly payments.

SAVING AND INVESTING

NET WORTH. Net worth is the number that sums up your money life. One measuring stick: All you own minus all you owe should equal your age times your gross income divided by 10, according to the book, “The Millionaire Next Door.”

RULE OF 72. Divide 72 by your expected annual rate of return to estimate how many years it will take for an initial investment to double. At 6%, the investment replicates in 12 years.
FINANCIAL FREEDOM. Achieved when savings are at least 25 times your annual expenses.

CREDIT AND DEBT

TOTAL DEBT. All debt payments, including mortgage, should be less than 36% of monthly gross income.

CREDIT CARD BONUS. On rewards credit cards with an annual fee, look for a sign-up bonus value equal to three years or more of its annual fee unless it has especially valuable rewards or benefits.

CARD USE. Keep credit card balances at 30% or less of their limits to avoid hurting your credit scores.

This article Handy Money Rules of Thumb for a Quick Financial Checkup was written by NerdWallet and was originally published by The Associated Press.

GREGORY KARP is a credit cards expert for NerdWallet. He previously worked at the Chicago Tribune and wrote two money books.
When we’re given a choice about our health care plans, we often choose badly.

In one study, more than 80% of the employees at a Fortune 100 company picked the wrong plans, often choosing low-deductible options that ultimately cost them more. Another study found that inertia — sticking with the same plan, rather than evaluating the options each year and choosing a better one — cost workers an average $2,032 annually.

These findings shouldn’t surprise anyone who has tried to compare multiple health insurance plans offered by an employer, an Affordable Care Act marketplace or insurers with coverage that supplements Medicare.

There are simply too many moving parts: what you pay each month (your premium), how much you have to pay before insurance picks up a larger share of the cost (your deductible), and the limit on how much you’ll pay in a year (your maximum out-of-pocket), for starters. There’s also how much you’ll owe for each doctor’s visit, test or prescription, which could be a flat amount (your co-pay) or a percentage (your co-insurance), or both. These amounts can vary not just by insurance plan, but also by the types of medical service you get, with different amounts for hospital stays, lab work, preventive care and so on. Which prescription drugs are covered varies from plan to plan and from year to year. So does the list of medical providers who are considered “in-network.”

But we owe it to our health and wallets to make the best choices we can during open enrollment. The following steps won’t guarantee you’ll pick the best plan, but they may help you avoid the worst.

**MATCH YOUR CONSUMPTION TO YOUR DEDUCTIBLE**

Many experts recommend high-deductible plans for healthy people who rarely visit the doctor, since premiums for these plans are lower. But high-deductible plans also can be a good fit for people who need a lot of health care, says Carolyn McClanahan, a physician and certified financial planner in Jacksonville, Florida.
Parents of young children or people who have chronic health conditions often spend so much on care that they can easily meet a higher deductible, McClanahan says. Many high-deductible plans (those with deductibles in 2020 of at least $1,400 for individuals or $2,800 for families) qualify for tax-advantaged health savings accounts, as well.

These plans aren’t a good fit, however, for people who would put off necessary care rather than pay out of pocket. If you don’t have enough savings to cover medical costs until the deductible is satisfied, consider spending more for a lower-deductible plan.

Just don’t pay an extra $500 to lower your deductible by $250, as many people did in that first study. If you’re allowed to choose different deductibles for the same plan, multiply the difference in premiums by 12 to get your yearly cost and compare that to the difference in deductibles.

CALL YOUR DOCTORS

If you have physicians and specialists you prefer, call their offices to ask if they are in the network of the plans you’re considering. It’s important to ask “Are you in network?” rather than “Do you take this insurance?” A provider who’s not in the network may be willing to bill your insurer, but you’ll typically pay a (much) larger share of the cost.

DO THE ‘WORST CASE SCENARIO’ MATH

Some employers offer software that allows workers to upload their claims history from the past year and uses that to recommend a health care plan. I wish that were available to everyone. The closest I’ve seen is HealthSherpa, which helps people winnow their ACA marketplace options based on how they generally use health care.

The plan that may have been a good fit for your past claims, though, may not be the best choice for the future — especially if you become seriously ill or injured. To protect against worst-case scenarios, you also need to consider the “out-of-pocket” limits. These are the maximum amounts you’d have to pay in addition to your premiums. Out-of-pocket limits typically range from $2,000 to $6,000, although there may be different maximums for in-network versus out-of-network costs, and not all policies have these caps.

Some plans give you only a small break in premiums while exposing you to much larger potential costs, says Alan Silver, senior director of benefits delivery and administration at Willis Towers Watson, a benefits consultant.

Before signing up for any policy, add your annual premiums to the out-of-pocket limit to see the potential costs you could face. If the total scares you, look for a plan with a limit that lets you sleep at night.
The article *How to Choose the Right Health Plan* originally appeared on NerdWallet.

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STRATEGIES TO MAXIMIZE STUDENT LOAN REPAYMENT
Multiple studies have shown that student debt can cause borrowers to delay getting married. For some borrowers, though, marriage could actually be a gateway to paying less.

You can save money by refinancing student loans, but not everyone qualifies. If your better half has a better financial profile, you can share the benefits of refinancing in two ways:

REFINANCE TOGETHER. You combine your student loans with your partner’s into one spousal loan with a lower interest rate.

CO-SIGN FOR YOU. Your spouse co-signs a loan refinancing your debt, getting you a lower rate on the back of his or her finances.

If you’re considering getting hitched to your partner’s loans, here’s how to decide if you should.

REFINANCING ‘FOR BETTER’

Refinancing makes the most sense to save money on higher-interest private and graduate school loans.

For example, by refinancing a $60,000 loan from 7% interest to 5%, you’d save roughly $7,200 over a 10-year term.

Typically, you’ll need robust finances and a good credit score to qualify and get the best rate.

Spouses may “increase [their] chances at getting a better rate together,” says Andrew Zoeller, digital program director for Purefy, which refinances loans for Pentagon Federal Credit Union, or PenFed.

For joint spousal loans and loans that spouses co-sign, PenFed evaluates the couple based on their combined income and counts shared debts, like mortgages, only once. This allows more individuals — such as stay-at-home parents with good credit — to meet PenFed’s lending criteria.

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Other lenders may evaluate spouses separately. Ask a lender about its policy before applying.

In 2019, 67% of co-signed PenFed student loan refines were spousal loans, according to Zoeller.

“It’s something our program is known for,” he says.

**REFINANCING ‘FOR WORSE’**

If you co-sign a refinancing loan or combine debts with your spouse, you’re equally responsible for repaying the balance — even after a divorce.

“There is no exit ramp,” says Joshua R.I. Cohen, a lawyer in West Dover, Vermont, who operates TheStudentLoanLawyer.com.

For example, Cohen says a divorce decree could outline who’s responsible for repayment, but both names remain legally on the debt. That means if one spouse doesn’t pay, the other still suffers the consequences of missed payments, like damaged credit and collection calls.

Divorces could refinance the loan or portions of it into their individual names to get around this, but only by meeting a lender’s income and credit qualifications on their own.

**SHOULD YOU SAY ‘I DO’?**

Still have cold feet about refinancing with your spouse? These steps may help protect you:

**TRY CO-SIGNING FIRST.** Co-signing may have a valuable option that spousal loans lack: programs that eventually remove your spouse from the loan. Co-signer release policies vary by lender; PenFed, for example, doesn’t release spouse co-signers.

**GET EXTRA LIFE INSURANCE.** Cover yourself if your partner dies and you have to pay a hefty spousal loan on your own. You may owe the balance on a co-signed loan as well, depending on a lender’s policies.

**KNOW WHAT YOU’RE GIVING UP.** Once you refinance loans, you can’t get your original loans back. If you want or need federal loan benefits, like alternate repayment plans and forgiveness programs, don’t refinance them.

Cohen also says to make sure the savings are worth it.

“I would rather pay 2% more in interest and know I’m not tied to this idiot for the rest of my life,” he says.
Kathy Snell, 55, of Eugene, Oregon, would love to undo her spousal loan. But it has nothing to do with her marriage.

“We’ve managed even through all the financial stuff to stay happily married,” Snell says.

That “stuff” includes a joint student loan that’s grown to almost $420,000.

Snell and her husband combined their loans via a federal program that ended in 2006. Their loan isn’t eligible for Public Service Loan Forgiveness, which forgives the federal loans of borrowers working for qualifying employers — like the University of Oregon, where Snell is an attending veterinarian.

Other federal borrowers can consolidate existing loans to eventually qualify for this program. But federal spousal loans can’t be consolidated. Legislation to let spouses unbundle these loans is part of the College Affordability Act, which is under consideration by Congress.

While Snell’s circumstances don’t apply to private loans, she still cautions couples about the flexibility they lose by combining loans.

“Knowing now what I know, I would recommend against it,” Snell says. “Keep those student loans in your individual pot.”

The article Should Your Student Loans and Your Spouse’s Get Hitched? was written by NerdWallet and was originally published by The Associated Press.

RYAN LANE is a NerdWallet authority on student loans. He has worked in the student loan industry for more than a decade.
A “student loan forgiveness tax bomb” happens when your loan balance is forgiven and you must pay taxes on that amount. This primarily affects borrowers on income-driven repayment plans.

In this situation, you may face a potentially large tax bill that’s due in full immediately. The best way to prepare for this is to estimate your projected student loan forgiveness and set aside money early for that future tax bomb.

WHO FACES A STUDENT LOAN TAX BOMB?

Borrowers who use income-driven repayment plans are most likely to experience a student loan forgiveness tax bomb. These plans last 20 or 25 years, and if you don’t pay off your loan during that term, your remaining balance is forgiven — but taxed as income.

If you receive forgiveness under a different federal student loan program, it will likely be tax-exempt. You won’t face a tax bomb in the following situations:

**YOU WORK FOR A QUALIFYING EMPLOYER.** Amounts forgiven through Public Service Loan Forgiveness and Teacher Loan Forgiveness, as well as the National Health Service Corps Loan Repayment Program and similar repayment programs, aren’t taxable.

**YOU DIE OR BECOME TOTALLY AND PERMANENTLY DISABLED.** This applies to you or the student benefitting from the loan, in the case of parent PLUS loans. In instances of a death discharge, your estate won’t be taxed.

**YOU QUALIFY FOR A DIFFERENT FEDERAL STUDENT LOAN DISCHARGE.** Loans can be discharged tax-free in instances in which your school defrauded you or closed while you were enrolled, for example.

**YOUR PERKINS LOANS ARE CANCELED.** If you taught or performed other employment or volunteer service that qualified for Perkins loan cancelation, you won’t be taxed on this amount.

Many states offer their own student loan forgiveness programs. For example, the Maine Dental Education Loan program offers eligible dentists up to $20,000 annually as a forgivable
loan. Such programs are usually tax-exempt, but check with the program’s operator or a tax professional to understand your liability.

If you have a forgiven student loan, you should receive a cancellation of debt form, known as Form 1099-C, for your taxes.

HOW MUCH WILL YOU PAY?

The size of a student loan tax bomb depends on the amount forgiven as well as your finances overall. In some instances, the forgiven student loan could push you into a higher tax bracket — further increasing your tax burden.

For example, say you’re married, file taxes jointly and have two dependents. If your taxable income was $100,000 and you claimed the standard deduction, you would fall in the 12% tax bracket and owe $4,684 in taxes.

But let’s say you also had $50,000 in student loans forgiven. That additional income would move your federal return into the 22% tax bracket, increasing your tax bill to $15,349 — a $10,665 difference.

That additional income may also affect your state taxes. Some states don’t have income tax, and Minnesota, for example, does not tax amounts forgiven under income-driven repayment plans. Check with a tax professional about your situation.

HOW TO PREPARE FOR A FORGIVENESS TAX BOMB

If you don’t think you’ll fully repay your loan over a 20- or 25-year term, use that time to prepare for the fallout of a potential tax bomb.

ESTIMATE YOUR BILL. Use the Loan Simulator at studentaid.gov to project your loan forgiveness amount. Tax brackets can change over time, but looking at your earning potential with data from the Bureau of Labor Statistics can help you at least estimate how much you’ll eventually owe.

CHOOSE THE RIGHT PLAN. When deciding between income-driven plans, many factors matter, like your degree and marital status. Revised Pay As You Earn, or REPAYE, can make the most sense if eventual forgiveness is likely. This plan offers the best interest subsidy, which can help keep your balance from ballooning.

PRIORITIZE SAVING. Instead of paying extra toward your loan, invest money with your forgiveness tax bomb in mind. For example, set aside $50 a month for your eventual bill. That small amount may not make a dent in your loans, but after 25 years with just 2% compound interest, you’ll have saved more than $19,600 — hopefully enough for your tax bill. A savings goal calculator can help you determine how much to put aside.

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WHAT IF YOU CAN’T AFFORD YOUR TAX BILL?

If you’re on an income-driven plan, you may not have money to set aside for a potential loan forgiveness tax bomb — let alone things you actually want to save for, like buying a home or retiring.

Payment plans are available if you can’t afford your tax bill. IRS payment plans charge fees and interest, and rates can change every three months. As of the first quarter of 2020, the interest rate was 5%.

In some cases, if the IRS regards you as insolvent — or having liabilities that exceed your assets — you may be able to exclude some or all of the forgiven amount from your income. Talk to a tax professional after your loan is forgiven to understand whether this is an option for you.

The article Should You Worry About a ‘Student Loan Forgiveness Tax Bomb’? originally appeared on NerdWallet.

RYAN LANE is a NerdWallet authority on student loans. He has worked in the student loan industry for more than a decade.
Welcome to NerdWallet’s SmartMoney podcast, where we answer your real-world money questions — in 15 minutes or less.

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This week’s question is from Kelly in Sacramento. She asks: “My tech company offers stock options, and there is so much hoopla over them in the Bay Area. I don’t know if I should even exercise [the options] given my $90,000-plus student debt, but at the same time have FOMO.”

**OUR TAKE**

We get the FOMO (fear of missing out)! You don’t want to miss an opportunity, but you also don’t want to have student loans for the rest of your natural life. This is all about balancing financial priorities.

Companies offer stock options as a way to attract, reward and retain employees. There are a lot of different ways stock options can be structured, but in general the company is giving workers the right to buy a certain amount of stock at a discounted price. The hope is that that stock will then rise in price, so the employee can sell the shares and pocket the difference.

Employee stock options come as a grant that limits how much stock you can buy, and a vesting schedule that gives you ownership of that stock over time. This is an incentive to get you to stick around.

You can buy the stock (also known as “exercising the options”) and hang on to it, but that could mean tying up a lot of money. You also can wait to buy the stock until you’re ready to sell it — when the company goes public, for example. You don’t have to lock your money up for months or years waiting for something that might not happen.

It’s important to keep in mind that there are no guarantees. The stock price could rise in value a lot or a little, or it could fall and make your options worthless. Also, you don’t want too much of your investment portfolio to be tied up in the same company that employs you. If your company goes belly up, you could lose your job and the money you invested.

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In addition, there are a lot of tax implications with stock options, so you’ll definitely want to hire a CPA or other tax pro to provide guidance.

At NerdWallet, we recommend people get on track with their retirement savings, pay off toxic debt such as credit cards and have an emergency fund before they think about other investing or making extra payments on their student loans or other relatively low-rate, tax-deductible debt. If your student loan debt doesn’t feel manageable, look into income-driven repayment plans for your federal loans and possibly refinancing any private student loans. If your debt feels manageable and you want to exercise some options, just remember to talk to that tax pro first!

**OUR TIPS**

**STOCK OPTIONS CAN BE STRUCTURED A LOT OF DIFFERENT WAYS.** Be sure you understand how your company treats options, and consult a CPA or other tax pro about the tax implications.

**EMERGENCY FUNDS, RETIREMENT SAVING AND GETTING RID OF HIGH-RATE DEBT SHOULD BE TOP PRIORITIES.** Only after those bases are covered should you think about investing more or making extra payments on low-rate, tax-advantaged debt such as student loans or mortgages.

**STOCK OPTIONS OFFER SPECIAL REWARDS AND SPECIAL RISKS.** Everyone hopes to get rich with their options, but it’s important to limit the part of your investment portfolio that is invested in your employer.

Have a money question? Text or call us at 901-730-6373. Or you can email us at podcast@nerdwallet.com. To hear previous episodes, return to the podcast homepage.


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INVESTING IN YOUR FUTURE
Kickstart Your Retirement Investing with These Three Steps

BY DEREK BRAINARD, AFC®, CRPC®

There’s no need to overthink investing for retirement. In fact, the more complicated we make investing, the less fruitful is often is.

For most people, kicking off their retirement investing is as easy as 1-2-3: set up automatic contributions from your paycheck to a retirement account, choose the mutual funds, index funds, or target-date fund inside the account that best fits your style, and then, as you’re able, increase your contributions over time and not your lifestyle expenses.

Let’s break down these steps to kickstart your retirement savings.

SET UP AUTOMATIC CONTRIBUTION TO (AT LEAST) MAX THE MATCH

401(k)s and 403(b)s are retirement investing accounts available to you through your employer. If you don’t have an account available through work, you can open an individual retirement account (IRA) online. Inside these accounts you can invest in mutual funds, index funds, or target-date funds to grow your money for retirement. Set up automatic contributions from your paychecks or increase or decrease your contributions with HR when you start your job, or online at any time. The benefit of these plans is that your money can grow tax-deferred until you need it later in life, as laid out by the tax codes each plan is named after.

Employer-sponsored accounts like 401(k)s are the most common vehicle used for retirement investing, and they often come with an extra perk. Employers can choose to match your contributions into the account up to a certain percentage of your income each year. For example, the plan may allow for matching up to five percent, so if you contribute five percent of your paycheck, your employer also kicks in five percent! This is essentially an immediate raise that’s available to you, but only if you contribute the amount it takes to “unlock” the match. Don’t leave it on the table.
Inside your retirement account, you’ll have anywhere between 10-30 investment choices to pick from. They will probably all be mutual funds, index funds, or target-date funds. Mutual funds pool money from investors to buy a lot of different stocks from many different companies. By owning a share of a mutual fund, you are “spreading” your money out among all the companies that fund owns. This “spreading-out” is called diversification and it’s a key concept for long-term investing. The basic idea is that the more diversified your portfolio, the lower your overall risk.

Mutual funds hire managers to buy and sell company stock in the fund’s portfolio according to the fund’s goal – whether it be growth, income, or both. These managers cost money, and so does advertising and distribution of the fund’s shares. All these costs are wrapped into a percentage called the expense ratio. The higher the expense ratio, the higher the return the fund needs to keep up with, or beat, standard benchmarks like the S&P 500 (an index of the 500 largest publicly-traded companies in the U.S.). You can choose a few mutual funds in your 401(k) to make sure you’re spread out across different sizes and types of companies, or you can pick an index fund to simply mirror an entire index. For example, an S&P 500 index fund mimics the index for which it’s named after – containing all 500 of the companies listed! Managers aren’t needed to buy or sell stocks into and out of the fund, since it just follows the returns and losses of the index day-to-day. For this reason, index funds are generally cheaper (with a lower expense ratio) than their more actively-managed mutual fund cousins. Because of their convenience, cost and simplicity, they’ve been growing in popularity as alternatives or supplements to actively managed mutual funds.

If you really want to keep things simple to start, a target-date fund might be the ticket. A target-date fund doesn’t track one index, but rather contains a diversified set of mutual funds that risk-adjust automatically over time as you get closer to retirement. They are named after the year you think you will retire, and become more conservative the closer your retirement date becomes. For example, a 2050 target-date fund would consist mostly of stocks today, but gradually shift to a higher percentage of bonds over the next three decades to the 2050 retirement date, since bonds are generally less risky than stocks. In this way, a target-date fund is a kind of one-stop shop for investors who have a “set it and forget it” mentality when it comes to investing, but you should check their expense ratios before going with one of these over a widely diversified index fund or two.

Inflation is the rising cost of goods and services in our country, and it slowly takes a bite out of our spending power as we age. At the current rate of inflation, prices will double about every 20 years, which means a one-million-dollar retirement fund today would need to be two million dollars in 20 years to buy the same amount of goods and services.

One way to make sure you’re saving as much as you can is to increase your contributions when you get raises you don’t necessarily “need” to sustain your quality of life, and to invest windfalls and bonuses as they come. These bumps in your portfolio will compound to big gains.
down the road and will help you get closer to the amount you need to live comfortably in your elder years. In other words, if your needs are being met and you are comfortable and happy with your current situation, resist the urge to buy a bigger lifestyle now for a better lifestyle later!

Truly, setting up your retirement investment plan doesn’t need to be complicated. Choose a percentage of your pay that you can put away in a retirement account investing in diversified funds, and increase your contributions over time with bumps in pay and bonuses. There will be opportunities later to spread your portfolio and pursue other financial interests, but don’t be so focused on the minutia that you fail to act now. After all, when it comes to investing, now is the best time to start.
“Skip your daily latte” is a popular supposed cure for all of life’s financial ills. Have student loan debt? Skip your daily latte to pay it off. Can’t save for retirement? Skip your daily latte! Drowning in kids’ expenses? Skip the latte!

The problem here is twofold. First, 42% of Americans say they currently make their daily coffee at home instead of buying it at a restaurant or cafe, according to a recent NerdWallet survey. So the advice to simply skip that latte is irrelevant for many.

Second, while skipping your workday latte and redirecting that cash toward retirement savings or another financial goal would help, there are other, more effective actions you can take to boost your savings while staying caffeinated. Here are five options for increasing your retirement contributions in the new year.

**1 RENT BELOW YOUR MEANS**

More than 2 in 5 Americans (43%) say that housing expenses are a barrier to their ability to save for retirement. If you’re able to spend slightly less than your budget allows for housing and direct that extra cash to your retirement fund, it can add up quickly.

Whether you choose to rent a smaller place, live in a less trendy neighborhood or get a roommate to share housing costs, the savings can make a big impact if you invest it for your future.

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**Saving on rent adds up**

Here’s how much you would increase your retirement savings over 20 years if you saved $50, $100 or $500 per month on rent and invested the extra cash.

| $50 a month | $12,000 | $10,071 |
| $100 a month | $24,000 | $20,143 |
| $500 a month | $120,000 | $100,741 |

Source: NerdWallet analysis, compounded annually at 6%
2 PICK UP A SIDE HUSTLE

Getting a “side hustle” is another popular piece of financial advice, but hear us out: Increasing your income to add to your retirement account allows you to boost your savings without sacrificing your other expenses. Side hustling may take the form of a part-time job, freelancing gigs, selling unused items in your home or other options.

For simplicity’s sake, we assumed these earnings were after-tax. If you go this route, keep in mind that most side hustles require you to report your income for tax purposes.

3 MINIMIZE AUTO EXPENSES

A car isn’t optional in much of the U.S., but the costs can be flexible.

According to auto-information site Edmunds, a new Ford F-150 can lose nearly 40% of its value — or $18,749, assuming a new purchase price of $50,154 — in the first three years of ownership. Buying a 3-year-old truck would effectively save you that money, minus perhaps some increased maintenance costs for the older vehicle.

So let’s say you decide to save some cash by buying used cars instead of new. You shave $10,000 in depreciation by buying a 3-year-old vehicle instead of a new one every five years — for an average savings of $2,000 per year — and you repeat that pattern over the course of 20 years.

That’s not the only way to save on car expenses. If you live with a partner, consider whether you need two vehicles or if it’s reasonable to share one. And in many cities it makes more sense to go without a car due to an abundance of transit options and a lack of affordable parking.

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PAY OFF DEBT ACCORDING TO INTEREST RATE

Crushing debt may keep more Americans from putting cash away for their futures. Close to half of Americans (44%) say debt payments are a barrier to saving for retirement, according to the survey. The quickest (and cheapest!) way to pay off your balances is in order of interest rate, highest to lowest.

Let’s say you have these three credit card balances:

- Credit Card A: $6,000, 20% APR, $120 minimum payment
- Credit Card B: $5,000, 18% APR, $100 minimum payment
- Credit Card C: $2,000, 15% APR, $40 minimum payment

Say you have an extra $40 in your budget after your minimums are paid, so you pay a total of $300 a month. By paying these debts in order of interest rate, you would save two months of payments and $570 in interest charges over paying them in order of balance, from smallest to largest.

What does this have to do with your retirement savings? The quicker you pay off your balances (and the more money you save doing it), the faster you can start prioritizing your retirement savings. And while $570 may seem like small potatoes compared with some of these other money-saving tips, eliminating debt payments from your monthly budget and redirecting that cash to your investment account can make a huge difference over time.

SAVE IN A TAX-ADVANTAGED ACCOUNT

Many Americans can reduce their taxable income by saving for retirement. Whether you have access to a workplace retirement account, like a 401(k) or 403(b), or open an IRA with a brokerage firm, saving in a tax-advantaged account decreases the amount of your income that is taxed, freeing up more money for you to save.

Say you’re able to save $400 a month in your IRA, for a total of $4,800 per year. If you have an effective tax rate of 20%, that’s $960 in tax savings that can also be funneled into your IRA.

Investing tax savings adds up

Here’s how much you would increase your retirement savings over 20 years if you saved $960 a year on taxes by using tax-advantaged retirement accounts and invested these savings.

<table>
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<th>$0</th>
<th>$4K</th>
<th>$8K</th>
<th>$12K</th>
<th>$16K</th>
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<tbody>
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<td>$9,600 annual tax savings</td>
<td>$19,200</td>
<td>$16,114</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contributions  Returns

Source: NerdWallet analysis, compounded annually at 6%
These additional retirement contributions into a tax-advantaged account can decrease your tax liability even more, increasing the amount of cash you have to save and invest.

Each of these options can help boost your retirement fund, but only if you invest the savings there and don’t redirect it toward other spending.

The article 5 Ways to Grow Retirement Savings and Enjoy a Latte, Too originally appeared on NerdWallet.

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Money doesn’t really age: It’s never too late to make smart financial decisions.

But there are certain times in your life that are prime for specific money moves, times when making the right choice will set your future self up for success.

Below, the best financial moves to make by decade.

IN YOUR 20s: LAY A FOUNDATION

You’ll probably enter and exit these years at two completely different life stages: Many people come into their 20s in college and cross the bridge to 30 with a decent, if short, career history.

The good news: You have time to recover from bad decisions. The bad news: Any unwise habits you form now could stick with you.

“This is the best time to make saving money a priority and the best time to avoid some pitfalls like getting into a lot of credit card debt,” says Ted Schumann II, managing partner of independent registered investment advisory firm The DBS Companies.

There’s one way to do both, and it’s creating a reasonable budget that aligns with your priorities and includes at least some allocation toward savings, even if it’s a small one. That money should go toward building a small emergency cushion and into an employer retirement plan that matches your contributions — like a 401(k) — if you have one. If not, open an individual retirement account. (We have a full guide to IRAs here.)

IN YOUR 30s: HIT YOUR SAVINGS GOALS

These might be your best investing years, so it pays — quite literally — to use them wisely.

While previously you may have been scraping bits together, now it’s time to get focused. The goal: saving 15% of your income for retirement.

The first two decades of “adulthood” are so important because time is the single biggest asset you have when it comes to growing your money (aside, of course, from money itself). Investing early gives your money time to grow through compound interest.

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This is also when you might find yourself juggling other goals. That budgeting habit you formed in your 20s will pay off: A budget based on your values will help you prioritize when financial goals and responsibilities start to pile up.

“Early on, you’re taking time to think through what is more or less important,” says Stuart Ritter, a senior financial planner with brokerage firm T. Rowe Price. “Maybe you’re saving for a big house but you’ll drive an older car, or you want to take vacations but you’re OK living in a smaller house.”

**IN YOUR 40s: TAKE STOCK OF WHERE YOU STAND**

If you’ve been consistently saving for the better part of two decades, you probably have a nice pile of money. If you haven’t yet figured out how far that money will get you in retirement, now’s the time to do so.

A retirement calculator will give you a good idea of your savings progress, and tell you whether you need to ramp things up, keep cruising along or even — in some rare cases — dial back.

If you’ve been consistently stashing away 15% of your income, you might find you’re in a good spot to shift extra dollars to other goals, for example, college savings if you have kids.

You might also have various retirement accounts. It may be worth bringing old 401(k)s together under one roof, says Ritter. “If you’ve changed jobs a couple times, you don’t want to leave a pot of money somewhere that you’ve forgotten about.”

You can do that by transferring old balances directly into a rollover IRA.

**IN YOUR 50s: CATCH UP WHILE YOU CAN**

The IRS knows that many people are behind in saving for retirement, and so it throws out a bone for people this age: The contribution limits for tax-advantaged retirement accounts like 401(k)s and IRAs increase for those over 50.

These catch-up contributions allow you to put an extra $6,000 into a 401(k) and an extra $1,000 into an IRA every year. That brings the contribution limits for these accounts to $25,000 for a 401(k) and $7,000 for an IRA in 2019.

“If someone is fully funding retirement accounts and they have the income to do so, using the catch-up contribution at age 50 is a great way to supercharge savings into the homestretch of their career,” says Schumann.

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IN YOUR 60s: SHIFT YOUR FOCUS

Many people retire in their 60s. According to analytics firm Gallup, nonretired Americans expect to retire at age 66.

That means it’s time to make some concrete plans. What was once a very vague goal starts to come into focus. When will you stop working? Do you plan to quit altogether or shift to part-time? Many retirement experts say your mental and financial well-being will benefit from the latter, if your health allows it.

You’ll also want to make an income plan for retirement, figuring out how much money you’ll receive from Social Security and how much you’ll need to draw out of retirement accounts. Keep in mind that your Social Security checks will be higher for each year you delay taking benefits after you reach retirement age — increasing by as much as 8% annually — until you turn 70.

Finally, many people falsely assume that they should shift their investments into cash or fixed-income on their retirement date. While you might want to move a small portion of your portfolio to safer, more liquid havens, you need your money to grow through retirement. Some financial planners recommend keeping half of your money in equity investments through retirement.

An earlier version of this article misstated the IRA contribution limit for those 50 and older. The 2019 limit, including catchup contributions, is $7,000.

The article The Best Financial Advice at Every Age was written by NerdWallet and was originally published by Forbes.

ARIELLE O’SHEA is a NerdWallet authority on retirement and investing, with appearances on the “Today” Show, “NBC Nightly News” and other national media.
AccessLex Institute has publications available to help navigate student loan repayment for professional and graduate students.

**The Road to Zero: A Strategic Approach to Student Loan Repayment**

How will you repay your loans? Your current situation, your future aspirations and your financial goals are what should together determine your repayment strategy. This guide outlines the features of each of the repayment plans that are available to borrowers and discusses methods to manage your loans like PSLF, consolidation, deferment and forbearance.

**Are You Eligible for Public Service Loan Forgiveness (PSLF)?**

This infographic provides a visual to help determine if you qualify to participate in Public Service Loan Forgiveness in an easy to understand decision tree.
TACKLING YOUR STUDENT LOANS DOESN’T HAVE TO BE HARD!

Inceptia knows that student loan repayment can be confusing if you don’t know where to find the information you need. That’s why we want to help the Class of 2020 proactively get a handle on student loan repayment — before it even begins!

With Inceptia’s money mascot — the Knowl — as a trusty guide, graduates can use our Student Knowledge Headquarters to find answers, calculators, resource guides and more to prepare for and successfully enter into repayment.

Getting started is easy. Head to HeroKnowl.org to explore our free tools and information.

For more great articles and tips from NerdWallet, including articles, calculators and other resources for student loan repayment, be sure to check out their student loans homepage.

AccessLex Institute is a nonprofit organization committed to helping talented, purpose-driven students find their path from aspiring lawyer to fulfilled professional. In partnership with its nearly 200 Member law schools, improving access and positively influencing legal education have been at the heart of the Company’s mission since 1983.
About Inceptia

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization committed to offering effective and uncomplicated solutions in verification, financial aid management, financial education, and repayment wellness. Our mission is to support schools as they launch brilliant futures for students, armed with the knowledge to become financially responsible citizens. Since 1986, we have helped more than two million students at 5,500 schools reach their higher education dreams. Each year we help nearly 340,000 students learn how to pay for college, navigate financial aid, borrow wisely, and resolve their student loan repayment challenges. Our solutions are designed to support student success by helping financial aid administrators maximize resources, so they can spend more time focusing on students. Learn more at Inceptia.org.

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