GREAT ADVICE FOR GRADS 2018

Inceptia
A DIVISION OF NSLP

nerdwallet

TABLE OF CONTENTS


CONGRATULATIONS
CLASS OF 2018

You have persevered, stuck it out, carried on, and now it all pays off as you get that degree. It's an exciting time and we commend you on your hard work and accomplishments.

Here at Inceptia, I think graduation time might be just as fun for us as it is for you. Starting in February each year, we begin working on our Great Advice for Grads e-guide, collaborating with NerdWallet to find the best information to help you plan for what's next. For two months, from February until we publish the guide in April, we get to relive fond memories of our own graduation, reflecting on what we wish we had known back then. It's in that spirit we have created this guide for the past four years, and we deliver the 2018 edition to you.

Whether you already have a solid plan for "what's next," or you're still ironing out the details, we think you'll find this guide to be full of helpful and practical advice. From student loan repayment (the BIG topic), to everyday finances, to your career, we cover the basics for a solid start to life after college. And because it's an e-guide, it's easy to take with you and revisit later—after you've had your share of graduation parties and cake!

There are lots of nuggets of wisdom in this guide, but this page is where I get to share some of my own advice every year with new graduates. This year, I'm going with a simple, yet powerful phrase I find myself saying all the time: "The worst anyone can ever say is no."

It seems like common sense, but it has served me well in finding the courage to pursue those things that may seem intimidating, like asking for a raise, pursuing a passion project, or applying for my dream job (this one!). I hope you find this simple phrase comes to you at a time when you need it most, and gives you the same confidence it's given me. After all, if hearing no is the worst thing that can happen, you might as well go for it!

Cheers to you, Class of 2018, and here's to hearing "yes" many times over as you pursue your goals.

Best,

Carissa Uhlman
Vice President of Student Success
Inceptia
888.529.2028 • Inceptia.org • @inceptia


SIMPLIFYING
STUDENT LOANS

GRADUATING? WHAT YOU CAN DO ABOUT YOUR STUDENT LOANS

from the U.S. Department of Education

As you prepare for life after school, we want to provide you with next steps, tips, and advice regarding your student loans.

First, review your student loan records. You can access your federal student loan record at StudentAid.gov/login. You'll need to figure out whether you have federal student loans, private student loans, or both. The advice below is for your federal student loans. To discuss repayment options for your private student loans, contact your lender.

Not going to graduate school or not continuing your education?

In most cases, you'll have six months from the time you graduate before you have to begin making federal student loan payments. This is called your grace period. Use this time to explore the different repayment options available to you and prepare for repayment. Learn more about the different repayment options at StudentAid.gov/repay. During your grace period, you can also start making payments of any amount. Contact your federal loan servicer to find out how to get a head start on repaying your student loan.

Here's your repayment checklist:

- **Know whom to contact if you need help with your student loans**. Your loan servicer can help you for free. You never have to pay for student loan help!
- **Choose a repayment plan that meets your needs.** Compare your monthly payment options under different repayment plans using the Repayment Estimator at StudentAid.gov/repayment-estimator. If you need a lower payment, consider an income-driven repayment (IDR) plan at StudentAid.gov/idr. Under an IDR plan, your monthly student loan payment can be as low as $0 per month based on your income and family size. If you take no action, you'll be placed on the 10-year Standard Repayment Plan.
- **Consider whether your career choice might qualify you for loan forgiveness.** If you're employed by a government or not-for-profit organization, you may qualify for loan forgiveness after 10 years of federal student loan payments through the Public Service Loan Forgiveness (PSLF) Program. Learn more about the PSLF Program at StudentAid.gov/publicservice. You may qualify for the Teacher Loan Forgiveness Program after five years of teaching service in a low-income school. For more information about the Teacher Loan Forgiveness Program, visit StudentAid.gov/teach-forgive.
- **Understand your options for making payments.** You won't pay the U.S. Department of Education directly. In most cases, you'll make payments to your federal loan servicer. Before your first payment is due, your loan servicer will provide you with information about how to make your payments.
- **Consider whether consolidation may be right for you.** If you have more than one loan servicer, consolidation can simplify the repayment process. In some cases, loan consolidation also can help you qualify for better repayment options. Just be sure to weigh the pros and cons of loan consolidation. Learn more about loan consolidation at StudentAid.gov/consolidation.

TIP

Save your loan servicer's phone number in your phone. You can find your loan servicer's phone number at StudentAid.gov/servicer.

Going to graduate school or continuing your education?

In most cases, if you return to school on at least a half-time basis, your loan servicer will automatically place your loans in a status that doesn't require you to make payments while you're in school. If you return to school on at least a half-time basis but start receiving bills for your student loans, contact your loan servicer.

While you're in school, interest will continue to accrue (accumulate) on your unsubsidized loans. If you can afford it, consider paying the interest while you're in school. This may help to reduce the total amount you repay over the life of your loans.

Beware of student loan scams.

You never have to pay for help with your student loans. As you're researching repayment and forgiveness options, make sure you're getting information from trusted sources, such as StudentAid.gov, StudentLoans.gov, or your loan servicer's website. The U.S. Department of Education and your loan servicer will never charge fees to help you with your student loans, so if you're asked to pay, walk away. Contact your loan servicer for free assistance.

TIP

Ask your federal loan servicer how to sign up for automatic payments to receive a 0.25% interest rate reduction!

MIXING UP THESE STUDENT LOAN TERMS COULD COST YOU

by Devon Delfino

If you have student debt, you don't have to go looking for confusing jargon — it's built right into the system. Take student loan refinance and student loan consolidation.

These terms are often used interchangeably, since both let you bundle several loans into one. But the similarities stop there. That's because federal consolidation and refinancing, also called private consolidation, are two very different processes.

Refinancing, on the other hand, is a way to lower your interest rate and save money on the total cost of your loans. Mixing up the two — which many borrowers do — can have long-term financial consequences.

How to Tell Consolidation and Refinancing Apart

Here's a basic breakdown of each move.

Federal consolidation

- **Loans eligible:** Federal only
- **Completed through:** The federal government
- **What it does:** Combines all of your federal loans under a single servicer of your choice. Your new interest rate is the average of all the individual rates, rounded up to the nearest 0.125 percentage point
- **When to use it:** To simplify payments if you have multiple servicers or to qualify for specific federal repayment programs
- **Qualifying:** Most federal loans are eligible. Generally, you can apply after you leave school or drop below half-time enrollment
- **Drawbacks:** Up to 20 extra years in interest payments due to an extended loan term

Refinancing, or private consolidation

- **Loans eligible:** Federal and private
- **Completed through:** A private lender
- **What it does:** Swaps out your existing loans for a new one with terms based on your financial history
- **When to use it:** To save money on the overall cost of the loan; reduce monthly payments
- **Qualifying:** Most lenders look for a low debt-to-income ratio, a steady source of income and a credit score in the mid-600s or higher
- **Drawbacks:** Loss of borrower protections on federal loans

The Costs of Mixing up Refinance and Consolidation

Accidentally refinancing instead of consolidating would mean losing the safety net provided by federal borrower protections, such as forgiveness and income-driven repayment. That means that you'd have only deferment or forbearance options if you ever have trouble making your payments. Those options will increase your long-term costs.

On the flip side, accidentally consolidating means you wouldn't save money by getting a lower interest rate or shorter loan term, as you would if you refinanced. You'd actually get a slightly higher rate, and you may extend your loan term to up to 30 years, depending on how much you owe and what repayment plan you sign up for. That will increase your total cost of borrowing.

Let's say you graduated in 2016 and maxed out federal loans all four years of college, leaving you with $27,000 in debt and an average interest rate of 4.4775%. Consolidating would add 10 years to your term and increase your rate to 4.5%, costing you an extra $7,400 of interest compared with staying on the standard repayment plan.

TIP

Federal consolidation loans go into repayment a few weeks after you submit your application, unless you specify a delayed processing date. Doing so can allow you to take full advantage of your grace period.

Getting Through the Application Process Unscathed

Take these three steps to ensure you get the right outcome for your situation:

1. **Know what you want.**
If you want to save money on your loans by changing your loan terms, check out refinancing. If you want to simplify your federal loan payments under a single servicer, or if you have Federal Family Education Loans and want to qualify for programs available only for direct loans, federal consolidation is the right move.

2. **Make sure you're OK with potential drawbacks.**
Neither federal consolidation nor refinancing can be undone, and each carries its own risks. Consolidating may extend your loan term. And if you're going for loan forgiveness, be sure to exclude direct loans from consolidation or you'll lose all qualifying payments on those loans. That means it'll take even longer to get forgiveness. Refinancing can be risky, too. If you opt for a variable interest rate, for example, you may see your payments increase as the financial market changes.

3. **Go to the right source.**
    - Federal consolidation: Apply directly through the federal government to ensure you're getting the right results. Start by logging into the Federal Student Aid website with your FSA ID and select "Complete a Consolidation Loan Application and Promissory Note."
    - Refinancing: Check that the lender offers terms based on your current financial factors, like income and credit score. If that's not spelled out for you, talk with a customer service representative to get clarification. But it's probably best to look elsewhere to avoid signing up for a service or product you don't want.

Federal consolidation and refinancing aren't right for every borrower. If you're looking to tie your payments to your income and you have direct loans, for example, you'd only need to apply for income-driven repayment. If you can afford your payments and want to keep the security of your federal loans, staying on the standard plan would be your best option.

Regardless of which path you choose, remember that signing up for consolidation, refinance or any federal loan repayment plan is free to do on your own.

Devon Delfino
is a staff writer at NerdWallet,
a personal finance website.

The article Mixing Up These Student Loan Terms Could Cost You originally appeared on NerdWallet.

HOW I DITCHED STUDENT DEBT: 'MONSTER PAYMENTS'

by Devon Delfino

Amanda Page is student-loan-free, but it was far from an easy road. She earned a master of fine arts degree from the University of Alabama and left there in 2004 with $48,500 in federal student loans from her graduate and undergraduate studies. Before defending her thesis, she consolidated her loans and signed up for the Department of Education's graduated repayment plan, which lowered her initial payment amount.

Ten years later, after deferring her loans for a time, she realized that she'd paid off less than $1,000 of her total balance. She decided to get serious about her debt. She started a blog called Dream Beyond Debt to keep herself accountable to her goal. After 14 months of hard work, she was free of her loans.

Page, now an assistant professor teaching English and humanities at Mount Carmel College of Nursing in Columbus, Ohio, still maintains the blog as she tackles new financial goals. Here's her student loan story:

What steps did you take to pay off your loans?

The first thing I did was call my lender and have them explain the payments to me. I couldn't understand why some months more money went to interest than principal. So I decided on my strategy of making "monster payments." I started taking on a lot of extra work: temporary office jobs when my schedule allowed, extra courses to teach, focus group participation, freelance writing gigs and selling some stuff on Craigslist. I made my first monster payment of $4,300, which I accumulated through extra work. After that, I was hooked. I didn't always know how I would put together a monster payment, and I never knew how much I'd actually have to make one, but I trusted the experiment.

Did you make other lifestyle changes?

I also got in the habit of always carrying my own coffee and water to work, as well as a bag of cheese crackers so I wouldn't be tempted to buy snacks at the cafe or gas station. I started inviting friends to go on hikes instead of meeting for coffee or meals. I also read personal finance blogs daily to stay motivated and worked on my money mindset.

Would you change anything about your approach?

The only thing I can think of is the lack of savings I ended the year with. I would have worked harder to put more money into my retirement accounts. I feel woefully behind on my retirement savings, and I was so focused on eliminating the debt that I didn't think much about that particular piece of the personal finance picture.

How has your life changed since paying off your debt?

The process of paying off the debt helped me evaluate what was really important to me. My dreams are defined. I know what I value, and I know my values. Once I paid it off, I felt a weight removed. Student loan debt keeps you tied to your past. I'm so grateful it's gone and I can focus on my present and future.

What advice would you give to other borrowers?

I would recommend seriously looking at the story you tell yourself about your debt. For a long time, I resented my undergraduate debt and felt like it wasn't mine to pay. Once I reframed the story, took responsibility for my role in accumulating it and told myself that I was capable of eliminating it, then my life opened up. [To pay off student loans quickly,] you have to earn more and reduce expenses — doing only one won't move the dial.

How you can get out of student debt.

While “monster payments” may not be in the cards for every borrower, you can use other strategies to manage your debt and pay off your loans.

If you’re having trouble making payments on your federal loans, income driven repayment plans can help you get your debt under control. These cap your payments at a percentage of your income and extend your loan term to 20 or 25 years. You have to reapply every year to stay on your plan, and at the end of your loan term, any leftover balance is forgiven and taxed as income. If you’re a teacher, like Page, or you work in another area of public service, look into federal forgiveness programs. Those help qualified borrowers get forgiveness faster.

If you can afford your payments but you want to save money on your loans, student loan refinancing may be the answer. Refinancing lets you swap out your existing loans for a new one with terms based on your current finances. The lower you can get your interest rate, and the shorter your loan term, the more money you stand to save. Most lenders look for a steady income, a low debt-to-income ratio and a credit score of 650 or higher. However, refinancing federal loans means giving up borrower protections like income driven repayment and forgiveness programs, so you may want to exclude those loans from your application.

Devon Delfino
is a staff writer at NerdWallet,
a personal finance website.

The article How I Ditched Student Debt: ‘Monster Payments’ originally appeared on NerdWallet.

> I lived lean. I rarely ate out or went to the bars, borrowed movies and books from the library, and bought my clothes from Goodwill or other thrift stores.
>
> \- ZINA KUMOK

HOW I DITCHED STUDENT DEBT: SMART SPENDING, DEDICATION

by Devon Delfino

Zina Kumok graduated from Indiana University in 2011 with a bachelor's degree in journalism. She was fortunate: Her $24,000 in federal student loan debt was less than the average amount for her graduating class, and she didn't have any other debt eating into her budget.

But since she was making $28,000 a year straight out of college, Kumok knew it was going to take serious dedication to pay off her debt. She turned to blogging to help keep herself on track. It worked — and by 2014 she had lived up to her blog's name, Debt Free After Three, paying off $28,000 in student loans, accounting for interest, in three years.

Kumok, now married and living in Denver, is working as a freelance writer as she continues to share what she's learned about managing money on her blog. Here's her student loan story and advice.

What steps did you take to pay off your loans?

For the first time in my life, I started budgeting carefully. I created a budget in Excel and an account with Mint.com. I used both of those to project my expenses and track my spending. I also started putting extra money toward my loans. First I started only paying an extra $10 a month, but that increased the next year when I got a new job. I put the difference between my old salary and new one toward my loans. The year after, I moved in with my then-boyfriend and a friend of ours. That helped me save another $350 on my monthly expenses, which I immediately [put toward] my loans.

Did you make any lifestyle changes while paying down your student debt?

In college, I spent with abandon. It was no big deal to go shopping, order takeout or shop on Amazon. [After college] I radically changed how I was spending. I was only making $28,000 when I first started paying off my student loans, so I had to make my money stretch. I lived lean. I rarely ate out or went to the bars, borrowed movies and books from the library, and bought my clothes from Goodwill or other thrift stores. I invited friends over to watch “Sherlock” on Netflix and used credit cards with cash-back rewards.

Looking back, would you have done anything differently?

I was paying 6.8% interest on my loans, which is huge. I wish I had refinanced to a lower rate. Unless you’re trying to get your loans forgiven or have an unstable job, I recommend refinancing.

How did it feel to make that final payment?

It felt really surreal. I had spent so much time focusing on my debt that I struggled to really feel a difference. So many of the decisions I made on a daily basis were because of my student loans.

What advice would you give to other borrowers?

Track your spending. Almost everyone I talk to has no idea what they’re actually spending their money on, but they’re convinced they can’t pay off their loans early. Even if you only put an extra $10 a month like I did, you can make a difference. [And] don’t forget about retirement. I started saving for retirement when I became eligible for my company’s 401(k). I put in enough to get the match. If you’re eligible for company match, read through the fine print to see how much you need to contribute to qualify. You have to balance saving for the future while paying off debt.

How You Can Get Out of Student Debt.

Kumok's financial moves made sense for her situation and helped her reach the debt-free life. Your ideal debt-management strategy will depend on your circumstances.

If you're having trouble with your monthly payments and you have federal loans, like Kumok, income-driven repayment plans can be a big help. Those cap your payments at a percentage of your income and extend your loan term to 20 or 25 years, depending on the plan. Any leftover balance is forgiven and taxed as income. You have to reapply every year to stay on an income-driven plan.

If you're looking to save money and can afford your payments, student loan refinancing could be the right move for you. It lets you swap out your existing loans for a new one with terms based on your current finances. When you refinance, the lower your rate and the shorter your loan term, the more you stand to save. Refinancing federal loans means giving up borrower protections like income-driven replacement and forgiveness programs, so you might want to exclude those loans from your application.

Devon Delfino
is a staff writer at NerdWallet,
a personal finance website.

The article How I Ditched Student Debt: Smart Spending, Dedication originally appeared on NerdWallet.

PRACTICAL PERSONAL FINANCE

SHOULD YOU SPEND, SAVE OR INVEST YOUR GRADUATION GIFT?

by Lauren Schwahn

When you graduate, you might end your academic journey with more than a diploma in hand — you could wind up with a generous cash gift, too.

The average person giving graduation gifts last year planned to spend about $53 on each, with cash being the most popular present, according to the National Retail Federation’s 2016 Graduation Spending Survey. If 10 people were to give you a monetary gift in that amount, you’d pocket about $530.

So what should you do with your graduation money? Put it toward that trip to Europe you’ve been dying to take or the student loan balance hanging over your head? Ultimately, it’s up to you.

Factor your savings, debt and job prospects into your decision. Here are some recommendations to get you started.

Save first.

Building an emergency fund is an important first step toward financial health. You probably won't own a house fresh out of college and therefore don't have to worry about the cost of homeownership-related emergencies, but you still might face unexpected expenses like car repairs or medical bills.

Having a $500 cushion is a solid foundation. In the long term, aim to save enough to cover three to six months' worth of expenses. Your graduation gift alone might not be enough to get you there, but any emergency reserve deposit helps.

For nonemergency costs, set up a general savings account, if you don't already have one. Tuck away some of your gift to cover living expenses like gas or work clothes, even if you live at home with your parents rent-free, says Donna Wood, a certified financial planner in Haymarket, Virginia. Or think big and save for goals like a new car.

Invest for your retirement.

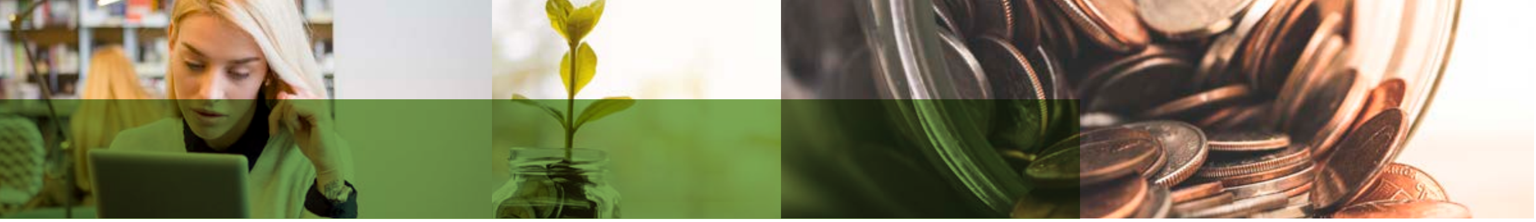
Saving for retirement might not be top of mind when you're young. But the earlier you contribute, the better off you'll be in the future. Even a modest contribution from your graduation haul will work to your benefit.

At an assumed 6% average annual return rate, a $100 investment at age 22 will reach $1,226 by age 65. This can get you in the habit of saving, and watching your money grow might add extra motivation. Consistent contributions are where compound interest really pays off. If you can scrape together $25 a month to add to that initial deposit, you'll have $57,495 by age 65.

If you have a job lined up that offers a 401(k) and company match, make sure to contribute enough to get the full match. Consider opening an IRA as a supplement, or if you don't have access to a 401(k).

TIP

Take advantage of any employer match for a company-sponsored retirement plan! Think of it as part of your compensation package; you're just leaving money on the table if you're not contributing up to the match amount.



Tackle crippling debt.

If expensive textbook and laptop purchases resulted in high-interest credit card debt, make paying it down your next priority. Once it's gone, use a budget calculator to learn how to allocate your money and avoid future debt.

Lingering student loan balances often spur more anxiety than credit card debt. But, generally, there are options available to help you handle this lower-interest debt, like modified repayment plans, tax deductions and a six-month grace period after graduation.

"I wouldn't worry about putting gift money toward student loans right off the bat unless you're working with a significant amount of money or it just gives you a better peace of mind," says Ben Brown, a certified financial planner in Bethesda, Maryland. "It's going to go a lot further if you put it towards really focusing on your most valuable asset as a young person, which is your earnings potential."

Spend it on yourself.

If you have no job in place, Brown suggests spending the money to boost your prospects. Use a professional resume service or career coach, or take additional courses to develop your skills.

And it's OK to treat yourself. A graduation gift is meant to be a reward for your achievement, after all. If you want to improve your financial habits but still indulge before entering the workforce, Brown recommends spending between 10% and 20% of the gift on fun purchases. If you're comfortable with your financial situation, give yourself more leeway. Go ahead and take that trip. Update your wardrobe. Buy a new phone.

Lauren Schwahn
is a staff writer at NerdWallet,
a personal finance website.

The article Should You Spend, Save or Invest Your Graduation Gift? originally appeared on NerdWallet.

20-SOMETHINGS: 5 WAYS TO MASTER MONEY WHILE YOU WAIT IN LINE

by Brianna McGurran

Every morning I wait for the elevator in my building, stand in line to order coffee at a cafe, and will the subway to arrive while pacing the platform. Those few-minute blocks of time are all opportunities to master my money game.

That's because it's easier to chip away at big financial goals, one by one, if you break them into more manageable chunks. The first task often takes so little time, you can do it on your phone while waiting in line at the supermarket. When you've got a few minutes to kill, inch closer to goals like paying off your student loans and saving $1 million for retirement with these quick maneuvers.

TIP

When it comes to federal student loans, make sure you know the difference between refinancing and consolidating. Check out the previous article Mixing Up These Student Loan Terms Could Cost You.

1 Pre-qualify to refinance student loans

What it is: Refinancing student loans is a way to lower your interest rates based on your current financial health. Perhaps you took out a private student loan at 8% interest. That loan was based on your income and credit profile, and that of your co-signer if you needed one. If, years later, you have solid income and a credit score higher than 650 (nice work), you might qualify to get a lower interest rate — say, 5% — by refinancing.

How to do it: Many student loan refinancing lenders let you fill out a short form with your education and income information to see whether you're pre-qualified to refinance. They may also show you the likely interest rates you'll receive. You can also apply directly on lenders' websites, though the time commitment for each application varies.

How long it takes: Three minutes.

Next steps: If you're approved and move forward, a private lender will pay off your student loans and issue you a new one at a lower interest rate. Take care refinancing federal loans, because you'll lose certain benefits, like access to payment reduction programs.

2 Check your credit score

What it is: Financial institutions use your credit score to determine whether they can trust you. The higher your score, the more likely it is your bank will issue you a car loan and a potential landlord will rent to you. In general, your score will range from 300 to 850; scores of 720 or higher are considered "excellent."

How to do it: Many online resources, including NerdWallet, will let you check your credit score for free. You may also be able to access it through your credit card company.

How long it takes: Three minutes.

Next steps: If your score isn't where you want it to be, focus on paying your bills on time, eliminating errors on your credit report and paying off your credit cards each month. These strategies could add 100 points to your score.

③ Capture your 401(k) match

What it is: If your employer matches your contributions to a workplace retirement fund, it's paying you to save for retirement. That's essentially free money. One common formulation is for employers to contribute 50% of the first 6% of salary that you save in a 401(k), according to Deloitte's 2015 Annual Defined Contribution Benchmarking Survey. That means if every month you save $200, your company will contribute an additional $100, for a total of $300 saved.

How to do it: If you have an online retirement-savings portal at work, log in and take a look at your transaction summary. Your employer might have auto-enrolled you in its retirement plan; make sure your savings rate is equal to or larger than your employer's full match. If you can't tell what the match is, ask your colleagues in human resources.

How long it takes: Five minutes; more if you need to contact HR.

Next steps: Increase your contributions online or by emailing your plan's representative. No workplace retirement account or no company match? You've got other retirement savings options.

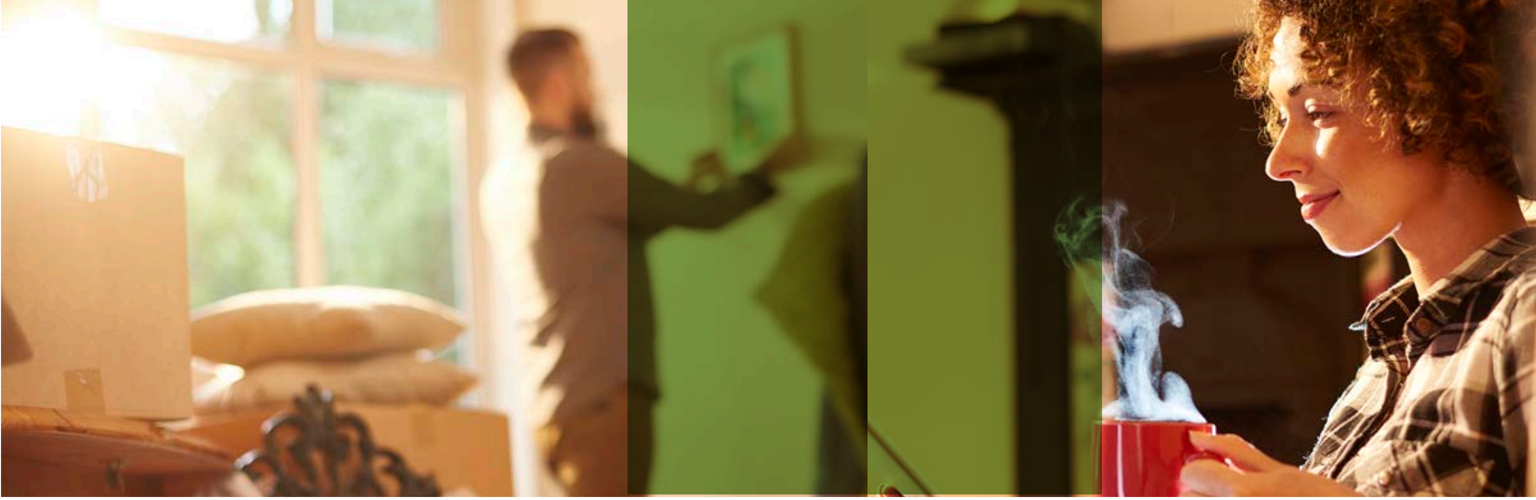
④ Add up your checking account fees

What it is: The checking account you opened in high school or college may no longer make sense for you. It's definitely time to switch if you're overwhelmed by bank fees, which cost the average consumer $1,000 over 10 years, according to a [NerdWallet study](). If you don't check your account activity often, you may not even know you're paying them.

How to do it: Log into your account and bring up your transactions for the past year. Add up the monthly maintenance, overdraft and ATM fees you paid. My bank let me search transactions using the keyword "fee."

How long it takes: **Five minutes.**

Next steps: If you're racking up fees or lacking other must-haves like mobile banking or A-plus customer service, consider switching to a low-fee checking account instead.



5 Pick your target home price

What it is: Homeownership offers flexibility (paint everywhere!) and privacy (no roommates!), which might be a mere daydream now. But you're smart to start saving if buying a home is a goal for, say, five years from now.

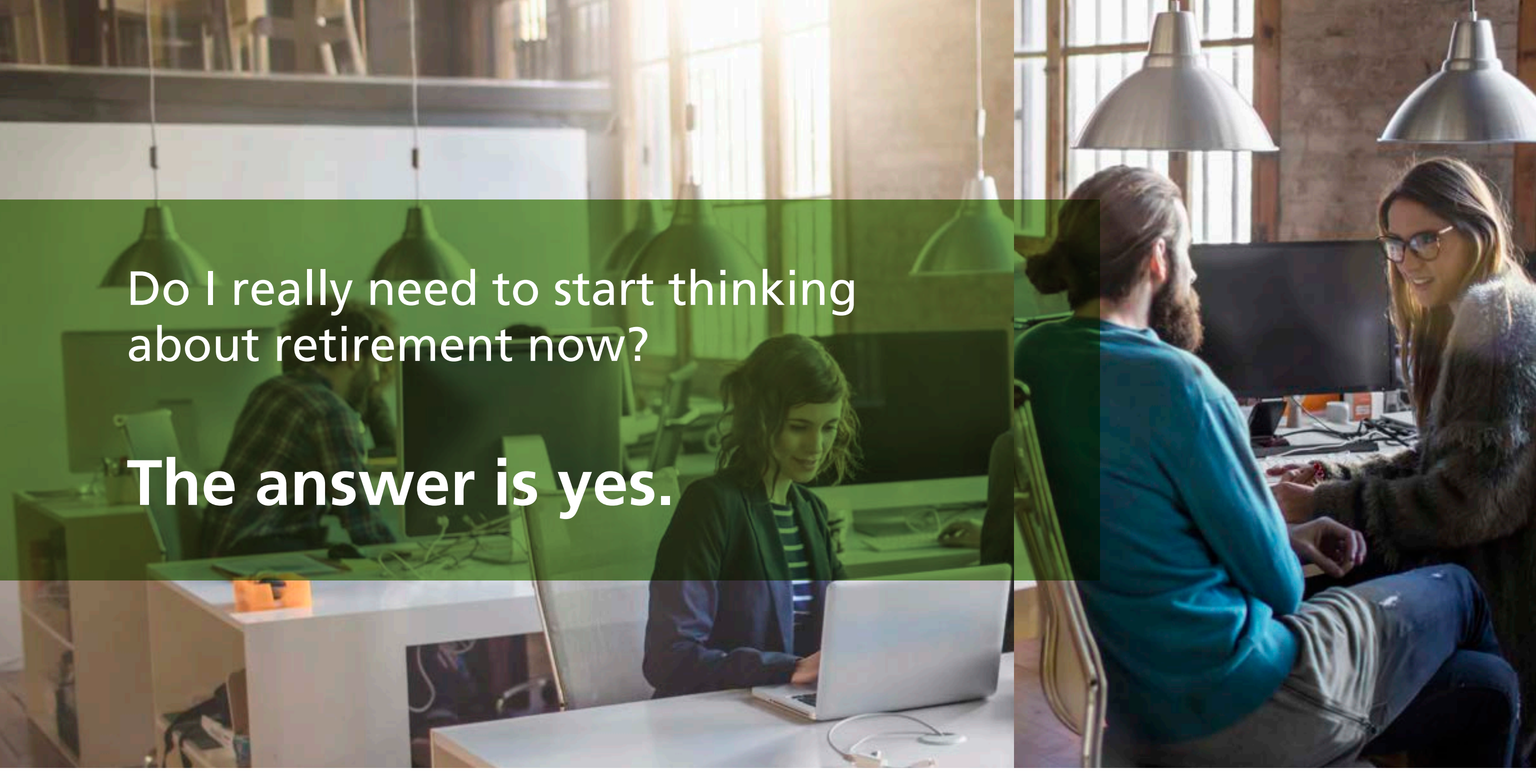
How to do it: Use a home affordability calculator to determine the home price and monthly payment you should budget for when you start looking. Enter income and debt load information and how large a down payment you'll have saved by your planned purchase date. Play with the inputs to see how much you'll pay per month if you put more down or pick a different loan term.

How long it takes: **One minute.**

Next steps: Keep saving diligently, and look into local and national first-time home buyer programs. They could help you get a lower interest rate on your mortgage or even assistance with your down payment.

Brianna McGurran
is a staff writer at NerdWallet,
a personal finance website.

The article 5 Ways to Master Money While You Wait in Line originally appeared on NerdWallet.



YES, YOU NEED A 401(K) IN YOUR 20s — HERE'S WHY

by Anna-Louise Jackson

Even before the first paycheck from your first full-time job hits your bank account, you should be planning for the day you'll receive your final paycheck.

You may be thinking: I just began working. Do I really need to start thinking about retirement now?

The answer is yes. It's far better to contribute some money to your company's 401(k) — even if it's a seemingly trivial amount each month — than to do nothing. Don't have a 401(k)? An individual retirement account offers some of the same advantages, but you can open one without employer sponsorship.

Not convinced about the benefits of a 401(k)? Here's why you should contribute to one, or to another retirement savings vehicle, when you're young — and some tips on how to do it right.

Why retirement savings matter.

Trying to envision what life will be like some four decades down the road is next to impossible. There are so many unknowns, including your career trajectory, family situation and even the fate of Social Security.

But there is something easier to predict: the need to look out for yourself. Social Security probably still will exist in some form, but gone are the days when companies provided a guaranteed safety net to employees in the form of pensions. These still exist, but only in select industries.

Rather, it's largely up to you to fund your retirement nest egg. You may strike it rich, marry your celebrity crush or win the lottery, but until then it's a good idea to plan for a more mundane future. Time is on your side, and money you save today has decades to grow. That's because investments compound over time, meaning you earn interest on both money you deposit and interest it accrues.

Make savings part of your budget.

If you've recently graduated from school and are entering the workforce for the first time, your current income likely is the most you've ever earned — and yet, it still may not seem like enough.

"There's certainly going to be a lot of conflicting priorities," including paying down student loans and saving for an apartment, says Scott Thoma, an investing strategist in St. Louis with Edward Jones. "Try to assure you're paying yourself first and allocating money for the future."

Budgeting helps. By keeping track of what money is coming in and what's going out, you may find an extra $50 to set aside for retirement each month. While that may not seem like much, small adjustments can make a difference over time, Thoma says.

"We have ways of finding uses for money if it's just sitting around," he says. "The key is to get into the habit and getting that discipline in place."

TIP

Having trouble making savings a habit? Try automating it! Link your savings and checking accounts, then create an automatic transfer from checking into savings every payday.

Start With Your 401(k) — But Don't Necessarily Stop There

Once you're convinced it's important to save for retirement as early as possible, it's time to dive into some logistics. Here's a priority list for determining which accounts to use for your savings:

1. Contribute the minimum to get your employer's full match on your 401(k).This represents a return of up to 100% on your investment. Don't pass it up.
2. Consider cutting costs with an IRA. Does an IRA offer lower fees than your employer-sponsored plan? If so, max out this contribution. The limit is $5,500 for people under 50 and $6,500 for people 50 and older.
3. Return to your 401(k) as needed. If you wish to save still more, max out your 401(k) contribution beyond your employer's match. The maximum is $18,500 for people under 50 and $24,500 for people 50 and up.
4. Invest any additional retirement savings in regular taxable accounts. This is basically any investing vehicle other than a 401(k) or IRA.

You should prioritize your 401(k) plan, especially if your employer offers a match, because it offers tax breaks. They're also easy to fund; deductions can be taken directly from your paycheck. Matching programs often are structured as either a 1-for-1 match up to a certain amount or 50 cents per dollar to a specified level.

How much should you save? A good goal is 10% to 15% of your gross income. Feeling more ambitious? So long as you can afford to save more without putting yourself in debt or shortchanging of other goals (more on that below), go right ahead.

Habits developed at a young age can last a lifetime. That's been the case for Ken Moraif, a certified financial planner at Money Matters in Plano, Texas — and it's all thanks to some advice from his mother.

"She told me to save 20% of my gross salary — that was the rule," he says. Some 30-plus years later, Moraif still is following that 20% savings discipline, and he now passes along the advice to others.

Choosing the right investments.

Deciding how to invest your retirement savings can be exciting or overwhelming, depending on your perspective. The options are more limited within company-sponsored retirement plans than with an IRA.

Three of the most common assets you'll encounter in a 401(k) plan are:

1. **Stock index funds:** A type of mutual fund that tracks a particular market index of individual stocks. (A mutual fund is a way to pool assets from multiple investors.)
2. **Bonds:** An investment in a government's or company's debt obligations.
3. **Target-date funds:** A mutual fund that contains a mix of investments — stocks and bonds, namely — and that automatically rebalances over time.

There often are additional options within each type of asset, such as where the companies are located — U.S. or international, for example — or the size of the companies. Deciding on the right mix of these investments is largely personal. Your tolerance for risk, for example, might be far higher or lower than that of other investors. In general, investors who want to minimize risk should consider index funds that track broad benchmarks, such as the Standard & Poor's 500, or target-date funds.

Target-date funds offer the most hands-off approach — they're structured around a future date, such as when you'll retire — but they may carry higher fees. If you're looking for a more hands-on strategy, you'll largely be deciding between stocks and bonds. Bonds are considered less risky in the short term than stocks, but you'll also earn a lower return. Because you have decades between now and retirement, you can afford to take a riskier approach with your investments.

Regardless of what route you take, keep an eye on fees. This may sound a bit like a broken record at this point, but the reason fees matter so much is they'll cut into your future returns.

What if the market changes or you leave your job?

All this talk of growing your investments may be exciting — until circumstances change. Markets will hit rough patches throughout your career, and you may lose your job if a recession hits or your company downsizes.

Your retirement savings are meant to be locked up for decades, and that means time is on your side. Investing carries inherent risks because asset prices can fluctuate wildly, but over the long term, the market has proved profitable. You can mitigate some of the risk by ensuring your portfolio is diversified — including a variety of assets.

If you switch jobs, the money in your 401(k) is something you take with you — unlike, say, a stapler. Matching contributions may be subject to a vesting period, which varies from company to company. That means you may not be able to take all the money your employer contributed to your 401(k). If you brush up on that vesting deadline and decide you can stick it out a bit longer, you can take the full amount.

Once you've landed a new job, you'll need to decide what to do with your 401(k). Your best options often are to roll it over into your new employer's plan or into an IRA. Again, the decision often will come down to fees. Whatever you do, don't cash out your 401(k). Not only will you incur a big tax penalty, you'll probably be tempted to do something with it other than saving for retirement.

A word on moderation.

Whether you envision working full time into your golden years or aspire to drop out of the 9-to-5 rat race a lot earlier, the steps you take now will help your dreams become reality. But retirement probably isn't your only goal, and it's important to be realistic about what else you'd like to save for, like buying a home, starting a family, traveling or going back to school.

The basic advice still stands: Contribute as much as possible to get the company match for your 401(k). But the key is to take a measured approach, striking a balance between short-term and long-term goals.

Being too aggressive can cost you. Don't save more than you can for retirement if you're simultaneously amassing high-interest credit card debt or haven't established an emergency fund. Dipping early into your retirement account often incurs a 10% tax penalty if you're under age 59½, unless you're doing so for some very specific reasons allowed by the IRS.

The journey to retirement is a long one, and while someday sooner than later you should aspire to max out your 401(k) contributions, you should only do so when it makes sense within your overall financial picture.

Anna-Louise Jackson
is a staff writer at NerdWallet,
a personal finance website.

The article Yes, You Need a 401(k) in Your 20s — Here's Why originally appeared on NerdWallet.

JUMPSTART YOUR JOB & CAREER

CLASS OF 2018: GET A JUMP ON ADULTHOOD WITH THESE 7 TIPS

by Teddy Nykiel

College prepares students to be everything from accountants and teachers to government workers and health care technicians, but not all students learn basic money management skills. Here's advice for this year's graduates on how to succeed financially.

1 Use a tried-and-true budgeting strategy

A regular paycheck, however small, can feel like a windfall for those used to surviving on a student's budget. The 50-30-20 rule can be a helpful guideline for using your take-home pay wisely.

Spend about 50% on necessities including rent, groceries and transportation. Use up to 30% for wants such as takeout, concert tickets and online subscriptions, but minimize those expenses if you have a lot of debt. Put the remaining money toward savings and paying off debt, targeting the highest-interest payments first.

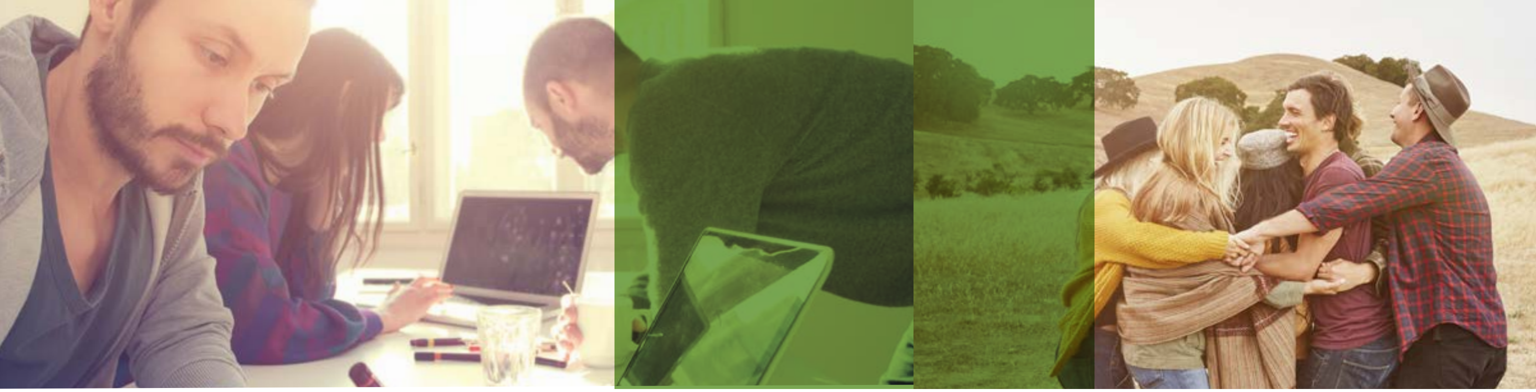
2 Check your credit regularly

Credit is an indicator of your trustworthiness with money. Lenders, landlords and some employers check it before issuing loans or credit cards, leasing apartments and offering jobs. There are two important measures of credit: reports and scores. Checking these indicators regularly will help you spot mistakes and areas for improvement.

A credit report documents your history of paying bills and debts; go to annualcreditreport.com to request a free copy. Credit scores are based on the information in credit reports; you can get a free credit score online.

TIP

Instead of ordering all three free credit reports at once, keep a closer tab on your credit by staggering reports throughout the year: order Experian now, TransUnion in 4 months, and Equifax in 8 months.



3 Negotiate your salary and bills

Make sure you're getting paid fairly by researching how other companies compensate for similar roles. Check the Bureau of Labor Statistics' Occupational Outlook Handbook and PayScale's Salary Data & Career Research Center, and cite that data when speaking with prospective employers.

Internet, cable, cell phone, gym and medical bills can be negotiated, too. When talking to providers, try phrases like, "I wish to cancel" and "My budget can't afford it," says Jim Rasmussen, a certified financial planner and co-founder of One & Done Financial.

4 Understand your student loans and repayment options

It's essential to know the types of loans you have — federal, private or a mix — because each loan type has different repayment options. Look up loans issued by the Department of Education by logging into your Federal Student Aid account. If you don't see them there, they're private loans.

Federal loans are eligible for loan forgiveness and income-driven repayment plans, which tie borrowers' monthly payment to their income. Private loans lack those perks, but borrowers with good credit may be able to refinance to get a lower rate.

5 Set aside some graduation money

Experts recommend having three to six months of living expenses stashed for emergencies. If you receive any monetary gifts at graduation, use those funds to get started. Aim for $500 initially; adding a reasonable amount of your paycheck each month can help.

Keep the money in a savings account that's separate from your checking and earns some interest; that way you won't be tempted to spend it, and the amount will grow over time.

6 Comparison-shop for insurance

Get quotes from multiple companies before purchasing any type of insurance. Use an independent agent or compare rates online, and reevaluate your provider regularly.

"It's not about loyalty," Rasmussen says. "Companies' rates typically increase and cycle; therefore, you can save thousands by checking the marketplace each year to see if your rates are competitive."

7 Harness the power of compound interest

Retirement may feel like a lifetime away, but post-graduation is the best time to start saving for it. Thanks to compound interest, you'll earn more money over time if you start investing in a retirement account in your 20s than if you start in your 30s. Plugging some examples into a compound interest calculator illustrates this:

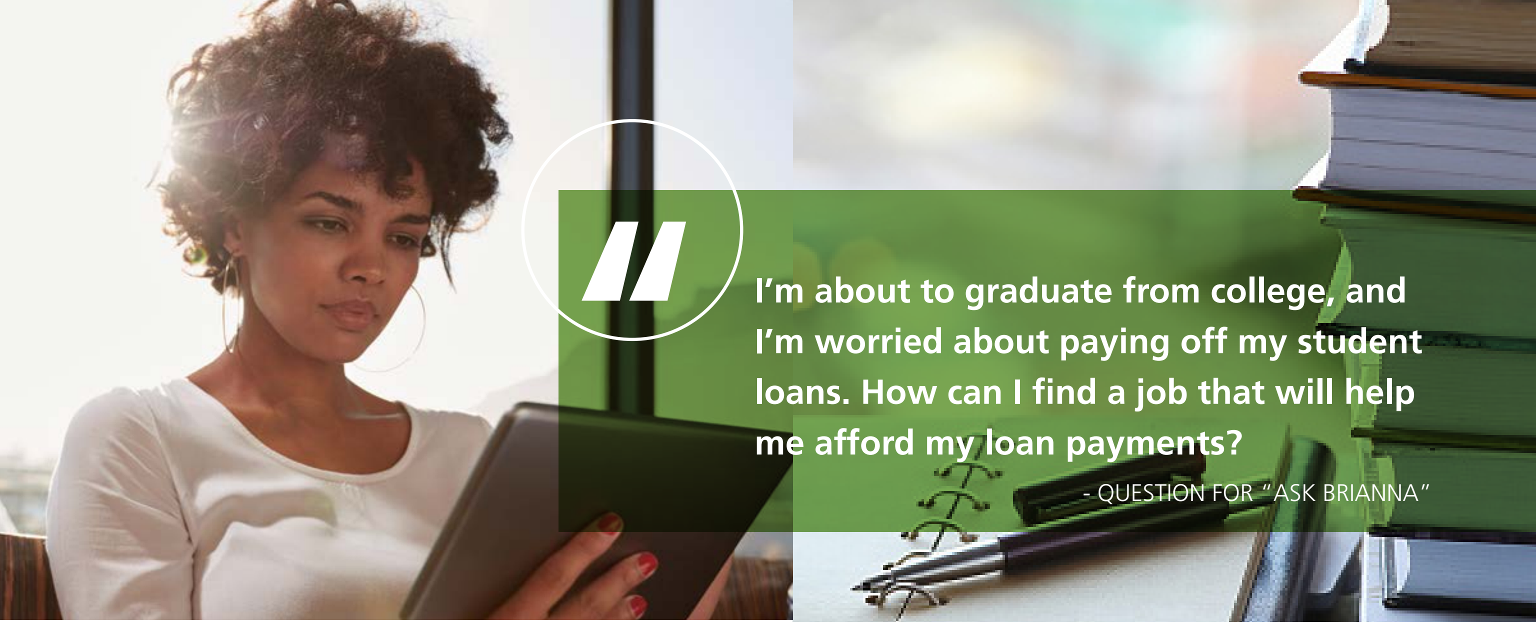
- A 22-year-old who invests $100 a month will have $226,304 by age 65, assuming a 6% rate of return and annual compounding.
- A 32-year-old who invests $100 a month will have $117,535 by age 65, using the same assumptions.

Starting earlier allows more time for earned interest to grow. In this example, the 22-year-old invests just $12,000 more than the 32-year-old over time and has nearly double the amount of money at age 65.

Saving for retirement may not be doable right away, but — like the rest of these tips — it's a healthy habit for new graduates to aspire to.

Teddy Nykiel
is a staff writer at NerdWallet,
a personal finance website.

The article Class of 2017: Get a Jump on Adulthood With These 7 Tips originally appeared on NerdWallet.



> I'm about to graduate from college, and I'm worried about paying off my student loans. How can I find a job that will help me afford my loan payments?
>
> - QUESTION FOR "ASK BRIANNA"

ASK BRIANNA: SHOULD I PICK MY FIRST JOB BASED ON MY DEBT??

Your first job might not be perfect — mine, as a paralegal, taught me the invaluable lesson that I didn't want to be a lawyer — but it should move you in a direction that excites you. That means student debt shouldn't entirely dictate your career choice. Comfortably paying bills isn't worth much if you're miserable 40 hours a week.

You are not the first, though, to read every job description with student debt on the brain. In a 2015 survey of student loan borrowers by the education nonprofit American Student Assistance, more than half of respondents said they took a higher-paying job they were less interested in so they could pay off their loans.

That doesn't have to be you. Federal student loan repayment programs make lower-paying work more sustainable, and some private companies help pay loan bills. As your job search rolls on, remember that you have options and that having debt doesn't require you to abandon all your dreams.

Apply for loan forgiveness.

More than a third of respondents in the American Student Assistance survey said student loans affected their choice to work at a private company rather than in the public sector. But if you're planning to work for the government or a 501(c)(3) nonprofit, familiarize yourself with federal loan forgiveness programs. Public Service Loan Forgiveness cancels qualifying public sector workers' loans tax-free after 120 on-time monthly payments.

The program has very specific requirements and may not apply to those who work for nonprofits with other designations under the tax code, like 501(c)6 or 501(c)19. If you're not sure what type of nonprofit you're interviewing with, ask your human resources representative. Make sure you follow the additional guidelines on the Federal Student Aid website and fill out an employee certification form annually, or whenever you change jobs, to ensure you're on track.

Unfortunately, private student loan borrowers don't qualify for federal forgiveness programs. Ask your lender about options for lowering your monthly payments. The Consumer Financial Protection Bureau drafted a sample letter you can use.

Get your company to help.

Some private companies offer student debt payments — say, $100 a month directly to the loan principal — as an employee benefit, similar to health insurance or 401(k) contributions. A 2016 report from the Society for Human Resource Management found that 4% of member companies and organizations surveyed offered student loan repayment assistance.

TIP

Even if you're not a teacher, or you don't work for a nonprofit, you may qualify for loan forgiveness under one of the Federal Loan income-driven repayment plans.

And more companies are getting in on the trend. Gradifi, an online platform that helps employers implement loan assistance programs, has signed contracts with more than 20 new companies in the past two months, says Meera Oliva, Gradifi's chief marketing officer.

Elaine Florentino, 24, receives $100 a month from her employer, financial services firm PwC. She left school with a master's degree in taxation and $57,000 in loans. The student loan assistance plan will cut her repayment term by one year, she says, if she stays with the company for six years, when the benefit maxes out.

Most workers currently have to pay taxes on employer student loan contributions, Oliva says, which reduces the value of the benefit. And it doesn't address the forces driving rising student debt, says Suzanne Martindale, a staff attorney at Consumers Union, the policy division of Consumer Reports.

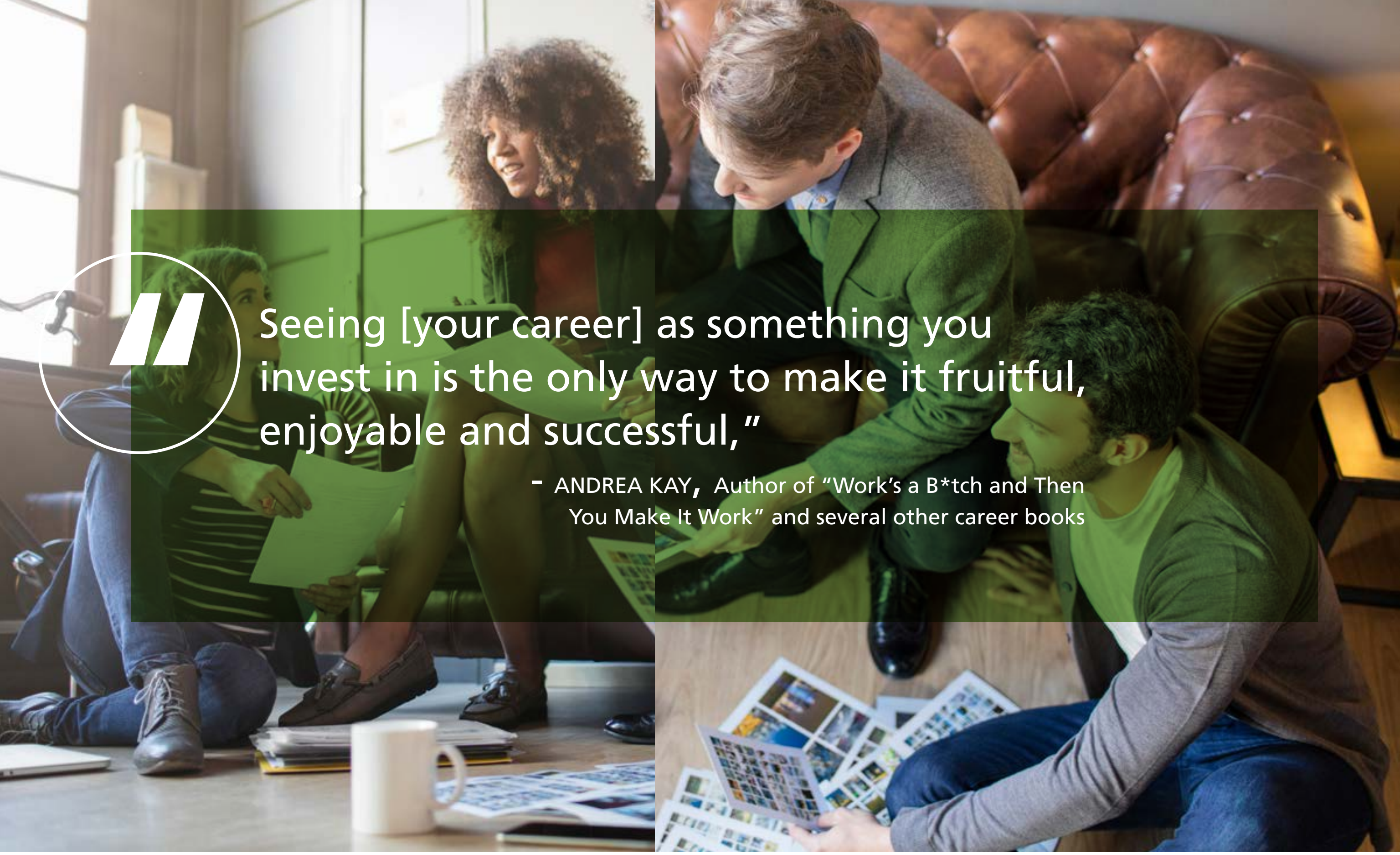
"The fact that even private employers are feeling the pinch of not being able to attract good employees because of debt levels, that really tells us that policymakers have waited far too long to really get at the root of these problems," she says.

Want to find out if a specific employer can help you beat debt? Companies will often tout their student loan repayment benefits on their websites. You can also ask a company if it offers the benefit when you've received a job offer, or let human resources know employees would be interested in it once you're hired.

Brianna McGurran
is a staff writer at NerdWallet,
a personal finance website.

The article Ask Brianna: Should I Pick My First Job Based on My Debt? originally appeared on NerdWallet.

"Ask Brianna" is a column from NerdWallet for 20-somethings or anyone else starting out. I'm here to help you manage your money, find a job and pay off student loans — all the real-world stuff no one taught us how to do in college. Send your questions about postgrad life to askbrianna@nerdwallet.com.



3 WAYS TO INVEST IN YOUR CAREER THIS WEEK

by Laura McMullen

Investing time in your career is like investing money for retirement. If you forget about your career once you clock out, you're essentially stashing savings under the mattress (there's little opportunity for growth in either scenario). Commit extra time to it, and, well, you know about the miracle of compound interest.

So get started. Here are three ways to invest in your career this week.

1 Learn about yourself

What better time for self-reflection than now? Silence your phone, and commit time to considering what your preferences are in different aspects of work. What types of coworkers and managers do you enjoy working with most, for example? What kind of company values and culture matter to you? Also, assess your strengths, skills and areas of expertise.

This week's to-do: Kay says you should be able to list about six functional skills that you're good at and enjoy doing. If, like many of her clients, you can't come up with six, she suggests looking to the past. Reflect on a successful, enjoyable project, and list the skills and talents it required. Do the same exercise for four or five achievements. Next, Kay says, look for patterns. What words show up in multiple lists, and which of those bring you joy? Voila: Those that make the cut are, as Kay puts it, your "most joyous skills."

The payoff: You will face less guesswork the next time you consider a new project, job or career path. "You're in a much better position of strength when you have all this information and can feel confident about what you have to offer and what you're seeking," Kay says.

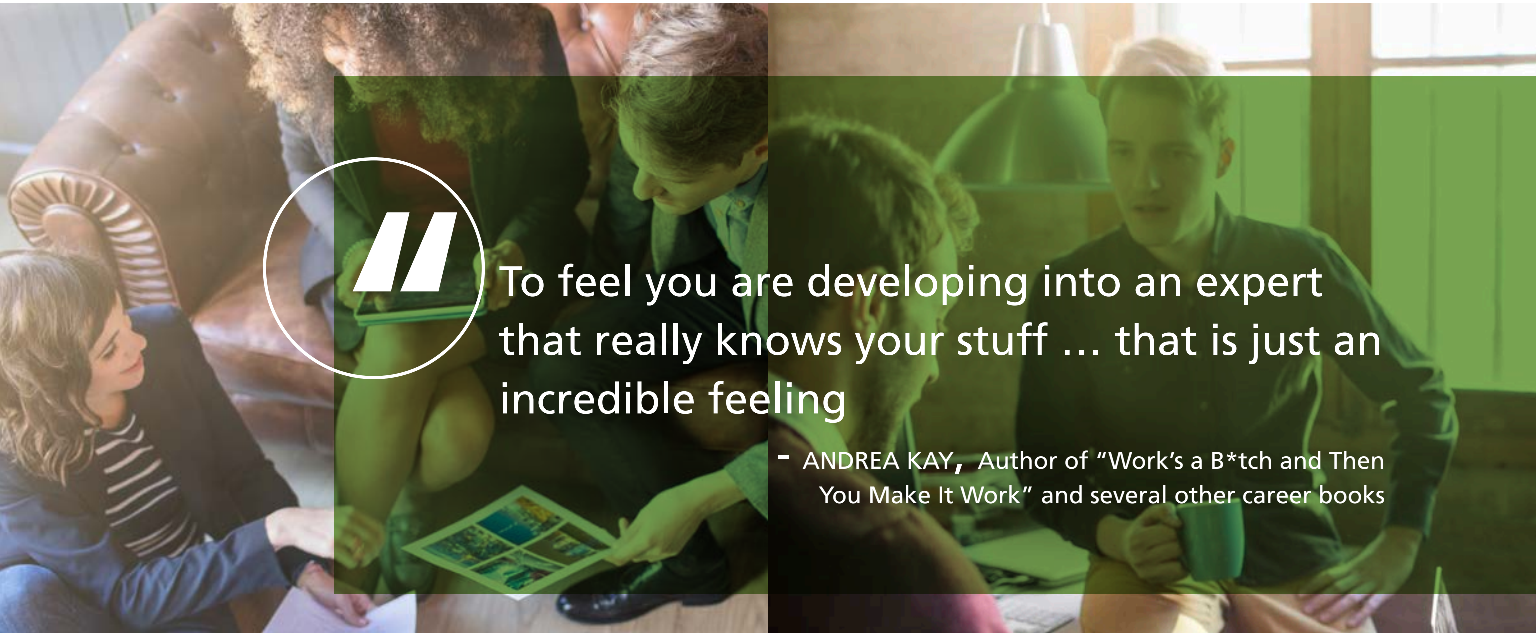
2 Become an expert

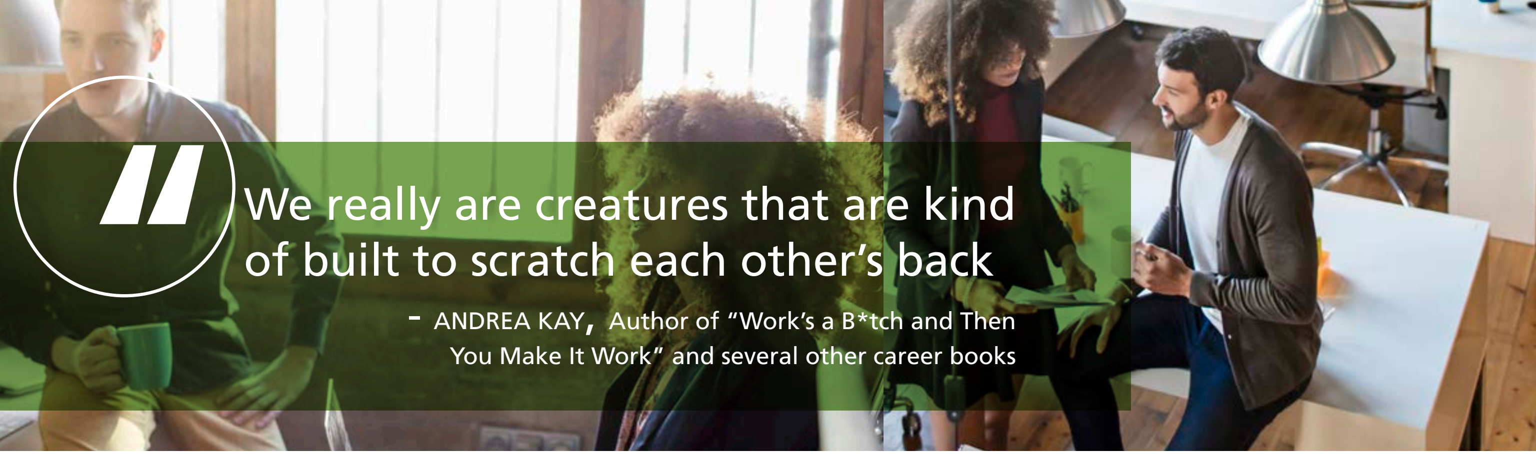
This step involves "developing your knowledge [and] your reputation as the one who knows the most," Kay says. Reflect on what you need to know more about, like the current state of your industry and its future. Or maybe you need to master a skill, like public speaking. Next, research what resources will help you gain that expertise.

Think: classes, trainings, conferences, retreats and professional associations. Using those resources, Kay says, "Commit to doing something every quarter that makes yourself more valuable."

This week's to-do: "Part of your investment in yourself is having a daily routine that encompasses reading whatever it is that will help you be better that day," Kay says. Read books, online articles and professional journals about your industry and the skills you're working on. Need a place to start? Ask your manager what he or she reads. Keep up with daily news events, too. They can affect you, the marketplace and just about every industry, Kay says. "I cannot overemphasize the importance of having a broad understanding of the world and where the world is going," she adds.

The payoff: Over time, you'll likely become more hireable and promotable, Kay says, particularly if others notice your expertise. You'll also feel more confident and fulfilled. "To feel you are developing into an expert that really knows your stuff … that is just an incredible feeling," she says.





3 Build relationships

Kay suggests aiming to meet with at least one person a week to discuss each other's industry and career. Get to know people now, and you may be able to lean on them later. "It is so, so joyous to know that other people are there for you," Kay says.

This week's to-do: Schedule a coffee meet-up or phone call with someone you already know, like a coworker. If this step seems awkward or intrusive, Kay suggests telling the invitee that you've made a goal of developing new relationships this year. Chances are, he or she will be eager to help. "We really are creatures that are kind of built to scratch each other's back," Kay says. As for the conversation itself, aim to learn more about what the person and his or her company does.

The payoff: For one, these conversations will boost your networking skills. You will also make connections that may lead to new jobs, projects, and board positions, Kay says, "Because people know people." The relationships you nurture can also become your personal think tank — people who can help you navigate problems.

"If you don't have those kinds of relationships," Kay says, "This is the year to start."

Laura McMullen
is a staff writer at NerdWallet,
a personal finance website.

The article 3 Ways to Invest in Your Career This Week originally appeared on NerdWallet.

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 2018 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 Loan Knowledge Headquarters to find answers, calculators, resource guides and more to prepare for and successfully enter into repayment.

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

www.heroknowl.org

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.

About Inceptia

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization committed to offering effective and uncomplicated solutions in financial aid management, default prevention, and financial education. 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 more than 278,000 students learn how to pay for college, borrow wisely, resolve their delinquency issues, and repay their student loan obligations. Our solutions are designed to support student success by helping financial aid administrators maximize resources, so they can spend more time focusing on students. More information at Inceptia.org.

Talk to Us

inceptia.org • 888.529.2028 • @inceptia • inceptia • /InceptiaFYI

Inceptia

A DIVISION OF NSLP