13 FINANCIAL TIPS FOR RECENT GRADS

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Financial Freedom for New Grads

13 Essential Tips to Get Started

Hello graduate. As you step into the working world, the excitement of college graduation is tinged with the anticipation of new beginnings and the pursuit of financial freedom. This milestone marks not only the end of an era but the start of a journey toward achieving independence and control over your financial future. Financial freedom is more than just a lofty ideal; it's the ability to live life on your terms, free from the constraints of financial stress. As you embark on this path, here are 13 essential tips to help you navigate the complex world of work and money, ensuring you build a life rich with possibilities and choices.

But first, here's some famous graduation quotes that reinforce the concept of life, work and financial freedom. We think you'll recognize these people.

- **Steve Jobs** - "Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do."
- **Oprah Winfrey** - "You get in life what you have the courage to ask for. Ask for financial literacy, ask for freedom, and work to get it."
- **Bill Gates** - "If you are born poor it's not your mistake, but if you die poor it's your mistake. Learn to manage your resources and grow."
- **Arianna Huffington** - "The way to achieve financial freedom is to invest in yourself. Financial literacy is the foundation of independence."
- **Jeff Bezos** - "If you decide that you're going to do only the things you know are going to work, you're going to leave a lot of opportunity on the table. Don't be afraid to take financial risks and learn from them."
- **Richard Branson** - "Financial freedom is not just about money; it's about being able to live your life on your own terms. Seek out opportunities and work hard to achieve your dreams."
- **Michelle Obama** - "Success isn't about how much money you make; it's about the difference you make in people's lives. Use your financial freedom to give back."

Drawing from my experience as a financial/retirement educator, writer and speaker, here are some essential financial tips to help you start your financial journey on the right foot.

1. Visualize & Plan Your Life...with Intention

One powerful way to achieve financial freedom is to visualize and plan your life with clear intention. Start by setting both short-term and long-term goals that align with your personal values and dreams. Create a vision board with images and words that represent the places you want to visit, the lifestyle you aspire to, and the causes you want to support. Whether it's a physical board on your wall or a digital one on your computer, this visual reminder can keep you motivated and focused.

Next, break down these big dreams into actionable steps. Outline specific, measurable goals such as saving a certain amount each month, paying off student loans, or investing in a retirement account. Regularly revisit and adjust your plan as your circumstances and ambitions evolve. By planning your life with intention, you can make informed decisions that bring you closer to the life you envision, ensuring that your financial habits today support your desired future.

2. Can Money Buy Happiness?

It's essential to understand that while money may not directly buy happiness, it does buy financial security. This security is crucial for enhancing your quality of life and overall well-being. Financial security means having the stability to make choices that align with your values and passions without being constrained by financial worries.

Financial security provides the peace of mind to pursue meaningful experiences, spend quality time with loved ones, and engage in activities that bring joy and fulfillment. It's about having the ability to live life on your terms, free from the constant stress of financial uncertainty. While money alone won't make you happy, managing it wisely can create a stable and secure life filled with opportunities and peace of mind.

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3. Develop an Actionable Plan
Instead of focusing solely on dollar amounts, think about what you're saving and investing for. Your goals will evolve over time, so stay flexible. Start by building a spending plan (aka budget). I prefer the term spending plan as a budget feels restrictive to me. While I don't believe you need to go without, you need to have an intentional spending plan which begins with defining your values. once you have your values defines, you can intentionally spend on those things that are important to you.

After you accept that first job offer, calculate your take-home pay and monthly expenses. You need to know your cash flow (income minus expenses). Your goal is to have positive cash flow. For expenses, start with essentials like saving and investing for the future, and your non-discrtionary expenses such as rent, utilities, groceries, transportation, and loan payments.

Consider using the 50-20-10 spending method which is a simple yet effective way to manage your finances by allocating your income into three main categories:

1. 50% for Needs: This portion of your income (50%) is allocated towards essential expenses or needs, such as housing (rent or mortgage payments), utilities, groceries, transportation, insurance premiums, and minimum debt payments.
2. 20% for Savings and Investments: Allocate 20% of your income towards savings and investments. This includes contributions to your emergency fund, retirement savings (like a 401(k) or IRA), investment accounts, and other long-term financial goals.
3. 10% for Wants: Reserve 10% of your income for discretionary spending or wants. This category covers non-essential expenses such as dining out, entertainment, shopping, hobbies, and vacations.

The remaining 20% is typically earmarked for debt repayment or additional savings, depending on your financial situation. This method provides a structured approach to budgeting, ensuring that you prioritize your financial goals while still allowing room for enjoyment and flexibility in your spending habits. Adjustments can be made based on individual circumstances and financial priorities. Also, check out Loud Budgeting. It's a concept that may help you.

4. Avoid Debt Traps
While many grads end up graduating with debt, the interest rate of your college debts may likely be your lowest interest debt so these may not be at the top of your list to pay off. But if these are the only debts you have, focus on paying them off. Remember: debt can hinder your financial freedom and trap you in jobs you dislike. While paying off your college debts try to avoid accumulating more debt. Perhaps you can seek out employers who offer student loan matching programs, thanks to the SECURE 2.0 legislation, which can help you manage student debt more effectively.

5. Start Saving for Your Future & Retirement Now
It might be tempting to put off saving for retirement, but starting early is key. This is because of the power of compound interest. Imagine you start investing $500 per month in a retirement account at age 25 and continue until you retire at age 65. Assuming an average annual return of 7%, compounded monthly, you could potentially accumulate over $500,000 by the time you retire at age 65! This demonstrates the power of compound interest over a long investment horizon for retirement planning. Don't forget to set your savings on auto pilot.

Take advantage of your employer's 401(k) or similar retirement plans. Contribute as much as possible, at least enough to get any employer matching funds. If your employer doesn't offer a retirement plan, consider other options. Most expert recommend opening a Roth IRA and maxing it out each and every year. This is because you don't want all your money in tax deferred accounts. You ideally want to save in tax free accounts such as a Roth IRA which will allow you to withdraw this money in retirement tax free. Also take advantage of a Health Savings Account (HSA) as well. This is a triple tax-free account and the most beneficial investment in your future medical expenses. If you don't end up using the money for medical expenses, it is similar to having a 401k as you will have to pay taxes on the money.

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6. Learn About the Markets
Understanding how stock and bond markets work can help you stay calm during market fluctuations.

Understand Basic Concepts:

- Learn about what stocks are, how the stock market works, and basic terminologies like shares, dividends, market capitalization, etc.
- Websites like Investopedia and Khan Academy offer great introductory courses and articles.

Follow Financial News:

- Stay updated with the latest market news by following financial news websites like Bloomberg, CNBC, and Reuters.
- Subscribing to financial newsletters can also help.

Use Educational Websites and Online Courses:

- Websites like Coursera, Udemy, and edX offer courses on stock market investing.
- The Securities and Exchange Commission (SEC) has an educational section for beginners.

Practice with Simulated Trading:

- Use stock market simulators or paper trading accounts to practice buying and selling stocks without real financial risk. Platforms like Investopedia's Stock Simulator can be useful.

Join Investment Communities:

- Engage with online forums, social media groups, or local investment clubs. Platforms like Reddit (r/stocks), Seeking Alpha, and Motley Fool provide a community for discussions and insights.

Check out these beginner books: "The Little Book of Common Sense Investing" by John C. Bogle; "A Random Walk Down Wall Street" by Burton G. Malkiel; "The Intelligent Investor" by Benjamin Graham

7. Invest Wisely
Beating the market is challenging, so consider investing in a mix of low-cost index funds. A balanced portfolio might include a total US stock market index fund, an international stock market index fund, and a US bond market index fund. At this stage, prioritize stocks; a rough guideline is to subtract your age from 125 to determine the percentage of your portfolio to allocate to stocks.

8. Build an Emergency Fund
Set aside six-twelve months' worth of living expenses in a high-yield savings account or money market mutual fund. If possible, aim to increase this to a year's worth of expenses over time. This fund will be your safety net during financial emergencies.

9. Be Proactive in Your Career
Your career path may not be linear, so keep your skills sharp and your network active. Stay in touch with classmates and former colleagues, and seek out opportunities for growth. Volunteer for projects that interest you, attend industry conferences, and find a mentor to guide your career development.

10. Negotiate Your Salary
Don't be afraid to negotiate for a higher salary. Research what others in your position are earning and be clear about the value you bring to the table. Demonstrate your achievements with quantifiable results.

11. Give Back and Network
Volunteering not only feels good but also opens up networking opportunities that could lead to future job prospects. Helping others can provide a fresh perspective and new connections.

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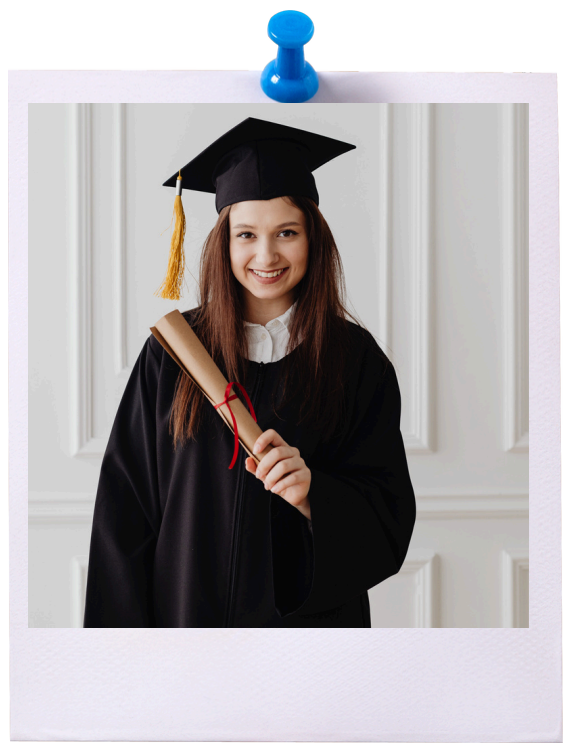
12. Experience More Adventures
While saving and investing are important, it's equally vital to enjoy life. Allocate some of your funds for unforgettable experiences. Here are a few ideas:

- **Explore New Cultures:** Travel to a country you've always wanted to visit and immerse yourself in its culture, food, and traditions.
- **Outdoor Adventures:** Go on a hiking trip to a national park, take a camping trip in the wilderness, or try rock climbing or white-water rafting.
- **Learning Experiences:** Enroll in a cooking class in Italy, a wine-tasting tour in France, or an art workshop in Japan.
- **Road Trips:** Take a scenic road trip along the coast, through the mountains, or across different states or countries.
- **Adventure Sports:** Try skydiving, bungee jumping, scuba diving, or surfing.
- **Festivals and Events:** Attend a music festival, a film festival, or a major sporting event like the Olympics or the World Cup.
- **Volunteer Trips:** Participate in a volunteer program abroad, such as teaching English, building homes, or working on conservation projects.
- **City Breaks:** Spend a weekend exploring a new city, visiting museums, enjoying local cuisine, and discovering hidden gems.

By investing in these experiences, you create cherished memories and enrich your life beyond financial gains.

13. Appreciate the Big Things & The Little Things in Life
For recent graduates, taking the time to pause and appreciate life is essential for maintaining balance and well-being. Reflecting on achievements and practicing mindfulness can help you stay present and reduce stress. Disconnecting from technology regularly, engaging in nature walks, and starting a gratitude journal can shift your focus to the positive aspects of life. Celebrating small victories, pursuing hobbies, and spending quality time with loved ones also contribute to a fulfilling and balanced lifestyle.

Additionally, exploring new places through travel, volunteering, setting realistic goals, and learning to say no are important practices. Creating a relaxation space, staying physically active, and seeking professional guidance when needed can further support your mental and emotional health. By incorporating these strategies, recent graduates can enjoy a more enriching and balanced post-graduate life.

By following these tips, you can build a solid financial foundation, allowing you to live a life of freedom and fulfillment. Congratulations on your graduation.