



## 6 Financial Traps New College Graduates Should Avoid

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As college students graduate and start their careers, financial responsibility should be a top priority. ABA has identified six traps that could hinder new college graduates from securing their financial future.

New college graduates should avoid the following financial traps:

- ① **Not having a budget.** Simply put, don't spend more than you make. Calculate the amount of money you're taking home after taxes, then figure out how much money you can afford to spend each month while contributing to your savings. Be sure to factor in recurring expenses such as student loans, monthly rent, utilities, groceries, transportation expenses and car loans.
- ① **Forgoing an emergency fund.** Make it a priority to set aside the equivalent of three to six months' worth of living expenses. Start putting some money away immediately, no matter how small the amount. A bank savings account is a smart place to stash your cash for a rainy day.
- ① **Paying bills late – or not at all.** Each missed payment can hurt your credit history for up to seven years, and can affect your ability to get loans, the interest rates you pay on loans and your ability to get a job or rent an apartment. Consider setting up automatic payments for regular expenses like student loans, car payments and phone bills.
- ① **Racking up debt.** Understand the responsibilities and benefits of credit. Shop around for a card that best suits your needs, and spend only what you can afford to pay back. It's a great tool if you use it responsibly.
- ① **Not thinking about the future.** It may seem odd since you're just beginning your career, but now is the best time to start planning for your retirement. Contribute to your employer's 401(k) or similar account, especially if there is a company match. Invest enough to qualify for your company's full match – it's free money.
- ① **Ignoring help from your bank.** Most banks offer online, mobile and text banking tools to manage your account night and day. Use these tools to check balances, pay bills, deposit checks, monitor transaction history and track budgets.



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# 10 Personal Finance Tips for College Students

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## Personal Finance 101

Check out the ten tips below from the ABA Foundation to help college students work on mastering personal finance.

- ① **You are in charge.** You are responsible for your finances and you should act accordingly by creating a realistic budget or plan and sticking to it.
- ① **Watch Spending.** You control your money, determining how you spend or save it. Pace spending and increase saving by cutting unnecessary expenses like eating out or shopping so that your money can last throughout the semester.
- ① **Use Credit Wisely.** Understand the responsibilities and benefits of credit. How you handle your credit in college could affect you well after graduation. Shop around for a card that best suits your needs.
- ① **Utilize Your Bank Account.** Banks are more than money in a vault. They offer valuable services that students can benefit from like check cashing, debit cards, online banking, balance alerts, personal loans, direct deposit, financial education and some offer identity theft protection.
- ① **Lookout for Money.** There's a lot of money available for students, you just have to look for it. Apply for scholarships and look for student discounts.
- ① **New is Out.** Consider buying used books or ordering them online. Buying books can become expensive and often used books are in as good of shape as new ones.
- ① **Entertain on a Budget.** Limit your hanging out fund. There are lots of fun activities to keep you busy in college and most are free to students. Use your meal plan or sample new recipes instead of eating out.



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# 10 Personal Finance Tips for College Students

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## Personal Finance 101

- ① Be particular when it comes to money. Don't just trust anyone with your money. Be skeptical of classmates, friends or salespeople that have ideas for your money.
- ① Save. Things happen, and it's important that you are financially prepared when your car or computer breaks down or when you have to buy that unexpected bus ticket home. No matter how small the amount you should start putting some money away immediately.
- ① Ask. This is a learning experience, so if you need help, ask. Your parents or your banker are a good place to start and remember the sooner the better.



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# How to Set Up Your Young Adult for Financial Independence

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Ramping up a child's financial independence from their parents or guardians as they transition into adulthood can be tricky. If approached correctly, the young adults can be empowered with smart financial habits and solid grasps of financial realities.

These eight tips will aid families in facilitating financial independence:

- ① Set up a bank account. There's no better way for teens to understand how to practically spend, save and navigate the financial system than having a bank account (or accounts).
- ① Help them build credit. Financial independence as young adults will be easier if children build credit as teenagers or if you help them build it by adding them to your credit card as an authorized user or help them sign up for a secured credit card.
- ① Start with small expenses. To build a sense of fiscal responsibility and an understanding of paying bills, start the process slowly — for example, have teens pay for some (or all) of their phone bill each month or consider having them pay for other basic expenses, such as toiletries, haircuts or clothes.
- ① Create productive financial habits. Emphasizing to teens the importance of saving is important for their future financial success. Ensure they understand the difference between needs vs. wants as well as money management strategies, such as the 50/30/20 rule, which recommends focusing 50% of your income on needs, 30% on wants, and 20% on savings.
- ① Be transparent about financial realities. It's key to be upfront with your child about the cost of services (Netflix, for example) as well as recurring expenses such as rent and groceries.



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## How to Set Up Your Young Adult for Financial Independence (Continued)

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- ① Help them create a budget. Financial independence will feel more attainable with concrete numbers as goals. Creating a monthly budget is a tangible, practical way to think about money.
- ① Be clear about the impact of debt. Some debt might be unavoidable, but excessive debt can be a significant burden to achieving financial independence. Helping your teenagers make money decisions that don't create debt will help them in the long run.
- ① Don't phase in changes too quickly. Becoming financially independent can be a stressful part of the transition from teenager to adulthood. Starting early and making gradual changes is helpful for a smooth transition.



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## Developing a Habit of Savings Tip Sheet



### Direct Deposit

When you have a job, ask your employer to deposit some of your pay (maybe 80 percent) into your checking account and the rest (20 percent) into a savings account.

The same can be done with tax refunds. They can be split between two accounts.



### Direct Transfers

You can set up a certain amount of money to be moved from your checking account to your savings account at set times, for example once a week or once a month.



### Apps that Round Up your Purchase

There are apps that will round up your purchases and put the rest into savings. For example, if you spend \$12.35 eating lunch somewhere, the app would add 65 cents to your savings account (rounding it up to \$13.00).

#### Make Small, Frequent Deposits

Research shows people prefer to make smaller, more frequent additions to their savings rather than larger ones all at once.

#### Share your Goal

Who can you share your goal with — a friend, relative, someone else?  
How can you remind yourself of your goal?  
Take a photo of something you are saving for? Calendar reminders?

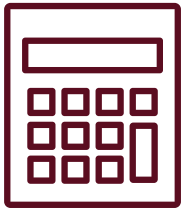


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## Paying for College



### Understand your Financial Aid Offer

Not sure what your offer means for your future? This tool helps you make a plan to pay for costs that your offer doesn't cover. If you're looking at student loans, it helps you decide how much you can afford to borrow. We also break down confusing jargon, give money saving tips, and point out pitfalls to be aware of.



### Repay your Student Loans

Get to know your rights and responsibilities as a student loan holder. Investigate options for your specific situation, including income-based repayment and consolidation loans.



### Explore Federal Student Loan Cancellation and Forgiveness

Get information and answers to frequently asked questions about student loan forgiveness programs and one-time federal student loan cancellation.

## Student Financial Guides

For many people, how to pay for a college education is one of the first major financial decisions they'll make. These guides cover some of the big decisions you'll face and will help you understand your options for financing your college education.

- [More about Student Loans](#)
- [Financial inTuition Podcast](#)
- [Student Banking](#)
- [Student Loan FAQs](#)



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