A Financial Checklist for Post-Graduates

As you move from college to your first real job and your own apartment, these steps can help make sure you're ready to succeed in the adult world.

So you've finally landed your first real job and are living in your first real apartment, one without a pile of everyone else's dishes in the sink. It's time to start adulting, including being responsible for your own financial life.

As you take the plunge into Grownupville, here are a few items to help you stay on your feet:

BASIC HOUSEHOLD FINANCE

Make Sure You Can Afford to Move

Startup costs for moving into an apartment go beyond rent. Before you take the plunge into your own place, make sure you also have one or two months' worth of rent to cover the security deposit. Some other costs to consider include:

- Utilities deposit
- Internet
- Furniture and kitchen supplies
- Costs of moving, especially if you're moving far from home
- Parking costs, if applicable (both for home and if you work in an office)

Set Up a Budget…

Yes, it's the most basic tool in the home-finance toolbox, but it works. There are also plenty of apps out there now – like Mint, Wally and GoodBudget – that can make it easy for you to figure out what you can afford to spend on things, and then help you stick to it. You don't need to do your own math!

…And Then Keep Track of Everything

There's a well-known psychological phenomenon where dieters who write down everything they eat tend to lose weight, even without consciously changing their food intake. That's because keeping track of what you're consuming makes you more aware ▶

of it. The same is true for spending: If you write down everything you spend – including things like automatic monthly charges – you'll notice that you're probably spending a lot of money on things you don't need, like subscriptions to streaming services you never watch anymore.

Pay Off Debts

Debt is a silent killer of your savings, eating away at your assets every month. Plus, credit card debt incurs some of the highest interest rates out there, as much as 20% or more. Making minimal payments on these debts will chip off only small portions of the principal and stretch the total payments out for years, so focus on chopping away at the principal. For many people, their student loans will take many years to pay down, but smaller debts should be a priority every month.

Scrimp on Your Housing

Your biggest expense right now is probably rent, which means it's also your biggest opportunity to save some money. It's easy to think this doesn't make a huge difference: $985 a month doesn't sound that much different from $895 a month. But that difference adds up to more than $1,000 a year.

YOUR VERY OWN INSURANCE

Review Your Healthcare Options

If you're on your parent's job-based health insurance plan, in most cases you can stay on it until you turn 26. This applies even if you are offered coverage at your own job (which may be more expensive than being added to a parent's plan) or if your parents no longer claim you as a dependent on their taxes. But that coverage almost always ends when you turn 26. You'll want to review your options and ensure continuity of coverage, so don't wait till the last minute to move onto your own employer's plan.

Get Your Own Car Insurance

You can stay on your parents' car insurance only as long as you live with them in their home, or if you're at college as long as your permanent address remains with your parents. After that, you'll need to take out your own policy.

Look Into Renters Insurance

Renters insurance is generally not very expensive – under $200 a year in most states – and it can help prevent minor events, like a burst water pipe, from spiraling into a highly damaging expense. It's also required by many landlords, so look into it before the day you are supposed to move in.

A Reminder for Parents

Paying for things like your child's car insurance or cell phone bill are technically considered gifts. You'll want to keep track of these things if you're nearing the $16,000 annual gifting limit.

BUILDING YOUR WEALTH

Start Saving for Retirement

Yes, it's still forty-odd years away, but the earlier you start putting money toward your future, the more it can grow. If you're 25 now and can put away $100 a month that grows 5% annually, you'll have more than $150,000 by the time you're 65. If you wait till you're 40 to start saving, you'd need to put aside more like $250 a month to reach that same level of savings. The easiest way to do this: contribute to your employer's retirement plan, like a 401(k). Your contribution will be deducted from your paycheck before you ever get it, making it very easy to save, plus: if your employer offers a match, it's like free money!

Maximize Your IRA Benefits

If your employer doesn't offer a 401(k) - or even if they do – take a look at an Individual Retirement Account, or IRA. Contributions to a traditional IRA can be tax-deductible if your income is low enough, but you'll pay taxes on that money when you withdraw it in retirement. If you can afford to pass up the tax deduction, you might be better off in the long run with a Roth IRA, where the money goes in without any tax savings up front, but the eventual withdrawals are tax-free.

Take Advantage of HSAs

Health savings accounts are a unique tool to save for short-term healthcare expenses while offering a triple play of tax benefits. Contributions to the account are fully tax-deductible, the funds grow on a tax-deferred basis, ▶

and HSA withdrawals are completely tax-free if used to pay for qualified medical expenses. Even better, those withdrawals can happen at any point in life, so HSAs can even serve as an extra retirement savings account. To be eligible, you must be covered by a health insurance policy that meets specific IRS requirements, but most employers offer those as an option these days.

FINALLY, DON'T BEAT UP ON YOURSELF WHEN YOU HAVE TO SPEND MONEY

You will incur adulting costs like buying a car or new clothes for work that are one-time expenses, which you should consider investments rather than splurges. You can also get good advice on long-term planning from a Baird Financial Advisor. It's all part of building a solid new financial landscape for yourself that will last a lifetime.

Please reach out if you or anyone you know would benefit from discussing this topic further.

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