



# Life After College

AUBURN UNIVERSITY CAREER CENTER  
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## BUDGETING

### I have a pay check! I can buy whatever I want, right?!

Before you start spending, create a budget and establish an emergency savings account of at least \$1000. Then create a line in your budget for the “toys” you’ve been dreaming of owning, and do not buy them on credit. The only time you should use a credit card is for holding a hotel room. If you have at least \$1000 in an emergency savings account, you won’t need a credit card for emergencies.

### How do I save when I’m barely making ends meet?

Get a second job. Scoop ice cream, wait tables, work retail, etc. Sell stuff that you don’t need. If you establish your emergency savings account and then start saving for retirement, you will be well on your way to success:

*Bob puts \$2000 into a savings program with a 12% interest rate from the age of 19 to 26. If he never contributes another cent and never touches it, he will have \$2,288,996 at 65. If Sam starts saving at 27, contributing \$2000 every year at the same interest rate and never stops until he is 65, he will only have \$1,532,166. So...start saving today!*

### How do I develop a budget?

1. Determine where you spend money. (This may take a couple of months to observe and really understand.)
2. Tell every single dollar where to go. (This includes savings, miscellaneous and/or mad money.) But if you “budget to zero,” you aren’t wondering where your money went at the end of the month.
3. See sample budget to the right.

### Do I buy or rent?

According to Dave Ramsey ([daveramsey.com](http://daveramsey.com)) you should buy a home. But you should only do so if...

- Your monthly payments will be no more than a fourth of your take home pay.
- You plan to own it for at least five years.
- You can either put down 100% cash or 20% down and get a 15-year fixed rate mortgage.

### But renting is just throwing money down the drain!

While you don’t want to infinitely pay someone else when you could be gaining equity in a home, don’t fall subject to the hidden costs and variable rates used to often lure first-time home owners. Also, if all of your savings go into the

## SAMPLE BUDGET

Donations	
Savings	
Student Loan(s)	
Mortgage / Rent*	
Repairs	
Electricity	
Water/Trash	
Phones	
Cable	
Internet	
Newspaper	
Car Payment*	
Repairs	
Car/Home Insurance	
Life Insurance	
Childcare	
Gym	
Gas*	
Groceries	
Clothing*	
Dry Cleaning	
Cosmetics	
Entertainment	
Hair	
Gifts (holidays/birthdays)	
Vacation	
Medical	
Miscellaneous	
<b>Total</b>	
Income	
<b>Total</b>	

\* You have to have food, housing, clothing and transportation...pay for these things first and then take care of the others. Really...does it make sense to pay off your credit card if you can’t eat dinner?

down payment, you aren't prepared for something to go wrong. If you are the homeowner, the Landlord doesn't come fix the busted pipes; you fix them.

So, if you aren't prepared or don't know how long you will be living somewhere, etc. rent a cheap, yet safe, apartment and save like crazy for a down payment.

### HOW DO I BUILD A SOCIAL NETWORK?

- Join professional organizations in your field.
- Join an alumni group in the area.
- See if the city or local Chamber of Commerce has a young leaders program.
- Join the Chamber of Commerce, service clubs and/or other organizations.
- Volunteer at a local food bank, Boys & Girls Club, Habitat for Humanity, etc.
- Visit and/or join a religious group.
- Join a gym or a club sport team.
- Take classes: cooking, gardening, dance, etc.

Be careful about building your social life around co-workers as you want to maintain a professional relationship with them. That doesn't mean you can't see them after hours; dinner can be a great way to build rapport, but partying into the wee hours of the night is another story.

### HOW DO I STAY HEALTHY? EIGHT HOURS IS A LONG WORK DAY!

- Find a time of day that you can commit to exercise.
- Gyms don't tend to be busy 4:30 - 6:00 a.m. (classes aren't as full and you have your pick of equipment)
- Find a free walk/jog trail.
- If all else fails, take the stairs and park farther away.
- Take your lunch to work. (cheaper and healthier)
- Eat six small meals a day. (breakfast, two small snacks, almonds, low fat yogurt, cottage cheese, veggies, fruit, etc., for morning and afternoon.
- Cut out the carbonated drinks and drink more water.
- If you choose to drink alcohol, drink no more than two glasses of wine, beer or mixed drinks a day.

### YOU MEAN I NEED NEW CLOTHES?

Not everyone will need a new wardrobe, but many young professionals struggle with adjusting their wardrobe for the "world of work." Your clubbing clothes are not business or business casual. (see related **Tip Sheet**) Companies and organizations define business and business casual very differently but please note the following:

- Iron your clothes.
- Shine your shoes and repair worn soles.
- One set of earrings and a piece on each hand is sufficient. Don't wear noisy jewelry that may cause a distraction.

- **Women:** Camisoles, though fashionable, are not appropriate. Do not expose your cleavage. If a V-neck flatters your body type, invest in tank tops to go under sweaters or buy higher cut V-necks.
- **Men:** Socks should be dark and match your pants.

### HOW DO I DECORATE MY OFFICE?

This will vary depending on your work environment. Some work environments will require that you leave all personal items at home. Some are more open to personal pictures, décor and plants. Observe your supervisor's office and those of other respected employees, and that is probably a safe illustration of expectations for your space.

In general...

- Keep your work space neat.
- Do not leave old food or candy wrappers lying around.
- Organize a filing or organization system.
- Make sure personal items are appropriate. (A photo of you and bikini clad friends is not appropriate.)
- Leave potentially offensive pieces at home; a humorous sticker to you may offend another.

### HOW DO I BUY A CAR?

Save money. Research. Buy used. Do not lease. ALWAYS have the power to walk-away.

Never underestimate the power of cash! If you walk in with \$4000 to buy a used car, you will get MORE car for your money that if you finance a \$4000 car. While you are saving your money, research the kind of car you need...not want. Buy your "dream car" later...not with your first paycheck!

Buy a used car as a new one depreciates 20-40% upon driving it off the lot. Do not lease, lower payments or not. If you wait and save the money you would have been paying on a leased car, you can buy with cash and own your car!

Salesmen want to close the deal immediately, and if they sense that you want to buy that day, they immediately have the upper hand. Research shows the longer you stay on the lot, the more likely you will buy a car. Beat them at their game. Get their best offer, and be able to walk away and tell them you will get back with them tomorrow after you have done some comparison shopping.

Another tactic is to be quiet. When they make an offer simply say, "Let me think about that," or "Hmmm...I don't know," and stop talking! Most of us are uncomfortable with silence, and it is likely the salesman will come back with a lower offer, perhaps even lower than one you would have suggested. If the price doesn't come down, ask for something in addition to "close the deal." For example, say, "If you can add free oil changes for a year, it's a deal."

## HOW DO I SET-UP INVESTMENTS?

Research. There are lots of ways to invest your money and plan for retirement. Dave Ramsey recommends using the “KISS Rule of Investing” which stands for “Keep it Simple, Stupid.”

### Here are different types of investments:

**Money Market Mutual Funds:** Low risk money market accounts that you can write checks on and are great for housing your emergency fund (the \$1000 you should always have on hand before you start paying off debt or saving for large ticket items).

**ACD:** Certificate of deposit, typically at a bank.

**Single Stocks:** Stocks are your piece of ownership in a company. You make money if and when the company increases in value and you are paid dividends. The higher the risk, the higher the return, typically around 7%.

**Bonds:** This is when a company owes you money, and the return is based on the fluctuation of price and the interest rate paid. Single bond purchases do not tend to do well.

**Mutual Funds:** This is when investors pool their money together to invest in a portfolio of investments, and your return comes as the value of the fund is increased. This is a great investment if you stick with it for five or more years.

**Rental Real Estate:** Before investing in real estate, have a lot of cash. It is the least liquid investment, meaning that you can't access money quickly if you need it suddenly.

**Annuities:** These are savings accounts with an insurance company. There are fixed annuities and variable annuities.

## HOW DO I SET-UP RETIREMENT PLANS?

Here are the different types of retirement plans (always do your research on any updates on laws):

**IRA (Individual Retirement Account):** This is a tax treatment to an investment. It keeps it tax free and is not the actual investment.

**Roth IRA:** This is an after-tax IRA that grows tax free.

**SEPP (Simplified Employee Pension Plan):** This is how a self-employed person deducts 15% of their net profit.

**401K, 403B and 457:** Most companies have done away with these traditional pension plans. However, if your employer will match a 401K, fund the amount to their match limit.

## I'M TRYING TO SAVE, DO I REALLY NEED INSURANCE?

Yes! Insurance is a way to transfer risk, and until you have lots of cash, you should have insurance as some losses could bankrupt you. Here are the types of insurance:

- **Homeowners/Rent:** Raise your deductible to \$1000 (Your emergency fund will cover you up to that.)
- **Auto:** Carry at least half a million in liability and consider dropping collision on older cars
- **Health:** Increase your deductible to \$1000 and if you are planning on being self-employed, use an MSA (Medical Savings Account)
- **Disability:** This is designed to replace income lost due to a short-term or permanent disability. Buy occupational disability insurance to pay you if you cannot perform the job that you were educated/trained to do.
- **Life Insurance:** This is not to be used as an investment, but it is to replace lost income due to death. The two types are *Term* (insurance for a specific period, cheaper and has no savings plan built into it) and *Cash Value* (insurance for life, more expensive and pushed as a savings plan).

### Avoid the following types of insurance

- Credit life and credit disability
- Credit card protection
- Cancer and hospital indemnity
- Accidental death insurance
- Any insurance with cash value, investment or refund
- Pre-paid burial policies
- Mortgage life insurance
- Any kind of duplicate coverage

## HOW DO I FILL OUT MY TAX FORMS?

- Form and updated tax laws are available on the IRS site, [www.irs.gov](http://www.irs.gov).
- Tips are available here: [taxes.about.com/od/preparingyourtaxes/ht/W4.htm](http://taxes.about.com/od/preparingyourtaxes/ht/W4.htm)

## HOW DO I GROW? I'M MORE THAN JUST A JOB.

You will grow by continuing to meet new people, have more experiences and challenge yourself intellectually, spiritually and emotionally. Now that you are out of school, your social circle will change, and you may not be “forced” to expand your mind much beyond day-to-day work. Be proactive in making friends, giving back to your community and expanding your mind.

Volunteer your time to serve others. Take classes on areas of interest or pursue another degree to exercise your mind. Challenge yourself to experience other cultures so you realize the world is bigger than you realized before.