Graduating from College and Starting a Career

- **Build an Emergency Fund.** Before all else, everyone (including young professionals) should build and maintain an emergency fund. Urgent and unexpected situations happen often, and it's better to be prepared and not need access to an emergency fund than to need an emergency fund and not have it. You can start by taking inventory of your monthly expenses and then work to build six months of living expenses (rent/mortgage, utilities, car payments, groceries, and other basic expenses). If you own your own business or have less stable income, it is recommended to have an even larger emergency fund of up to one year. Many financial professionals recommend prioritizing the emergency fund above all else.
- **Create a Budget and Set Financial Goals.** While you may now have a paycheck that will feel substantial, expenses add up quickly. Make sure to account for regular, recurring living expenses, taxes, debt repayment, and emergency fund savings, along with longer-term goals such as travel, purchasing a car, paying for wedding costs, or making a down payment on a house. People are often intimidated by this process, but even back-of-the-envelope math is better than not doing anything.
- **Consolidate and Start Paying Off Debt.** Young professionals should work on paying down significant debt burdens, such as student loans and credit card debt, as soon as possible. Typically, it makes sense to concentrate on shorter-term, high interest debt (such as credit cards), while also ensuring you can keep up with long-term debt payments like student loans. It is best practice to have student loan payments set up to be paid automatically as to avoid missed payments and unnecessary interest. The key is to set up a plan and stick to it in order to minimize the time horizon that the interest compounds on any loans.
- **Maximize Employer Benefits.** Employers can offer a range of job benefits, so make sure to understand what your employer offers and take advantage of any that apply to your situation. The most important one to consider is often an employer-sponsored retirement plan, usually called a 401(k). They provide employees a way to save for their retirement, and many companies will offer a match to employee contributions up to a certain percentage of salary. Other things to look for include life insurance, tuition reimbursement, medical insurance, parking and transportation benefits (these can sometimes be paid pre-tax).
- **Evaluate Insurance Needs.** Many recent graduates are now allowed to stay on their parents' healthcare plans until age 26. However, consider whether you do need to get health insurance or can enroll through your employer. Also consider any other types of insurance you may need, such as rental, car and/or life insurance, to make sure you are fully protected.
- **Review Credit History.** Obtain a copy of your credit report to have an idea of your current credit position, which will become important when and if you apply for a mortgage in the future. Consider tactics to strengthen your credit score if it is on the lower side, and also consider freezing your credit to protect yourself against credit fraud. Having sound credit will help you qualify for lower interest rates (and ultimately save money) in the long-run, and can also help you qualify for apartment rentals and credit cards.