

*William Blair*

# College Was Awesome. Now What?

Tips for recent college graduates

Private  
Wealth  
Advisory





## College graduation marks the start of a career with new responsibilities and decisions. It's an exciting time but can be filled with uncertainty.

You may be moving back home or relocating to a new city away from family. Having a game plan can help your transition from college to the “real world.” That plan should include ways to tackle looming student loans, establish credit, and plan for your financial future. To get started, here's our best tips.

### Budget and spend money wisely.

Develop a monthly budget and keep your expenses under control. Even if you have significant college debt, consider “paying yourself first”—saving a portion of your income so you have money in the future for large purchases or emergencies. By signing up for direct deposit of your paycheck, you can automatically deposit a portion of your check into an interest-bearing savings account.

### Pay down debt.

Don't forget your student loans. If you borrowed money for college, your first bill is due six months after graduation. If the amount is high relative to your income, look into a repayment plan that is manageable, including schedules and options for federal loans.

### Remember a credit card isn't just plastic.

If you're like many recent grads, you want to build credit. Start slow. You may need to create a credit history before you'll be approved for a traditional bank card. One suggestion is to begin with a store credit card. It's often easier to be approved because store cards tend to have lower spending limits than a bank card. But be mindful of the higher interest rates of store cards. Once you build a payment history, it will be easier to transition to a bank card. And you will be building a history of paying monthly bills such as rent, utilities, and student and auto loans.

Do not miss or be late with payments. Just one late payment can lead to exorbitant fees and affect your credit score. A credit score is essentially a report card of your credit history expressed as a number. It follows you throughout life and determines your access to credit as well as the interest rate you will pay on large purchases such as a car or home.

Charge only what you can pay off each month. Carrying a credit card balance is a very expensive way to borrow. Remember a credit card isn't just plastic. It's money.

### Check your credit score.

Since your credit score affects your access to credit, you'll periodically want to check your credit report. Scores range between 300 and 850, with most falling between 600 and 750. A credit score of 700 or above is generally considered good. Knowing your credit history and score can be especially helpful if you're applying for a loan or rental lease. Checking your credit score also helps flag if your financial accounts were hacked or identity stolen.

You can access your credit score by contacting a credit reporting agency. The three largest are Equifax, Experian, and TransUnion. [AnnualCreditReport.com](https://www.annualcreditreport.com) also offers a free copy of your credit report every 12 months from each credit reporting company.

Credit card companies and reporting agencies offer fraud alerts. Check with your provider on how to sign up for alerts.





### Start saving for retirement.

As soon as you begin your first job, start contributing to your company's retirement plan. Saving just an extra \$25, \$50, or \$75 a month can add up over time due to the power of compound interest and dollar cost averaging. For example, saving just \$50 per month for 10 years at 6.5% interest would grow to \$8,515.77. There are several handy calculators online that calculate compound earnings. For example, [www.bankrate.com/calculators/savings/simple-savings-calculator.aspx](http://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx)

### Understand your company's benefits.

Thoroughly explore and understand your company's benefits, including its retirement plan, insurance options, tuition reimbursement, student loan repayment assistance, stock options, and profit sharing.

Two of the most popular savings plans companies offer are a 401(k) and a health savings account (HSA).

A 401(k), or 403(b), is a retirement savings plan. You can enroll and have automatic deductions of pretax dollars taken from your paycheck, thus lowering your taxable income. Most companies will match a portion of your contribution; for example, 50 cents for every dollar you contribute up to 5% of your salary. Your savings plus the company match can grow quickly and you benefit from the power of compound earnings. Most 401(k) plans offer a variety of investment options, including mutual funds of stocks, bonds, and money market treasuries.

An HSA is like a personal savings account but can be used only for qualified healthcare expenses. To enroll, you must choose a high-deductible health insurance plan through your employer.

HSAs are growing in popularity because they offer important tax advantages. HSA contributions are pretax and tax-deductible, so the money grows tax-free. Withdrawals for eligible health expenses are not taxed and contributions can be invested in mutual funds, stocks, and other investment vehicles. That money can grow throughout your career for medical expenses. There is no minimum required distribution at 70½ as with other retirement accounts.

Both the HSA and 401(k) will stay with you throughout your career even if you change employers. Be sure to check with your HR department for more details on these plans.

### Evaluate a Roth IRA or traditional IRA for retirement savings.

A 401(k) is just one retirement savings plan. If you max out on your 401(k) contributions and would like to make additional contributions to tax-deferred accounts, you may choose between a Roth IRA and a traditional IRA. As a recent college grad, there is no hard and fast rule in using a Roth IRA (pay taxes now) over a traditional IRA (pay taxes later) for retirement savings. For more information on using a Roth or traditional IRA, read William Blair's *Roth IRA Conversions: A Powerful Wealth-Transfer Tool*.

### Monitor and protect online activity, both financials and social posts.

The larger your online presence and activity, the greater your cyber risk. Even though your budget may be stretched, you might consider signing up for an identity theft protection service. Check your company's benefits since it may offer identify theft protection at a discounted rate. Equifax, Experian, and TransUnion also offer identify theft protection plans.

Remember that your email is one of the most common ways for viruses and malware to attack your online accounts. Never click on an unfamiliar link. Protect passwords and use passwords with at least 12 characters. Two-factor authentication is among the most important steps you can take to protect your account. To connect while traveling, use the hot spot on your iPhone and avoid public Wi-Fi. Be mindful of your social media presence as you transition to the business world. Your employer has access to the same social media channels that you do.

### Consider staying on your parents' insurance and phone plans, if possible.

Under the Affordable Care Act, you can stay on your parents' health plan until age 26 (until 29 in New York) regardless of whether you are married or single, living with your parents or not, or eligible to enroll in your employer's plan.

Cell phone carriers offer group plans for families that provide cost savings and options for all. Consider working out a payment plan with your parents.

### Build your business skills.

Companies often have business resource groups or other volunteer opportunities to strengthen your leadership and presentation skills. Mastering a subject, speaking in front of large groups, learning about your competitors, working in teams, asking questions, and knowing what you don't know are valuable life skills that make you a respected colleague. When your boss asks you to make that presentation to clients or colleagues, you'll be ready.

### Evaluate whether graduate school is right for you now, or later.

Gaining work experience after college may help you decide whether to pursue a post-graduate degree. You may discover the business world is very different from what you learned in college and your interests have changed, thus affecting your decision about attending graduate school and what to study. Many employers also offer tuition reimbursement.

### Continue to network.

Networking helps you develop your career, improve your business skills, and meet new friends and business colleagues, which is especially valuable if you're moving away from family. Begin by getting to know your colleagues outside work. That will help you connect with other professionals—consultants, prospective clients, mentors, and future employers. Big cities also offer alumni events and clubs as a way to connect. Reach out to someone you've lost contact with if they have moved to the same city as you. And don't forget to thank those who share their advice and time with you.

### Invest in your community.

Another way to meet others is getting involved in your community by volunteering for a civic organization, charity, or social cause you're passionate about. It's a great way to give back to your community and meet like-minded people.

### About William Blair

To learn more about managing money, contact a William Blair advisor. For more than 80 years, William Blair has been dedicated to providing high-quality financial services to help individuals and families meet their long-term financial goals.

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