



Personal Finance Tips for New Graduates

You've marched along to *Pomp and Circumstance* and collected your diploma--now you're ready to finally head out on your own. Maybe you have student loans that you need to start paying back. Perhaps you're looking forward to making your first car purchase or starting a new job. Whatever your situation, you'll definitely have new financial challenges you'll need to address and financial goals that you'll want to accomplish during this stage in your life. Fortunately, there are some relatively simple steps you can take to get started on the right track with your personal finances.

Create a budget

An easy way to maintain control of your finances is to create a budget. Ideally, a budget will assist you in making sure that you are spending less than you earn.

In order to create a budget, you'll need to identify your current monthly income and expenses. Income includes your regular salary and wages, along with other types of income such as dividends and interest.

When it comes to identifying your expenses, it may be helpful to divide them into two categories: fixed and discretionary. Fixed expenses include things that are necessities, such as rent, transportation, and student loan payments. Discretionary expenses include things like entertainment, vacations, and hobbies. You'll want to include out-of-pattern expenses (e.g. holiday gifts and auto repair bills) in your budget as well.

The most important part of budgeting is sticking to it. To help you stay on track:

- Try to make budgeting a part of your daily routine
- Build the occasional reward into your budget (e.g., splurge on a latte at the local coffee shop or have dinner at a restaurant instead of cooking at home)
- Be sure to evaluate and monitor your budget regularly and adjust/make changes as needed

Make saving a priority

Whether it's setting enough aside on a regular basis to accumulate an emergency cash reserve or putting money into an employer-sponsored retirement plan, if your budget allows, you should make saving a priority. And being a young investor means that you have one powerful advantage over older generations--time. By making saving a priority early in your life, your money can have more time to potentially grow and take advantage of the value of compound interest. To make it even easier to save, you can arrange to have a portion of your paycheck/earnings directly deposited into a savings or investment account.

Get a handle on your debt situation

Whether it's debt from student loans or credit cards, it's important to avoid the financial pitfalls that sometimes go hand-in-hand with borrowing. In order to manage your debt situation properly:

- Keep track of loan balances and interest rates
- Develop a plan to manage your payments and avoid late fees
- Pay off high interest debt first or take advantage of debt consolidation/refinancing

Understand the importance of having good credit

Credit reports affect so many different aspects of one's financial situation--from being able to obtain a car loan to being a prerequisite for employment. Having a good credit report will allow you to obtain credit when you need it, and often at a lower interest rate. As a result, it's important to establish and maintain a good credit history by avoiding late payments on existing loans and eliminating unpaid debts. Finally, it's important to monitor your credit report on a regular basis for possible errors.

Evaluate your insurance needs

As a younger individual, insurance is probably not the first thing that comes to mind when you think about your finances. However, having the right amount of insurance to protect yourself against possible losses is an important part of any financial plan. Your insurance needs will depend on your individual circumstances. For example, if you rent an apartment, you'll need to obtain renters insurance to protect against loss or damage to your personal property. If you own a car, you'll need to have appropriate coverage for that as well. You'll also want to evaluate your needs for other types of insurance (e.g. disability and life).

Finally, under the Affordable Care Act, everyone, regardless of age, must have qualifying health insurance or risk paying a possible penalty. If you don't have access to health insurance through your parent's health plan or an employer- or government-sponsored health plan, you may purchase an individual health plan through either the federal or a state-based health insurance Exchange Marketplace. You can visit www.healthcare.gov for more information.



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