

April 2017

What comes to mind when you think of April? Easter, Earth Day, the beginning of baseball season, end of tax season, proms, or approach of graduation? No, it is National Financial Literacy Month. Approaching graduates of high school or college will be introduced to the realities of adulthood, first jobs and earning a paycheck. They enter a competitive job market and may have significant student loan debt. Poor money management can lead to debt, stress and dependency on others. Good financial skills can make it easier to accomplish goals, so maybe a few basic planning skills are in order.

Figure out your financial goals. Setting goals are a part of life. Over time these will change and require adjustments. Start with a few questions. What are my short-term goals (car, vacation)? What are my intermediate-term goals (buying a house)? What are my long term goals (child's college education, retirement)? How important is it for me to achieve each goal? How much will I need to save for each goal?

With a clear picture of goals, you can set up a budget to help target them. There are several simple steps to set up a budget. Identify all your sources of monthly income and do the same with your expenses, don't forget expenses that are billed other than monthly such as insurance. Be sure to include in your expenses discretionary items, such as entertainment, travel, hobbies, etc., as well as fixed expenses, housing food, utilities, transportation. Compare the totals. If expenses exceed your income, adjustments will be needed. Look at discretionary expenses and see where you can scale back your spending. This may require some self-discipline to get your budget where it belongs. However, if your income exceeds expenses, start by adding to your retirement account or emergency fund, helping to ensure accomplishment of your longer term goals.

Set up an emergency fund to protect against unexpected expenses or a crisis. An emergency fund may protect you against the unexpected and avoid using funds set aside for another purpose. A good way to accumulate a fund is to earmark a percentage of each paycheck until you reach your goal. Common wisdom recommends 3 – 6 months of living expenses as an emergency reserve, but this depends on your set of factors, including job security, health, income and debts owed.

Deal with existing debt. The Pew Research Center estimated in 2015 that 86% of millennials have debt. You may be concerned with managing your debt or how to pay off student loans. There may be repayment plans that make this easier. Look into qualification for income-sensitive repayment options or Income-Based Repayment. You may be able to refinance or consolidate debt that makes the repayment easier on your budget. Explore these options. Be careful of any additional debt, whether that be graduate school, car or other ventures. Determine if purchase is necessary, comparison shop, determine the total cost over time, affordability of additional monthly payments from your budget, interest rate if a payment is missed and timing of adding new debt until existing debt is paid off. Employ the same comparisons to credit cards as well; it can be another way of adding to your existing debt. Read the terms and conditions, are there rewards or incentive programs offered, and understand fees for late payment charges. These can affect your credit score and have an impact on the terms available

and interest rates for future borrowing needs to meet your intermediate goals, such as a house or vehicle purchase.

Review your budget and goals either annually or when your financial situation changes, a raise, new job or position, a bonus. Major milestones like marriage, a new baby or home ownership will likely require some adjustments. The more information you have in an organized fashion can be a big help in managing your finances, meeting your goals and reducing sources of stress. These steps are intended to get you started. You likely will need additional professional assistance in meeting some of your longer term goals.