

LIFE AFTER CLARK

As you embark on your first job after college you may have many questions related to finances and settling into life on your own. Managing all the details can seem overwhelming at first, but with a little information and planning it soon becomes exciting. We hope this handout will help answer some of your questions and make the transition from school to work a bit less stressful.

Compensation

Once you have a job offer before you there are several things to think about.

Gross vs. net income: Approximately 1/3 of your gross income will go to taxes and insurance; therefore, your take-home pay or net income will be significantly less than your initial salary would indicate. It is important to create a list of your expenses to help you determine whether the salary you are offered will cover these necessities.

When comparing job offers, consider factors in addition to salary such as *opportunities for advancement, level of responsibility, skills you will learn, contacts you will make, and exposure to a variety of clients*. Also weigh benefits such as:

Retirement plans: Most companies offer something like a 401K plan that allows you to put pre-tax (gross income) dollars into an investment fund managed by the company. In many cases employers will match your contribution. If this is available to you, begin contributing as soon as you can. You probably won't miss the money that is taken out, but it will grow to a substantial amount over the years. If you change jobs you can take your retirement money with you.

If your employer doesn't offer a 401K plan you can set up an Individual Retirement Account (IRA) to which you may contribute up to \$2000 pre-tax each year.

Savings Plans: Likewise, if your employer offers automatic withdrawal into a savings account or credit union, commit to having as much as you can afford taken out of your check and put into savings each pay period.

Tuition Reimbursement: Many employers will pay for all or part of your future study, particularly if it is related to the business of the company. In some cases they will require that you work for the company for a certain length of time after completing a degree for which the employer paid the tuition.

Flextime: The company may offer you the opportunity to work varied hours rather than strictly 9 to 5 which may be appealing now or in the future.

Employee Assistance Programs: Many employers assist with accessing counseling resources to help employees address problems such as substance abuse, relationship issues, legal problems, or anything that may affect job performance.

Insurance: Employers will offer several insurance plans for which they pay a certain percentage and the rest is deducted from your paycheck. You should choose the insurance plan with the most comprehensive coverage for you. If it costs a little more it will pay for itself if you use it once. Take advantage of the benefits for regular check-ups and teeth cleanings. Investigate Health Maintenance Organizations (HMOs) by talking to co-workers, neighbors, and friends.

COBRA ~ The Consolidated Omnibus Budget Reconciliation Act requires that if you leave a job for any reason (including getting fired) your employer must allow you to continue your insurance coverage under their health plan for up to 18 months. You will have to pay for it, but employers may offer it to you at their cost. (If you are not yet employed, your best bet is to try to remain on your parent's insurance, which is usually an option until age 23. Or, if that is not possible, many large insurance companies offer short-term transition insurance policies that cover you for one to six months and can be renewed for an additional period.)

Taxes: At first it is best to have more money deducted from your paycheck for taxes than not enough. If you are single with no children, claim zero dependents on the withholding forms your employer has you complete. This won't change the amount of tax you pay but it will increase your chances of getting some money back in a tax refund at the end of the year (as opposed to having to make a tax payment when you have no funds to do that).

Debt

Student loans - You should be given loan information from all of your lenders, usually as part of an on-campus exit interview. Become aware of all of the repayment options available including loan consolidation, standard repayment, and graduated repayment, by contacting your lending institutions. Deferment or postponement of loan repayment is your right if circumstances (such as admittance to a graduate school program) warrant it. Forebearance allows you to extend your payment schedule at the discretion of the lender.

Contact your lender immediately if you find yourself having trouble repaying in order to avoid a default situation. Any late payments (on credit cards, loans, phone bill, rent) could be reported to a credit bureau and could impact your ability to get a loan or mortgage in the future.

Credit Cards - Credit card companies market extensively to recent grads. It is tempting to

say yes to their offers thinking that you can afford to make the minimum monthly payment on your balance. But keep in mind that if you have a debt of \$1,000 and make only the minimum payment each month it would take 15 years to pay it off and cost almost \$2,000 in interest.

Some credit card advice:

- Get one card for emergencies and to establish a credit history, which you will need when you want to borrow money for a car or a house. (If you have a card co-signed by your parents you are not building your own credit history. You need to apply for a card on your own)
- Shop the offers for the lowest interest rate. Look for cards that offer rewards – cash back; airline miles.
- Pay cash for most things, saving the credit card for big ticket items.
- Try to pay off debt as quickly as possible.
- Pay your bills on time. Late and missed payments go on your credit report and could hurt you when you go to get a loan to buy a car or house. (The due date on bills is the day the check should be there rather than the day you need to mail it.)

Apartments

When you move into an apartment you most likely will be required to provide, up front, the first and last month's rent and a sum equal to one month's rent as a security deposit to be set aside to cover any damage to the apartment while you're living there.

Start looking for an apartment as soon as you know where you'll be living. Often the best way to locate a place is through word of mouth. Also check out rental listings in the newspaper and on college bulletin boards. The Yellow Pages may list real estate agencies that will help you locate housing but there may be a "finder's fee" for the service. Be sure you know in advance whether you or the landlord will be expected to pay this fee.

Be careful not to get locked into a long-term lease. They are difficult to break if your plans change. Be aware that if you do try to break a lease you may lose your security deposit.

Consider purchasing renter's insurance. It is fairly inexpensive (about \$100/yr for \$10,000 coverage) and protects you in the event of theft or fire.

Budgeting

Making a list of all of your possible expenses will help you budget successfully and hopefully allow for some savings each month. Putting even a small amount away into savings will add up and give you a sense of security. A good goal is to have two months of salary in savings so that if you lose your job you can continue to pay your bills until you are employed again.

Use actual bills or estimate your expenses in the following areas:

- RENT _____
- CAR PAYMENT _____
- FOOD _____
- INSURANCE _____
 - car, apt.
- PHONE _____
- ELECTRICITY _____
- HEAT _____
- LAUNDRY _____
 - & dry cleaning
- STUDENT LOAN _____
- CREDIT CARD _____
- TRANSPORTATION _____
 - gas, tolls, public trans.
- CLOTHES _____
- FURNISHINGS _____
- ENTERTAINMENT _____
- SAVINGS _____

Good sources for more information ~

Job Smarts for Twentysomethings by Bradley Richardson

How to Survive Without Your Parent's Money by Geoff Martz

Reality 101 by Fran Katzanek



Available in
Career
Services

www.mannersmith.com - articles and Q & A on etiquette for a variety of situations; free on-line newsletter

www.creditinfo.com - information on debt and credit; access to credit reports

www.craigslist.com - apartment listings by location

www.monstermoving.com - apartment search, city profiles, free change of address service, movers, truck rentals

www.homefair.com - find an apartment, city reports, cost of living/salary calculator