



June 25, 2013 | Volume 13, #5

In This Issue[College Grads - Finance Tips](#)[Question & Answer](#)[What's New](#)[Monthly Tip](#)

Welcome! The caps and gown are gone. You've framed the diploma. Now it's time to make smart choices about your financial life. In a way, it's easier now than it will ever be because you're used to living on limited funds. So take advantage of that and read on to learn how to manage your student loans and take full advantage of your employer's benefits.

If you would like help beginning your new financial life after graduation, remember we're here to help you stay *On Course!*

-Jennifer Lane, CFP

Student Loans and Employee Benefits

Be smart about your student loans and take advantage of all your new employer offers.

Student Loans

While they may seem overwhelming, student loans are a fact of life for the majority of college grads. If you take the time to plan, you minimize any anxiety you have about paying them back.

- Student loans become payable 6 months after you graduate.
- Most payback plans are for 10 years. Make your best effort to pay back the loan within that time period so you're far along when you add a mortgage and family to your expenses.
- Consolidating your loans makes the monthly process of paying them easier but check the interest rates first. Unlike a mortgage, which can be refinanced if interest rates change, you can only consolidate once. It might make sense to leave your loans separate or to consolidate the higher interest loans while leaving lower interest loans as they are. The [Federal Student Aid](#) website from the Department of Education can walk you through the decision making process.
- If money is tight, you can look into graduated loan payments, which begin with smaller payments and then increase as you move through the payback period.
- To put yourself in the best position to when you start your loan payments, calculate your loan amount. Then create a budget now that includes that amount – with maybe a little extra if you can swing it.
- If you have the cash, you can also pay the interest on the loan in the interim 6 months.

Employer Benefits at Your New Job

It's an exciting time – a new job, disposable income, and the future ahead. Employers often have great benefit packages – make sure you take advantage of all they have to offer.

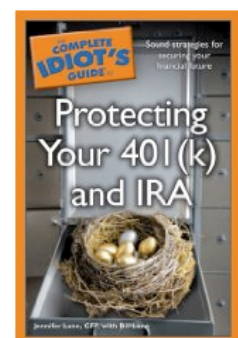
- You need to protect your income so buy disability insurance if it's available. Yes, you're young and healthy, but better to be prepared.
- Next you need to protect your future. Use your employer's 401(k) or 403(b) plan. Who knows what Social Security will be like when you retire.
- If your employer matches contributions, invest at least the minimum amount to get the match. It's free money! Because of the power of compounding, keeping your expenses down to put more into your retirement account early will reap great rewards later on.



Jennifer's Hint

If you haven't been able to save enough to pay all of your children's college expenses because you've been saving for your own retirement, student loans for their education are a perfectly appropriate option. Avoid raiding your retirement nest egg. Your kids have their whole career ahead of them to pay back their loans. Remember you can't borrow money for retirement. If you have extra money once you retire, then you may choose to help with their loan payments.

Get more tips in Jennifer's book



(click here for link)

Helpful Websites

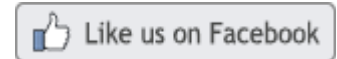
- Roth IRAs - if your employer offers one within the 401(k), then invest in that first. If not, then start your own. Being able to withdraw money tax free in retirement is a big bonus.
- If you have co-signed loans or debt, then you need life insurance. If your employer offers that -- usually one to one and a half times your salary -- buy it.
- Check to see whether there are legal benefits. This is a relatively new benefit where you pay a little bit each month for access to legal resources. You should make a will (see [Who Gets Your Stuff](#)) and create a healthcare proxy and power of attorney.

FAFSA

Federal Student Aid

Mint.com

Who Gets Your Stuff



Q&A

Q: I just graduated in May. My father is encouraging me to buy a condo because of the current real estate market. I do have a job but am wondering if this is right choice for now.

-- Mary Lynn, Walpole, MA

A: Mary Lynn, congratulations! I'm afraid I'm going to have to disagree with your father. Before committing to a mortgage, make sure you're more settled. You should have a good idea of where you want to live and what your family situation will be, both of which are likely to change in the next few years. Remember to keep your housing expenses at 30 percent of your salary!

What's New

- Jennifer talked about online security and your finances on NECN. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit www.facebook.com/AskJennifer and like us!
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

All contents of this newsletter Copyright 2013 Compass Planning

