

9 things new graduates need to do now



By [Gail Johnson](#) | [Pay Day](#) – Mon, 28 Apr, 2014 2:04 PM EDT

If you're just about to [finish university or college](#), congratulations. Consider crossing off a few items on your to-do list so you head into the real world as financially prepared as possible.

Get working

[Even if it's not your dream job](#), being employed and gaining any type of experience will help in a job search. “Earning a pay cheque, no matter how small, is a lot better than not getting one at all,” says Jeffrey Schwartz, director of Consolidated Credit Counseling Services of Canada.

Pay yourself first

Set aside 10 or even 15 per cent of every pay cheque for [savings or long-term investments](#). “Putting away a little bit of money now will pay off in the long run,” Schwartz says. “That money will grow and you'll be happy to have it when you really need it.”

Establish a budget

Leslie Gardner, money coach with [Money Coaches Canada](#), suggests this easy, [step-by-step way to figure out your finances](#):

- Start with your net monthly income. Then list all of your monthly “have to pay” or “fixed” bills, such as rent, utilities, phone, car insurance and the like. Don't forget [student-loan payments](#) that will start once you've been out of school for six months.
- Next, calculate how much you need for food, gas, pet care, gifts, bank fees and other monthly spending, such as a [gym membership](#) or ski pass.
- Subtract all your monthly expenses from your monthly net income and go from there.

Pay off debt

If there's a surplus in the budget you just figured out, direct those funds to your debts, Gardner suggests.

Consider consolidating debt, though this may or may not be for you, depending on the numbers.

“If you choose to consolidate your student loans to lower-interest ones, beware of the fact that the new loan interest may not be tax deductible,” notes registered financial planner Derek Moran of [Kelowna's Smarter Financial Planning](#). “If the new loan is not at least 20 per cent lower in rate, its after-tax cost will actually be higher, not lower.”

Open a Tax-Free Savings Account -- to start

Here's where you can park that 10 per cent or more that you're paying yourself every pay cheque. Once your income starts to go up and you move into a higher tax bracket, you can then set up a [Registered Retirement Savings Plan \(RRSP\)](#), Gardner says.

Look for other ways to save and earn money

If there's a shortfall in your budget, you may need to take on a second job. Reduce expenses any way you can: [negotiate with your cell-phone or Internet provider for lower rates](#), switch to a bank that has low or no fees, ditch cable, and consider a car-sharing program or commuting by bike instead of owning your own vehicle.

Get financially educated ASAP

"While you're young, you have time on your side, and small changes now will mean big savings later," Gardner says. "Keep learning about insurances, investments and other financial tools."

Moran suggests learning about [high-quality dividend paying stocks](#).

"In terms of the lack of secure employment available paired with real estate prices in the stratosphere, [you were born at a time that is much different from that of your parents or grandparents](#)," Moran says. "Excellent investment knowledge at an early age will help tremendously."

Consider insurance

"If they're single ... they should consider disability insurance in case they get hurt skiing or doing a sport," Gardner says, noting it's vital to read the fine print to see what a policy does and does not cover. Ask if this type of insurance is offered through your employer and if not, shop around.

If you have dependents, Gardner suggests term life insurance, something some financial experts say young people should sign up for regardless of whether they're supporting a family.

Gardner doesn't recommend insurance that's added to loans or lines of credit since it won't help pay for rent or food but urges people to get renters' insurance.

"I think they need renters insurance mainly for the liability if someone gets hurt in their apartment or if the building burns down and they have no place to live, it may cover some living-out costs," she says. "It usually isn't an exorbitant expense."

Travel to a developing country

Your experience will make you more employable, Moran says. "It will also teach you to live on less, which means greater potential for savings, investing, and eventual wealth accumulation and financial independence."

He adds that this kind of experience will also help you learn to distinguish between needs and wants. That line of thinking is universally endorsed by financial planners.

"Society needs to change from being a 'spend first, pay later' to a 'save first, spend later' mentality," Gardner says.