

College Grads: Setting Out on Your Own?

(Federal Trade Commission Consumer Information)

Preparing to be out on your own can be fun and exciting, but it also means taking on new financial responsibilities. The decisions you make now about how you manage your money can affect your ability to get credit, insurance, a place to live, and even a job.

First Things First: Develop a Budget

The first step toward taking control of your financial life is to evaluate how much money you take in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses — those that are the same each month — like rent, car payments, and insurance premiums. Next, list the expenses that vary — like entertainment, recreation, and clothing. Writing down all your expenses, even those that seem insignificant, is a helpful way to track your spending patterns, identify necessary expenses, and prioritize the rest. You can use this budget worksheet to get started. The goal is to make sure you can make ends meet on the basics: housing, food, health care, and insurance. Your public library, bookstores, and online resources have information about budgeting and money management techniques. In addition, computer software programs can be useful tools for developing and maintaining a budget, balancing your checkbook, and creating plans to save money.

Trying It Out

Choose five "Help Wanted" listings from five different categories of the classified ads. These should be jobs for which you are qualified. Read each job description carefully, noting the skills required for each position. Then make a list of your knowledge and skills to determine if the job might be right for you. Using the hourly wage or yearly salary in one of the ads, determine how much you will earn each month. First, subtract 30 percent for taxes to determine your net monthly income. Then, create a budget of how much you might spend on the following, and subtract these costs from your income.

A place to live. Find the apartment listings. Choose a place to live and record the monthly rent on your budget sheet.

Groceries. Find the food ads. Estimate the amount of food you will need each week and then multiply the cost by four to estimate your monthly expense. Remember to add in costs for non-food items, too, like shampoo, soap, toothpaste, and laundry detergent.

Eating Out. Find a restaurant ad and deduct the cost of dinner for two plus a 20 percent tip.

Transportation. Find the automotive section and find a new or used car you'd like to buy. Once you've chosen a car, add 6 percent for interest cost and divide it by 48 to estimate the monthly payment for a four year loan.

Other Expenses. Consider auto insurance, gasoline, utilities (for example, gas and electric, internet access, cable), phone, renter's insurance, college tuition, clothes, haircuts, charity, a vacation, your daily cup of coffee, and maybe longer term savings to buy a home. Add a reasonable amount to your expenses for these items.

What's your bottom line? Do you have any money left at the end of the month? If not, what expenses can you reduce or eliminate? Is there a way to make more money?