

The Smartest Post-College Money Plan: Starting Budgeting Now

You may not have a job yet, but you can start estimating expenses and mapping out your budget.



If you've recently graduated from college, and especially if you don't have a job, it might seem ridiculous to turn your attention to budgeting. You're exhausted from exams, and you have no money to budget. Why worry now?

It's a fair question, but as anyone who has been there knows, this is precisely the time to avoid money mistakes. Unless you're lucky and your parents are willing to pay your way for the time being, from free rent to food to going out with your friends, you're going to be spending in the near future – and spending too much can naturally lead to trouble.

For instance, many recent college graduates rely heavily on credit cards. “When you don’t have a job, you can get into a mindset where you think, ‘I’m going to have a job, and so I’ll put this on a credit card, and when I get a job, I can pay it back,’” says Judy McNary, a certified financial planner in Broomfield, Colorado, and author of the book, “Coin: The Irreverent Yet Practical Guide on Money Management for Recent College Grads.”

So if you’re an unemployed recent graduate, here are some strategies to consider employing.

Get a job. Not necessarily the job you covet, but find a job, recommends Stephanie Kinkaid, program director at the Wackerle Career Center at Monmouth College in Monmouth, Illinois. “Find an emergency job. Register with every temp service around,” she advises.

She says it’s important to have some money rolling in, even if the position isn’t closely related to your major or what you want to do with your life.

McNary agrees: “I recommend to new grads, just take anything. Don’t be so picky. It isn’t necessary that you get your dream job right out of college.”

McNary adds that it’s OK to take a week or two off after graduation to recoup and relax. But generally, she says you shouldn’t waste time. Start looking for some sort of stopgap, emergency employment right away.

Don’t stay in that hastily found job for long. Start looking for a better career move immediately, Kinkaid advises. She wants money rolling in, not complacency settling in.

“If you’re in that job for more than six months, it’s time to bring out the big guns and start asking everyone for every favor you can, because often with a job search, it does sometimes come down to who you know,” she says.

In other words, stay hungry – which may not be difficult if you aren’t earning much money.

Live cheaply. “You may have felt a little deprived on a college budget, but don’t go crazy with spending on entertainment, toys, clothes, travel, dining out,” says Dean Obenauer, assistant director of financial aid for financial literacy at Creighton University in Omaha, Nebraska.

Robert Eyler, economics professor at Sonoma State University in Rohnert Park, California, puts it more bluntly: “Don’t act like a psycho with money if you don’t land a job soon. The more you spend, the more you will need to dig out of debt.”

It may be tough to go the frugal route and watch TV with your parents instead of going to the movies with your friends, but Eyler says you should think about your new spending habits as “financial yoga. Hurts now, helps later.”

Even if you have a new, promising job, it’s smart to keep your expenses as low as possible. “I recommend roommates,” Kinkaid says.

That might be the last thing you want to hear if you had a bunch of roommates in college and you’re itching to finally live solo, but roommates will allow you to cut back on your rent and

utilities in a big way. Whatever you do, keep expenses low so you can see what your budget can handle. You don't want to get an apartment, update your wardrobe and buy a car, then realize your meager, entry-level paycheck can't handle the stress.

Get to know your banker. At this point in your life, you probably have your own bank account. But if you only do online or mobile banking, drop into a physical branch once in a while and say hello.

Why? "You may, at some point, need your banker's counsel," says Charlie Crawford, president, CEO and chairman of Private Bank of Buckhead in Atlanta. He advises getting to know the employees at your bank before you need them. "You don't want to meet your banker for the first time when you are asking for a loan," he says. He has a point. If you're young and don't have much of a credit history, you're an unknown to the bank. If you're a familiar face and you seem like a decent enough credit risk, knowing who you are could land the loan.

Crawford adds that if the tellers and manager get to know you, "you might discover that a bank will waive checking account fees if you use direct deposit or that they waive ATM fees for clients who use a certain menu of services. These seemingly small savings can mean a lot to a young person just starting out."

Map out your future budget now. That's right. Even if you are living in your old bedroom and looking for work, start figuring how much the bills you don't have yet might be.

"I would encourage recent graduates to give careful thought to what might become part of their own budgets that might have previously been covered by mom and dad," Crawford says. "For instance, will your car insurance remain the same or will it quadruple?"

Sure, it may appear overly ambitious or a waste of time, especially if you're still unemployed, but if you start determining what your expenses will likely be – how much rent is in the place you want to live, what utilities cost these days, how much your food budget might be and how much you think you'll spend on clothes – that preparation could tell you if a starting salary is going to be too low. And if you already landed a job, start this right away.

"With a new job comes new income, new expenses and new challenges. Because they're eager to join the real world, they need to develop a plan and be cautious about how they spend their money," Obenauer says of the new college graduates he works with. And when explaining to them the joys of budgeting, he uses a phrase that is probably the last thing new graduates want to hear: "I tell them they are not finished with their homework," he says.

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