Preparing Your College Grad for Financial Success

Important Money Lessons to Pass Along

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As a parent, the epic journey of watching your children transition from bubbly baby, to busy toddler, to independent teenager and finally to adulthood can feel like an eternity or the blink of an eye, depending on what stage of this process you find yourself in. Throughout life's journey you likely encountered lasting memories that include teaching your kids to read, ride a bike and the endless list of life lessons that helped craft your children into the characters they are today.

Perhaps now, you are the parent of a child who's getting ready to graduate college. Amidst the excitement about stepping into the working world, it's a time of firsts – first job, first apartment or house and the first time your children are supporting themselves. Is your child prepared for all that life can throw at him or her? College can only prepare our children so much for the gamut of responsibility that faces them. There are a few discussions we recommend you have with your children regarding their finances as they prepare to venture out on their own.

Income

The first thing is having an honest discussion about what your child's income is going to look like and help them figure out what their expenses might be. As a parent, you've experienced the flow of money coming and going out. You understand the nuances and variability of utilities, rental rates increasing with inflation and how to save to buy your first house. But you probably haven't spent any time talking to your children about what those things are and what to expect.

So, before you send your children out into the financial world, having this discussion up front may help relieve the burden of the pressure of what to do and how to live with taking care of yourself for the first time. Basically, you want to help your kids prepare their very first budget. Most importantly, do not be afraid to share the reality of your financial start. Share the mistakes you made so that they do not do the same thing. It's not too late to impart valuable lessons about living within your means and prioritizing the desire to have material things versus buying and accumulating items of real value wisely over time.

Career

Millennials change jobs A LOT. Job hopping is becoming part of the new normal for them. No longer are the days where you hang a shingle for 30 years and retire with a lifetime pension. According to an article in

Forbes, the average worker today stays at his or her job for 4.4 years. Yet, 91% of millennials – born between 1977 and 1997 – are expected to stay in a job for less than 3 years. You have to ask yourself what all of that job changing does for these millennials' long-term careers. Are they able to develop expertise in their area of study? Has your recent college grad thought about what his resume is going to look like to a potential employer if he has a new job every two years?

We believe strongly that parents must talk to their children about developing real skills and expertise. There is no reliable recipe for short term success. If short term success happens to you, consider yourself fortunate, but don't hitch your start to those hopes. Our kids need to know that buckling yourself into a profession and sticking with it for a long period of time can help create real expertise. That knowledge base can be molded into mastery. Once you are the master of a certain field, you can utilize and transition that expertise into other areas and create real value to another employer or perhaps start your own business. We see that millennials have a desire to advance in their careers quickly and are anxious to develop their careers. However, having a conversation with your children to inform them that they may be doing the exact opposite could put their careers on the right track for the long-term.

Debt

We appreciate and understand the predicament that most college students are in – a situation with a total amount of student loan debt that exceeds $1 trillion. According to the Institute for College Access and Success, 70% of those who graduated college in 2013 had an average student loan debt of $28,400. It's daunting to start your career when you have that kind of albatross hanging around your neck. You want your child to make a good decision selecting an employer that's going to help their long-term career. Yet, it can be hard to think big picture years down the road when you're facing such a short-term problem like debt. Do not let your graduate make a decision about their career by selecting a job on income alone or push so hard to make as much money as possible as quickly as possible because they may be overlooking a career opportunity that could help bolster their long term career objectives.

Thus, we recommend college students, immediately upon graduating, assess their total indebtedness. Get your arms around the amount of debt aggregated during their college years. Too often we will run into college grads that opted to put their heads in the sand, ignore their loans and financial obligations and defer those payments to a future date. Many times those student loans can grow at a rate of 6%. A $28,000 student loan bill that has a 6% rate on it that's deferred for 12 years doubles to $56,341.

The cost of doing nothing can be exceptionally high. Your child really won't have the ability to plan for a meaningful way to save until he or she crosses this hurdle first. You want your child to get right on working to pay this off quickly, efficiently and as soon as possible after graduation.

Savings

It’s never too early to start a savings program. The first thing your college grad will want to take advantage of is looking at their employer’s retirement plan options. The single best tax deduction will likely be the company’s 401k plan. It’s also a good idea to strike a balance between saving in a retirement account for the long-term benefit and saving in a taxable account where you can have easy access to the money, so find a way to encourage your children to do both.

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