

Seven Tips for Post-Graduate Financial Planning

The Washington Post's Michelle Singletary gives her tips for financial health and well-being after college.

You've walked across the stage and flipped your cap tassel. Now that you have the degree, you want the promises that came with it: a nice apartment, a car that you don't have to pray over before starting it and a wardrobe that says you've made it.

But if you spend your 20s trying to look rich, you're spending your 40s and 50s trying to correct your financial mistakes before you hit your 60s.

Good financial planning is as much about your state of mind as it is about the math.

It's about having the mindset and discipline to say "no" when the world wants you to say "yes" to buying whatever you want.

And here's the real secret to becoming a millionaire: Time!

Here are seven tips for managing your money as a post-graduate.

There is no such thing as good and bad debt

Using a positive adjective to describe debt can underestimate the damage it can cause.

If you characterize a mortgage as good debt, some people who shouldn't buy a home may view homeownership only positively. They won't do the math to see that their mortgage won't leave room to save for retirement or build an emergency fund.

During a Berkshire Hathaway [shareholders' meeting](#), billionaire Warren Buffett was asked by a 14-year-old what financial advice he would give to young people.

Buffett, one of the most successful investors in the world, didn't talk about how to pick the right individual stock, as many might have expected.

Instead, he said this: "Just don't get in debt."

Fund your exit strategy

You've probably heard the advice: "Pay yourself first."

The idea is to set aside money from each paycheck to save before paying any bills.

But I'd like to modernize that advice. What if you thought of saving as your early exit plan?

Think of saving as a way to retire on your own terms. Even if it's just \$10 or \$20 per paycheck, that money buys you less financial stress later in life.

Don't put a pause on your student loans

Many graduates starting out don't focus on their student loan debt and put it on hold through forbearance.

However, even after they start earning good money, they keep putting off paying the debt. Then they have kids, buy a home and live as if the debt isn't there, taking vacations and living beyond their means. However, because the interest is capitalized, meaning you pay interest on the interest, the debt keeps growing.

You don't want to look back on your 40s or 50s, panicking while trying to pay down student loan debt before you retire.

Check with your HR department about Secure 2.0. If your employer matches retirement contributions based on your student loan payments, you have no excuse to delay. Pay it down now so you aren't paying for your degree while your kids start theirs.

Calculate your net worth

Don't fall into the trap of measuring your financial success solely by your annual earnings. People earning a six-figure salary can be broke on paper.

A net worth statement gives you a broader view of your economic well-being.

To calculate your net worth, list your assets — money in bank accounts, the market value of your home and car and the value of your investments. Then list all your liabilities — mortgage, auto loan, credit card balances, student loans and outstanding tax debt.

Subtract your liabilities from your assets to determine your personal net worth.

Early in your career, your net worth might be low or even negative. However, a negative net worth doesn't mean you are of negative value.

Your goal should be to grow your net worth each year. When your assets finally exceed your debts, you are building legacy wealth.

Don't listen to 'they'

"They" say renting is throwing money away.

In certain high-cost areas, you may never be able to afford a home. For some, that's OK. You are not throwing money away when you pay to put a roof over your head.

You are not a financial failure if you rent.

"They" say you should never pay off a low-interest loan if the market is up.

But "they" don't have to stay up at night wondering how you're going to cover your bills.

"They" are often people with a commission on the line — lenders, brokers and salespeople — and they are frequently wrong.

At the end of the day, "they" are often giving you bad advice or looking out for their bottom line, not yours.

Don't compare your life to other people's social media highlight reel

"Keeping up with the Joneses" is no longer just about neighbors, friends or family; it's about influencers, celebrities and algorithms that show you curated vacation photos and make you feel like a failure. What you don't see are the credit card statements that fund all that fun.

Social media influencers are paid to look wealthy. True wealth is the peace of mind that comes from a paid-off car and a fully funded emergency fund.

Learn from 401(k) millionaires

Most 401(k) millionaires are everyday workers. They are teachers, civil servants and managers who may not necessarily have earned six-figure salaries.

Here's what it takes to be a 401(k) millionaire.

Start early: Time is your greatest asset. Most 401(k) millionaires have been saving for almost 40 years. Thanks to compound interest, the dollars you save in your 20s are much more powerful than the dollars you start saving in your 40s.

Starting to invest in your 20s lets compounding interest work for you, allowing smaller, consistent contributions to build a million-dollar portfolio by age 65. According to Vanguard, the financial services company, delaying investing by just 10 years can cut final retirement savings by more than half.

Here's the math of early investing

A 25-year-old investing \$5,000 annually at a 7% return can amass a little over \$1 million by age 65. But if you wait 10 years until you're 35 to start, the results are less than half that amount, just over \$500,00.

Stay clear of pitches that scare you into risky investing.

Think of investing like owning a business or a house. A business earns profits, and a house can collect rent. These assets can generate income.

Gold and cryptocurrency are highly speculative assets. They don't produce anything or earn a return in the same way. The only way to make money is if the price rises and you sell it to someone else for more than you paid. This is called the "Greater Fool Theory."

It's a concept that you profit if there is a "greater fool" willing to pay even more than you did. If you can't find that next person, you are the one left with an asset that isn't increasing in value.

If you need help investing, get it.

You will find a wealth of helpful information at investor.gov, where you can search for a firm or an individual investment adviser's registration status and background, including any disciplinary actions. The site links to FINRA's BrokerCheck database.

The Federal Deposit Insurance Corporation has a section on its website (Money Smart for Young Adults) dedicated to providing basic financial information for young adults ages 16 to 24.

For personalized advice, consider working with a professional financial adviser, especially one who operates under a fiduciary standard, meaning they are legally required to act in your best financial interest.

The Financial Planning Association is the membership organization for certified financial planner (CFP) professionals. Search for a CFP online at plannersearch.org. The National Association of Personal Financial Advisors (napfa.org) can put you in touch with a fee-only planner. You could also check the National Association of Insurance and Financial Advisors (naifa.org).

Aim for 15%: Try to contribute 15% of your gross income, which would include what you put in and any company match.

Sure, that's a lot of money for someone starting out, so save as much as you can. Increase your contribution automatically every year or whenever you get a raise.

Grab the free money: If your employer offers a "match," you need to contribute enough to get every single penny of the match. It's essentially an immediate 100% return on your money. Don't leave money on the table. You wouldn't tell your boss, "No thanks, I'd prefer you keep 3% of my paycheck." Get the money to boost your retirement savings.

Don't fear the market: Invest in a low-cost mutual fund.



Although the stock market can take wild swings up and down, over time, it's the most proven way to beat inflation and grow your wealth.

Keep investing even when the market dips. View it as a "flash sale," giving you the opportunity to buy shares at a discount.

In your 20s, you might think you can't afford to save because your entry-level salary is tight. But let me tell you: It's much harder to start saving in your 40s when you have a mortgage, a car payment and children to feed.

The longer you wait to start saving, the harder it may be to develop the habit.