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Financial Advice for New Grads

Tuesday May 22, 7:00 am ET

By Christine Benz

Whether you're recommending a career in the plastics industry or touting the virtues of w natural time to share advice with any young people in your life.

For example, I plan to tell my newly graduated nephew to travel as much as he can while about good food and expensive hotels. I'll also share with him my very favorite piece of g Don't waste your time worrying about what other people think about you, because they're much at all. That may sound odd, but as a self-absorbed teenager, I found it reassuring t wasn't paying nearly as much attention to me as I had imagined.

Because graduation often coincides with other life changes--including new jobs, moves, a relatives--it's also a great time to share financial guidance with any young graduates in yc of your own, but here are some of my best ideas for getting off to a good financial start.

1. Seize the day.

Although most new graduates aren't yet pulling down big salaries, the post-college years solid savings foundation. The young person in your life may have received some cash gif save at least part of the windfall. And if they were accustomed to living on a shoestring bu apt to find it fairly easy to save part of each paycheck once they begin working, even if th low. The fact that many new graduates live at home for the first year or two after school p sock away some cash. To help sell your new grad on the merits of saving, share a story a able to do or buy because you had saved money for the future rather than spending it rig

2. Start small, but get started.

Young people might assume you need to have deep pockets to be an investor, but let the definitely not the case. Some terrific mutual funds will let you in the door for as little as \$5 help you identify low-minimum offerings with other attractive attributes, such as low costs

Even if market returns are fairly paltry over the next few decades, the benefits of getting a substantial: The 21-year-old who starts saving \$1,000 a year and earns an annualized 5% \$150,000 when he turns 65; were he to wait even five years to begin saving, he'd have o retire.

3. Invest on autopilot.

Even investing veterans can attest to the fact that it's difficult to invest with discipline. As i to buy low and sell high, it's a lot more fun to be an investor when everything's going up tl Investing on a regular schedule is a particularly big challenge for young people, who can their hard-earned cash.

That's why I'm such a big fan of automatic investment plans, whereby you agree to invest new graduate has landed a first job, urge him or her to take part in a 401(k) or any other c type of auto-invest plan. Because the participant's money is deducted from his or her pay are particularly painless for young savers. A number of mutual fund companies also allow low minimum if you sign on for an automatic investment plan; T. Rowe Price will let you ir

invest just \$50 a month.

4. Use credit wisely.

We've all heard about how banks bombard teenagers with credit card offers, and many of them use plastic for years. Those offers will only increase once the new graduate in your life lands ; be offered ever-higher credit limits. Because building and maintaining a good credit histor everything your new grad might choose to do in this life--from buying a house or car to re good time to review the dos and don'ts of managing credit.

Yes, a credit card can be handy in emergencies, and it makes sense for each person to e own name. But keep it simple: A bank account and a single major credit card is all you re history. Urge the young person in your life to keep a running tally of any charges he or sh importance of paying your balance in full each and every month. To drive the point home, "reverse savings accounts" if you carry a balance--that is, the interest rate you pay on yo earnings from any money you manage to save or invest.

5. Know the real meaning of prestige.

Whether it's an iPod or an Izod (those alligators are back in style, you know), young peop places on status symbols. But those status symbols can be illusory: The person driving th verge of bankruptcy, while the one in the 17-year-old station wagon could pay cash for 2C

Some people never learn this lesson, but you're on a slippery slope if you start defining y and the illusory "status" they confer. If you always need the newest, most expensive car, that floats your boat), you can easily set yourself up for financial disaster--or, at the very l build real wealth.

A version of this article appeared June 7, 2005.

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