

# money guides

## Welcome to the Real World

No, not “The Real World.” The real real world. School’s out, finally, and even before your mortarboard hits the ground, people are going to start treating you like an adult. That’s a good thing – but it also means a whole new set of hassles.

Don’t worry. Just like school, a lot of them are easier than they seem when you’re starting out. Click ahead for a little mini-guide to life beyond those ivy-covered walls.

### Welcome to the Real World : Student loans: It’s payback time

So you’re out of school – congratulations. Of course, that also means that it’s time to pay your tab. (Sorry.) Your first question is probably something along the lines of “How in the world am I going to pay back all that money?” And it’s a good question, too.

In fact, you may want to ask it at your exit interview, which you’re entitled to by law if you’ve received student loans. This is simply a time to meet with a financial aid advisor to discuss your repayment obligations and options. We know it’s a busy time for you, but take advantage of the opportunity. It’s a chance for you to learn more about your obligations and how you can make payments easier on you.

### Some other things you should know about:

**Amazing grace periods:** The first thing to know – if only to stave off hyperventilation – is that you’ve got time. Not a lot of time, granted, but student loans generally come with a grace period of about six months after you leave school and before you have to start paying. It doesn’t matter if you graduate, quit or just take some time off; six months is six months.

Don’t blow it. Organize your finances, evaluate your options. If you plan to go to graduate school, ask the lender to defer your payments until after you finish. If you’re unemployed, you can ask for a deferment until you find a job.

**Paperwork:** You’ll have plenty of this – for your loans, for your taxes, for a lot of things. We’ll get into this more in a later lesson, but for now, just make sure you create a file of all the important loan paperwork, and keep it someplace safe.

**Repayment options:** Depending on what you can afford, there are plenty of ways you can arrange to pay back your loans. If you can do it, the standard payment plan gets you the lowest total loan cost. Other options include:

- **Graduated payment plan:** Payments start small (like your salary), then get bigger over time (let’s hope the analogy holds). It’s a convenient option for you now, but it’ll cost you more in interest payments.
- **Income-based payment plans:** Similar to the graduated plan, but the monthly payment amounts are tied directly to your income instead of rising gradually no matter what your income.

- **Extended repayment:** Allows you to make smaller payments for a much longer period of time. Of course, the longer you owe money, the more interest you pay, and the total amount in the end goes up dramatically.
- **Consolidation:** This option may actually lower the total amount you pay. If a lender can offer you a lower interest rate, and combine all of your loan payments into one convenient payment, you could save a lot of money over the life of your loan.

**Default logic:** You may be tempted to blow off your loans. Don't. After six months of nonpayment, your school will send the collectors after you, your credit rating will be shot (for the next 10 years) and the IRS will withhold any tax refunds you might be entitled to. All of which means you won't be able to get a decent car loan down the road, or a mortgage, or a credit card, and those are the better scenarios. Seriously, don't default.

Just. Don't.

**Owe less:** So you're unemployed (AKA, English Major's Disease). That doesn't mean you can't chip away at those loans. By volunteering for certain government projects, you get money to cover financial aid. Consider these:

- **Peace Corps:** Travel the world, help people rise above poverty, and – oh yeah – cancel a substantial portion of your Perkins loans. By joining the Peace Corps, you can get a 15% cancellation on each of your first two years and 20% on your third and fourth years. That's a 70% reduction for four years of service. Just make sure you contact your lender in advance of your term of service to receive your cancellation credit.
- **Americorps:** If you like the idea of the Peace Corps but don't want to leave the country, Americorps is for you. Get up to \$7,400 for living expenses and, after a year of satisfactory service, \$4,725 to be used toward education. The education award can be used for future education or to pay off loans.
- **Military service:** All five branches of the military offer education assistance programs. Check with your local recruiter to find out how they can help you.
- **Teaching:** Depending on where and how long you teach, you can get complete loan cancellation or at least a deferment of some loans by filling some understaffed teaching positions, including teaching in schools serving low-income students or teaching certain subjects in which there are a shortage of teachers.
- **Legal and medical service:** If you choose to study medicine or law you can rack up some hefty education loans. There may be a way out; check around for programs that offer partial cancellation of loans for public service.

## Welcome to the Real World : Finding a job

You just spent four years of your life – maybe more – working your tail off. Now that you're done, all you really want to do is relax. Well, resist that urge. It's not time yet. If you're like most people, you need work, and you didn't come this far just to end up in a miserable, dead-end job.

Finding the right job is a huge project. It requires dedication, thoughtful examination, self-knowledge. Oh, and work – it requires work. Keep the following things in mind as you move out into the job market:

**Start Looking:** The first step in any journey is, well, the first step. In this case, your first step is to start looking for work, and right now. Sounds simple, but you'd be surprised how many people have trouble with this one.

Stop by your school's career center. If you get a great job, you have more money to kick back to the school as an alumni donor, so let's just say they're motivated to help you out. Sign up for on-campus interviews. Recruiters from major companies often visit college campuses looking for good prospects, and you're a good prospect.

Consider contacting a headhunter – it could be expensive, but it's a good way to get good job leads. And anyway, it's never too soon to start a relationship with someone whose job it is to fill employment holes.

In the end, that's the biggest thing – knowing people who know about jobs. You're probably sick of the word networking, but it's overused for a reason – because it's important. Look, nobody's going to hire you if they've never heard of you, and the best way to get your name out there is get help from other people.

Send an e-mail stating exactly the type of job you're looking for to everyone you know. If you're realistic about your prospects, you'll be amazed at how supportive your friends, family and even casual acquaintances can be. Everyone's been where you are now.

**What job do I want?:** We hope you considered this question before you sent that e-mail. Figure out what you want to do right now, and have some idea what you want to do in five years. Beyond earning a paycheck, what do you want to get out of a job? What skills do you want to learn and what experiences do you want to gain? Look past your first job to the next step of your career. What job will get you closer to that step?

Also, while money's important, don't fixate on salary. Good experience at the start of your career will help you get the salary you want down the line.

**The resume:** This is the first thing anyone's going to ask you for, so you'd better have one ready, and a good one at that. Yes, it stinks that your whole life comes down to one sheet of expensive, cottony paper, but the fact is it's the quickest way for an employer to size you up. Include only relevant information: education, work experience (paid or unpaid), other applicable experience outside of work, and any awards you may have received that attest to skills applicable to the job you are seeking. Don't list your hobbies unless they're relevant. Ditto your myspace screen name.

It should read well. Use action verbs – “managed all inventory,” rather than “in charge of all inventory.” And be concise. We know your experience is limited at this point and you may be looking for ways to fill out the page, but don't use four sentences where you can use one. It's just as irritating on a resume as it is in real life.

Oh, and make it look good. For all intents and purposes, your resume is you. If it's disorganized, you look disorganized. If you've got typos in there, you look ignorant. But if it's clean and well-thought out, you look, well, like someone worth hiring.

**The interview:** Your resume can open doors, but you still need to sell yourself in person. That's where the interview comes in.

The key to success in an interview is to be prepared. Know the company and the industry. More importantly, figure out where you fit in to that picture. How can you help the company? You may be asked exactly that.

Be ready for the standard interview questions – the ones everyone hates. What's your biggest weakness? Where do you see yourself in five years? Just because they're unimaginative questions doesn't mean you shouldn't have good answers ready. Trust us, people will ask them.

And have some questions of your own ready: about the company, about the job, about the opportunities for advancement. (Not about the salary – that's presumptuous.) You want to leave them with the impression that you've thought about this job – i.e., that you care.

**Have offer...will travel?:** How far are you willing to go in pursuit of your dream? Give it some serious thought. Depending on your goals, your decision may be made for you – if you want to be a fashion designer and you're in North Dakota, you may need to extend your search, you know what we're saying?

Of course, moving brings with it new considerations. Thirty grand a year may be a pretty good starting salary in Indianapolis, but if you want to live in, say, New York City, it could be tough to get by. Of course, we don't know how you like to live – you do. Just make sure you factor in cost of living when you consider taking a job elsewhere.

## **Welcome to the Real World : Paperwork and taxes**

We already mentioned the paperwork involved with your loans, and by now you know to hang on to that stuff. Unfortunately, out here in the real world, there's a whole lot of "stuff" to fill out, turn in, and hang on to a copy of. And once you get a job, the stuff just mushrooms. Here's a quick overview of some of what will surely clog your filing cabinet (or a shoebox in your closet, whatever):

**The W-4:** Every new job you get, you'll fill one of these out – in fact, you probably already have. It's the one where you claim dependent exemptions – if you're single and childless, you probably claimed either 1 or 0. Those exemptions determine how much money is withheld from your check. Remember: the more money they withhold, the less you owe next April – and vice-versa.

**The I-9:** If you've done a W-4, you've done an I-9. It's the form that ensures that you're a United States citizen or, if not, that you're eligible to work here. Have some ID ready for this one.

**Health Insurance:** Health insurance benefits good. Health insurance forms not so good. If you're lucky enough to have an insurance benefit, you'll need to wade through these things, and there's no real way around it. Get help from Human Resources if you're confused – it's their job to understand this stuff.

**Paycheck:** Don't be thrown if your check has less money than you expected – a lot less. That salary that you've been promised is pre-tax. The federal government withholds Social Security tax, Medicare tax and your federal taxes. State and local governments usually dip their beaks in as well.

Oh, and there's the portion of health insurance that you're responsible for —it gets taken right out of the check. And a 401(k) contribution. Couple other things too, no doubt. Point being, not all that money ends up in your pocket. That doesn't mean you're being ripped off – it just means you should pay attention – and expect some skimming off the top.

**Taxes:** Like we've said, by the time they hand you your paycheck, you've already paid taxes – just not all of them. Come the spring, when the flowers are in bloom, chances are you'll find yourself parked at the kitchen table, poring over even more forms. Be ready for this.

Sometime in January, you'll get a W-2 – that's the summary of everything your employer paid you during the past year, including things like that 401(k) and other things that don't quite feel like money at this point in your life. Once again (say it with us), hang on to this. You'll need it to file taxes in April.

Of course, the W-2 is just the beginning. There's plenty of paperwork for you to keep up with, and plenty of other stuff too. For instance, if you're going to itemize your deductions, you're going to need to keep receipts from throughout the year to prove what you spent on stuff like medical expenses, moving expenses, charitable donations, even job search expenses. When in doubt, hire someone to help you. The hundred bucks you spend today may seem like a lot, but it'll be money well spent if it helps you save more than that on taxes – to say nothing of avoiding a penalty from the IRS for improperly submitted taxes. If you do decide to go it alone, make sure you read the fine print and know which deductions you're eligible for, and which ones you're not.

## **Welcome to the Real World : Budgeting**

Now that you've got a steady paycheck, you need to figure out what you're going to do with that money. [Click here](#) for a basic discussion of how to budget.

**Good spending habits:** Did you catch how we worded that? You need to figure out what you'll do with the money. Not how you'll spend it. That was no fluke. Just because you've got some cash now, doesn't mean you need to spend it – not all of it, anyway.

Be smart. Review your budget. Save money. If you already are, see if you can save more. If you have school loans, try paying a little extra on them. Since your money and your debt have a long time to grow, every little sacrifice you make today will pay off much larger in the future.

**Rearrange your priorities:** Those sweat pants and thrift-shop jackets from college probably won't cut it in your new job, and you may need to spend more money on clothes. So where does money come from? That's for you to decide – but it's a decision you have no choice but to make. Maybe it's time to cook more and eat out less. Have friends over for drinks rather than meeting in bars. Make the DVD player your friend. Whatever you do, you'll have to decide what's important to you, and what's less important. And that's where the budget gets going.