Financial Advice for the New Graduate

Now that you have graduated or are about to, you are probably looking for a job or better yet, maybe you have found one. I know you have lots of plans for the money you are going to make, but if you didn't take financial planning 101 in university/college, here are some important tips to guide you.

Tip #1: The Student Loan (If you don't have one, skip to the next section.)
Most post-secondary students need a loan in order to afford the increasing costs of university/college. If you have debt, this is a good time to visit a financial advisor who can set you on the right financial path. Maybe you have several loans at different institutions or your parents may have borrowed money to help you complete your studies. You may have other debt such as credit card debt or a car loan.

A financial advisor can consolidate your debt into one payment with a lower interest rate saving you a lot of money over the life of the loan.

The best advice I can give you is to pay off your student loan as quickly as possible whether the interest rate is high or low. The longer you stretch out your payments, the more interest you will pay. Also, a student loan is unsecured debt. You will probably need to borrow money again in the near future for a car or even a house, but if you have too much unsecured debt, you may not qualify.

Tip #2: Why a savings can really save you.
Someone has probably told you this before, but here is why I'm telling you again. You might as well face reality now. There is no quick "get rich" scheme. The only way to get money is to put money aside. Save it and then invest it. Don't pay interest, get interest.

Most financial experts including myself will tell you to save at least 10% of your income preferably with automatic deductions from your pay cheque or chequing account. I have done this since I first started working and I can testify it works. The only way you are going to have money to invest is if you save it first. Of course, part of your savings should go towards an emergency fund. You should never invest any money until you have up to three month's worth of expenses saved. You never know when you might need a few extra dollars.

Tip #3: Credit Card?
It is as simple as this: If you can't pay the balance in full every month, you shouldn't apply for one. Instead, consider a low rate line of credit with a Global MasterCard Payment Card attached. A Global Payment Card displays the MasterCard® logo and is accepted anywhere MasterCard® is accepted. Rather than acting as a credit card, it draws on your chequing account or line of credit. It can be used for retail purchases or to access funds through an ATM. It may also be paired with a CHOICE REWARDS points program to earn travel & merchandise. Interest is charged only on overdraft amount or amount on your line of credit. Global Payment Cards come with Accidental Death Insurance, Common Carrier Accident Insurance, Purchase Protection, Extended Warranty Plan and MasterRoad Assist.

Tip #4: Invest in your future.

This is the best time to start investing because the longer you invest your money, the more time it has to compound and grow. For example, if you can earn 8% on the money you invest, your money will double in about 9 years, quadruple in about 18 years. In about 27 years it will have grown eight times. Convinced yet? I hope so.

If your employer has a retirement plan, participate as soon as you are eligible. Many employers match a portion of your contribution. That's a lot of free money. Retirement may be a distant speck in the horizon, but if you start saving now, you just might retire a millionaire. Whatever you do, invest the maximum your employer will match. You automatically get 100% return on your money. Where else can you get a 100% return? You should also consider investing in an RRSP (registered retirement savings plan). Your contributions are tax deductible and the income earned is tax sheltered. This means you can reduce the amount of income tax you have to pay for the year in which the contribution is deducted and postpone paying income tax on earnings generated from investments until they are withdrawn.

If you don't consider yourself an expert on investing, you should speak to a financial advisor, who can determine your investment objectives and risk tolerance and spread your risk or diversify your investments. Maybe you will start with a mutual fund. Later you may decide to choose individual stocks or invest in real estate. There are many options and a financial advisor can provide guidance.

Tip #5: Where does my money go?
Receiving that first pay cheque is a euphoric moment, but you may be surprised with the figure. Thanks to deductions such as income taxes, employment insurance, health plans and Canada Pension Plan your gross pay and what you actually receive in your bank account are different. Also, you will be taxed on any employee benefits. For instance, your employer may contribute towards a gym membership or you may receive a bonus, etc. These are important things to know when you are creating a budget, which you should be doing by the way. It is actually the final tip.

Tip #6: Planning For Your Future.
A budget allows you to see what you are making and where your money is going. It helps you set goals to work towards. Are you saving for a down payment, a new car, building a home? Where do you see yourself in five years? Are you planning on getting married, having kids? Making a budget and planning ahead will put you in control of your finances. Budgeting isn't fun, but it can keep you out of debt and help you achieve your goals.

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