Graduates need to set savings goals, experts say

By Linda Holmes
Staff Reporter

Save, save, save is the advice financial experts are giving graduating college seniors.

Lynn Roper, financial consultant for Merrill Lynch Pierce Fenner & Smith, Inc., said saving money is the most essential habit for a college graduate to have.

"The habit of saving money has got to be started right away, every time you get paid . . . instead of paying everybody else and then not having any left," Roper said.

Graduates should set short-term, medium-term and long-term saving goals for themselves, Roper said. Putting $10 into a savings account every pay day, then increasing that amount gradually, is a smart way to start, she said.

Decide how much money you want to have saved by a specific date, she said.

Roper said graduates should put money into a money market account instead of a certificate of deposit where it is locked up for months or years. Roper said the money market accounts are easier to access. One guideline, Roper said, is to save three months' income in a liquid account such as the money market in case of emergency.

A medium-term goal is to pay off student loans and any other debts such as car loans or credit cards, she said.

Paying interest on credit-card debts is poor financial management, Roper said. Lenders look at a person's credit history, and they won't lend money to someone who has large credit-card bills and is unable to pay them off immediately, Roper said. Society pushes everyone towards debt, she said, but no one should use a credit card unless he or she can pay it off right away, she said.

Roper said long-term goals for a graduate would include starting an Individual Retirement Account and saving money for a down-payment on a house. Roper said down-payments are usually 10 percent of the actual price. The interest paid on a mortgage for a house is the only interest that is tax-deductible. Investing in a house is impossible for most graduates for more than three years, she said.

However, Roper said, paying off debts is important before investing in a house.

"Many, many, many people take on all those debts at once and really get bowled over, and then they actually are married to their job and they can't move because they've got so many debts," she said.

People have much more freedom when they get out of debt and stay out of debt, she said.

Graduates should start an IRA as soon as they are through completing short- and medium-term goals, Roper said.

"The compound value of money and time is fantastic," she said. A thousand dollars put into an IRA at 8 percent interest would accumulate to more than $3,000 in 15 years, she said.

Once a cash reserve is built, a person may want to invest in riskier investments like stocks and bonds, she said. The safest equitable investment is a mutual fund, she said. Mutual funds rarely shift drastically because they are controlled by a large pool of investors.

Bud Cuca, vice president and compliance director of Ameritas Investment Corp. in Lincoln, said graduates should save $4,000 to $5,000 depending on their standard of living. After developing a savings base, one should look at stocks.

Cuca said graduates who want to research any mutual funds should look at the Weisenberger Mutual Fund Report, which gives a one-page detailed story and investment objectives on every mutual fund available, Cuca said.

He said graduates who marry right away should save a little more money than those who are single.

"The bottom line," Cuca said, "is that you have to assess what your orientation towards risk is."

Cuca said people have to decide what their individual needs are. He said college graduates usually don't have too many tax problems or safety problems as those close to retirement do.

Cuca said when people are a savings base and are ready for frozen assets they should think about certificates of deposit, which have a higher yield base than money markets.

Cuca said someone who isn't disciplined enough to save money in a money market fund should consider life insurance. Married people have a moral obligation to have life insurance, he said.

The purpose of insurance is to protect but most college graduates

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40 percent more.

Stall said tenants need to consider utility costs. They need to find out how much the utilities usually cost and who will be paying for water, electricity, gas and refuse service.

Bethel said usually landlords pay for the water and refuse service and renters are responsible for electricity and gas.

Stall said it's important to check out the heating costs before renting. Stall said the gas company will release information on how much it cost to heat a certain address in past months.

Before signing a lease, Stall said, it's a good idea to take an inventory of the apartment to assess its condition.

She said by having the landlord and tenant sign the inventory, tenant can protect their damage deposits. She said a signed inventory can serve as evidence in small-claims court.

The booklet also has many helpful examples such as sample roommate agreements, inventories and leases, Stall said.

Stall said there are two types of leases: term and month-to-month. She said a tenant should try to avoid signing a full-year lease or should try to negotiate it down. She said problems can arise if the tenant needs to move out. If the landlord cannot find anyone to move in, Stall said, he or she could sue the tenant for the rent of the months remaining on the lease.

Stall also said tenants should ask the landlord to strike out any clauses of the lease that they are uncomfortable with. However, she said, anytime a lease takes away tenant rights specified in the law, the state law will prevail.