



## Budgeting Advice for New College Graduates

I remember thinking when I was in college that life would be perfect if I could just earn \$1,000 a week. Naturally, the average starting salaries back then were about half of that. I am pleased to report that this year's 2.25 million students, who earn a bachelor's degree and enter the workforce, can expect to earn (on average) about \$50,000 per year. [This year's college grads will be entering into a more desirable environment than in years past with higher pay and more full-time job openings.](#) The unemployment rate is at a 50-year low of 3.7%, but the unemployment rate among college graduates is only 2.1%.

Pay scales for new college graduates vary widely by discipline and major. Starting salary projections range from almost \$70,000 for engineering majors to around \$35,000 for child development majors. I was recently at a pre-school graduation where each child was asked, "What do you want to be when you grow up?" Surprisingly, not one of them said "I want to be an engineer." Apparently, despite the good pay, engineering is not as glamorous of a career as becoming a professional baseball player or being a mommy; the two most desirable careers among preschoolers.

### Learn to Budget Before Making Any Major Financial Decisions

Let me offer this piece of advice to newly minted college graduates: do not buy a car, rent an apartment, or make any other big expenditures without budgeting first. Learning how to budget and save may be your biggest determinant of financial success after getting that first job. New college grads are so excited to go from earning nothing to earning something that they frequently overestimate what they can afford, and end up [having to move back in](#) with their parents. Developing a budget ranks right up there with getting a root canal and cleaning out the garage on most people's lists of favorite activities. In my opinion, budgeting is key to financial success, but the good news is, it's not difficult.

This is especially true today as there are plenty of budgeting programs available. Although I never underestimate the power of the simple yet widespread pencil and spiral bound notebook method, this approach does not always work for everyone. A friend of mine said he turned his financial life around, giving credit and glowing reviews to this program: [YNAB \(You Need A Budget\)](#). I have since adopted this same program in my own household and have recommended it to dozens of friends and clients.

### Your Most Important Budget Category

Whatever method you use, budget category #1 should be "savings." Save first; then figure out how much you have left to spend. The opposite approach does not work. Take my word for it. The minimum level of saving should be 10% of your income regardless of how much you earn. Also, don't forget to budget for student loan repayment if you had to borrow your way to graduation day. The average graduate this year will have over \$30,000 in student loans, and repayment typically begins six months after graduation.

## Final Thought

You may be wondering whether four years of college is worth the time, effort, and expense. This topic was covered in a previous post: [Is College Worth the Cost?](#) The bottom line is, yes, the investment in education is still likely to pay off. However, don't be discouraged if you are one of the 67% of American adults who do not have a degree. Only 5% of job openings are geared toward new college grads, and the fastest growth in employment opportunities are for jobs that do not require a degree. Besides, [seven-year-old Ryan Kaji made \\$22 million last year reviewing toys on YouTube](#). This young entrepreneur doesn't have a degree and gets to play with toys all day. That certainly sounds like more fun than studying engineering.

Have a great weekend.

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