

Welcome to the real world: financial advice for college grads

BY ERIC J. ZIMMERMAN
SPECIAL WRITER

Congratulations on graduating from college. You've just earned a shot at financial independence. However, while the new job you secure may produce a paycheck that is substantially more than your parental allowance or income from your part-time job worked during school, you new-found freedom comes with a hefty price tag. If you didn't learn money management in college, now's the time to do your homework to plan for your future.

Price of Independence.

A new budget should always accompany any new job. First, calculate all of your monthly fixed expenses, such as rent, utilities, auto expenses and minimum credit card and student loan payments. Compare it to your net income.

Next, analyze your discretionary spending habits. If



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you're spending more money than you have left after paying your bills, you need to cut back. You may want to consider getting a less expensive apartment, finding a roommate, limiting your entertainment expenses and even making small changes, such as buying a coffee maker to cut back on your Starbucks bill.

If you're like many new grads, you may have accumulated credit card debt while you were in school. If you owe balances on high-rate cards, look into transferring the balances to a lower interest card. You may also be carrying the burden of student loans. The good news is that on July 1, 2001, the interest rate on federal Stafford loans

dropped from 8.19 percent to 6 percent.

This rate will remain in effect through June 30, 2002. You may also be able to reduce your payments if you qualify for the Federal Direct Consolidation Loan program. Although it would lengthen the payment time, it could free up extra cash each month to pay off your high-interest credit card debt.

Another thing to consider is taxes. Remember you may now file an itemized tax return that may include deductions like job-hunting expenses, professional association dues, moving expenses related to starting a new job and charitable contributions when completing your taxes. You may also have moved to another state after graduation. In that case, be prepared to file tax returns in each state in which you resided.

Finally, try to stash away some money for cash reserves and retirement. When saving up

emergency cash, aim for at least three to six months' worth of living expenses. This is to cover unexpected expenses from job layoffs to auto repairs. You may also want to start saving for a place of your own.

Long-term financial objectives, such as retirement, may be difficult to focus on now, but it's important to start early. Through compounding interest, dollars put away in your 20s and 30s can be worth a lot more than those saved later. For example, if you saved \$100 a week starting at age 25 and earned an 8 percent return, you will have about \$400,000 more at age 65 than someone who waits until age 35 to start saving. (The hypothetical rate of return is for illustrative purposes only and is not meant to represent the past or future returns of any specific investment or investment strategy, or to imply guaranteed earnings. Actual rates of return will fluctuate.)

Master money management

If you stayed in college longer, or continued onto grad school, you may be making more money right out of school, but you'll still have to manage your money wisely. The budgetary and savings principles for four-year grads also apply to this group.

First of all, the longer you stay in school, the more debt you are likely to have. Law and medical students have some of the largest student loans to pay when they graduate. Your credit card debt might also be higher than someone who just went for a four-year degree. With the money you're making now, it's key to aggressively attack that debt.

You may feel confident about your current earnings, but what would you do if those paychecks suddenly stopped? Health insurance is your first priority, as hospital bills can be extremely costly adding to your already

significant debt. If you're not covered under a group plan, see if you can join a trade association that offers group-rate policies. Disability and life insurance are the next logical steps, but are greater concerns if you have dependents.

Disability insurance can typically replace up to 60 percent of your income if you can't work for an extended period due to illness or injury.

Making it on your own financially may involve issues with which you are not familiar, so don't be afraid to get help. Ask your parents or family members for advice, and seek help from a qualified financial advisor in your area.

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Exercise caution around strange canines and avoid dog bites

The Michigan Humane Society marks National Dog Bite Prevention Week, May 19-25, with tips for pet owners and non-owners alike.

It suggests that owners spay and neuter their dogs as well as socialize, train and supervise them.

According to the Michigan Humane Society, nearly 4.7 million people are bitten by dogs every year. About 60 percent are children.

Dog bites generate about 330,000 trips to the hospital

emergency room nationwide every year. Dogs most likely to bite are those with little attention or proper handling.

The Michigan Humane Society also suggests:

■ Use caution around a dog you don't know.

■ Respect a dog's space. Never enter a strange yard or reach over a fence to pet a strange dog.

■ Never surprise a dog, especially one that is eating, sleeping or caring for pup-

pies.

■ If a dog threatens you, avoid eye contact, stay motionless and keep your hands at your side. Teach children to stand still and "be a tree" if approached by a strange dog.

■ Dogs rarely attack without warning; potentially dangerous dogs may stare straight ahead with hair raised and teeth bared or they may growl, snarl or snap.

■ If you are knocked to the ground by a dog, pull your knees to your chest and protect your neck.

Stroll for Epilepsy Foundation

The Epilepsy Foundation of Michigan is accepting registration for its 10th Annual Summer Stroll for Epilepsy.

The event is scheduled for June 1 at the Detroit Zoo, located on Woodward at 10 Mile in Royal Oak. Registration forms and donation kits are available by calling the Stroll hotline at (800) 377-6226.

A minimum donation of \$40 is required for adult participation. The average amount raised by each stroller is about \$160.

"Team Spirit" is this year's theme. Prizes will be awarded for the team with the best shirt design, as well as the largest team, most experienced team and youngest team. The team that raises the most money will receive the first prize trophy.

Strollers who raise \$100 or more in donations will receive a commemorative Summer Stroll for Epilepsy shirt. All strollers who raise \$1,000 or more will receive a special Summer Stroll 1,000 Club denim shirt.

A grand prize of round-trip airfare for a family of four to Orlando, Fla., will be awarded to the individual with the highest donation amount over \$1,000.

A continental breakfast will be served to all participants before the walk.

Epilepsy is a seizure disorder

that affects one in every 100 individuals. There is no permanent cure for it. Event proceeds help support Camp Discovery, Family Activity Days, support groups, Living Well workshops, peer to peer phone network, "Winning Kids" programs and statewide consultation and referral services, seizure first aid, training and advocacy.

For more information, call Meg Callow, development manager, at (248) 351-7979, ext. 217.

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- Meet artists and learn about their work.
- Many galleries will provide food and refreshments.

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