College graduates must budget accordingly before and after landing that first job

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Millions of recent college graduates are blazing their path into corporate America, but many are not prepared to be on their own financially after graduation, and most don't know much about personal finance.

However, the outlook is good. It's the best entry-level job market since the dot-com collapse in 2001 and the starting salaries for such industries as economics, finance, accounting and business management are up, according to CNNMoney.com.

Now that you are in such high demand, it's time to leverage yourself and your abilities. Start your job search as soon as possible to get the pick of the job litter and possibly to negotiate for signing bonuses, a better benefit package or a higher salary. But be careful not to "over-negotiate" by giving a laundry list of your desires until you've actually been given an offer. It is important for the company to want you first — and then make your requests.

Think long-term: Prepare for that nest egg

It may seem silly to even think about retirement before you've landed your first job, but it is important for young people to save since they have time on their side. Here's how to do it, even if you are on a limited income and have student debt repayments and credit cards coming due:

First, put together a budget of your expenses and set aside the fixed amount each month for the revolving bills. Then, assess your remaining income and put aside a set amount each month in a savings or investment account. By making this a fixed expense, such as rent or a car payment, you'll regularly pay yourself — and build your future nest egg. You'll find that routine expenditures are easy to set aside once you get into the routine of doing it. Automatic deductions from your bank account or automatic deductions from your paycheck make it even easier to not make excuses about why not to contribute to that retirement or savings account.

Consider this: If you contribute $4,000 a year to a 401(k) program for 10 years from the age of 25 to 35, you will have approximately half a million dollars in your account by the time you retire, even if you don't make any more contributions.

The main lesson to learn is to invest as soon as you can in a 401(k) program. Make sure that if your company has a retirement program, you snap up that free money. Not all employers make matching contributions but if your company does, that money can be built to a significant amount of income in retirement. That money does go with you if you change jobs, and is an easy matter to sort out with the personnel office after you've accepted the job.

Even if your company doesn't offer a retirement plan, you can still save some money with an individual retirement account (IRA) or a Roth IRA. The Roth IRA is built with after-tax dollars so it makes it easier to save and withdraw money when needed. But the advantages come at a price: Contributions aren't tax deductible. A traditional IRA gives you a tax break on current contributions but taxes accumulate at withdrawal — so if you don't need the tax benefits now, tax-free withdrawals in retirement can make the Roth IRA a better choice for many investors.

Due to the nature of the complexity of these accounts it is important to talk with a financial adviser about what is best for you.

Buy insurance and plan for unexpected expenses

It is important to set aside money now in anticipation unexpected expenses such as a wedding gift, a lay-off or an unplanned trip. Many young adults just out of school spend right up to the last dime and have to borrow when unexpected expenses pop up — which can result in high interest rates or an embarrassing call to your parents. It is also important to consider purchasing health, life and disability insurance.

For more information, contact Coghlan Financial Group at www.cfgretire.com.

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