

# MONEY MANAGEMENT FOR YOUNG ADULTS

**I**f you are entering college or starting out on your own, you are likely concerned about having enough money to meet your expenses. You will want to manage your finances to cover your basic needs and, ideally, have money left over for savings as well as for play.

If you have not done so already, you might want to discuss your monetary concerns with your parents or another trusted adult. Perhaps your parents could take you with them when they visit their CPA to review their taxes and current financial situation. Financial advisers such as CPAs can help you understand what you'll need to do to prudently manage your monetary resources. You could also take classes in financial management or read books on the subject.

## FOCUS ON BUDGETING

By developing a budget, you can control your money and limit your spending. A good starting point for creating a budget is to list all your sources of monthly income—job earnings, savings and parental support—and then list your estimated expenses for the same time.

Realistically identifying your living expenses in advance can be tricky. If you are on your own, you will have to pay for rent and utilities as well as food. Even if you live with your parents, they might request that you pay them for room and board when you have your own job. If you are attending college, whether full- or part-time, there are tuition, book fees and other educational costs. Also, consider expenses such as meals; entertainment; personal care items; laundry; telephone and Internet service; cab rides or car expenses; and clothes. Remember, budgets need to be flexible and can be revised after the first month or two.

Next, total your income and expenses. If your expenses are greater than your income, you need to find ways to increase your income stream, perhaps by taking on a part-time job or by reducing spending.

## OPEN A CHECKING ACCOUNT

Everyone needs a checking account. You'll pay most of your bills by check, either the paper kind or through online transfers from your account to a biller such as a utility or, even, a

credit card company. Try to locate a bank or a credit union near where you live or work that offers free or low-fee checking and has several convenient ATM locations to reduce out-of-network ATM fees. If possible, have your employer directly deposit your paycheck to your account. That will save you the hassle of having to deposit your paycheck in person.

Everyone should know how to balance a checkbook. It's a tedious job, but it's cheaper than bouncing checks. Find someone you know who can show you how to manage a checkbook so that the process will be familiar. For students who are attending college out-of-state, it is important to understand that out-of-state check deposits take a few days to clear. You might also want to invest in a software program that can track your payments and expenses as well as show you areas in which to economize.

## USE CREDIT CARDS WISELY

With credit card companies aggressively targeting young adults, credit cards can be a major pitfall. Consider the pros and cons of using a credit card. For example, having a credit card for emergencies and for building a credit history is a good idea. But for some, access to credit is an invitation to overspend.

If you decide to get a credit card, be sure you understand how credit works and the importance of charging no more than the amount you can comfortably afford to pay each month. Consider using a debit card for everyday expenses and reserve the credit card for true emergencies. Debit cards can give you all the convenience you need but are limited to the amount of money in your bank account.

## SMART SPENDING SAVES DOLLARS

You can keep spending under control by looking for low-cost entertainment. Also, joining clubs and organizations ensures that you will have something to do and someone to do it with, and the expenses are far less than what could be incurred on a weekend shopping spree.

Learn to comparison shop and economize. Clipping coupons, purchasing used goods, sharing cab rides, buying generic brands and renting DVDs instead of going to the movies



are just some of the ways a savvy spender can save money.

Managing money is an important part of adulthood. Budgeting, smart spending and limiting credit card use are excellent lessons that will help lead you toward a healthy financial future. 🌱

