



Legal Insurance



Welcome to the **Workforce**

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Congratulations! You've finished school, moved out of your parents' home and found your first job — all of which are major milestones in life! You're probably ready to jump head-first into adulthood, yet there's a lot more to learn about living on your own than just discovering the best place for free happy-hour appetizers.

It's okay if you feel overwhelmed with managing your money for the first time. Or if you're fair-to-mostly clueless about a few things — like knowing how often to service your car, paying back student loans and deciding what types of insurance you need. This guidebook gives you a high-level look at financial and legal basics to get you started. Follow these tips now, and you'll be well on your way toward a bright financial future.

Creating a Budget

How to Create a Monthly Budget

Creating a monthly budget may sound like a chore, but it's an important first step to determining what you can afford with your new salary. Create your budget before you rent your first apartment, buy your first car or get that first paycheck. That way you won't get in over your head before you're sure what you can afford.

To create your budget you can use accounting software, an online budget calculator or just paper and pencil. Here are the basic steps to follow:

- 1. Add up your monthly income.** Your net income is your "take home pay" after all the necessary deductions — like taxes, social security and health insurance premiums — have been made. If you have additional sources of income, include those in your monthly total.
- 2. Add up your monthly expenses.** Include current and near-future costs. These could include estimated rent, groceries, entertainment, utilities, a car payment, gas, student loan payments, insurance, any other monthly payments and any amount you want to save monthly. Also include any periodic expenses like car maintenance. Divide the annual total for periodic expenses by 12, and add that to your monthly expenses.

Check out online budget calculators

- calculator.net/budget-calculator.html
- nerdwallet.com/article/finance/nerdwallet-budget-calculator
- mappingyourfuture.org/money/budgetcalculator.cfm



A Few Good Financial 101 Reads

Take some time to educate yourself on financial basics. Here are a few books to try, written for young adults:

- *Generation Earn: The Young Professional's Guide to Spending, Investing, and Giving Back* by Kimberly Palmer
- *Get a Financial Life: Personal Finance In Your 20s and 30s* by Beth Kobliner
- *Why Didn't They Teach Me This in School? 99 Personal Money Management Principles to Live By* by Cary Siegel
- *You're So Money: Live Rich Even When You're Not* by Farnosh Torabi

- 3. Compare the totals.** If your expenses are more than your income, you'll either need to cut expenses or increase your income. To cut expenses, start by minimizing unnecessary purchases like streaming services, unused subscriptions or expensive restaurant meals. Consider taking on a part-time job or side gig for some extra income to get a jump start on paying down your debt.

If your expenses are less than your income it offers some financial wiggle room, allowing you to save for significant future purchases or contribute a larger percent of your salary to your employer's retirement fund. (More on that on page 11.)

- 4. Keep your budget current.** After you've been working for a couple of months and have a better handle on your income and expenses, re-work your budget. If you get a raise, increase the income side of your budget. If you have new expenses, add them as well. Your budget is a working document that will likely fluctuate through the year.

Managing Debt Successfully

Personal debt comes in many forms, with different commitments. It takes discipline and prioritizing to pay back loans and keep on top of monthly payments (or better yet, pay them off!)

Student loans. If you're one of today's college grads, you have about 30,000 in student loan debt.¹ Here are a few things to consider to help you pay down that debt:



Organize. Many people have multiple loans with multiple different services. As part of your budget, create a list of all the lenders you owe, your minimum monthly payment to each and the due date. If you're not sure who you owe, go to the National Student Loan Database at nsldsfa.ed.gov. Some private loans may not appear in the database; you can check for them at www.annualcreditreport.com.



Reevaluate. If you can't meet your entire monthly student loan obligation, there are a few ways you may be able to reduce your payments:

If your debt is federally guaranteed, you may qualify to have your payment capped to a certain percentage of your income and your payment period expanded. Find details at www.studentaid.gov.



If you have private student loans, call the lenders to see if they can reduce your interest rate or make other loan modifications.



Other debt. Although student loans are likely your largest debt, you may have other debts. This could include credit card debt, which can pile up quickly if not paid off. For example, college students graduate with an average of over \$3,280 in credit card debt.²

If your personal debt has become unmanageable, you aren't alone: 59% of millennials say they feel overwhelmed by the amount of debt they currently have - with another 59% saying they feel a sense of hopelessness when it comes to paying down their debt.³ Consider the following measures to pay down the debt you have and keep from going deeper into debt:



Stop using your credit cards. If you must use a credit card, use it only when necessary and try to pay the balance monthly. If you can't pay the balance, at least pay more than the minimum required each month to make a bigger dent in the total debt.



Avoid payday loans! Payday loans — also known as cash advance loans or deferred deposit loans — are small, short-term, high-interest-rate loans. At first they may seem like a nice way to tide you over until payday, but the higher interest rates and required terms that come with a small payday loan can snowball quickly and get you in big financial trouble. For more information, go to www.consumer.ftc.gov and search for "payday loans."



Address any payment problems early. As soon as you know you're going to have problems paying your bills, contact your creditors. You may be able to defer repayment without penalties, reduce payments, modify debt principal or, in some cases, get hardship waivers of the debt.



Sign up for automatic payments from your bank account for all of your monthly bills, including your debts. Make sure your automatic payment for all credit-card debt is more than the minimum payment required.



Ask for help. Consider asking someone you trust, maybe a family member or friend for a no-interest or low-interest loan to pay off your debt. If your parents are willing to let you live with them rent-free, consider moving in with them while you get yourself out of financial trouble.

You may also want to consider meeting with your local consumer credit counseling service. These nonprofits in every state can help you work out a debt repayment plan with creditors and offer you other financial guidance.



Review your credit report

The Federal Trade Commission (FTC) encourages consumers to review their credit reports every year. Clear up misinformation as soon as possible to keep from jeopardizing your credit rating or stalling your application for any credit purchase.

You get one free credit report a year from each of the three major credit bureaus by visiting www.annualcreditreport.com. This is a free site that will not ask for your credit card number or try to sell you additional services.

Renting an Apartment

Since you've already created your budget, you should have an idea of how much you can afford to pay for an apartment. If you have trouble finding an apartment that meets your criteria and budget, consider getting a roommate to split the cost.

When you find an apartment you want to rent, you'll likely have to complete a rental application and pay a small application fee. Be sure to bring your checkbook, proof of your income and a photo ID.

If your application is accepted, be sure to read and understand your lease before you sign it. Your lease may be the first legal document you've signed on your own. So you may want to consult a parent, an attorney or someone else who has experience with legal documents.

Important Questions to Ask Before You Sign a Lease



- How much money do you have to put down? Often landlords require a security deposit and first and last months' rent.



- What types of damage or cleaning will you be responsible for when you move out? If there's pre-existing damage to the apartment, make sure that's detailed in the lease. And take time-stamped photos of the damage so you don't lose your security deposit.



- Are pets allowed? If so, is there a pet deposit?



- Are there restrictions on how many roommates you can have? Do all roommates need to be named on the lease?



- Some landlords pay some of the utilities for you. Which utilities are you responsible for?



- What is the process for apartment maintenance? Additionally, if an appliance breaks or the furnace won't turn on, what are the landlord's responsibilities for fixing it?



- What extra amenities are included in your rent? This could include things like free parking, laundry room access, grounds maintenance or use of an onsite pool or gym.



- What are the consequences if you break your lease before the term is up? And if you need to move before the term is up, can you sublet the apartment?



Renter's insurance. Once you rent an apartment, don't forget renter's insurance. Renter's insurance is usually available for a fairly low premium and will cover the cost of replacing your personal property if it's damaged or stolen.

Furnishing your new place. If you're starting with nothing, furnishing your new place can be a huge financial undertaking.

Tips to Furnish Your New Place for Less

- Accept hand-me-downs gratefully. If friends or relatives are ready to upgrade to a new couch or kitchen table, see if they'd be willing to give or loan you their old one. Consignment and thrift stores are another good way to furnish your place on the cheap, often with higher quality pieces than if you bought new.
- Decide on a piece or two to splurge on. If you received a little extra cash as a graduation gift, a comfortable mattress is a great piece to invest in. And if you plan to spend a lot of time in front of your home computer, a good, ergonomic desk chair is another piece that will reap rewards for years to come.
- Think twice before renting. "Rent-to-own" furniture can be tempting if it allows you to bring home that brand new sectional sofa for just a few dollars down. But before you sign on the dotted line, make sure you read and understand the contract terms and how much the rental will cost you. If you choose a higher number of payments, your total cost could be double or triple what you would have paid to buy the item outright.⁴
- Connect with a local buy/sell/trade group on social media. It's a resourceful way to purchase used furniture, appliances and home decor. Just be aware of any misleading offers or meeting arrangements that you may have questions about or are not comfortable with.

Buying Your First Car

After creating your budget, you should know how much you can afford as a monthly car payment. As you look for a car, here are a few things to consider:

New or used? The best way to save money is to buy a used car. On average, a new car loses up to 60% of its original value in the first five years⁵ but still has plenty of life left. While it's financially smart to buy used, you should buy the newest car you can afford to make sure you have the most up-to-date safety features.



Shopping for a used car. Consider the following to make sure you get the best deal:

- Bring along someone with experience buying used cars and negotiating price.
- Look the car over thoroughly during daylight hours.
- Have the car inspected by a professional mechanic. You'll likely have to pay for this service, but if the inspection stops you from buying a lemon, it will be money well spent.



Financing your car. When you consider the cost of your car payment, insurance, registration, gas, maintenance and parking fees, a car can be a huge expense. Consider these tips to make it more affordable:

- To get a better deal on your car loan (or to qualify for financing at all), you may need a parent or someone else with established credit to co-sign. Or perhaps a family member can loan you the money at little-to-no interest.
- Once you buy your car, ask others where they get their vehicles serviced, read online ratings and reviews and develop a relationship with a mechanic you trust. Be sure to change the oil and get your car serviced at the recommended intervals, which has long-term benefits.
- Car insurance rates tend to be much higher for younger drivers, particularly for single males. However, some insurers offer "pay-as-you-drive" programs that install a device to monitor your driving and then reward you with lower rates if you drive safely. Some insurers also reward you for completing a driver training course or earning good grades in college.



Are there alternatives to buying a car?

If you live in an area with safe, convenient public transportation, consider forgoing a car purchase for a few years while you pay down your student loans. If you do need a car, perhaps your parents have a car you can borrow for a while.

Tax Basics

When you were given your salary offer, it probably sounded like a lot of money. If so, brace yourself for your first paycheck that — once taxes and other withholdings (e.g., medical insurance, retirement savings, etc.) are deducted — will be just a portion of your gross salary!

Check your withholdings. Taxes taken out of your check include federal income tax, FICA (Federal Insurance Contributions Act tax), Medicare taxes and state income taxes. If you haven't started your new job yet and want to know how much will be withheld from your check, several companies offer free paycheck calculators online.

Prepare for annual tax time. If you're single, childless and don't own a home, your taxes are likely pretty simple and you should be able to file them yourself. As a new grad, here's a few general tax tips to consider following to help maximize your new earnings:



Unreimbursed costs of moving for your job, as long as the job is at least 50 miles away from your previous home.⁶



You may be eligible to deduct some of your [student loan interest](#) on your tax return per year. This depends on upon your tax filing status (single or married) and your gross income.



When you start a new job, make the correct withholding selection on your Form W-4, which is used to help determine the amount of income tax your employer will withhold from your paycheck. If your employer withholds too much throughout the year, you'll get a refund, and if they withhold too little, you'll owe taxes.⁷



Create a health savings account or flexible spending account, which may allow you to save on taxes for healthcare costs, including prescriptions, copays for doctor visits or even new glasses.



Health Insurance Basics

The Affordable Care Act (also known as Obamacare) allows you to be insured as a dependent on your parents' health insurance plan until age 26 unless you can get insurance through your employer.

If you aren't insured through your parents or your employer, you're required to buy health insurance or risk paying a penalty. To find out what health insurance subsidies you may be eligible for or what your penalty will be if you remain uninsured, visit www.healthcare.gov.

If you're fortunate enough to have health insurance options from your employer, be sure to consider the following:

- ✓ **What services does each plan cover?** If you have a particular health condition, make sure related services are covered under the plan you're considering.
- ✓ **What providers are covered?** If you're set on particular health care providers, make sure your providers are covered under your chosen plan.
- ✓ **How much will it cost?** Your total cost includes any monthly contribution you make toward your premium, as well as deductible and copayment amounts you pay out-of-pocket toward your care. Premiums can be dramatically lower for a high-deductible health plan compared to a traditional plan, for instance. But with the high deductible plan you could pay \$5,000 or more out-of-pocket before you're covered for any healthcare expenses.



*Not sure which plan to choose?
See if your employer offers a plan
comparison tool to help you decide.*

Saving for Today and Tomorrow

With the immediacy of your current expenses, it may be hard for you to think about saving for the future. But your 20s are a great time to establish savings habits to last a lifetime. A couple of tips:

- **First, take advantage of any employer match for your 401k or other employer-sponsored savings plan.** When your employer agrees to match a portion of your contributions, it's like free money! In a 401k plan, contributions deducted from your paycheck are tax-deductible and grow tax-deferred until withdrawal at retirement.
- **Try to save at least three months' worth of living expenses** to give you a little cushion in case you lose your job or encounter another urgent matter, like a car repair or a trip to the emergency room. You'll eventually want a year's worth of expenses in your emergency account. But for a recent college grad with no dependents, three months is a great start.



Want to retire a millionaire? The earlier you start saving, the more achievable that goal will be.

For instance, start saving six percent of your \$35,000 salary at age 22 with a 50 percent employer match, and you could retire with just over a million dollars at age 65. But if you don't save any money until age 35, your retirement savings will likely be less than half that amount!

To figure how much you should save in your particular situation, try the online retirement planning calculator at www.aarp.org/work/retirement-planning/retirement_calculator.htm

Do You Need a Will?



As a recent college grad, creating a will may be the farthest thing from your mind. But in the unlikely event that a tragedy strikes and you die without a will, the laws of your state will decide how your assets are divided. Without a will, the “probate” period (the period during which the legal system determines how your assets should be distributed) would likely be time-consuming and involve expensive legal fees. These extra costs would reduce the amount of your assets ultimately distributed to your loved ones.

If you’re single, childless and have modest assets that you plan to leave to a close relative, consider creating your own will with an online service such as ARAG’s library of legal documents, available at www.ARAGlegal.com. If you’re married, have children, want to leave assets to a non-relative or have a beneficiary with a disability, you’ll want to hire an attorney.

Preventing Identity Theft

No matter your age, identity theft can affect you. In fact, one in four people in the U.S. are impacted by identity theft.⁸ Once your identity is stolen, thieves can open credit cards in your name or otherwise use your identity to wreak havoc on your finances.

Here are a few important steps you can take to protect yourself from identity theft:



Protect your information online. Change your passwords and PINs frequently; log out of accounts when you're done with them; clear your logins and passwords frequently; and keep your security software, operating system, browsers and apps current on your computer.



Don't give out credit card numbers, online passwords or other sensitive information. Never give that information over email, and don't share it on a website or over the phone unless you're dealing with a company you can trust.



Check your financial accounts and credit reports regularly and alert the appropriate organizations immediately if you detect fraud.



Keep your Social Security card in a safe place and never give the number out.



Protect yourself from dumpster divers by shredding old credit cards and all personal information before tossing.



Consider purchasing identity theft coverage. Identity theft coverage is offered through several companies, and is also part of ARAG's Legal Protection Plus plan, available at www.ARAGlegal.com.

Need Help?

If you need help, ARAG offers a couple of options for legal protection:



Check with your employer to see they offer an ARAG legal insurance plan as an employee benefit. For an affordable monthly premium, you'll have access to network attorneys near you who can provide legal advice, document review and representation. Network attorney fees are 100% paid in full for most covered legal matters.



You can enroll in a "Legal Now" plan from ARAG. For \$99, you'll receive a list of network attorneys and receive 25% off the network attorney's normal hourly rate. You also have access to the ARAG Learning Center for 90 days.



Take Control with ARAG



If you're not sure how to get started with your plans or don't have an attorney to help you through the process, ARAG can help. Visit [ARAGlegal.com](https://www.araglegal.com) to learn more about how ARAG legal coverage gives you an affordable way to manage legal matters and the freedom to live the life you dream of.

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¹<https://www.usnews.com/education/best-colleges/paying-for-college/articles/see-how-student-loan-borrowing-has-changed>

²<https://collegefinance.com/research/college-student-debt-and-credit-card-usage>

³<https://www.creditkarma.com/about/commentary/america-has-a-debt-problem-and-it-may-be-worse-for-millennials>

⁴<https://www.forbes.com/home-improvement/interior/all-about-furniture-rental-services/>

⁵<https://www.creditkarma.com/auto/i/how-is-car-depreciation-calculated>

⁶<https://www.kiplinger.com/slideshow/taxes/t054-s001-overlooked-tax-breaks-for-new-college-grads/index.html>

⁷<https://turbotax.intuit.com/tax-tips/college-and-education/tax-tips-for-new-college-graduates/L7guOfDsI>

⁸<https://giact.com/us-identity-theft-adapting-and-evolving-report/>