



6 Financial Traps New Graduates Should Avoid

As students graduate and start their careers, financial responsibility should be a top priority. ABA has identified six traps that could hinder new college graduates from securing their financial future.

New graduates should avoid the following financial traps:

Not having a budget. Simply put, don't spend more than you make. Calculate the amount of money you're taking home after taxes, then figure out how much money you can afford to spend each month while contributing to your savings. Be sure to factor in recurring expenses such as student loans, monthly rent, utilities, groceries, transportation expenses and car loans.

Forgoing an emergency fund. Make it a priority to set aside the equivalent of three to six months' worth of living expenses. Start putting some money away immediately, no matter how small the amount. A bank savings account is a smart place to stash your cash for a rainy day.

Paying bills late – or not at all. Each missed payment can hurt your credit history for up to seven years, and can affect your ability to get loans, the interest rates you pay on loans and your ability to get a job or rent an apartment. Consider setting up automatic payments for regular expenses like student loans, car payments and phone bills.

Racking up debt. Understand the responsibilities and benefits of credit. Shop around for a card that best suits your needs, and spend only what you can afford to pay back. It's a great tool if you use it responsibly.

Not thinking about the future. It may seem odd since you're just beginning your career, but now is the best time to start planning for your retirement. Contribute to your employer's 401(k) or similar account, especially if there is a company match. Invest enough to qualify for your company's full match – it's free money.

Ignoring help from your bank. Most banks offer online, mobile and text banking tools to manage your account night and day. Use these tools to check balances, pay bills, deposit checks, monitor transaction history and track budgets.