BECU INVESTMENT SERVICES

BUILDING A FINANCIAL FOUNDATION FOR THE NEXT GENERATION

According to the U.S. Bureau of Labor Statistics, 1.3 million U.S. students (ages 20 to 29) earned a bachelor's degree between January and October of 2021.[1] Unfortunately, many students will be saddled with thousands of dollars in credit card debt, on top of school loans, when they are handed their diplomas. Here are a few tips to help graduates pay down their debt and attain a solid financial footing as they enter the working world. Grads may even want to work with the family financial advisor or investment professional to try to accomplish some of these goals.

1. GET A FINANCIAL EDUCATION

Many new graduates know very little about money management when they leave college. The good news is that it will not take more money to learn about personal finance. There are dozens of free articles and advice sites on the internet. BECU Investment Services is offers free financial and investing resources like webinars, articles, tools and more to help young adults on their journey to financial well-being.

There are also a number of financial planning books written specifically for young earners, and they can likely find them at their local library for free. Young adults might also consider joining a financial planning session with their parents and their parents' financial advisor or investment professional.

2. CONSIDER FOLLOWING THE 50/30/20 BUDGET RULE

Many financial advisors or investment professionals suggest that newly minted college grads begin to budget with this simple formula: 50% of income goes to necessities, 30% goes to discretionary purchases and 20% is used to build savings or pay down debt.

This is a tough rule to live by, but it may help keep virtually any adult — even one well into their career — from seriously stumbling if unforeseen circumstances (a layoff or medical expense, for instance) should suddenly strain personal finances.

KEY POINTS:

Learning does not stop after college. After graduation, young adults should:

- Steer clear of unnecessary expenses
- Get educated about finances
- Create and follow a budget
- Avoid high-interest credit card debt
- Establish a good credit history

[1] US Bureau of Labor Statistics, College Enrollment and Work Activity of Recent High School Graduates and College Graduates - 2021, released April 26, 2022. This material should be used as helpful hints only. Each person's situation is different. You should consult your investment professional or other relevant professional before making any decisions.

Saving money, especially for long-term goals, may be an afterthought for those with student loan debt. In the United States and Europe, this is where employer-sponsored retirement plans can be a real benefit to young workers. Under these plans, many employers match up to a certain percentage of employee contributionsto the plan, potentially doubling that portion of employees' savings. It's easy for recently employed grads to set up automatic contributions to an employer-sponsored retirement plan through their company's payroll system so that money is saved for retirement before it can even hit a bank account. An employer-sponsored retirement plan may help a young investor get comfortable with the stock market's long-term potential, despite its perceived risks.

3. SHOP AROUND FOR A BANK ACCOUNT

Banks typically offer several types of checking and savings accounts. People who write lots of checks may need a bank that offers low or no checking account fees. Savers or those who prefer to do most bill paying online may prefer a bank with a high-yield savings account.

It's important to find a bank that has convenient retail locations and provides services at competitive fees. Fees that can vary from bank to bank include ATM fees, balance inquiries, flat monthly fees, per-check fees, overdraft protection fees, fees for going below the minimum balance, bounced check fees, stop payment fees and account closing fees. It's a long list, so potential customers should make sure to read the fine print on the account application.

4. KEEP AN EYE ON EXPENSES

One of the best ways to keep an eye on spending is to save receipts. Total them up at the end of the week and make note of where the money is going. If a lot of receipts are for nice but not necessary purchases — such as coffee or lunch — try to cut them out. Coffee can be made at home, and lunch packed in the morning before work.

New grads should consider putting those hard-earned dollars to better use by paying down debt — either school loans or credit card balances. Keep in mind that the debt carrying the highest interest rates should be paid off first to keep expenses in line with your income.

5. USE CREDIT CARDS WISELY

Credit cards may seem like easy money, but the interest rates they charge can be high. Whenever possible, purchases should be paid for with cash or a debit card to keep credit card debt low.

Those who wish to get a credit card should shop around for the lowest rates and fees before signing up for a card. After they start to carry a balance, consider paying more than the minimum due to pay down the debt as quickly as possible. And they should try to keep any balances below 30% of the card's credit limit. Most of all, they should remember to pay the bill on time. A history of paying bills on time helps build a good credit history, which is necessary for big purchases down the road. In fact, without a good credit history, it can be difficult to get a loan, which nearly everyone needs when it's time for a new car or first home.

Keep in mind that all investments carry a certain amount of risk, including the possible loss of the principal amount invested.

TALK TO A FINANCIAL ADVISOR

Financial advisors at BECU Investment Services are here to help. Our team will take the time to get to know you, understand your goals and plan, and implement a financial and retirement strategy that's appropriate for you.

Contact us to set up a complimentary consultation.

Email: investmentservices@becu.org
or call: 206-439-5720

RESOURCES

The following websites offer financial education and planning tools:

National Endowment for Financial Education
nefe.org

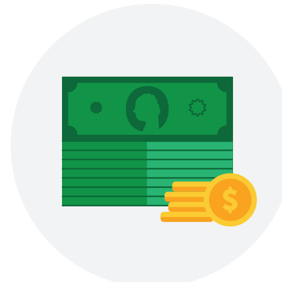
Financial Planning Association
fpanet.org

BECU Investment Services
becu.org/investments

See next page for a sample monthly budget worksheet.

SAMPLE MONTHLY BUDGET WORKSHEET

I. INCOME



Monthly earnings

Minus taxes

Adjusted income

Other income

Total

II. EXPENSES

Rent or mortgage

Combined utilities

Groceries

Auto expenses

Student loan(s)

Credit card

Insurance

Medical expenses

Retirement contributions

Miscellaneous

Total

III. DISCRETIONARY ALLOWANCE

Total monthly income

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Total monthly expenses

Total

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Not Insured by NCUA or Any Other Government Agency	Not Credit Union Guaranteed	Not Credit Union Deposits or Obligations	May Lose Value

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