

STARTING A NEW CAREER MANAGING MONEY FOR FIRST-TIME INCOME EARNERS

You finish school. You find a job. Buy your first car and your first house. Settle down and start a family. Retire happily with lots of money in the bank. Isn't that what dreams are made of?

But little do we realize that life is one big challenge. Just when you are about to make ends meet, someone moves the ends further away. And often we find ourselves end up living day by day, allowing the demands of the present to swallow up our money and our time, watching our money come in and go out just as fast. Only then do we realize that a daunting journey lies ahead of us after we graduate, where even one tiny error could mess up your financial future for a lifetime.

Managing your money is essential for the planning of your financial future, especially for working adults fresh out of university. It's the process of determining your financial goals, purposes in life and life's priorities after considering the resources, risk profile and current lifestyle, and aiming to reach that goal. It can mean a greater control over outgoings and incomings. And can be achieved by establishing budgets and analyzing costs and income. There are some things you just didn't learn in university that you wished you did when you left, so here are a few things you should know about personal finance.

Create short term and long-term financial goals. By creating some realistic financial goals in life, you could aim to turn those dreams into reality. Your dream car or house may not look so distant once you start setting a goal for yourself to meet! Aiming to pay off that student loan or to finance a short holiday with your friends could be some short term goals you could aim for, while saving up for that nice BMW you've been eyeing in the showroom or a condominium to settle down with your partner could be some examples of longer term financial goals you could aim for. Be specific in the

details, such as exactly how much you want to save over a designated period of time. These goals will help you know how well your money management has been going and motivates you to be disciplined in your spending.

Create a budget for your monthly expenses. A lot of fresh graduates make the mistake of spending whatever they earn, most of the time on wants rather than needs. Maybe its time to sacrifice that Starbucks coffee for a cheaper option. Rather than living within your means, try living below your means. By creating a spending plan and paying attention to where your money goes, you learn self control and control your cash flow. Meet your needs, but hold off your wants, and save it into your bank account. A little bit of saving can go a long way to making that dream a reality.

Start an Emergency Fund and A Savings Fund. As you've probably heard somewhere along your education, its always good to save for a rainy day. The rule of thumb with saving your income is to take 20% of your income aside every month to save. Once you've saved the 6 months equivalent of your income, that will be your emergency fund. This fund is not to be touched unless there is a medical emergency or if you get retrenched and need to support yourself while in job transition. After you have saved enough for the emergency fund, continue setting aside 20% of your income into a savings fund that will be used to meet the short and long-term goals you have set. With the help of a financial planner, you could look into investing these savings into unit trusts, bonds or stocks, and try to increase this amount.

Avoid consumer debt if possible. Basically, avoid borrowing if possible but if you do need to, borrow only what you need and not anything more; know how much is too much. And make sure you pay promptly or risk being charged an interest rate as high as 24% a year on the sum rolled over. You may find yourself paying substantially more than you had borrowed initially. Think before you go into debt- Can I afford it?

Build a good credit report. A study of 600 students between 18-25 from 10 tertiary institutions in Singapore conducted by Nanyang Technological University

showed 9 in 10 students have no idea what a credit report is. Credit reports contain your credit history and will be used to decide whether you are a risk to lend money to. A bad report might lower your chances of getting a loan in the future or may cause you to get a higher interest rate for a loan. Just one simple missed credit card payment will blemish your credit report for 7 years. Protect and improve your credit reputation by paying your bills on time, pay down your debts and staying out of bankruptcy. Who knows when you might need a loan in the future! Always ensure that you maintain a good credit personal credit rating and check with a consumer credit bureau every 6 months to ensure this.

Get an insurance policy. This may seem like a waste of money now since the last thing you'd want to think about is sickness and death, but 10 years down the road, it will be a good investment made. While you're young, your premiums will be much lower and policies are more easily available than when you grow older. Protect yourself and your family and invest in whole-life insurance, rather than Investment Linked Insurance. No one is immune from sickness, so don't take any risk.

These 6 basic tips on personal finance will go a long way in planning your personal financial future. Learn to manage your money before it manages you, and create the life you deserve and dream of.

Article contributed by DP Credit Bureau (www.dpcreditbureau.sg)