SAVING & SPENDING

Finding Your Financial Way After Graduation

How to Move Towards Financial Independence After Moving Out

By **Robyn Tellefsen** Posted: 04/08/16

It's getting close to cap-and-gown season. Are you ready to break out on your own?

Here are some ways to gain financial independence and get off your mom's couch. (Don't worry; you can still let her pack leftovers.)

Set a Budget

Before you gain financial independence, it's good to know how much being on your own will cost you. Get a pad and paper and write down every expected monthly expense—food, housing, clothing, transportation, student loan payments and utilities— and be sure to also include things like gifts and other discretionary items that may come up from time to time.

Josh Palmer, CFP, a wealth advisory specialist for Chase Wealth Management, says this is also the perfect time to begin to set money aside for your goals. "Start first with an emergency fund, then list short-term goals like a new car, and then longer term goals like retirement."

Work, Work, Work

Palmer says if after setting your budget, you have no remaining income to set aside for your goals, you have two choices, "either increase income through odd jobs, or decrease expenses to save for your goals."

Before you can save money you have to make money, which makes getting a job your number-one priority before moving out, says Michael Chadwick, an investment advisor representative with Chadwick Financial Advisors. Just don't get hung up on finding the perfect job right out of college.

"Even if you can't get a job in your field of education or choice, you need to be working– two jobs, if necessary," Chadwick says. "Those who are willing to outwork their peers will get ahead, regardless of education level."

Financial Planner Matt Hylland of Hylland Capital Advisors recommends using sites like Fiverr, TaskRabbit and 99designs to pick up odd jobs and supplement your income: "Every extra dollar will get you closer to your own place."

Start Looking for Roommates

Financial experts agree that one of the top ways new grads can save money is by living with friends. With a roommate or two, you can split the cost of rent, utilities, furniture and groceries so that moving out of your parents' house becomes more affordable.

"Make sure your roommate has the same financial savviness that you do. Rooming with someone who doesn't have the same financial mindset of setting budgets and gaining financial independence could do more harm than good," Palmer says.

If you live in a high-rent district like New York City, financial planner Eric Gabor says flex bedrooms may be a good option. "A flex bedroom involves putting up a pressurized wall to add an extra bedroom," explains the founder of Eagle Grove Advisors. "This reduces living space, but can drastically cut costs." Just make sure you have permission from your landlord before you made any renovations to your space.

Limit Discretionary Spending

High-priced coffee, movie tickets and cell phone plans all have a way of eating into the money you're supposed to be saving. Though you don't have to become a cheapskate to get your own place, you do have to carefully consider your spending habits.

"The first thing to do is to really understand the difference between mandatory expense and discretionary expense," Palmer says. "For example, food may seem like a mandatory expense. And while groceries may be mandatory, dining out is discretionary."

"Think of every dollar spent as a percentage of your monthly expenses," says Hylland. So if you're paying $1,000 in rent and bills each month, think of every $50 bar tab as 2% of that, and every $100 clothing purchase as 10%, he says.

"If you're struggling to make ends meet but discretionary spending is approaching a significant percentage of your spending, it's time to rein it in," Hylland adds.

Palmer recommends saying no to impulse buys. "If you want it, sleep on it and see how much you want it the next day."

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Gabriel Anderson, financial planner

Build an Emergency Fund

Even when you're living on the cheap, it's important to have money set aside to hedge against the unexpected. Before you move out, financial planner Palmer recommends saving the equivalent of three to six months of rent and living expenses.

"Remember that you build this up over time," he says, "There are a lot of expenses that come up when you first graduate and set out on your own. Just remember to save for this as your first short-term goal and continue to save for both short and long term." Not only does an emergency fund make sense financially, it's also helpful psychologically.

"The emergency fund can go a long way in relieving anxiety if any unexpected expenses come up or your employment situation is not as stable as you hoped for," says Gabor.

Ultimately, moving into a place of your own requires a "saver" mentality.

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"Decide whether you will go through life as a saver or a spender," says Gabriel Anderson, financial planner and founder of Crafted Wealth Management. "Savers always have the upper hand."

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