

First Job Financial Checklist

That first paycheck you ever get can fill you with tremendous feelings of pride and the great joy of new possibilities. But it can also create the nagging feeling that you may not be fully prepared to manage that money in the best way possible. The following is a guide to establishing a framework for your financial life that will have your money working the hardest for you.

Create a spending and savings plan

Getting to where you want to go in life is going to be a whole lot easier with a plan in place to get you there. Think of your spending and savings plan not as a hindrance, but as a springboard to achieving all that you want in life. If your spending is currently more than what you are bringing in, look for ways to cut your expenses or generate more income. Now is definitely not the time in your life to be adding additional unproductive debt.

Avoid budget busters at work

Being in a workplace environment can pose several challenges to your spending parameters. You may find that you get caught up in going out to lunch every day with the co-workers or driving to work and paying for parking because “everybody does it.” Balance your desires to fit in with what is best for your bottom line.

Set an entertainment budget and stick to it

There is a great temptation when you are first earning paychecks to “treat yourself” with dining out, movies, concerts, vacations, etc. While none of these is inherently bad, it is very easy to go overboard when you are first starting out managing your money. An entertainment budget figure should be arrived at after calculating monthly projections for necessities, savings contributions and debt repayment goals.

Establish goals

Think hard about what you would like to accomplish in the next year, the next 5 years or the next 10 years. Maybe you don’t know yet. But if you do have some idea of things you would like to get done in those periods, commit them to paper or pixels and figure out what it is going to take to get there and how you will do it. Pick investment vehicles and strategies for these goals that fit the timeframes.

Create savings

Your first step is to start building an emergency fund that will cover 3-6 months of your basic expenses. If you were to lose work for any reason, it’s a good idea to have a cushion in place so you don’t have to immediately take whatever is available just to make ends meet. This fund will also help for any situation in which you have a large, unforeseeable expense like car repairs or medical care not covered by insurance. After you have created your emergency fund, start looking at putting money toward each of the goals you have established. A good goal is to put 10% of your take-home pay toward all savings, including retirement allotments.

Set up direct deposit

While this might seem like a no-brainer given the convenience it offers, think too about all your options for direct deposit, such as having part of your paycheck automatically deposited into savings. You can have multiple savings accounts for different savings goals, so think about making the savings process easier and likely more successful by taking the manual work out of the equation.

Pay debts aggressively

Whether it is credit card or student loan debt, having large amounts of money owed to creditors can be an enormous barrier to accomplishing your other objectives. You will love the feeling of relief when you get these debts wiped out and open up new possibilities because of it. If you are struggling to figure out which debts to pay off first, focus on the ones that cost you the most to have, whether through high interest rates or fees.

Contribute to a retirement fund

At this point, your golden years probably seem too far away to even imagine. But do your future self a favor and start putting away money for retirement now. Even a small contribution can turn into a lot of money over time. Find out if your employer matches contributions to a retirement fund and if so, try to get all the free money they want to give you each month. If your employer doesn’t provide a retirement fund, set up an Individual Retirement Account (IRA).

Break even on taxes

After you've gotten your first couple paychecks, note how much is being taken out for federal and state taxes. Then use the calculators at www.irs.gov and your state's tax organization to make sure you are having the appropriate amount taken out to cover your taxes. The best case scenario is to have your taxes withheld from your paycheck match your respective tax bills as closely as possible.

Start building a positive credit history

Odds are that at some point you are going to want to buy a car on your own, purchase a home, or take out a large loan. Having an established record of using credit wisely is going to not only make these things possible, but also save you a lot of money. Most people find that the easiest way to establish credit is by using a credit card to pay a relatively small bill each month and then to pay off the balance in full. If you find it difficult to qualify for a credit card, contact a local financial institution about the option of a secured credit card.

Assess your insurance needs and coverage

You don't want to be caught unprepared when you really need your renter's/homeowner's, vehicle, disability or health insurance, so make sure you are aware of what is covered and try to fill in any gaps with supplemental coverage.

Get organized and keep good records

Establish a filing system for things like receipts, account statements, warranties, tax returns and other documents you may need in the future. At the very least, collect all these things in one centralized place, like a small filing cabinet or an accordion folder. For all recurring bills,

create a tracking system that best helps you remember all of them. Setting up as many bills as possible on automatic payment from a checking account helps.

Learn and optimize your money style

As a young adult, you are building money habits that will stay with you the rest of your life. When you do something financially that feels especially right or particularly wrong, stop and analyze why it went down that way. If you find techniques that work, look to expand those and build off them. If you find situations or practices that lead to bad decisions, think about ways to avoid those in the future.

Prepare for change

If there's one thing that almost everyone learns in the course of their professional life, it is that changes can happen quickly and unexpectedly. The last thing you want is for your job to be eliminated or hours cut back and not have a plan in place for dealing with it. Look for opportunities to expand your skill set and network. Many more seasoned people also find that their younger years were a great time for them to cultivate new interests that later turned into a new career or income generator, so look for these kinds of opportunities too.

Make a commitment to continuing financial education

Many of the financial decisions you will make over the next few years will involve several variables and thousands of dollars on the line. Instead of relying on best guesses to make these crucial decisions, take advantage of the available resources to educate yourself, many of which are provided for free.