How New College Graduates Can Build Security

College graduates entering the job market will find there's much to learn about managing their personal finances, but taking immediate steps to budget and save, and maintaining those good habits, will help protect them should a spate of bad luck come their way.

"The foundations they lay now will serve them well for a stable financial future," said Gail Cunningham, spokeswoman for the National Foundation for Credit Counseling.

[1]The average college student graduates with about $20,000 in debt and is looking at an average starting salary of $47,673. That average annual paycheck is down 1.7 percent for the class of 2010 compared with last year's grads, according to the National Association of Colleges and Employers. That makes it challenging for grads to save money as they pay off debt — the two most important factors in building financial security — but it's not impossible.

"Carving out money to save is good and is a habit that once you start, you'll benefit from for as long as you keep it up," said Dan O'Malley, chief executive of PerkStreet, an online bank. The numbers tell the story, O'Malley said.

If you invested $10,000 on your 21st birthday and didn't add anything to it except a constant rate of return of 7 percent, you'd have $196,000 in the bank by the time you retired. Wait till your 35th birthday and that money pot is a measly $76,000 because of the 14 years of lost interest.

Here's your first financial tip: Put 10 percent or more of your income into long-term savings. "Make sure you save," O'Malley said. "It just grows and grows and grows. And get into any kind of matching program with an employer."

Here are five other must-do tips:

* Make a budget. You can't save for a car, a house or the future if you don't know how much you're making and spending. There are plenty of online sites like Mint.com or Kiplinger.com that offer budgeting tools. LearnVest.com has a 2010 college grad financial survival guide.

* Don't spend money you don't have. In other words, live within your means. If you can take public transportation, for example, don't buy a car. If you can comfortably and peacefully live at home with your parents for a while, do it.

* Consolidate school loans. Many students will be graduating with a handful of loans that could better be rolled together with one interest rate attached to it.

* Build your credit history carefully. It is tough to get on in this world without a credit card but it doesn't mean you have to use it wildly. Use it only when you have to, like to rent a car or pay a hotel bill, and pay it off every month. Your payment history is the most important element of your credit score, accounting for 35 percent of your score.

* Have a health-care plan. Figure out when your coverage ends and be sure you have another one lined up.

The law that went into effect in September 2010 allows you to stay on or return to your parents' health insurance plan until you turn 26.

And one extra word: Check out the other sections section of website to gain helpful information about home sharing and compatibility.

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