Grad Special Edition!

Financial Life on The Farm

May 2021

Financial tips and information for students from Stanford Federal Credit Union (a full-service bank serving the Stanford community) and Mind Over Money (Stanford's financial wellness program for students).

Repaying your student loans

Student loan debt in the United States totals $1.71 trillion and grows 6 times faster than the nation's economy. If you're graduating with student loans, here are some tips to help manage your payments. And don't feel bad—approximately 43 million Americans have student loans just like you (but very few have the super power of a Stanford degree!).

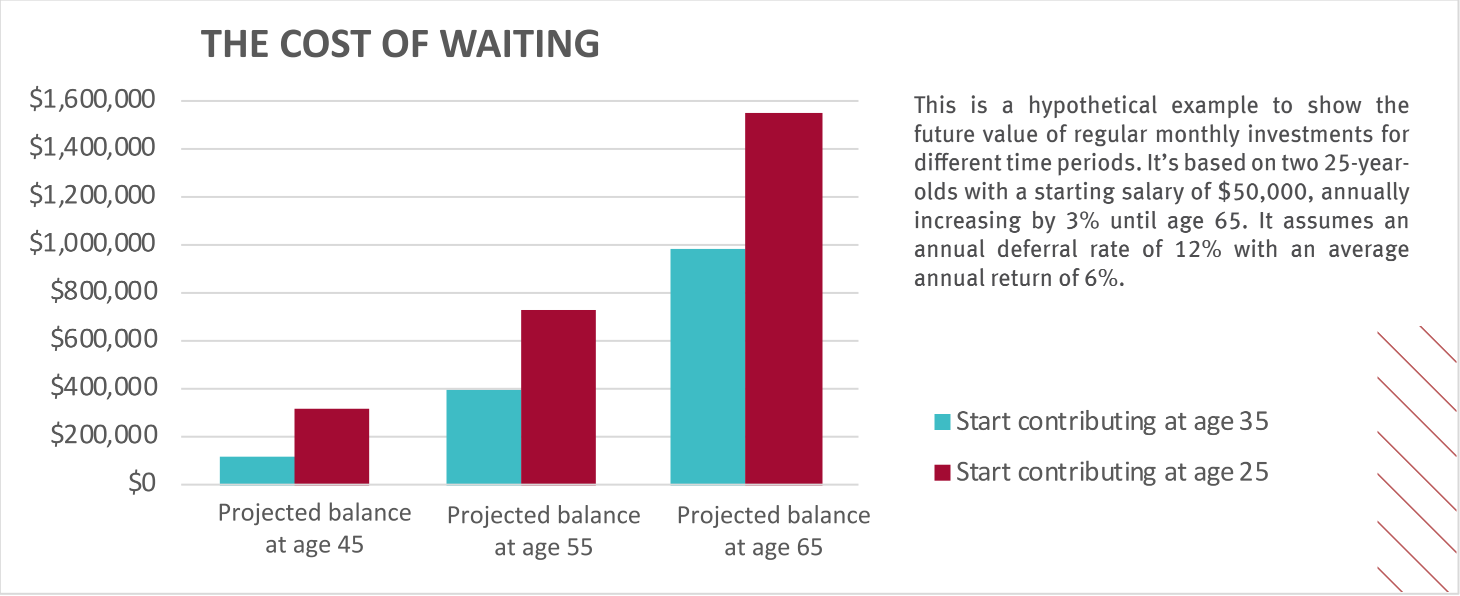
- Create an online account for each of your student loans to make it easier to track and make payments
- Complete the mandatory exit counseling provided by Stanford University
- Find out when you're required to start making your monthly payments (in most cases it will be six months after graduation)
- Create a budget to determine how much you can afford to repay, and view your repayment options (the larger the payment, the faster you'll pay them off—and you'll pay less interest overall)
- Consider consolidating your loans into one loan with one payment (learn more)
- Be sure to always make your payments in full and on time to build good credit history and earn a high FICO® Score

Secure your financial future

Pay close attention to your benefits when you start your first job out of college, because you might find that your new employer is willing to give you extra money. Many companies offer 401(k) retirement savings plans to help you save for retirement. They make it easy—just sign up and they'll make pre-tax deductions from your paycheck into a 401(k).

Even better, some employers will even match your contributions up to a certain percentage. Be sure to take advantage of any "free" money your employer is willing to give you, because saving for retirement now and waiting until you're older can mean the difference between a comfortable retirement and one where you may have to struggle to make ends meet (or keep working into your 70s). View the chart below to see the real cost of waiting.

If your company doesn't offer a 401(k), you can still start saving for retirement. Even saving just $20 per paycheck into an Individual Retirement Account (IRA) at a local bank or credit union is all you need to get started. Your employer can help with payroll deductions to direct-deposit the money right into your account—you won't even miss it, and at the end of the year you'll have saved hundreds of dollars!



Financial Freedom webinar series

Sign up for one or all of the free webinars in our Financial Freedom webinar series! These webinars will inform your future choices to increase financial security and freedom. Learn important tips about investing, retirement planning, buying your first home, and estate planning.

- **Investing Principles and Q&A**
  Thursday, May 27, 2021 4:00 PM PT
- **Planning for Retirement**
  Thursday, June 10, 2021 4:00 PM PT
- **First-time Home Buying**
  Thursday, June 24, 2021 4:00 PM PT
- **Estate Planning**
  Thursday, July 8, 2021 4:00 PM PT

Special offers for new Stanford University graduates!

Credit card up to $15,000, auto loan up to $25,000, personal loan up to $5,000, free checking with free ATMs. Visit sfcu.org/grad for complete information.

Buying your first home

Another way to secure your financial future is to consider purchasing a home. In addition to stabilizing your monthly housing expense and enjoying potential tax advantages, owning a home can also be a great investment. Similar to the stock market, real estate generally increases in value over time. Use a calculator to see the difference between renting vs. buying and to find out how much home you can afford.

Whether you're close to buying a home, or years away—here are the two most important things you need to prepare yourself for what will likely be the biggest purchase of your life:

1. Build credit and increase your credit score. You may be worried about getting into debt with credit cards and other loans, but without a solid credit history, no lender will trust you with a 6-figure loan. Your FICO® Score and proven experience managing loans and lines of credit like credit cards will show lenders that you know how to manage your money and repay your debts. First-time home buyers will need a decent credit score of at least 640, and a history of managing several loans over at least a few years. Note: The higher your credit score, the lower your interest rate will be!

2. Save up for your down payment, closing costs, and reserves. Yep, you'll need more than just the down payment to buy a house. While the FHA has loans for first-time home buyers with a down payment as low as 3% of the purchase price, anything less than a 20% down payment will most likely require Mortgage Insurance to protect the lender. This will add to your monthly expense until you build up more equity in your home. You'll also need several thousand dollars for closing costs like the appraisal and recording fees, as well as termite and property inspections. Plus at least three months' of reserves (available funds for your monthly expenses in case of an emergency—although these can be in a 401(k) or other investment account).

Interested in learning more? Attend the free First-Time Home Buyer's Webinar, sponsored by Stanford Federal Credit Union and Mind Over Money.

Basics of estate planning

As a new graduate, the next chapter in your life is just beginning, so now is really not a great time to bring up the concept of death. But sadly, bad things can happen at any time, and as you build your wealth you'll want to make sure that your money and assets go to the people YOU choose, not the government or anyone else.

Estate planning is the process of planning for worst case-scenarios, such as if you become incapacitated or die. While you may not have enough assets right now to create a Will or Living Trust, at minimum you should designate beneficiaries on all of your savings, 401(k) and investment accounts, as well as for a life insurance policy that may be provided as a benefit by your employer.

As you settle into your post-Farm life, start thinking about things like choosing a person to make decisions for you if you become incapacitated, and creating an Advance Directive to clearly state your wishes for future medical care. As you accumulate more wealth and property, you will need a Will or Living Trust, and should seek guidance from an estate planning attorney.

Financial Life on The Farm is published through Stanford Federal Credit Union and Mind Over Money's partnership and shared mission to improve the financial lives of Stanford students. The information contained herein is intended for educational purposes.