

REAL WORLD FINANCIAL TIPS

Published for the financial success of Stanford University students.



Congratulations! Your next adventure is about to begin.

Repaying student loans

Like many of your Stanford classmates, you may have taken out student loans to pay for your education. Your Stanford alumni status will open doors for you forever, so we'd say it's worth it. Understanding and budgeting for your repayment commitments will help you design your life with minimal stress and maximum success.

- Complete Stanford's mandatory exit counseling
- Find out when you need to start paying back your loans. There's often a six-month grace period after graduation.
- [Create a budget](#) to help you figure out how much money you can pay each month. This is a crucial exercise at every stage of your career. As your income increases, adjust your budget with the goal of becoming debt free.
- View your loan [repayment options](#). The more you can pay each month, the faster you'll be finished and the less interest you'll pay overall (again, a budget is key!).
- Consider consolidating your loans into one monthly loan payment. Learn more [here](#).

Prioritize saving just like a monthly expense

Too often, people pay their monthly bills but neglect their financial goals. Your financial well-being is priority #1. By prioritizing money to your savings (no matter how small), along with paying down college debt and other monthly expenses, you'll ensure your leftover 'fun money' goes to good times responsibly.

- Start saving for an emergency fund. Experts recommend you keep 3-6 months' worth of living expenses in savings in case of unexpected life changes like a job loss or medical event.
- Create savings 'buckets' to divvy up funds for big ticket items like a vacation, new car or down payment for a house. Many banks let you set up automatic transfers to savings accounts on the same day you get paid (out of sight, out of mind, in a good way).



Pay it forward, to the future you

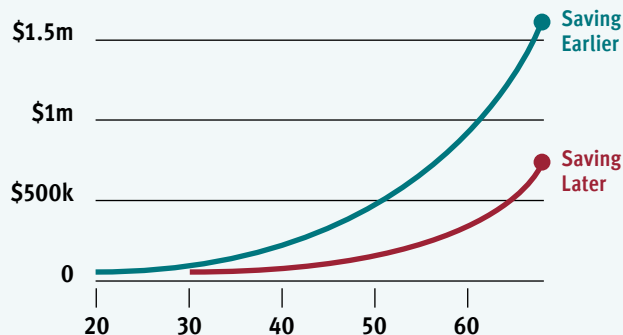
Although it may seem a long way off, contributing to your retirement now is a gift you'll thank yourself for later.

Starting to save early makes a huge difference.

- The number one financial regret retirees have is not saving enough money.
- If your employer offers a 401k retirement benefit plan, sign up and contribute the maximum you can afford. They'll make pre-tax deductions from your paycheck. Take advantage of any employer match opportunities. That's free money!
- If your company doesn't offer a 401k, you can still start saving for retirement through an Individual Retirement Account (IRA). Contact a local bank or credit union to get started. Just like with a 401k, you can direct money to your IRA straight from your paycheck.

Investing Sooner Rather Than Later Pays Off

An individual who begins investing in their 20s rather than their 30s will likely end up with a retirement account balance that is nearly twice the size.



Note: Assumes one investor starts saving \$5,000 annually at age 22, while the other starts at age 32. They both start with a \$5,000 balance, earned 7 percent return and retire at 67.

By the New York Times | Source: Vanguard



Buy now, pay later to build credit

Older generations may have a pay-in-cash-only mindset, but establishing a strong credit history begins with credit cards.

The key to good credit is paying bills on time every month.

Consider each card like a reference for your trustworthiness and ability to pay. Banks look at your payment history when considering you for a loan. Use your credit card wisely to build credit, but only charge items you can pay off in full each month!

In addition to your student loans, you may need a car loan or a personal loan to pay for initial living expenses, like furniture or a security deposit for an apartment. Responsible borrowing and paying back improves your credit score. The higher your credit score, the better rates you'll get when it's time for a home mortgage.

Special offers for new Stanford University graduates!

\$100 GRAD GIFT
with
NEW CHECKING!

CREDIT CARD
up to
\$15,000

AUTO LOAN
up to
\$60,000

PERSONAL LOAN
up to
\$5,000

► [LEARN MORE AT SFCU.ORG/GRAD](https://www.sfcu.org/grad) ►

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 [credit 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 401k or other investment account).



INTERESTED IN LEARNING MORE?

Attend one of Stanford FCU's free monthly Home Buying Webinars. ▶ [REGISTER](#)



LOOKING FOR MORE GREAT FINANCIAL EDUCATION RESOURCES?

Check out Mind Over Money, your Stanford University source for student financial education! You'll find free financial coaching, workshops, and tools specifically designed for Stanford students. ▶ [LEARN MORE](#)



Questions about financial products and services?

Contact Roneil Singh, your Personal Banker

▶ [650.785.1078](tel:650.785.1078)

▶ roneils@sfcu.org

▶ [schedule an appointment](#)

Real World Financial Tips is published by Stanford Federal Credit Union for the financial success of Stanford University students. The information contained herein is intended for educational purposes.

Stanford Federal Credit Union | sfcu.org/students | 888.723.7328