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Graduates, do your financial homework

By MICHELLE SINGLETARY

This graduation season, I have two nieces finishing master's degree programs and a nephew about to head off to college.

Those of us who have long since hung our diplomas on the wall know that for those leaving college or high school, graduation is just the beginning. There's still so much to learn. I love working with young folks, and many ask me to help them with their personal finances. But it's exasperating when they can't answer basic questions.

The answer I often get is "I don't know." With college graduates, I ask them details about their student loans or how they plan to pay the debt and they often say "I don't know." Any question too deep about money, and it's the same answer.

Every question I asked one high school graduate about his college expenses or how they were going to be covered was met with "I don't know." Out of frustration, I finally said to him: "I'm going to need you to know."

We have a great higher education system in this country, but where it fails miserably is educating young adults about personal finance. That job first belongs to the people raising the graduates. But higher education institutions, which have no problem encouraging students to take out loans to attend their fine schools, also have a responsibility to teach them how to manage their money so they can pay back those loans.

In "Emerson in His Journals," edited by Joel Porte, Ralph Waldo Emerson complains in 1839 that students aren't taught basic life skills. That's still true.

"We are shut up in schools and college recitation rooms for 10 or 15 years and come out at last with a bellyful of words and do not know a thing," Emerson wrote.

So let me pass along just a few things you need to know, dear graduates:

- Don't listen to the collective "they" when it comes to your finances, particularly since "they" often have a biased interest in how you spend your money. For example, they may say you are throwing away your money if you rent. They may say, don't worry about paying off your college debt so fast because it's good debt. If you're going off to college, they may say it's vital, as part of the college experience, to live on campus.

They are wrong.

You are not a financial failure if you rent until you can truly afford to buy a home. You are not throwing away money when you rent because you are paying for a roof over your head.

There is no good debt or bad debt. All debt enslaves you to the lender.

If you are borrowing to go to college, save money and live at home if that's a viable option. You will have plenty of time to live on your own and fight or carouse with a roommate.

- If you're headed to college, don't borrow a single penny until you've figured out what the total amount of borrowing will cost you each month after you graduate. Finaid.org has a great online loan calculator. Use it *before* you borrow.

- If you are finishing college and didn't follow the previous advice, go to www.nsls.ed.gov and get information about your federal loans. Don't wait until you have to start paying back the loans (typically six months after graduating). If you have private loans, contact the lender to be sure you are clear on what you owe.

- Stop saying you don't know how to budget. There are so many free tools available to help you learn. Try www.mint.com. Another site is [www](http://www.smartaboutmoney.org)

www.smartaboutmoney.org run by the National Endowment for Financial Education.

- Learn about compound interest. At www.choosetosave.org, watch the 30-second video about the magic of compound interest.

- You can never stop learning about personal finance. Regularly read the business section of your local paper. Or with some of that graduation money, get a subscription to a consumer or personal finance magazine. To become a good money manager, you're going to have to stay in study mode.

Part of moving forward and becoming an adult is putting away childish ways. Children can easily say they don't know because they don't always have to know – their parents or guardians are supposed to know for them. But by the time you graduate from high school or college, you have to take responsibility to learn as much as you can about your finances. You can no longer *afford* to say "I don't know."

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