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Money Matters | Advice for the graduating class of 2012

By LUCAS BUCL

May is graduation season. For many new college graduates, they will be getting theirfirst full-time job and becoming financially independent from their parents. This next stage of life will require the graduate to make numerous financial decisions that will help set the course for their financial success or failure in the future.

Here are six tips to help anew graduate achieve personal financial success.

• 1) Live Within Your Means: Once you start working full time, you will have realmoney in your pocket, perhaps for the first time. Don't spend it all. The secret to financial success is spending less than you make. Setting good spending habits now is the number one thing you can do to set yourself up for success.

• 2) Take the enrollment in your employer's benefits seriously. The initial offering of employee benefits can be overwhelming. Resist the urge to choose options at random or pick the lowest cost alternative. Do your research, ask questions, and make sure you take advantage of the options that will benefit you.

• 3) Enroll in your employer's retirement plan. You have likely never had this level of income before, so you will not miss the extra dollars. Investing early for retirement allows you to take advantage of the many years of compounding returns. You don't even need to save a lot right away, but be sure to participate up to the level of the employer's matching contributions. This will ensure that you are not leaving compensation from your employer on the table.

• 4) Establish and build an emergency fund. This is easy to overlook, but building a pot of cash to use if your car breaks down or you lose your job will give you the buffer you need when something goes wrong. Work to build the savings account to a level that can cover three to six months worth of living expenses.

• 5) Pay off high interest debt. If you have high interest credit card or other debt, create a plan to pay this off as quickly as possible. Use your new found cash flow to help clean up these expensive debts. Just as important, be sure to focus on your spending plan to make sure you don't find yourself back in the same place in the future.

• 6) Don't fret about student loan debt. Significant student loan debt is a reality for most college graduates these days. This is "good debt" that resulted from a long-term investment in your human capital. You probably should not try to pay this debt off quickly. If you are paying 7% interest or less on your student loans, select a manageable repayment plan and prepare to pay these loans off over time. Up to $2,500 in interest paid on these loans is tax eductible for most recent graduates. That means the after-tax rate on these loans is quite reasonable. Be sure to address the previous items on this list before using extra cash to pay down your student loans.

The Money Matters column is written by members of the Financial Planning Association of Greater Kansas City. This week: Lucas Bucl, a Certified Financial Planner with KHCWealth Management, Overland Park.