

# Money for Life

August 2005

Dear Readers,

For young adults to successfully reach their financial goals, a lot depends on what they do and when. This month we focus on some money management strategies from the FDIC for young adults to consider at key ages and stages of life.



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## High School

\*Consider earning money outside of your home, whether it's babysitting, lawn mowing, or working in a movie theater or another "real" business. A job can provide a sense of accomplishment and responsibility. It also can be a good opportunity to learn about careers and to "network" with professionals.

\*Learn the concept of "paying yourself first" — that is, automatically putting some money into savings or investments before you're tempted to spend it. Start small if you have to and gradually build up.

\*Consider opening a bank account, either on your own or with a parent or other adult. It's a good way to learn about managing money. You also may want to start using a debit card — you can use it to make purchases but you won't pay interest or get into debt

because the money is automatically deducted from your bank account.

\*Take a personal finance class or join an investment club at school.

\*If you're planning to go to college, learn about your options for saving or borrowing money for what will be a major expense.



\*If you (and your parents) are comfortable with getting a credit card, you should know that there are cards designed just for teens. One is a credit card with a low credit limit that can keep you from getting deeply in debt. Another is a pre-paid card that comes with parental controls, including spending limits.

## College

\*Realize that as you pay bills and debts on your own you are building a "credit record" that could be important when you apply for a loan or a job in the future. Pay your bills on time...and borrow only what you can repay.



\*If you decide to get your own credit card, choose carefully. Take your time, understand the risks as well as the rewards and do some comparison shopping. Don't apply for a credit card just because you received an invitation in the mail or a sales person was offering a free gift on campus.

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\*Protect your Social Security number (SSN), credit card numbers and other personal information from thieves who use someone else's identity to commit fraud. Examples: Use your SSN as identification only if absolutely necessary and never provide it to a stranger. Safeguard your personal information when using the Internet or borrowing a computer provided by your school

\*Consider a paying job or even an unpaid internship at a workplace related to a career you're considering.

\*If possible, set aside money into savings and investments.

\*Try to take a class in personal finance. Read money-related magazine and newspaper articles.

## Starting a Career

\*Keep your credit card and other debts manageable. Maintain a good credit record.



\*Save money for both short-term and long-term goals. Contribute as much as you can to retirement savings, which often can be used for other purposes, including a first-time home purchase. Take advantage of matching contributions that your employer will put into your retirement savings.

\*Do your best to stick to a budget and control your spending, especially if you're still paying back student loans or working at an entry-level job.

\*Although insurance sometimes seems like a waste of money, you only need one accident or catastrophe to wipe you out financially. Think about disability insurance (to replace lost income if you become seriously ill) and health insurance (to cover big medical bills). Check into low-cost or free insurance offered through your employer.

## Starting a Family

\*Continue saving and investing money, including retirement accounts.

\*If you don't already own your home do some research to see if this is a good option for you. A home purchase can be expensive but it also can be an excellent investment and a source of tax breaks. Check out educational resources for first-time homebuyers.



\*Make sure you are properly insured, including life, health, disability and home owner's or renter's insurance.

\*Talk with an attorney about the legal documents you should have to protect your loved ones if you become seriously ill or die. These documents typically include a will, a "durable power of attorney" (giving one or more people the authority to handle personal matters if you become mentally or physically incompetent) and a "living will" (specifying the medical care you want or don't want if you become hopelessly ill and cannot communicate your wishes.)

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