

Money Talks



To Young Adults
and their families

Volume 3

Brought to you by your local bank and the ABA Education Foundation

Quick Tips to Help Your Young Adult Save Money!

1

Keep track of your spending in a notebook and keep your receipts and paid bills organized, whether you use a paper or electronic file system.

2

Automatic bill pay is convenient; however, you must keep track of when amounts are debited so you have enough money in your account to cover them.

3

Curb impulse spending. Wait at least 24 hours before purchasing an item so you're sure you really want it.

4

Many young adults will need one basic suit and other professional clothes. Buy classic styles that will last and check end-of-season sales, outlet stores and clearance specials.

Help Your Child Prepare for a First Home

Eventually all birds leave the nest. If you're the parent of a young adult, you will experience this sooner rather than later. Make sure your child is prepared for living on his or her own. Whether planning to rent or buy a home, saving should be part of the plan. Living independently requires a cushion of funds to help cover unexpected costs. Personal finance experts suggest saving at least three months salary in an account that can be accessed easily in an emergency.

Renting

Traditionally landlords require a security deposit, or a set amount of money used to cover a missed rent payment or any damages to the property during the term of the lease. Landlords usually require a security deposit of one month's rent; occasionally, they may require the first and last month's rent in addition to a security deposit. Make sure the young adult in your life knows about these costs.

Buying a Home

Some young adults may want to purchase a condo, townhouse or starter home once they move out of the family nest. Homeownership is not for everyone, and the housing market is unpredictable. Be sure your young adult is prepared to stay in the home he or she chooses to purchase.

If your young adult wants to purchase a home, he will have to obtain a mortgage. This type of loan is used specifically to finance the purchase of a home or piece of property. The loan amount will be double or triple the homebuyer's annual salary, so proof of steady employment is a must. The majority of lenders require a down payment. The amount may vary, but 20 percent of the purchase price of the home is a good rule-of-thumb.

(continued)

**FOR
RENT**

**FOR
SALE**



Preparing for a First Home

(continued)

Other expenses will include closing costs, fees, homeowners' insurance and personal property taxes, so it is important not to enter into homeownership lightly. It is especially important to keep extra money on hand because all repairs and maintenance are the responsibility of the homeowner.

Miscellaneous Moving Costs

Moving expenses can add up quickly. When a young adult moves for the first time, he might not factor in the cost of a moving van or truck, plus cleaning supplies, boxes and other packing materials. Remind him of these expenses and suggest he create a moving budget or checklist with accurate estimates and extra funds, just in case something unexpected arises.

Moving Checklist and Budget



- Moving Van/Truck (often requires a deposit)
- Supplies (ex. boxes, tape)
- Storage Space
- Security Deposit
- Car Registration Fees

Check Out These Books!

Visit your local library or bookstore ...



Life After School Explained

Cap & Compass

Credit cards, HMOs, leases, business dinners ... this witty book explains all of the life skills that no one ever learns in the classroom. Written by a team of young professionals, the book is full of simple and clear explanations, plus many humorous, first-hand experiences.



Debt Free by 30: Practical Advice for Young, Broke, & Upwardly Mobile

Jason Anthony and Karl Cluck

So many young people today enter adulthood already in debt, either from student loans, moving expenses, car costs, security deposits, credit card-financed household furnishings and more. Anthony and Cluck tell how they were able to pay down much of their debt through tried-and-true methods.

Click Your Mouse Here



www.consumerjungle.org

This interactive website will help young adults figure out how much life really costs. The site discusses how earning and spending choices affect everything young adults want. The LifeSimulation program makes it really easy to understand where all of the money goes. All you have to do is answer a few questions, and the program will do the math for you.

www.getsmartaboutcredit.com

Brought to you by the ABA Education Foundation, this Web site includes links to personal finance lessons and online programs directly from the financial institutions themselves. The site is a great resource with links to financial calculators, budgeting worksheets and more.



ABA EDUCATION
FOUNDATION
A subsidiary of the
AMERICAN BANKERS ASSOCIATION®

The ABA Education Foundation, a non-profit subsidiary of the American Bankers Association, is committed to developing and providing education programs that lead to financial literacy. Visit us on the Web at www.aba.com/ABAEF.

© 2008 American Bankers Association Education Foundation, Washington, DC. Permission to reprint granted.