Financial “adulating” for graduates

My teammates mentee will graduate high school in a few weeks and head off to college in the fall. In our most recent conversation, he used the word “adulting” to describe some of the tasks involved in preparing to fly the coop. Apparently, I’m out of touch because I had to look up the definition:

“the practice of behaving in a way characteristic of a responsible adult, especially the accomplishment of mundane but necessary tasks.”

So I began to think about some financial advice I could offer my Teammate when he graduates from college, i.e. when the real “adulting” begins. After all, success in any endeavor is contingent upon the accomplishment of mundane but necessary tasks. In other words, it’s the small things done right, done well, and done consistently that ultimately lead to success. Here are the first five financial concepts I plan to pass on to my Teammate:

- **Compound interest** - Albert Einstein said, “Compound interest is the eighth wonder of the world. He who understands it...earns it. He who doesn’t...pays it.” Take advantage of compound interest by saving and investing as much as you can as early as you can. If $1 million by age 65 is your goal, you’ll need to invest $444 per month beginning at age 25. If you delay saving and investing until age 45, you’ll need to set aside $2,126 per month.

- **Net worth vs paycheck** - Understand that wealth is not the same as income. Wealth is money not spent. A high income gives you an opportunity to build wealth more quickly than someone with a low income, but unless you live below your means, you’ve wasted the opportunity. Have a net worth mentality rather than a paycheck mentality. Begin tracking your net worth when you get your first job. Very few things in life are as motivating as progress.

- **Educate yourself** - Even if you’re a business major in college, you will be underexposed to personal finance classes during your entire educational process. So it’s upon you to educate yourself. “An investment in knowledge,” wrote Benjamin Franklin, “always pays the best interest.” I would suggest reading a handful of personal finance books in your spare time. These five are a good start. They will expand upon some of the concepts listed here.

- **Credit cards** - There’s a right way and a wrong way to use credit cards. If you pay off the balance every month, you’re doing it right. If you don’t, you’re not. Here’s why. The average interest rate charged by credit card companies on new accounts is 19% per year and the maximum rate is 29.99%. You can see who wins when you carry a balance. As this article points out, if you have a $2,000 balance on your credit card and make the 2% minimum payment every month, it will take you over 30 YEARS to pay off your card. Remember, you want compound interest to work for you, not against you.

- **“Buying” happiness** - As comedian George Carlin said, “Trying to be happy by accumulating possessions is like trying to satisfy hunger by taping sandwiches all over your body.” Studies show there is a higher level of sustained satisfaction by spending money on experiences and people rather than on stuff.

In a nutshell, live below your means, be your own advocate, and understand the forces working for and against you.
For a much more in-depth discussion of financial, career, and life advice, I recommend a book called *The Wealthy Gardener*. Written by a father to his son and told in the form of parables, this book might just be the ultimate “adulting” present for a young person. I plan to give it to my Teammate as a graduation present.

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