A Guide for the Fresh Graduates Turned Working Adults

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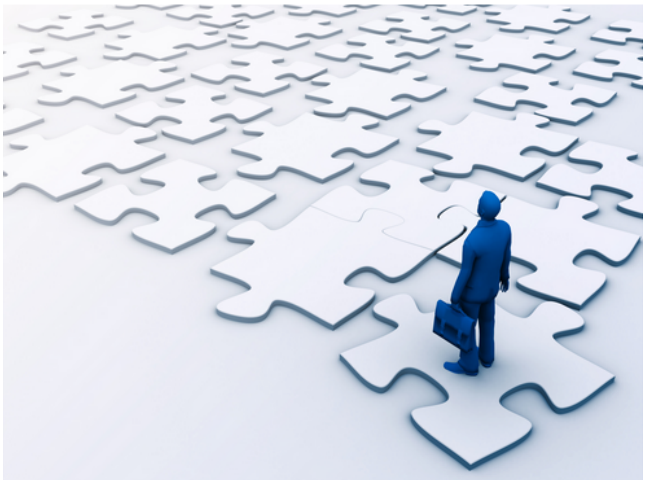


I remember feeling lost when I first graduated and took my first step into the working world. While it was exciting to start a new job and start earning a regular paycheck, I was also clueless and lost when it came to what I needed to do and what mistakes to avoid. There was no one to guide me, as my parents are not really savvy in this area and I'm the eldest child. I wished there was a blog that would help make my transition from being a student into the corporate life more seamless, but there was nothing much I could find.

Thus the motivation to start up this blog, and keep it going.

For a fresh young working adult, one of my primary concerns was **money**. I didn't have a clue how much I needed to save, what insurance I ought to buy, etc. So today I'm sitting down to write a post on exactly what I wished existed 2 years ago when I first started working, and hopefully you'll find this guide helpful.

1. Open a separate bank account to deposit your salary
The first thing you should do is to separate your bank accounts and designate one main account for all your salary to be credited in. This way, it is easier for you to manage to analyze the amount you've earned without confusing it with any savings you might have had prior to starting work.

Also, having a separate bank account for your salary is one of my essential tips to saving. Read my post on how this trick helped me to save $20,000 in a year.

2. Purchase insurance

I'll write more on this topic and evaluate the different types of insurance that I would recommend / not recommend to purchase at this stage, but for now, here's a quick summary.

You must purchase insurance because simply speaking, you don't have enough money to pay your medical bills if you fall sick or get into an accident. Some companies provide insurance plans to their employees, so check if you have any coverage on this front. Regardless, I recommend buying your own insurance because your insurance plan should be for the long-term, whereas your job may only be for the next few years.

Do check back in a bit for my upcoming articles in an insurance series.

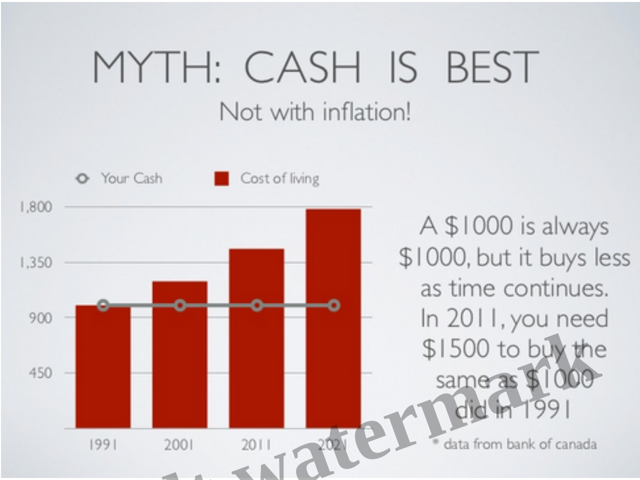
3. Pay off your debts and outstanding loans

Your biggest debt right now should be your Tuition Fee Loan. You can read my guide on how to pay off your tuition fee loan for an illustration and some tips on settling the sum in the shortest amount of time possible. The faster you pay off your loan, the less money you're "giving away" to the bank in the form of interest.

nergency Fund

Why do we need to have emergency cash? (Ah, but that's an article for another day.)
TLDR, you'll never know when you might need some extra cash, so it is always good to have some on standby. If you lose your job the next day, or decide to quit, your emergency savings will help you to ride out the period where you're searching for a new job. As a general guideline, it is advised to put aside 3 – 6 months of living expenses into your emergency funds and keep this in a bank account where you can easily take it out anytime.

5. Accumulate extra cash for investments



Once you've paid off your debts, saved enough for emergencies and gotten yourself properly insured, you're now ready to start investing! Any additional savings from this stage can go directly into your investing plans, which can potentially grow your capital and help your money to beat Singapore's crazy inflation rate.

Do NOT:

1. Invest in stocks and unit trusts until your financial foundations have been built up

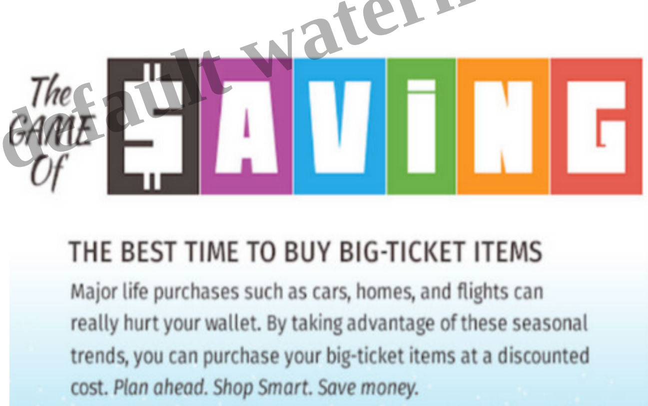
Until you have your basic foundations covered (by that I'm referring to your emergency fund and clearing debts) and have educated yourself on the gains and perils of investing, you should not be investing so soon. I had a reader email in to ask for advice on short-term investments he should make with his money at this stage, and my answer was simply – don't. Save up first.

Your priority in your first 2 years of working should be to accumulate cash. Unit trusts and stocks are generally meant for long-term investments, and you should not have the mentality of cashing out these investments for the short-term. Any gains in short-term investments are likely to be eroded by your brokerage trading fees anyway.

2. Take on credit debt

Credit card debts are one of the most common debts faced by young working adults in Singapore nowadays. Blame it on the high cost of living and the materialistic lifestyle that the media (and society) pressurizes us to live. If you do not watch your spending, you could end up like my friend who found herself in over $30,000 of credit debt 3 years after she started working. She had become almost broke and didn't even know it as she didn't manage her finances properly.

3. Purchase big-ticket items



I know of many peers who sign up for a gym membership, facial package or nail manicure packages within their first year of working itself. While I'm not saying to spending money altogether, anything that costs more than a few hundreds should raise warning bells in your head at this stage. Your priority should be to save up your emergency cash first, not to splurge everything you earn.

In fact, the only acceptable "big-ticket" item you should be spending at this stage should be overseas holiday trips. If you've only just started working, you shouldn't be looking at buying a car or a Rolex watch. Keep your eye out for promotions, have them in the back of your mind, and save these for later instead.

I hope that helped! Let me know if you have any more tips that you feel I should include in this post ?

You can also read another helpful article posted on the CPF blog here.

With love,
Budget Babe

Category

1. Bank Accounts
2. Savings