# Chapter 2

# The Single Life: Start Out Right

Michelle, a single woman in her 20s, acquired an Ivy League degree but didn't pick up much financial education along the way. Neither her parents nor her peers ever discussed money. "At home I never saw my mother with money," she recalls. "It was always, 'Go ask your father,' even to get change for the ice cream truck." At school, "most people had money, so it was déclassé to talk about it." Because she was on a scholarship, Michelle was ashamed to bring up the subject.

Once she had graduated, Michelle landed a job on the assignment desk of a network news organization—a high-profile position with a low-profile paycheck that barely covered rent, student loans, and credit card debt (and left very little room for a *Sex and the City*-style wardrobe). Michelle also had a weakness for ATMs. "My downfall is knowing that I can walk up to a machine, punch buttons, and get cash."

Given her background and habits, Michelle seemed to be setting herself up for a long slide down the slippery slope of financial woes. But she pulled herself back from the brink with a simple move: She bought a budgeting book. "Before I get my paycheck I

**DID YOU KNOW?**

At some point in their lives, 90 percent of women in the United States will be managing money on their own because they've been divorced or widowed or have never married.

fill in what I anticipate spending, and then what I actually spend," says Michelle. "It's really eye-opening, and it keeps me from getting out of control."

Women like Michelle have more at stake than ever when it comes to taking control of their finances. Single women in the United States, who have never married, live alone, and have full-time jobs, actually earn, on average, 28 cents per hour more ($17.26 per hour) than their single male counterparts, according to a recent study by the Employment Policy Foundation. That's true across the full spectrum of occupations, education levels, and age, and it represents significant progress. In March 1981, single women, on average, earned only 93 cents compared with every dollar of hourly wages earned by men. (With regard to earnings, single women tend to do better relative to men than women as a whole because the distractions of marriage and children are factored out.)

Although it's critical to lay a strong foundation when you're just striking out on your own in your 20s, the basic principles of smart money management are just as applicable if you're a 30-something trying to get out of debt, a 40-something recovering from divorce, or a 50-something planning for retirement.

On the preceding page, we've highlighted one of the most startling statistics I've seen regarding women and money, which is that, at some point in their lives, most women in the United States will be managing money on their own because they've been divorced or widowed or have never married. Consider the following supporting facts:

- **Never married.** Of American women who are ages 25 to 29, about 42 percent have never married; of those ages 30 to 34, 24 percent have never married; ages 35 to 39, 16 percent; and ages 40 to 44, about 13 percent, according to U.S. Census Bureau data.
- **Divorce.** About 40 percent of first marriages end in divorce, according to the U.S. Census. (Among first marriages, 33 percent end in separation or divorce within 10 years, and 43 percent end in separation or divorce within 15 years).
- **Widowhood.** The median age of widowhood for women in a first marriage is just over 58 years.

Even if you're married or in a relationship, you need to "think single" to maintain your financial independence, so that if anything happens to a spouse or partner you won't face financial disaster as well as personal tragedy. (See Chapters 9 and 11 for advice on how to survive divorce and widowhood.) And the sooner you start, the better off you'll be.

## Five Steps to Financial Independence

Tracking your cash flow, figuring your net worth, and taking control of your spending as outlined in Chapter 1 will help you get a grip on where your money comes from and where it's going. Now you're ready to take your first steps toward financial independence.

### 1. Pay Off Your Debt

"When you're in college," says Michelle, "you don't even have to apply for credit cards. Companies send them to you. It's so easy to get behind." Michelle knows whereof she speaks. In 2004 about 76 percent of college students in the United States had credit cards, according to a study by Nellie Mae, a top originator of student loans, and the average credit card balance was more than $2,100.

Once acquired, that burden is hard to shake—especially if it comes on top of student loans. Nellie Mae reports that graduating students owe an average of more than $21,000 in combined education loans and credit card balances. Added to a new-car loan, that much indebtedness often puts young people in a hole they find it tough to climb out of.

Plenty of women are in that hole. A survey by OppenheimerFunds found that 47 percent of single Gen X women, ages 21 to 34, had credit card debt, compared with 35 percent of single men. The typical single Gen X woman with credit card debt had an outstanding balance of $2,300—the equivalent of four weeks of take-home pay.

**HOW MUCH DEBT CAN YOU HANDLE?**

One long-standing rule of thumb is that monthly payments on installment debt—credit card balances, car loans, and other borrowing, excluding a home mortgage—should not exceed 20 percent of your take-home pay. A broader rule is to figure that your total monthly debt payments, including a mortgage, shouldn't exceed 36 percent to 40 percent of your gross monthly income.

### HARD BARGAINING AT WORK

Women have a reputation for driving a hard bargain when they shop—but not, it seems, when they're negotiating their salary. In fact, it appears that women are reluctant to bargain at all when starting their first job, and that can be a costly mistake. Linda Babcock, an economics professor at Carnegie Mellon University, studied CMU graduates with master's degrees, and found that men were more likely than women to negotiate their first salary. Those who bargained upped their pay by 7.4 percent, or just over $4,000. Babcock estimates that reluctance to negotiate results in a cumulative loss in income ranging from $500,000 to $1.5 million over a woman's lifetime—and that doesn't factor in pensions and other compensation tied to salary.

So don't be afraid to speak up—especially if you're about to take a new job. Your moment of maximum negotiating leverage comes when you're offered the position but haven't accepted it yet. If you feel confident, make a counteroffer. Don't wrangle over every last dime, but a good rule of thumb is to reject the first offer and accept the second.

Partly as a result of these spending patterns, significantly more single young women (53 percent) said that they live from paycheck to paycheck than do single young men (42 percent). And 30 percent of all bankruptcy petitions are filed by single women, compared with 26 percent by single men.

I may be whistling in the wind, but the best way to avoid the debt spiral is to avoid credit cards in college—or at least wait until you're a junior or senior to get one, once you've had a couple of years' worth of experience managing money on your own. Students don't need credit cards, not even for emergencies (in fact, in a nationwide study of college and professional students by Smith College, just 10 percent of those surveyed fessed up to using their credit cards "only for emergencies"). Besides, it's too easy to define an emergency as treating your dorm-mates to pizza during a midterm study marathon or buying a must-have outfit for a weekend event. Say you spend $500 on those new clothes, and pay for them in $20 monthly installments on a credit card charging 21 percent interest. It would take nearly three years to pay the balance in full—and that assumes you never charge another pair of shoes on the card. You don't want to end up paying a hefty price for old clothes that have gone out of style, old pizzas that you've already eaten, or old dates who are no longer in the picture.

But if you're already in trouble, following are the secrets to digging your way out:

- **Stop using your credit cards,** even if, to avoid temptation, you have to cut them up or do something drastic like putting them on ice in the freezer. Henceforth, pay cash. Period.

### SAVE OR PAY OFF DEBT?

**Q.** Should I first pay off my college debt and then start saving, or should I do both and just start saving a small amount per month?

**A.** I'd recommend saving your spare cash rather than paying off your student loans early.

Student loans represent an investment in your future that will pay off in increased earnings over time. And interest rates on government-subsidized Stafford loans are lower than rates you'd be paying on credit-card debt or car loans. You can cut the rate even further by arranging for your loan to be paid automatically each month and by making on-time payments for a certain number of months, as stipulated by your lender.

Once you've negotiated the best terms you can on your student loans and put them on autopilot, just make the payment every month and you'll be fine.

If you have high-rate credit-card debt, tackle that first. Paying off a credit-card balance on which you're being charged 18 percent interest is the equivalent of earning an unbeatable 18 percent on your money.

In either case, you should still try to save a small amount each month. Nothing beats the security and psychological satisfaction that comes with having money in the bank. And once you establish the discipline of saving, it will stick with you for the rest of your life. Starting now and starting small are the keys to becoming a millionaire tomorrow.

- **Pay off your bills,** using whatever strategy makes you feel that you're making progress. If credit card balances are your nemesis, move them to a low-rate card. Even if that rate is only temporary, it will give you breathing room while you concentrate on paying off the balance. Remember, however, this strategy will work only if you don't charge any more.
- **Tackle your most expensive debt first.** Financially, that makes the most sense. That's what Rebecca did. When she returned to school in her late 20s to complete her college degree, she racked up $20,000 in student loans, on top of a car loan. After graduation, she took advantage of programs to consolidate her student loans with a single lender at an attractive rate, and extended the term from the standard 10 years to 20 years. That reduced her monthly payments, so that she could put more cash toward her more expensive car loan. Once the car loan was paid off, she put the extra money toward the student loans, and still repaid them in 10 years. "I understood debt a lot better when I went back to school the second time," says Rebecca. (For more information about dealing with student loan debt and to use various loan repayment calculators, visit *www.salliemae.com* and

*www.nelliemae.com,* or consult *Take Control of Your Student Loan Debt,* by Robin Leonard and Deanne Loonin and published by the Nolo Press.)

Although it's smart to knock off your more expensive debt, that may not be the most effective strategy for you. One couple I interviewed paid off $35,000 in credit card debt on 20 cards in just two years by taking them one at a time, starting with the smallest balances regardless of the rate. Paying off their bills more quickly gave them a psychological lift. As long as they could see they were making progress, they had an incentive to keep going.

- **Don't carry a balance from month to month.** Once you have your bills under control, you can pull out your card again to use as a convenience—but only if you make up your mind to pay the bill in full each month. (In the Smith College study, just 20 percent of the students surveyed always paid off their balance.)

## HELP WITH DEBT

Do you need assistance to get out of debt? Credit counseling may provide the answer you need. Start with the U.S. Trustee's office, an agency of the Justice Department, which lists approved credit-counseling firms in the Credit Counseling & Debtor Education section of its Web site *(www.usdoj.gov/ust).* You'll find contact information and Web addresses, plus you can see if a firm does business in person, over the phone, or online. Other sources of help:

- **The National Foundation for Credit Counseling** (800-388-2227; *www.nfcc.org*), or the **Association of Independent Consumer Credit Counseling Agencies** (703-934-6118; *www.aiccca.org*). To find a program in your area, check out groups that are members of these agencies. A counselor should meet with you to review your financial situation and offer budgeting advice. If you still need help repaying your debts, these programs can usually get card companies to lower your interest rates and eliminate some late fees. You make one monthly payment and the agency distributes it to your creditors. Credit-counseling agencies sometimes charge clients a small fee—usually $50 or less (sessions limited to budgeting generally cost less than $20). They're compensated primarily by credit card companies, which typically pay them 9 percent to 15 percent of the money they collect.
- **The Consumer Credit Counseling Service** (CCCS) (800-251-2227; *www.cccsatl.org*). This is one of the largest nonprofit counseling services in the United States, with nearly 2,000 offices throughout the country. Some CCCS offices offer a free debt-repayment plan; others charge a nominal fee based on what you owe creditors. To locate the office nearest you, check your local white pages.

## 2. Write Your Credit History on a Clean Slate

Using credit rashly can make your life a misery. Using it wisely can make your life a breeze, paving the way to everything from renting a car to buying a house. In fact, it's particularly important for women to build a credit record in their own name that will last a lifetime and be unaffected by their marital status.

The Equal Credit Opportunity Act prohibits discrimination on the basis of gender (or marital status) during any part of a credit transaction. So, for instance, creditors can't discourage you from applying for credit because you're a woman, and they must not consider gender in any credit-scoring systems they use for evaluating creditworthiness. (For more on women's credit rights, see Chapter 3) But the law doesn't guarantee that you will get credit. You'll have to do that on your own.

As mentioned earlier, it's sad but true that one of the easiest ways to get a credit card is to apply as a college student. Even though students generally have no credit history and no significant income, they do have parents who presumably are willing to bail out their kids if they get into trouble. To avoid the pitfalls I mentioned earlier, I generally recommend that students not apply for a card until they're at least juniors or seniors, or just about to graduate. That way, they have time to build maturity and develop money management skills.

If you're among the minority who resist the pressure to get a credit card while in college—and I salute you—you may find that you're considered a risky credit prospect after you graduate.

Take Barbara. A full-time teacher with her own apartment, she paid her bills on time each month, and her only outstanding debt was a small amount on a student loan. Yet at the age of 27 she still didn't have a credit card. She once responded to a card offer through the mail, but was turned down—ironically, because she had no history of repaying debt. "I was so discouraged I didn't bother trying for a while," says Barbara. When she bit the bullet and replied to another mail solicitation, she finally got her first Visa—with a $200 credit limit.

The best way to get credit is to incur debt, so that card issuers can gauge how reliable you are when it comes to repaying. But that doesn't mean you're out of luck if you're starting fresh. Competition is so fierce among card issuers that you may be able to establish a satisfactory credit history in as little as six months. If you play your cards right, you may even be able to get credit immediately.

## A QUICK CREDIT CHECKUP

Keeping an eye on your credit history will let you know how lenders size you up—and how you can improve the picture, if necessary. Monitoring your credit report is also your best line of defense against credit-card fraud and identity theft.

To get started, go to *www.annualcreditreport.com* (or call 877-322-8228) and get a free copy of your credit report. You're entitled to one free report per year from each of the three major credit bureaus (listed below). It's best to stagger your requests; that way, you can get a report every four months and follow your credit history throughout the year.

Based on your history at each of the three credit bureaus, you'll also have three credit scores compiled by the company Fair Isaac. Those are the so-called FICO scores, the most commonly used measures of credit, which reflect all the good (and bad) information in your reports. Lenders use FICO scores to decide whether you can borrow money and what interest rate you'll pay. The three credit bureaus recently joined to create a new measure of credit called the VantageScore, which is designed to compete against FICO.

For a copy of your FICO score, plus information on interpreting the number and advice on how to improve it, go to *www.myfico.com*.

If you find mistakes in your credit report, contact the appropriate credit bureau and ask that they be corrected:

- **Equifax** (PO Box 740241, Atlanta, GA 30374; 800-685-1111; *www.equifax.com*)
- **Experian** (National Consumer Assistance Center, PO Box 9701, Allen, TX 75013; 800-397-3742; *www.experian.com*)
- **Trans Union** (Consumer Disclosure Center, PO Box 1000, Chester, PA 19022; 800-888-4213; *www.transunion.com*)

Apply first at the bank or credit union where you have a checking or savings account. As long as you're employed full-time and haven't bounced any checks, your bank will probably be willing to issue you a card with a low credit limit—say, $200, as in Barbara's case—and gradually ratchet up that limit if you pay your bills on time. The longer you've lived at your current address or worked for the same employer, the safer a risk you are.

If your bank isn't willing to issue you a card right away, you can build a credit history over several months with a card from a retailer or department store or a gasoline card—cards that often are easier to get. Retail cards usually aren't a good deal—despite the discounts they offer on initial purchases—because interest rates tend to be high. But you can build a credit history in six months to a year by making purchases and paying for them on time. Pay the bill in full each month, and the high interest rate won't matter. After six to 12 months of prompt payments, apply again for a Visa or MasterCard.

Some major banks have programs to help you establish good credit by making you a loan that you repay before getting the money. After repaying a $500 loan, for example, you'll have $500 plus a good payment record–and the rest will be credit history, as long as your payments are reported to the credit bureaus that keep track of your credit record (see the box on page 26). First-time cardholders with limited or no credit history rarely qualify for the lowest interest rates. But you can always renegotiate the rate after six months. And, remember, if you pay your credit card bill in full each month, the interest rate won't matter.

Don't shop for several cards at the same time. That mistake–called shotgunning your credit–is sure to sabotage your chances. Card issuers checking your credit report will see the other inquiries and assume the worst–that you'll get all the cards and use the entire credit limit. If issuers think you have too many cards, they'll be less confident that you'll be able to pay your debts. And being rejected

### BOOST YOUR SCORE

**Q.** I'm a recent college grad and just found out that my credit score is 702. I hear that is very good. How can I raise it even higher?

**A.** Congratulations! You're off to a great start. The median credit score is just over 720 (out of a possible 850), according to Fair Isaac, the company that compiles the FICO scores used by most lenders. "Any score from the mid-700s on up is a sure thing when you apply for credit," says a Fair Isaac spokesman, and you'll qualify for the most favorable interest rates.

Your credit score will probably rise as you get older and build a longer credit history. Meanwhile, you can do the following things to make sure your score goes up:

- Pay your bills on time.
- Use credit judiciously, keeping your balances to 25 percent or less of your available credit limit. The lower the better.
- Don't open too many new accounts at the same time. "If you're fresh out of college and you open six accounts, that's way above average, and it could lower your FICO score," says the Fair Isaac spokesman. "If you've been managing credit for 25 years, you have a lot more latitude."

## GET OFF ON THE RIGHT FOOT

**Q.** I've heard some financial advisors say that young people should take an entry-level job in their chosen field and use credit cards to pay for necessities and basic expenses if they can't afford to live on the salary. What do you think of that advice?

**A.** I certainly agree that young adults shouldn't hesitate to start at the bottom in a career they love. But I'm reluctant to advise them to finance the venture with a credit card.

As a newly independent adult, you want to get off on the right foot by forming good financial habits—and getting into credit card debt isn't one of them. It would be tempting to justify charging a new pair of shoes or a round of drinks with your co-workers as a career necessity. And when you're successful and get a raise, will you use it to pay off the credit cards—or buy more shoes?

Nor do I like the idea of using your credit card to pay for real necessities such as groceries because you're short on cash. As a young friend once told me, "If you can't afford to buy groceries, you're living beyond your means."

Credit can be a godsend in a pinch, but I'd try to find some other way to finance those first struggling years:

- **Look beyond expensive cities such as New York or San Francisco.** For example, *Kiplinger's Personal Finance* magazine recently identified seven cities for young adults that are both cool and affordable: Athens, Georgia; Atlanta, Georgia; Austin, Texas; Denver, Colorado; Minneapolis, Minnesota; Nashville, Tennessee; and Raleigh, North Carolina. If you simply can't stay away from the Big Apple, live in a group house in Queens rather than a loft in Manhattan.
- **Take a second job.** Waiting tables or answering phones are time-honored traditions for starving artists and other young people trying to break into their chosen field.
- **Move back home for a year.** With free or cut-rate room and board, you could save thousands of dollars to help finance the next year on your own.

Part of growing up is learning how to make choices and set priorities. You can't have everything—especially if you're buying it with a credit card charging 18 percent.

for a credit card can also hurt your chances of being accepted for one in the future.

Note: Those direct-mail offers promising that "you've been preapproved" for credit really mean that you've been preapproved to apply for a card. You can still be turned down.

One of the fastest ways to get credit is to apply for a secured card that requires you to make a savings deposit equal to your credit line. (I often recommend secured cards for college students. Putting

**CARDS TO AVOID**

If you're in the market for credit, don't be conned by Web sites that promise to get you a card, or that charge exorbitant or unnecessary fees. Some cards charge an application fee, a processing fee, and an annual fee—and if you're late paying those charges, the issuer slaps on a penalty and charges interest retroactively. It's possible to have a credit line of $500 and a balance of $450 before you've even used the card. Unless the charge is an annual fee, or a bank deposit for a secured card from a reputable issuer, don't prepay for a credit card.

up some of their own money in order to get the card makes the point that credit has a cost, and it protects them if they get into trouble.) For a listing of secured cards, go to *www.cardratings.org* or *www.cardweb.com*. After six months to a year, the issuer should upgrade you to unsecured status. That way, you can qualify for a lower rate and an increased credit limit without adding to the savings account.

I write a weekly column about kids and money that appears at *www.kiplinger.com/columns/kids,* in which I often address credit-related questions from young adults. You'll find a sampling of the most frequently asked questions in boxes throughout this chapter.

### 3. Plump Your Cash Cushion

The car breaks down. The roof springs a leak. You have an unexpected medical bill. You lose your job. Those are the rainy days for which, financial experts will tell you, you should have enough cash tucked away to cover 3 to 6 months' worth of living expenses. You probably won't be surprised to learn that most people don't follow that advice. Only 38 percent of Americans actually keep that much savings on hand, according to a survey by Lutheran Brotherhood, a financial organization sponsored by the Lutheran Church. Young adults are especially short of cash, with just 30 percent of them reporting they have a cushion that would last at least three months.

It's not that young adults don't save. Because they have doubts about the future of Social Security, they have started saving for retirement earlier than previous generations. But apparently they don't worry much about emergencies, assuming that they can always fall back on borrowing against their credit cards or retirement accounts.

That attitude creates a false sense of security. Financing a calamity with a credit card that charges 19 percent or 20 percent interest lands you in a vicious circle of more debt and little savings. It's equally risky to borrow from your 401(k) or other retirement plan. By taking money out of your retirement fund, you're crippling its ability to grow. And if you lose your job or leave it before you're fully vested in your company's retirement plan (for more on vesting, see Chapter 7), the loan is considered a distribution from the plan, so that you'll end up paying both taxes and a penalty.

But let's face it. The prospect of stockpiling enough cash to cover 3 to 6 months' worth of living expenses can deter the most dedicated savers—and it's even tougher if your income is low or you have a lot of debt.

The solution is to aim for a less-daunting alternative, say, a month's worth of expenses. As your income rises, beef up your cash

## DON'T CLOSE OLD ACCOUNTS

**Q.** If I close old accounts that I don't use any more, will my credit score go up?

**A.** Surprisingly, no. You can certainly pay off old accounts but don't necessarily close them. Assuming those accounts are in good standing, with no late payments or other black marks, keeping them open looks good on your record and gives you a longer credit history—a plus for young borrowers.

Closing old accounts also lowers the amount of credit you have available, and that can actually be a black mark on your record. When lenders decide whether to extend credit, they look at how much of your available credit you're already using—poetically called your *utilization ratio.*

Let's say you have five credit cards, each with a $2,000 limit, for a total of $10,000. Your total balance is $1,500. That gives you a utilization ratio of 15 percent—not bad, in the eyes of lenders. But if you close four of those accounts, you have a $2,000 credit limit with the same $1,500 balance, and your ratio suddenly jumps to 75 percent—not good. "You haven't borrowed an additional nickel, but on paper it looks as if you're closer to being overextended," says one credit expert. Ideally, you should keep your utilization ratio to 25 percent or even less.

Even if you have a good credit score, it's possible that an individual lender might not like to see too many open accounts. If you're applying for a mortgage, for example, a bank might tell you that your score is fine but ask you to close some accounts. However, that appears to be the exception rather than the rule.

## A BACKDOOR WAY TO BUY A HOUSE

**Q.** I know I should be saving for retirement, but I also want to buy a house. How can I afford to do both?

**A.** Open a Roth IRA because it can do double duty as both a retirement account and a savings account for a down payment on a house.

Assuming you have earnings from a job, you can contribute up to $4,000 to a Roth IRA in 2006, as long as your adjusted gross income is under $95,000 on a single return. And there's no tax on earnings as they accumulate inside the account.

Although it's primarily a retirement account, the Roth comes with generous rules for getting your money early. You can withdraw your *contributions* at any time, without owing income tax or a penalty.

Plus, you can withdraw up to $10,000 of your *earnings* to help buy a first home. In order to take advantage of this break, you have to meet what's called the five-year rule: Your Roth must be open for at least four calendar years after the year of your first contribution.

Let's assume you begin putting $4,000 a year into a Roth. Five years later, after you've contributed a total of $20,000, your account holds more than $23,000, assuming a 7 percent annual return.

You could withdraw it all, tax- and penalty-free, to buy your first home. And if you don't use it all, the rest continues to grow for retirement.

reserve to cover longer periods and reflect any increases in your spending, such as higher rent.

A cash reserve should be your first saving priority, even if it means lowering or delaying contributions to a retirement plan temporarily. If you have credit card debt, consolidate it on a card charging 0 percent interest, stop using the card, and make the minimum monthly payment so that you can use your available cash to build up the equivalent of a month's living expenses. After that, allocate savings toward other goals, such as paying down that debt or opening a retirement account.

Once you have the money saved, keep it where you can get your hands on it. The stock market is far too risky for money earmarked for an emergency. Even a bank certificate of deposit (CD), which locks up money for a set period, is too restrictive because you'll forfeit any interest earned if you withdraw the money early.

Essentially, you have two good options for parking your emergency cash: a savings account at a bank or credit union, or a money-market mutual fund. Banks sometimes offer free checking as a perk with their savings accounts, but they're often stingy with the interest rate they pay. Credit unions generally offer a better deal.

Your best bet is a money-market mutual fund, on which the going rate is likely to be higher than a bank's. Money-market funds pool the money deposited in the fund and invest it in forms of debt with short maturities, such as commercial loans and short-term CDs. Unlike bank accounts, money-market funds aren't federally insured, but they're considered extremely safe. On the few occasions when loans in a fund's portfolio have defaulted, the mutual fund company has absorbed any potential losses.

Choose a money-market fund with the best interest rate available, low fees, and a feature that lets you write checks. Most funds restrict the number of checks you can write and set a minimum amount per check—often $500. If the fund does not let you write checks, see whether money can be wired to your checking account in an emergency.

You generally need a minimum of $1,000 to open an account, but funds sometimes let you in for $250 or less. Search for funds at *www.Imoneynet.com,* which offers a money-fund search engine that lets you use criteria such as minimums needed to open an account and check-writing requirements.

## 4. Open a Retirement Account

Saving is never easier than the day you start working, no matter how much your income goes up in the future. Saving is especially important for women because they tend to move in and out of the work force even as they have to plan for a longer life span.

Yet whenever the issue of saving comes up, the response is immediate: How can I save money, especially for retirement, when I barely have enough to make ends meet now? This is a universal refrain that cuts across ages and income groups. The more money you have, it would seem, the more ends you have to meet.

In the OppenheimerFunds' survey, fully half of the single Gen X women said that at this point in their lives, money is for spending and not saving. Three out of four said it was important to "look successful," and 54 percent said they were more likely to accumulate 30 pairs of shoes than to accumulate $30,000 in retirement savings.

Let me let you in on the dirty little secret of saving: Very few people, no matter what their income or age, have the self-discipline to sock away money on their own. The only way to do it successfully is to have someone do it for you, off the top of your paycheck, so that your money doesn't burn a hole in your pocketbook.

To fund your emergency cushion, for example, you can arrange for your bank to automatically deduct a certain amount from your pay and deposit it in a savings account. Once you have enough saved to cover at least a month or two of your expenses, use regular savings contributions to open a retirement fund.

If you have access at work to a 401(k) retirement plan–or a 403(b), the nonprofit equivalent–take advantage of it. Your employer will automatically deduct the contribution from your pay so that you won't have to think about it. As a bonus, you won't have to pay taxes on the amount of your income that you contribute. And when you invest the money, you won't owe any tax on the investment earnings as they accrue; as a result, your savings will compound and grow faster than if some of the earnings went to pay

### THE IMPACT OF STUDENT LOANS

**Q.** I have a lot of debt, but most of it is student loans. Do lenders view that as negatively as credit-card debt? Will it count against me if I apply for a mortgage?

**A.** Student-loan debt is viewed more favorably for purposes of calculating a credit score, but it's equal when a lender evaluates you for a mortgage.

The FICO credit score used by most lenders divides debt into two categories: installment loans and revolving debt. Student loans, mortgages, and car loans—on which you pay a fixed amount every month—are installment loans. Credit-card balances, on which your monthly payments vary, are considered revolving debt.

Owing a lot of money for student loans, or any installment debt, isn't going to hurt you as much as maxing out your credit cards, says a spokesman for Fair Isaac, which compiles the FICO score. But you can still damage your credit score if you miss payments on your student loans, and you can improve your score by paying on time.

If you apply for a mortgage, lenders will look not only at your credit score but also at your ability to repay the loan. That judgment is based on the cost of the house, your monthly income, and your other monthly obligations for student loans, a car loan, credit cards and any other kind of debt. If your new mortgage payment plus all of your other monthly payments together represent more than 50 percent of your gross monthly income, it can become more difficult to qualify for a mortgage.

taxes. In fact, you won't owe taxes at all until you withdraw the money when you retire.

Starting in 2006, your employer may also give you the option of contributing to a so-called Roth 401(k) retirement account. You won't get a tax deduction on the money you put in, but your withdrawals in retirement will be tax-free. Young workers are good candidates for a Roth 401(k). You're starting out in a relatively low tax bracket and your earnings will rise over time, so tax-free income will be more valuable when you retire in a potentially higher bracket. For more on Roth 401(k) accounts, see Chapter 7.

Whichever account you have access to, put in as much as you can to take advantage of any matching contribution by your employer. That's free money—and who among us can afford to turn down free money? Don't worry if you can't afford much at first. Even a small amount can grow into a comfortable kitty, given enough time.

If you don't have access to a 401(k), or if your employer doesn't match your contribution, take matters into your own hands and open a Roth IRA. This type of retirement account, which you can open with a bank, a stockbroker, or a mutual fund company, is independent of any retirement plan you may have with your employer, so it goes with you when you switch jobs. Assuming you have earnings from a job, you can contribute as much as $4,000 in 2006 (so long as your income on a single return is less than $95,000). The maximum annual contribution is scheduled to rise to $5,000 in 2008. You won't get any tax deduction for your contribution. But, as with a 401(k), you won't owe taxes on your investment earnings as they accrue. And, as with a Roth 401(k), you won't owe any taxes even when you begin withdrawing money at retirement.

What should you do with all the money you're saving? Assets you won't need for a long time—10 years or more, or even 5 years or more—should be in the stock market. Despite the market's daily ups and downs, stocks and stock mutual funds still promise the highest returns over the long term—something that many young people are not aware of. In the Smith College survey, only about 30 percent of those surveyed knew that stocks promised the greatest investment return over time. When asked which of five investments—stocks, bonds, money-market funds, saving accounts, certificates of deposit—had gone up the most in value over the last 30 years, nearly half said they didn't know. Only 25 percent picked stocks, the right answer.

As a good basic investment, I recommend a broad stock-market index fund that lets you, in effect, buy a share in virtually every company that's traded. One example is Vanguard's Total Stock Market Index fund (800-635-1511) that has a minimum investment of $3,000. A broadly based index fund is a good deal even for experienced investors, because it's difficult, if not impossible, to predict which small piece of the market will be the next big winner, or which money manager will consistently be able to turn in a better performance than the market.

"Nobody's smart enough to beat the market except for a few times when they hit it lucky," says Rhonda. Every month she puts 10 percent of her salary into a 401(k) plan that is almost entirely invested in an index fund. Although she's interested in the stock market overall, she doesn't keep close enough track of market minutiae to be able to say, as she puts it, "Aha! Fund X is going into a slump because the manager invested in the petroleum industry at the wrong time, or whatever the reasoning is." With her index fund, says Rhonda, "you know why it's going into a slump because you're reading about the market in the paper."

Over your lifetime, you will have to allocate savings to lots of different purposes—an emergency fund, a new car, a new house, your kids' college education—but always make it a top priority to save for yourself, by funding your own retirement. If you don't take care of yourself, who will?

## 5. Buy Peace-of-Mind Insurance

Your rainy-day fund can help shelter you from a brief shower, but what if you're swamped by a longer-term financial crisis, such as an illness or a health problem, or an accident that temporarily keeps you from working? You don't need life insurance if you have no dependents who count on your income. But you do need health and disability insurance because *you* depend on your income.

**HEALTH INSURANCE.** Lots of young women can identify with Jessica, who graduated from college and started a new job that did not provide health benefits. On her entry-level salary, she didn't think she could afford to buy health insurance on her own. At first, Jessica got coverage under her parents' policy that insures adult children for up to six months after they graduate from college. But when that coverage expired, she joined the ranks of 20-somethings who are uninsured, and she has lots of company. Nearly one in three young adults between the ages of 18 and 24 has no health insurance—the highest proportion of any age group, according to the U.S. Census Bureau (the rate is about one in four among adults between 25 and 34, the second-largest uninsured group). They're gambling on their youth to keep them in good health. But if you lack insurance, a single accident or unexpected illness could wipe out your savings and put you in debt for years.

Without group coverage through your employer, or during an interim period before your employer's coverage kicks in, you have several options, discussed below.

**If you're a recent grad,** check to see whether your parents' policy still covers you. Insurers typically drop kids from their parents' health plan once they graduate, but some plans offer coverage longer, sometimes up to age 25. And a number of states are taking steps to extend coverage for young adults.

## MAKE THE MOST OF YOUR FIRST JOB

Talk about getting your feet wet in a job. Emily G.'s first gig out of college was working part-time as a mermaid at a New York City nightclub. Since then, Emily has been impressively sure-footed in her post-college career. Hired as an editorial assistant with a publishing firm, she was soon promoted to assistant editor.

With her job, Emily received a benefits package that most recent graduates would envy: a choice of several health plans, a flexible-spending account for medical expenses, and a 401(k) retirement plan with a dollar-for-dollar company match. But she was less successful in navigating those choices.

To keep her health-care premiums down, Emily chose a bare-bones HMO with decent medical benefits but no mental-health coverage. Not a bad choice, but Emily also took a pass on diverting part of her pretax salary to a flexible-spending account. Not only would she have escaped paying taxes on the amount she contributed to the account, but she could also have used that money to pay the tab when new-job stress sent her to a therapist (and for other out-of-pocket medical expenses, such as dental care, contact lenses, or laser eye surgery).

As for the 401(k), "First things first," says Emily. "I'd rather be a young person with beautiful shoes than an old person with a roof over my head." In fact, if she spared just $100 a month from her Jimmy Choo shoe budget to contribute to the 401(k), that money would grow to nearly $1 million by age 67, assuming an annualized return of 10 percent—and that's not even counting the company match. She'd be well on her way to keeping both her head sheltered and her feet stylishly shod.

Even after your parents' coverage expires, you may be eligible to extend it for up to 36 months under a federal law called COBRA (short for the Consolidated Omnibus Budget Reconciliation Act). You must apply within 60 days of losing coverage, and–here's the kicker–you have to pick up the cost of the premiums, along with a 2 percent administration fee. But any preexisting conditions would be covered.

Note: You can also extend health coverage under COBRA if you lose your job, or if your husband loses his job and you were covered by his insurance. Your employer or insurer can help you with the details.

**If you need insurance for only a limited time**–say, before you start working, during any probationary period as you begin a job, or while you're between jobs–it may be more economical to buy a short-term health plan, which lasts one to six months. The biggest providers are Assurant Health (*www.assuranthealth.com*) and Golden Rule (*www.goldenrule.com*). The Web site *eHealthInsurance.com* sells policies from several companies.

**If you're going to need insurance indefinitely,** say, because you are or expect to be self-employed, it makes sense to buy an individual policy with a high deductible of $1,050 or more in 2006 (that figure is scheduled to rise with inflation). You'd have to pay that much out of pocket before the insurance kicked in. But you'd be covered in case of a catastrophic accident or illness. And in return for the higher deductible, premiums would be considerably lower and more affordable.

In addition, if you purchase a catastrophic policy with a high deductible, you can take advantage of a health savings account (HSA). With an HSA, you can put the amount of the deductible–up to $2,700 for singles in 2006–in an investment account, get a tax deduction for your contributions, accumulate tax-free earnings, and withdraw the money tax free to pay out-of-pocket medical expenses, such as the deductible and co-payments.

If you're young, healthy, and single, you're an ideal candidate for a catastrophic policy coupled with an HSA. For help finding an HSA-eligible policy, see *www.hsainsider.com* and *www.hsadecisions.org*. You can compare several companies' policies at *eHealthInsurance.com* or search for a local agent at the National Association of Health Underwriters Web site (*www.nahu.org*).

Jessica eventually got insurance by finding a new job with an employer that provides health benefits. If you are currently hunting for a job, be sure to consider the value of any health-insurance benefits when weighing employment offers.

**DISABILITY INSURANCE.** Although she doesn't recall its critical events, that day—Memorial Day, 1995—is burned into Deborah's memory. She was enjoying a holiday weekend getaway in Florida with her boyfriend when the SUV in which she was riding flipped over. Deborah wasn't wearing a seat belt. She was thrown from the back seat and broke her neck, rendering her unable to walk and impairing her movement from the waist up (an injury similar to that of the late actor Christopher Reeve). She was 28 years old at the time.

Fortunately, Deborah, a lawyer, had a group disability insurance policy through her employer. The policy replaced 60 percent of her income, up to $5,000 a month, for total disability, and took effect after a 90-day waiting period—a fairly typical policy. It was enough money to pay for her rent and the services of home health aides, but not enough to cover utilities, groceries, or any kind of entertainment. "My parents filled in quite a bit," she says.

Before her accident, Deborah had paid little attention to how she would cover expenses in case of a catastrophe. "I knew I had long-term-disability insurance, and whoever thinks of it?" While many workers, like Deborah, have some coverage through their employer, don't assume that you do. Only about 40 percent of workers in medium-size and large companies are covered, and even fewer employees of small companies. Women are more likely than men to work for an employer that does not offer coverage. The typical 60 percent maximum benefit may not include income such as overtime, bonuses, commissions, or pretax contributions to a retirement plan. Even if it does, you'll owe income tax on benefits from a policy purchased by your employer, which could be a big bite.

You'd be wise to supplement an employer-paid policy with disability insurance you've purchased on your own, bringing total coverage to 80 percent or 90 percent of take-home pay. But individual policies can cost a lot. See whether your employer will let you buy individual coverage at a group discount. Such policies usually cost 15 percent to 25 percent less than individual coverage obtained on your own—and may cost as much as 50 percent less for women because group policies have unisex rates. (Women are usually charged more than men for individual disability policies.)

In some cases, women are less likely to have disability insurance because they may consider their husbands to be the main provider for the household. However, government statistics show that women who work outside the home are three times as likely as men to miss work because of a disability-related illness (mainly because women are more likely to experience pregnancy-related disabilities).

When tragedy struck, Deborah had lots of support systems in place—her family, her employer, and her insurance—and she eventually returned to her job, although with a reduced workload. "Before, I was making a very nice salary for a 28-year-old single woman," she says. "I worked hard, but there was not much I denied myself. Now, I'm making ends meet, but I need all my money. There's no play money there."

> **INSURERS ON THE NET**
>
> To meet your insurance needs, the following Web sites will give you information on policies and premiums:
> - For life insurance, go to Insure.com, AccuQuote *(www.accuquote.com)* and InsWeb *(www.insweb.com)*.
> - For health insurance, check out eHealthInsurance *(www.ehealthinsurance.com)*
> - For auto insurance, head to InsWeb, and also to *www.statefarm.com, www.progressive.com,* and *www.allstate.com.*

**RENTERS INSURANCE.** So you've crammed yourself into your first tiny apartment, and you think you don't have much in the way of possessions. What about your iPod? Your laptop? The growing wardrobe in your closet? The vintage Art Deco storage cabinet you bought in a secondhand store? You may own more than you think, and you can protect it from fire or theft with inexpensive renters insurance. Coverage generally costs only a couple of hundred dollars per year. If you own a car, check with your car insurer; you may be able to get a price break by buying both policies from the same company. Another money-saver: In some states, insurers let roommates purchase a single renters policy, so you can split the cost, assuming you intend to stay together.

## Ten Surefire Ways to Spend Less and Save More

Okay, you're probably thinking, in this chapter you've been telling me lots of good things about paying off debt and saving more money. But how can I save when I'm spending everything I make?

Welcome to the club. We all seem to feel that we're living paycheck to paycheck—and even when our paycheck gets bigger, our spending has a funny way of rising to meet it. The secret to getting your finances under control isn't necessarily to make more money, but to trick yourself into spending less and saving more.

As I pointed out in Chapter 1, everyone has different styles and ways of managing money. Know yours, so that you can play to your strengths and compensate for your weaknesses. For example, some people prefer using cash rather than plastic because they can actually see what they're spending—and stop when they

## THIRTY-SOMETHING FINANCIAL CHECKUP

Being 35 and still single—with prospects of remaining that way—means you need to consider the following basic financial issues from a new perspective:

- **Your credit.** By this time you've probably got credit cards of your own—possibly too many of them. If you spent your 20s on a buying binge, now's the time to pay down that debt, so you can put the money toward other things that are becoming more important in your life.
- **Your home.** If you have been putting down roots in a job or a geographical location but are still renting an apartment, consider buying a home of your own—primarily as a place to live, but also as a source of tax breaks (to help offset your growing income) and a real estate asset (to help diversify your portfolio).
- **Your assets.** You may have acquired lots of things by now—a house or condo, home furnishings, a car, investments, a retirement plan. If you have definite ideas about who should get all that stuff if anything should happen to you, the only way to make sure your wishes will be carried out is to make a will. In the absence of a will, the state in which you live will make the decision for you, in accordance with a hierarchy that goes something like this: your parents, followed by your siblings, your grandparents, and then other relatives. You may also want to set up trusts for tax-planning purposes. And draft a durable power of attorney so that someone else can act on your behalf if you are incapacitated. For a more detailed look at estate planning, see Chapter 4.
- **Your parents.** They may still be relatively young themselves, but if it looks as if you would be their primary caregiver, encourage them to look into buying long-term-care insurance (see Chapter 4)—or buy it for them, especially if you have access to coverage as a benefit through your employer.
- **Your retirement.** If you didn't start saving in your 20s, you haven't missed the boat. You've still got 30-plus years until you leave the work force—plenty of time to build yourself a comfortable retirement kitty. But start now.

run out of money. Others prefer using credit or debit cards because they get a written record of their expenditures, and cash tends to burn a hole in their pocket. There's no "right" system that works for everyone.

My friend Lynne, who's establishing a career as a comedienne in New York City, has come up with a whole repertoire of simple yet effective ways to manage her money. Before Lynne got her big break, she waited tables and got a big chunk of her income in cash. As a result, she acquired habits that still help make her money last between gigs.

Each month, for example, Lynne divides her expenses into categories—for clothes, for fun, even for her dog—and puts money for each into an envelope so she doesn't overspend.

Not only does she toss spare change into jars—keeping quarters separate from the smaller stuff to use in parking meters—but she also tosses dollar bills into a drawer. "Then you can grab a few singles to pay for takeout instead of breaking a bigger bill, which is the road to disaster," says Lynne, who makes it a habit never to break a Benjamin.

When she was a waitress, Lynne would keep her first $50 in nightly tips as spending money. After that, she'd save half of everything she made. She still has an automatic savings plan, only now she tells her accountants to stash 5 percent of her income in an account that's available if she needs it. "My mother always told me, 'that's your getaway money,'" says Lynne.

To control her credit card debt, Lynne once resorted to freezing her cards in a bowl of water. Now she carries just two cards—one of them is American Express, which she must pay off each month—and keeps the rest with her accountants. "If I want to use one, they ask me if I really want to spend the money," says Lynne. "That makes me stop and think."

Don't have an accountant? Use a "buddy system" and have a friend hold onto your cards so you're not tempted to use them, advises Lynne.

To keep down her entertainment costs, she takes guests out to breakfast rather than dinner "because it's cheaper and you get more." And when you're out with a group, never pay with a credit card and collect cash from everyone else. Says Lynne, "You're probably going to come up short on the bill, and when it's time to pay up the cash will be gone."

## HOW TO POCKET MORE CASH

If you must shop till you drop, at least don't drop more cash than you have to. Every dollar in your pocket is money in the bank—or your IRA. Consider the following:

- **Find fashion for a song.** Shop at consignment stores that accept items from individuals, resell them within a certain time, and then split the proceeds with the consignor. You may be able to find never-worn designer duds for as much as 70 percent off. Tips: If you see something you really like, buy it promptly because it won't last. And always shop in a neighborhood better than your own.
- **Join the club.** The secret to saving money at warehouse stores such as Costco or Sam's Club is not to get carried away. Bring a list and a calculator, pay cash, and, if possible, forgo the cart. Look for products that have been marked down (though they aren't necessarily advertised as such—at Costco, sale items have prices ending in 77 cents; at Sam's Club the sale tip-off is 91 cents).
- **Clear savings of up to 50 percent.** Order disposable contact lenses by mail or through the Internet (e.g., *www.visiondirect.com* or *www.1800contacts.com*), or buy them at a warehouse club.
- **Tie the knot abroad.** You can plan an overseas wedding for thousands of dollars less than the average cost of a wedding in the United States. Airfare and lodging for you and your guests would cost extra—but you'd save on the cost of a honeymoon because you'd already be there.
- **Drive a "gently used" car coming off a short lease.** You can get a low-mileage model from upscale manufacturers such as Acura, Jaguar, Volkswagen, and Volvo that comes with warranty protection and costs thousands of dollars less than the new version.
- **Grab a freebie.** Long distance is free if you chat via computer with software from Skype *(www.skype.com)*. For free (and legal) music downloads, go to Amazon.com (enter "music downloads" in the search box). Other sources: Playlistmag.com and Cnet's Download.com *(music.download.com)*. Get money from an ATM that belongs to a surcharge-free network, such as Allpoint *(www.allpointnetwork.com)* or Money Pass *(www.moneypass.com)*.

To rein in impulse-shopping, Lynne will clip a magazine photo of an outfit she likes and tuck it in her wallet. If you really want the outfit, she says, you'll find a way to save for it. "But nine times out of ten, you'll decide you don't really like it—especially if you see it everywhere around town." A surefire money-saver: swapping clothes with friends. "It's like getting new stuff , but you don't have to pay for it."

Lynne jots down her actual expenses in a notebook and tallies them at the end of each week to see if she's over or under her estimates. She builds in more than she needs to give herself a cushion—and when she comes in under budget, she treats herself to a reward.

Tracking your spending might sound like work, but you don't have to do it forever; even a month is enough. Nor do you have to record every penny. An easy alternative is to use your monthly credit-card and debit-card statements to see where your money goes. Then you can plug the one or two areas where you're leaking cash, and probably come up with an extra $20 or more per week in savings. That's $1,000 a year—and a grand is real money.

Following are ten tricks to add to your own savings routine:

1. **Start an automatic savings or investment plan** with a bank, mutual fund, or your retirement plan at work so that money is taken right off the top of your salary, before you even see it.
2. **Have your paycheck deposited directly** to your savings account rather than to your checking account. You can transfer money to pay your bills, but you'll think twice about withdrawing additional cash because psychologically it's tougher to take money out of savings.
3. **Limit yourself to just one ATM withdrawal** a week, and make your cash last till the next time.
4. **When you make a credit card purchase,** subtract the amount immediately from your checking account so that you're not surprised when the bill arrives at the end of the month.
5. **When you subtract a check from your account,** round up the amount to the next dollar. That way, you'll always have a slush fund.
6. **Can't decide between two items in a store?** Give yourself a 24-hour cooling-off period before you buy either. Chances are you won't go back. As a bonus, take the money you would have spent and deposit it in your savings account.
7. **If you tend to misplace credit card receipts** or forget to record debits, buy yourself a couple of eye-catching storage bins or baskets into which you can toss the receipts. That simple step will help you get organized; you can sort them later, and you'll know where to find them.
8. **Get a fun savings bank**—even a decorative glass jar will do—into which you can toss spare change, and watch your money grow. Deposit it eventually in your savings account, or reward yourself with a dinner out or some small splurge. I know of one person who accumulates $900 to $1,000 a year this way—and uses the money to buy holiday gifts.

**LITTLE THINGS ADD UP TO A LOT**

Consider the case of two young women, Teri and Toni. At age 25, Teri begins contributing $2,000 per year to an IRA. She makes annual contributions for ten years. Then, with a new home and young children claiming her attention and her income, she stops, letting her money sit in the account.

Toni, on the other hand, spends her 20s building her career (and a designer wardrobe to match). At age 35, she gets retirement religion. She begins contributing $2,000 every year to an IRA, and she doesn't stop. If both Teri and Toni earn an average annual return of 10 percent (the historical stock market average), who will have more money at age 65?

Incredibly, it is Teri. Even though she stopped contributing after ten years and $20,000, her kitty will grow to $556,000. In contrast, Toni, who saved $2,000 a year for 30 years, or $60,000 in all, will have only $329,000—a stunning illustration of how compound interest can work its magic if you start saving early (and the best argument I know for diverting part of your clothing budget to retirement savings).

9. **Each time you pass up the temptation** to buy a latte or a new pair of shoes, take the money you would have spent and put it in your cash jar. It's an immediate reward for your self-discipline
10. **Once you finish paying off a loan** or credit card balance, keep writing the check but send it directly to a savings or investment account (or have the investment company automatically withdraw money from your checking account).

## Set for Life

Look at what you have accomplished so far. You have paid off your credit card debt. You have a clean credit record in your own name. You have a rainy-day fund to pay for emergencies. You have a long-term savings plan that will put your assets to work making money for you automatically—and lay to rest the specter of the bag lady once and for all. You have peace of mind should anything happen to you that makes you physically unable to work.

If you don't feel you can finance all of these strategies all at once, don't worry. Do as much as you can, setting priorities and doling out your money in small parcels, building as you go along. Focus on the one thing that's keeping you up at night, and put everything else on your to-do list for later (remember, when you write it down, it tends to get done). What's important is that you get a psychological lift and feel like you're making progress.

So, for example, if you want to get the credit card monkey off your back, concentrate your resources there until you make a notable dent in what you owe. If you're trying to save for a short-term goal like a new car, feel free to divert some of your retirement funds in that direction. (But please don't stop saving for retirement altogether. Even if you're only putting away 1 percent of your income, compounding over time can be significant—especially if your employer is matching that 1 percent.)

The point is that once you have a plan under way, you can breathe more freely. Want to splurge on a new outfit? Go ahead. With your debt paid off and your saving on autopilot, you have nothing to feel guilty about. On the contrary, you're well on your way to being set for life.

### BUYING A HOME ALONE

If you're single and thinking about buying a home of your own, the simplest way is to go it alone. Making the purchase with another person—whether it's a parent, sibling, or partner—as a co-buyer raises all sorts of complications regarding such things as who's entitled to tax breaks on mortgage interest, how to dispose of your share of the property, and how to make sure you get your rightful share of the proceeds if the property is sold. If money is an issue, adjust your sights to find a home that fits into your budget. Your parents (or grandparents) may be willing to help with the down payment. Or buy the home on your own and consider taking in a roommate afterward to help you pay the mortgage. (In that case, however, keep in mind that you will have to qualify for a mortgage based on your own income, not any rental income that you hope to have.)

## DON'T STOP NOW!

- **Figure out** how much debt you are carrying month to month and look at ways to pay it off.
- **Get** a free copy of your credit report and take steps to improve your credit status.
- **Start** or beef up your savings for emergencies and retirement.
- **Purchase** health and disability insurance coverage or reconsider the adequacy of what you have.
- **Look** into buying a home of your own if you haven't already done so and you're reasonably settled.
- **Make** a will or revisit a previously written one. Does it reflect your current situation?