HIGHTOWER
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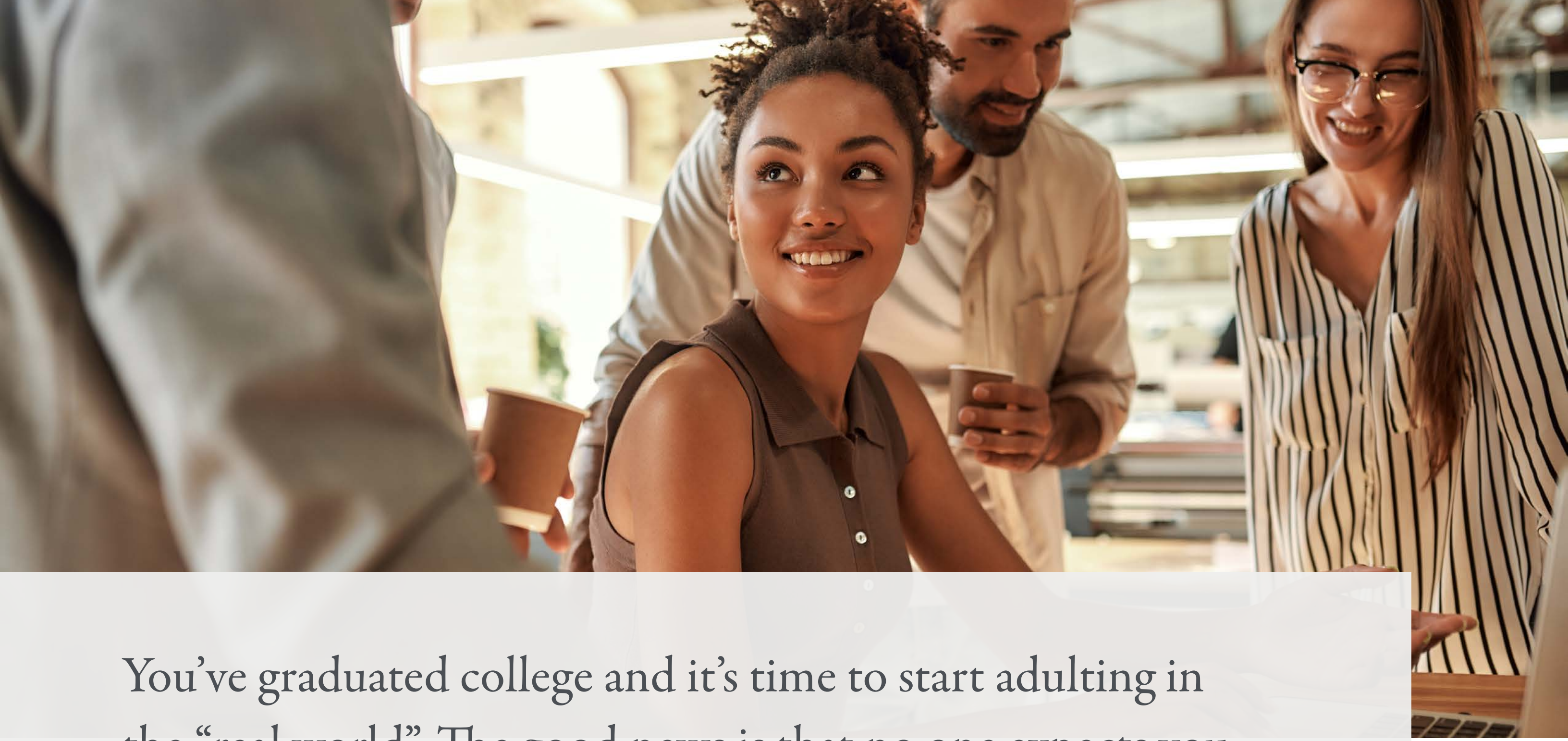
guidebook

Post-College Guide



You've graduated college and it's time to start adulting in the "real world". The good news is that no one expects you to wake up the day after you graduate and be a fully formed, responsible adult. The bad news is there's no handbook that lays out the steps to achieve "responsible adult" status. But there's always some helpful guidance that people can provide to help ease the transition and help you figure things out.

Let's start with your professional life. Congratulations on getting a job! Now you have to navigate all the benefits that come with it.

01 | JOB RELATED THINGS TO CONSIDER

Company Benefits

If you're offered benefits by your employer, the first step is to understand the benefits offered such as medical, dental, and vision benefits, Flexible Spending Account, life insurance, disability insurance, retirement plan options, and company perks and discounts.

Medical, Dental, and Vision Benefits

Medical, dental, and vision insurance is when an insurance company agrees to pay for all or some of your medical, dental, or vision expenses. In return, you pay a monthly premium to the insurance company. Some companies may pay your monthly premium as part of your employment contract, and others may require you to pay a portion of the premium, which will automatically be deducted from your paycheck.

When offered these benefits, the first thing you should do is review the various medical plans offered and take note of the medical and prescription coverage such as copays and deductibles, accessibility to doctors, and the monthly premium. Which plan will be best suited for you will depend on your medical needs, whether the doctors you currently see and like are in-network, and what your out-of-pocket costs will be.

After you review what the plans cover and the costs associated with doctors' visits, procedures, ER visits, etc., put pen to paper to estimate what the out-of-pocket expense would look like for a typical year. Take into consideration how many times you typically see a doctor, whether there are any prescription medications you need on a regular basis (and if they're covered), if you have any injuries that may require a procedure, etc. Once you have all this information written out, the appropriate choice should become apparent.

Dental and Vision Insurance don't tend to have as many options to choose from but be sure to understand the difference between your in-network and out-of-network coverage, so you don't spend more money than you have to when seeing a provider.

If your employer does not offer benefits, don't worry, you can still get health insurance on your own, thanks to the Affordable Care Act. Go to www.healthcare.gov to learn more about how to get coverage.

There's one other option to consider which is staying on your parents' medical plan, but you have to ask first. Under the Affordable Care Act children up to the age of 26 can stay on the parents' medical plan. Thank goodness!

Health Savings Account (HSA)

An HSA is a personal savings account that is funded with pre-tax dollars which can be used for qualified medical expenses such as deductibles, copayments, coinsurance, prescriptions, and other medical expenses. In order to be eligible for an HSA, you have to be enrolled in a high-deductible health plan (HDHP), have no other health coverage, are not enrolled in Medicare, and you're not claimed as a dependent on someone else's tax return.

Because your contributions are made with pre-tax dollars, you won't pay tax on that money and the earnings in the account will grow tax-free. Withdrawals for qualified out-of-pocket medical expenses are tax-free. And if you don't use the full amount, it will roll over and continue to grow tax-free. You can also take it with you if you change employers.

An HSA can also be used as an investment account and you can invest in a variety of investment vehicles.

The big caveat is that you can't withdraw money from the HSA without penalty and paying ordinary income taxes until your 65. Starting at 65, you can take money out, but you will pay ordinary income tax on the withdrawal amount.

Flexible Spending Account (FSA)

A Flexible Spending Account is a type of savings account that allows you to pay for certain out-of-pocket expenses tax-free. The way it works is you choose an amount to be taken out of your paycheck each pay-period, before taxes, and money gets deposited in your FSA. The benefit of having an FSA is not having to pay taxes on that money. When you pay for a qualifying expense, you submit a claim to the FSA for reimbursement.

You can use your FSA to pay for medical, dental, and vision care expenses such as copayments and deductibles, prescription medications, glasses and contact lenses, braces/orthodontia, medical equipment, etc. Your FSA provider should supply you with a list of what's covered as well as what the limits are.

Some FSA funds can roll over to the following year but there are usually limits as to how much so be sure to understand the deadlines for use of funds as well as the amount that can rollover so you don't lose the funds.

You may also be able to enroll in a Commuter FSA to pay for your workplace-related commuter expenses such as qualified parking and public transportation.

If you have children, you may also be able to enroll in a Dependent Care FSA to pay for childcare for dependents under the age of 13. This benefit includes daycare, preschool, and summer day camp. You can also use your Dependent Care FSA for eligible daycare expenses for a disabled or senior dependent who lives with you.

Disability Insurance

Disability insurance is a type of insurance that provides income in the event that you are unable to work for an extended period of time due to a disability. There are two types of disability insurance, short-term disability (STD) and long-term disability (LTD).

Short-Term Disability Insurance

If you are injured in an accident or become seriously ill and unable to work for a period of time, disability insurance would pay you a portion of your income. Depending on the plan, STD insurance supplements anywhere between 40-70% of an employee's weekly compensation for a short period of time (typically 3-6 months). To receive coverage, you must be able to provide proof of your inability to perform your duties by providing evidence provided to you by a medical provider. Be sure to understand how long you can be on STD for. STD insurance may be provided for and paid for by your employer.

It's important to note that the accident, injury, illness, etc. cannot be due to a job-related accident.

Some states require that employers provide short-term disability insurance.

Long-Term Disability Insurance

LTD insurance helps to replace your income if you have an illness or injury that's expected to last 12 months or more. It can supplement anywhere between 60% to 80% of your gross monthly income. There are different types of LTD:

OWN-OCCUPATION:
This policy pays a benefit if you are no longer able to perform your profession or specialty

ANY-OCCUPATION:
This policy pays a benefit if you can't perform any work at all

When purchasing a policy, be sure to understand what the premium will be, what the benefit is, how long you will receive the benefit for, what the waiting period will be, and what the definitions of disability are.

LTD insurance coverage may be offered through your employer but that only covers you while you work at that particular company. You can purchase a policy on your own which will cover you at any job. If you're a high-income earner, you may want to look into purchasing a policy.

Life & AD&D Insurance

Life insurance is a type of insurance that provides a benefit to the insured's beneficiary upon the insured's death. People typically get life insurance to ensure their family and or/dependents are financially secure after their death. There are many different types of policies so it's important to do your research to understand all the nuances.

Some companies offer group life insurance as part of their benefits package, but you can also purchase a life insurance policy on your own.

AD&D Insurance (Accidental death and dismemberment) insurance is a type of life insurance that pays a benefit if the insured passes away in an accident or experiences a serious injury. This may be offered through a rider as part of your life insurance coverage. As with any insurance policy, it's important to understand the coverage and exclusions.

Retirement Savings Plan Options

Depending on the industry you work in, your employer may offer you access to a tax-advantaged retirement savings plan such as a 401(k), 403(b), 457, or defined benefit plan so you can save for your future.

If you participate in a 401(k), 403(b), 457, or defined benefit plan (these are all different types of retirement plans), you decide what percentage of your income will be automatically taken out of each paycheck to be invested in this account. You will be able to choose which specific investments to invest in from a list of investments offered in that plan, and what percentage of your contribution you would like invested in each investment. Fun Fact: The plans mentioned above derive their name from the section of the tax code where the full description can be found.

THERE ARE TWO TYPES OF 401(K)S:

Traditional 401(k):

With a traditional 401(k) your contributions are deducted from your gross income, meaning it comes out of your paycheck before income taxes have been taken out. This is called a pre-tax contribution. The benefit is that you pay less in taxes now because your income is reduced, and you can report the contribution as a tax deduction for that year. You will only pay taxes on the money and earnings when you start withdrawing funds in retirement. These withdrawals will be taxed as ordinary income.

Roth 401(k):

With a Roth 401(k) your contributions are deducted from your after-tax income, meaning it comes out of your paycheck after income taxes have been taken out. This is called a post-tax contribution. The benefit is that you won't pay any additional taxes on the money or earnings when you start withdrawing the funds in retirement.

Some employers may offer 401(k) or 403(b) matching. The employer will dictate how the matching will work. More often than not, the matching is based on a formula where the employer will contribute a certain amount for each dollar you contribute, up to a percentage of your salary or a dollar amount. Some companies require a certain vesting period for you to receive the full match so be sure to understand all the parameters. With that said, if your employer offers a 401(k) or 403(b) match, you should contribute whatever you need to in order to receive that match as it's free money. And the employer matching contributions do not count toward your maximum contribution limit for the year.

If your new employer does not offer a retirement plan you may want to consider setting up either a Traditional IRA or Roth IRA and fund it with your savings. Becoming an adult means taking control of your future, this is one way you can take control of your long-term future.

With retirement plans (as well as life insurance), you can and should select a beneficiary, or the person who will receive the funds should you pass away. This is something we recommend doing when you set up your account, so you don't forget. And not to worry, this is not something that is set in stone if you change your mind. It's very easy to change the beneficiary; for instance, if you get married or have children, you will simply fill out a form indicating the new beneficiaries.

One thing to keep in mind about a retirement plan is if you switch jobs, you have options, which are as follows:

- Keep your 401(k) with your former employer
- Roll over the money into an Individual Retirement Account (IRA)
- Roll over your 401(k) into your new employer's 401(k) plan
- Cash distribution/withdrawal (not advisable)

It's important to take the necessary time to make an informed decision because you can't reverse your decision once the rollover is complete. All of the options mentioned have pros and cons so it's best to discuss this with a human resources professional, an IRA custodian, or a financial advisor to see which option would make the most sense for you.

Now it's time to talk about where you're going to live and what you need to think about before signing a lease.

02 | HOME RELATED THINGS TO CONSIDER

If you're planning on renting an apartment or house, there are a few things you should consider.

Budget

Before you can start looking for a place to live, you have to understand how much you can spend. And a lot goes into that number. So how do you determine your budget? A common school of thought is to allocate 30% of your income to your housing costs. Let's say you make $70,000 a year; you'll multiply that by 30% and then divide it by 12. That will be the amount of money you can spend each month on your housing costs.

$70,000 x 30% = $21,000	$21,000 ÷ 12% = $1,750
HOW MUCH YOU CAN SPEND A YEAR	HOW MUCH YOU CAN SPEND A MONTH

Keep in mind that the $1,750 a month should also include utilities and homeowners/renters insurance. But that's not all you should keep in mind when it comes to figuring out where you should live. Here are a few other things to consider that can also add to the cost of living.

Location

When it comes to where you're going to live, location is important for a number of reasons. For instance, if you need to take public transportation to work, how close are you to that transportation. If you drive to work, is there parking on-site, and is there a cost associated with it? Or do you have to find a garage nearby, and what is the monthly cost for that?

Here are some additional things to consider:

- **Safety –** is your neighborhood safe and would you feel safe walking there at night?
- **Noise –** is the street or surrounding neighborhood noisy? Are you close to a firehouse or a hospital? If so, will you be ok with hearing sirens throughout the day/night?
- **Proximity to essentials –** is the home close to a supermarket, pharmacy, bank, public transportation, gym, etc.?

Amenities

Are there any on-site amenities that are included in your rent such as a washer/dryer, gym, or parking? If the answer is no for any of these things, then you'll have to factor the cost of those into your monthly "cost of living" budget.

Lease

Once you find a place you want to rent, you'll have to submit an application, which may or may not have a fee. If approved, you'll receive a lease, which is an agreement between you, the landlord, and/or management company which gives you the right to live in the property for a fixed amount of time. A lease is a legally binding agreement so knowing what you're responsible for and what you can and can't do is very important. Be sure to read the lease very carefully and understand everything in it, especially the following:

- **Term:** When does the lease start, how long is the lease for, how much notice do you have to give if you're not renewing, and are there any caps on rent increases?
- **Security Deposit:** The amount you have to pay, what they can apply it towards at the end of your lease, and how long it will take them to return any unused portion. The security deposit is usually a full month's rent.
- **Monthly Rent:** This should include the amount due, when it's due, how you can get the payment to them, any late fees that may be assessed and when, and whether any utilities are included.
- **Utilities:** What utilities are included in the rent, if any, and whether there are any specific providers you may be required to use for certain utilities.
- **Repairs and Maintenance:** Who is responsible for this and who do you contact with a request?
- **Pets:** If they're allowed. There may be rules as to how big a pet is or what breed they are. There may also be a fee for having a pet.
- **Insurance requirements**

Renters Insurance

When you're renting or leasing a home, even if it's not required by the terms of the lease, it's a good idea to have renters insurance. It's one of those things that you hope you'll never have to use, but if you are in a situation where you do, like there's a fire in your building and you lose everything, you'll be very happy you have it. Renters insurance is an insurance policy that not only protects your personal belongings, but it also provides liability coverage, and additional living expenses. Let's take a closer look at these three categories to make sure you understand them:

> **Personal Belongings**
>
> If there's damage or loss of your personal property due to a fire, plumbing, or electrical malfunction, theft, or vandalism, renters insurance will reimburse you for that loss, according to the terms of your policy. For instance, if your upstairs neighbor has a leak which causes your ceiling to collapse and ruin your furniture, you'll be happy you have renters insurance to cover the replacement cost of your furniture.

> **Liability**
>
> If someone sues you for an injury or damage that was incurred at your home, or if you, your family, or your pet cause damage to others, your liability insurance will cover the cost, up to your policy limit. For instance, if your friend, who doesn't have health insurance, is hanging out at your place and trips and breaks their arm, they can sue you for their medical expenses. In this instance, you'll be happy you have renters insurance to cover the costs of their medical bills.

Additional Living Expenses

If something happens to your home as a result of a covered reason, and it is uninhabitable, meaning you can't live there, your insurance policy will pay for temporary housing and meals while your home is being fixed or until you can find a new one. For instance, someone in your building left a candle burning and the fire spread to your apartment, and you can no longer live there because of the damage. You'll be happy you have renters insurance because it will cover the costs of your temporary home and meals.

*If you have very expensive items such as jewelry, musical instruments, art, or electronics, these items may not be covered by your policy, but you can purchase an additional rider, so these items are covered.

There's one really important thing left to think about and that is your transportation.

03 | TRANSPORTATION RELATED THINGS TO CONSIDER

If you live in a city with good public transportation, then you should use the funds in your Commuter FSA to purchase a commuter pass for your commute to/from work. Monthly commuter passes are usually unlimited and tend to be more cost effective, but you should still do your homework to see which option is the most cost effective for your commuting needs.

If you don't have a car and need one, you'll have to figure a few things out before you start looking.

Budget

Figure out what you can afford. If you can't buy the car with cash, then you will need to finance the purchase or lease the car, both of which require a monthly payment. In order to know what monthly payment will fit within your budget, you'll also need to factor in the cost of gas, insurance, and maintenance.

Financing

If you're purchasing a car, research auto loan rates and get preapproval. Keep in mind that the longer the term, the more interest you pay over the course of the loan. Go online and find an Auto Loan Calculator to help you figure out what loan term works for your budget.

Research

Research the car you want and can afford. You should be looking at fuel economy, safety ratings, reliability ratings, cost to insure the vehicle, and reviews online to see what owners of that make/model car actually think about the car.

Dealerships

Do your research on what you need to know before stepping foot in a dealership so you know what fees you should be paying, what fees you should challenge, how to negotiate, and what to say no to. If you buy a car directly from a dealership, sometimes they offer free loaner cars when you drop your car off for service. It's worth asking about.

Car Insurance

Car insurance is required in all states except for New Hampshire (not surprisingly, their official motto is Live Free or Die!!!). With that said, each state has different requirements for how much insurance you need to have to cover bodily damage and property damage. Be sure to check the requirements for the state you live in prior to purchasing a policy.

If you're on your parents' policy, you can remain on their policy if you live with them in their home. If you have established an alternate permanent residence for yourself, then you will have to take out your own car insurance policy.

We recommend getting quotes from multiple insurance companies to compare the coverage and the costs associated with them. Why pay more for the same coverage?

You've probably figured out by now that in order to make informed financial decisions, it's essential to know how much money you earn and how much money you spend.

With that said, here's a link to a budget that allows you to input your income, non-discretionary expenses, and discretionary expenses. This budget will take all of that information and tell you how much you have left to put towards your savings, both on a monthly and annual basis.

Last but not least, it's time to get to the legal stuff and get that out of the way.

04 | LEGAL DOCS TO CONSIDER

Life oftentimes throws curveballs you may or may not be expecting, but thankfully there are things you can do to be prepared for those unexpected moments. Although you may be able to obtain some of these legal documents online, we recommend consulting with an estate attorney.

Advance Directives: Advance Directives are legal documents such as a health care proxy, a durable power of attorney for health care, a living will and medical instructions, that provide instructions for medical care if you are unable to communicate your wishes.

> Health Care Proxy: A health care proxy, also known as an agent, surrogate, or representative, is a person who you trust to express your wishes and make health care decisions for you if you are unable to speak for yourself. They will work with your health care team to ensure your treatment preferences are followed. You can name your health care proxy in your Durable Power of Attorney for Health Care or your Living Will. It's best practice to execute both the HIPAA release form (see below for more information) and the health care proxy, so the person entrusted to make health decisions on your behalf will also have access to the medical information they need to make such decisions.

> Durable Power of Attorney for Health Care: A durable power of attorney for health care is a legal document that names your health care proxy, who is the person that can make health care decisions for you if you are unable to do so, such as if you become unconscious or are too sick to communicate your wishes.

> Living Will: A living will is a document that specifies what medical treatments you would or would not like if you should become incapacitated. It directs health care providers to refrain from certain treatments.

Durable Power of Attorney: A durable power of attorney is an important document that, like a health care proxy, appoints a third party to act on your behalf in financial matters. The DPOA enables the designated agent to access bank accounts, pay bills, sign tax returns, etc. The primary purpose of the durable power of attorney is to prevent the court from appointing a conservator to manage your finances should you be unable to make your own conscious decisions. Therefore, it's vital to appoint a power of attorney so you can make your own choices, now.

Will: This legally binding document will direct who will receive your property and assets, and care for any minor children after your death. If you don't have a will, then the state will determine how your assets will be distributed. Everyone should have a will but it's especially important for those who have dependent children as it allows you to name a guardian for your dependent children. Think through your beneficiaries and make sure they are aware your will exists and where it is held. You will also need to name an executor of the estate. This person will carry out your wishes according to your will.

Beneficiary Designations: A beneficiary is someone that will inherit an asset in the event of your passing. You will want to be sure to have a beneficiary for your retirement accounts and life insurance policy (more on both of these later). You may have multiple beneficiaries.

HIPAA Rights: The Health Insurance Portability and Accountability Act (HIPAA) has been around since 1996 and protects the confidentiality of every individual's medical records and other personal health information. However, you should think about under what circumstances you may want your HIPAA rights waived. Waiving your HIPAA rights would allow physicians and other health care professionals to share your medical information (think test results, diagnoses, and treatments) with your health care representative — this is usually your power of attorney. Without these HIPAA authorizations, healthcare professionals may be unwilling to share information, which may block decision-making regarding your care and any end-of-life wishes.

Obviously, there are things that are going to pop-up that aren't included in this guide, and if you need our guidance, we're here to help. With that said, we hope this guide helps you feel a bit more at ease and prepared for what lies ahead. And remember, making a mistake does not mean you're a failure, it's part of learning and helps you grow as an individual.

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