

# Starting strong: A financial checklist for new grads



Graduating from university marks the beginning of a new chapter; one filled with opportunities to pursue your career goals and chase your personal dreams. As you step into your first job, building smart financial habits now will set you on the path to long-term success and peace of mind.

## Checklist of key financial considerations when you graduate from college or university

### ① Pay down your student loans

Understand the different interest rates, grace periods, payment schedules and terms of your federal, provincial and bank loans. Prioritize those with the highest interest rates or consider consolidating your loans to simplify your debt so you aren't juggling multiple payments. Government loans typically give you a grace period without interest so any payment made during this period will go directly to the principal. Set up automatic payments and consider biweekly instead of monthly payments which will increase the speed in which you pay down your loans.

### ② Manage expenses and spend wisely

Be intentional about managing your expenses and spending. Make sure you understand what you can and cannot afford. Avoid splurging on big-ticket items until you have a true understanding of all your financial needs. Don't be discouraged if at first you can't stick to a budget. There are several budgeting strategies out there. Find one that works for you. Determine your financial decision-making and spending profile and learn about the psychology behind your spending decisions to help you find a strategy that suits you.

### ③ Build a good credit score

If you don't already have a credit card, consider acquiring one to establish credit. Make sure you pay your credit card and other bills on time. Failure to do so can negatively impact your credit score. Keep

in mind that maxing out your credit cards can lower your credit score. Meanwhile, using less of your available credit can help raise it. Set up automatic payments or schedule payments in advance on BMO's Online Banking site or app to avoid missing payment deadlines.

### ④ Start saving now

You've probably heard that the younger you start to save, the better. The difference between starting to invest at 25 and 35 years old can be significant. Don't let paying off your debt prevent you from setting a small amount aside for longer term goals like retirement or buying a home. A BMO Private Wealth professional can help you calculate the right balance of investing versus paying down debt, depending on your personal circumstance. Here are some great options to kickstart your savings:

#### Registered Retirement Savings Plan (RRSP)

RRSPs are accounts designed to help you save for retirement. The amount of money you put in lowers your taxable income for the year. You can contribute 18% of your previous year's earned income, up to a maximum of \$33,810 for 2026, with unused room carrying forward. Your investments grow tax free until you take them out, ideally in retirement when you are likely in a lower tax bracket. If your company offers a Group RRSP, be sure to take advantage of it, especially if they offer matching contributions. There are often many benefits to group programs, including lower investment management fees.

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### Tax-Free Savings Account (TFSA)

A TFSA is an account that allows you to grow money tax-free. You can save for anything such as travel, emergencies, large purchases or even retirement. There is a yearly maximum you can put in and unused room carries forward up to your current maximum. Any gains like interest, dividends and capital gains are tax free – even when you take the money out. You can withdraw money whenever you want for any reason without paying tax on it. Unlike FHSAs and RRSPs, TFSA contributions are not tax-deductible.

### First Home Savings Account (FHSA)

The First Home Savings Account (FHSA) is an account designed to help Canadians save for the purchase of their first home. Like an RRSP, money you put in lowers your taxable income for the year and similar to a TFSA, withdrawals are tax-free for eligible first home purchases. There is an annual contribution limit of \$8,000 with a maximum lifetime contribution limit of \$40,000. Like RRSPs and TFSAs money in the account grows tax-free. If you don't use the funds for a home purchase, they can be transferred to an RRSP.

### ⑤ Consider your living arrangements

While it may be tempting to live on your own, consider the positive financial impact of sharing an apartment with roommates or moving back home with your family, if that is an option. Doing so can help you pay down debt more quickly and help accelerate your savings. You may even be able to set aside money for a future down payment on a home.

### ⑥ Create an emergency fund

You should aim to have at least six months' worth of living expenses tucked away for emergency needs. Prioritizing this may seem unnecessary when you're young, but it's essential to be prepared in the event you lose your job or find yourself faced with unexpected costs. Being able to draw on emergency funds is much better than having to rely on credit cards or high-interest, short-term loans to see you through hard times. Having a safety net can provide peace of mind, alleviate stress and promote overall wellness. Some companies offer emergency savings fund options that allow you to automatically have money deducted from your paycheck and deposited directly into a dedicated account.



## ⑦ Take out a cash value insurance policy

If you're married or plan to start a family during or after college or university, consider a whole life insurance policy. It has a cash value component that can offer you additional room to tax shelter investment assets and provides a death benefit to your beneficiary(ies), regardless of when that occurs. You can often borrow against the cash value in the event of an emergency or withdraw the cash value if you decide to cancel your policy (subject to potential income tax consequences). Be sure to engage a licensed insurance professional to assess your needs and provide appropriate coverage.

## ⑧ Hire an advisor

Doing your own investing might seem like a good idea at first, but keeping up with the markets, all the information and number of products available can be time consuming and overwhelming. Building wealth over time is also not just about investing alone. A financial advisor can provide tax strategies to build your wealth faster, assist with financial literacy, teach you how to establish good financial habits and help you keep your goals on track. They don't just invest your money – they look at your whole financial picture and can provide guidance on things that you may not have considered. Working with a professional can increase your wealth over time. According to one study<sup>1</sup>, the value of advice is estimated to be, on average, worth between 3 and 4 percent.

## ⑨ Career planning and networking

When you graduate, consider exploring further education sooner than later. It can be easier to study shortly after getting out of school than it is a few years into your career. If your field has a professional designation, work on acquiring that soon after you graduate. A professional designation or post-graduate degree can positively impact your career trajectory and consequently your financial wellbeing. Find out if your employer offers financial assistance for continuing education. Maintain relationships from school during your career and connect with your school's alumni network. Consider joining a professional organization which can provide you access to people in your field in different companies. Don't forget to keep your resume and LinkedIn profile updated.

## ⑩ Above all, remember, you're not alone

The financial decisions you make now will shape your future, so consider connecting with a professional financial advisor for help creating a plan that's tailored to your unique goals. Whether you need help managing your first paycheque, saving for a big milestone, or building your long-term wealth, a trusted expert will help you feel confident that you're on track. Reach out to a BMO Private Wealth professional today.



<sup>1</sup> 2024 Russell Investments Value of an Advisor study

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