

money as you're telling them you make, and that you're going to make it next year too."

Of course, there are no guarantees for freelance musicians that they'll earn the same money from one week to the next, let alone from one year to another. "We're pretty good with our money," Denn admits. "We're good at saving money. We don't try to save a certain percent each month because our income varies so much. We can make a couple of thousand one month, and a thousand next month."

"It does make it a little harder to plan for expenses. You have to be prepared. You have to save. I guess there's more motivation for us, because if we don't get work one month we really need to have something in the bank. It's really important for us to have money set aside that we can live on for a while. If one of us gets hurt so that we couldn't play for a while, we'd be stuck."

Despite the impact an injury would have on their cash flow, the Denny's carry no disability insurance. "We just protect ourselves against major medical and that's it," Denn says. "It's real hard to get insurance when you're self-employed. To get any kind of a good deal is hard. When you're hired by a good company they'll have group plans for you, but we can't get into any group plans."

Denn tells those on a fluctuating income to seek the advice of an accountant. Because they work out of the house, the Denny's can deduct household expenses such as their telephone and electricity bills, and portions of their mortgage payments. "An accountant can save you a lot of money if you're independent," Denn says.

A WORD ABOUT INSURANCE

You'll probably want to consider several different types of insurance when you're starting out, both to hedge your bets against the unexpected and to take advantage of the lower premiums often offered to young adults.

Most employers will offer some type of medical coverage as part of a basic employee benefits plan. If you find the coverage inadequate to your anticipated needs, you should certainly seek out additional plans on an individual basis. In most parts of the country, there are community health plans to help defray the cost of medical care; group plans also trim the financial burden of individual health coverage. If you work on your own, or on a freelance basis, you'll find many professional organizations offer health insurance plans at rates significantly less than you'll have to pay on your own.

Chances are your company will also provide some type of disability insurance, offering compensation if you are injured on the job; many companies will assess a

modest premium against your salary towards such coverage, at your option. Depending on the policy, disability insurance will often cover accidents that take place commuting to and from work. If you can part with whatever premium payments you're called on to make (usually no more than a dollar or two per pay period), it's a good idea to opt for such coverage. Again, if you're on your own, you'll have to seek out individual or group plans suited to your needs; the cost may be higher than for your



salaried colleagues, but if an injury ever inhibits you from earning an income you'll want to be sure you're covered.

"Disability insurance is probably the most important coverage for a young worker just starting out," counsels IDS's Madden. "I tell my clients all the time, 'If you can't afford to be out of work, and an accident can keep you out of work, then you can't afford to be without disability.' It's as simple as that."

Homeowner's insurance is an unfortunately-termed type of coverage you should certainly consider. Policies are available to renters as well as owners; as a renter, you're insuring your property within your house or apartment, and not the dwelling itself. Rates are assessed on a sliding scale, depending on how much coverage you seek.

Most graduating students, particularly single students with no dependents, will think twice before electing life insurance coverage. The prevailing wisdom has been to avoid such coverage unless your sudden death would leave a beneficiary in true financial need. You might, however, want to take advantage of the low premium payments offered to young adult policy holders in good health; you can start slow, with minimum coverage, and strengthen the policy later on, as your life insurance needs change. (In our next installment, on investing, we'll explain why certain kinds of life insurance policies are among the best

investments available to recent graduates.)

There is such a thing as over-insuring yourself against the unlikely of disasters and casualties; you'll have to determine both your realistic needs and your ability to meet the payments for whatever coverage you select.

CREDIT

Despite reports to the contrary, it's not always a good idea to borrow money simply to establish a good credit rating. "You hear that old advice," agrees Georgetown University's Droms, "but you're going to find out in the ordinary course of starting out that there will be things for which you'll have to go into debt. You can build a good credit rating as a natural by-product."

A good credit rating can be yours if you pay your bills on time, plain and simple. When you go to a bank or lending institution for a loan, the lender looks at your age, current job and work experience, net worth (your assets, less your liabilities), and your expenses to help determine whether or not you'll be able to pay back the loan (or service the debt).

"If you have six or eight credit cards," cautions IDS's Madden, "you're liable to jeopardize the loan. You don't want to send a signal to the bank by telling them, 'Okay, if I can't meet my payments from one credit card company, I've got all these others that will also extend me credit.'"

One way to avoid the credit trap is to use a charge card that requires payment in full every month. Madden advises his clients that "a card like an American Express Card



prevents you from accumulating any unnecessary debt. You may qualify for a dozen different cards, but that doesn't mean you should take them."

You might also want to consider obtaining a retail charge card at a major local outlet—a department store, for example—to help you make payments on major purchases.

Under no circumstances should you let your bills accumulate beyond the dates