prudent; industrious, but conservative.

4. Try to hire someone who has worked with the I.R.S.; an insider's knowledge can be invaluable.

5. Discuss the accountant's fee up front, and make sure the rate covers the possibility of an I.R.S. audit. If not, determine how much an audit will cost you for your accountant's services.

6. Look for an accountant who thinks ahead. "Most young people's salaries change drastically from year to year," Stern reports. "It's important to have someone who anticipates changes in your income and tax bracket, and makes the necessary adjustments."

"You want to find someone who is forthcoming with ideas," Stern advises, "someone who will come to you with new ways to save money. Make sure he's up front with you at all times. If an accountant doesn't level with you about a certain deduction or strategy, it's a good bet it's illegal."

For those of you going it alone, without the benefit of tax advice or preparation assistance, you'll want to be sure you're paying as little tax as possible. Keep a careful notebook, detailing all expenses relevant to your profession. If it's necessary for you to entertain business associates, and your company does not reimburse you for the costs incurred, those costs are deductible.

You can also deduct home telephone expenses in connection with business, newspaper and magazine subscription fees relative to your work, and medical expenses that are not reimbursable through your insurer. (Insurance costs, too, are often deductible.)

If you work full or part-time out of your home, you're able to deduct a portion of your rent or maintenance costs as business expenses. Likewise, any home office supplies—paper, filing cabinets, reference materials, even a personal computer—are legitimate business expenses and should be deducted from your income at year end.

To further trim the tax bite, many young workers are now turning to IRAs (Individual Retirement Accounts), which allow you to invest up to $2000 of earned income each year, and deduct that amount from your taxable income. The money, and all earnings against it, accumulate on a tax-deferred basis; you pay taxes only when you withdraw the money upon retirement (when, presumably, you'll be in a lower tax bracket).

"If you're single, earning $20,000 a year, you're probably in the 26 percent tax bracket," counsels IDS's Madden. "That means, in order to keep one dollar, you must earn $1.35."

To such an individual, Madden explains, a $1000 investment in an IRA is worth $260 in tax savings. "With the tax break, it's only costing you $740 to make a $1000 investment," he says. "I tell young people in similar situations, 'If you don't set up an IRA you're throwing away your money.' They're holding up to $260 and lighting a match to it."

Individual Retirement Accounts, and other tax-deferred investments, will be explored further in next month's installment of *The American Express Real Life Planner*, when we look at investment opportunities for the recent graduate.

CASE IN POINT

When he was offered his $26,500 training position with a San Francisco bank, Alan Calaban thought he'd be living on easy street. "I thought, 'Come on, this'll be something,'" he recalls. "I thought I'd be making more money than I'd ever hope to spend."

Calaban soon learned, however, that his take home pay amounted to only about $350 per week, and that wasn't nearly enough to support the lifestyle he sought. "I went out and rented this great apartment for $800 a month, which is a lot for San Francisco housing," he says. "I wasn't thinking about saving anything, really, but I certainly planned on staying above water."

Despite his plans, Calaban soon found himself drowning in expenses. He took most of his meals out and spoke often to his girlfriend in Chicago; he bought a new wardrobe and new furniture; he even made plans for a week-long ski vacation with his college friends in nearby Lake Tahoe.

"My parents were telling me my money was burning a hole in my pocket," Calaban now says, "and it took me about four months of being on my own to realize they were right."

His first counteractive step was to take in a roommate. "My apartment was a one-bedroom, but it was a big one-bedroom," he remembers. "We put up a big curtain contraption to split the room in half." His new roommate also agreed to contribute to Calaban's new furniture costs, and donated a full set of pots and pans to the then hardly-used kitchen.

"By February of my first year of work I had cleared up all my debts and worked up something of a budgeting system to use as a guide," Calaban reports. Each week he would put aside $100 for his share of the apartment, another $100 for his share of household food and utilities costs, and a third $100 for what Calaban terms "mad money expenses"—movies, drinks, clothes and long-distance phone calls.

"One hundred dollars a week is an awful lot for one person to spend on himself," he reasons. "You can't go out every night, you'd drop dead at work if you did that, but when you do go out you've got to be careful about what you spend."

Each week, Calaban earmarked at least $50 for savings; when his social calendar was light, he often banked twice that amount. Now, after just under a year of his dollar-wise ways (and a 15% raise—to $30,000), Calaban has saved almost $6,000.

"You have to be careful," he coaches graduating students. "Some starting salaries lure you into the false impression that you can do no financial wrong. But you can go wrong, far wrong, if you don't watch where the money is going. All it takes is some planning and some restraint. All it takes is knowing what your limits are, where to draw the boundaries of excess.

"I treat myself nice," he says. "I have nice things—a nice apartment, a new stereo, new skiis—I go out all the time. To look at me you wouldn't think I'm penny pinching my way to financial health. But I've learned to be careful, and that puts me in a good position."