Career Outlook

On your own: Becoming self-sufficient

Dennis Vilorio | March 2016

What does independent living mean to you? For young adults, the answer varies.

Many high school graduates go off to college, living in dorms with roommates. Others enter the labor force right away, perhaps moving into an apartment of their own. Whatever their circumstances, young adults leave home as they move further into adulthood. In 2015, according to the U.S. Census Bureau, over half of people ages 18 to 24 lived with their parents—compared with 15 percent of those ages 25 to 34.

Your first steps toward living on your own will be steadier if you know what to expect and how to prepare for it. This article outlines some of the issues you might face as you become independent, including managing your money, establishing yourself at work, and finding a place to live.

Are you ready to live on your own?

Living on your own, whether alone or with someone else, means you'll be taking on new responsibilities. But it also offers a chance to grow. The following are among some of the considerations of what's ahead.

Expenses. Self-reliance starts with financial independence. But as table 1 shows, typical living expenses add up. According to the U.S. Bureau of Labor Statistics (BLS), housing alone accounted for about one-third of total expenses for young adults in 2014. Transportation and food costs were another one-third. "You soon learn that you can't have everything you want," says Tim Ranzetta, founder of a personal finance business.

Table 1: Average expenditures by age group, 2014

Category	Under 25	25-34
Housing	$11,459	$17,404
Transportation	$6,167	$8,908
Food	$4,423	$6,632
Education	$2,721	$1,087
Pensions and Social Security	$2,240	$5,341
Other*	$1,462	$3,186
Entertainment	$1,319	$2,418
Apparel and services	$1,285	$1,914
Healthcare	$1,103	$2,659

Table 1: Average expenditures by age group, 2014

Category	Under 25	25-34
Total expenditures	**$32,179**	**$49,547**

* Includes cash contributions, alcohol, tobacco, personal care products and services, reading, life and personal insurance, and miscellaneous expenses. Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey.

Freedom. If you're like many young adults, you look forward to the freedom promised by becoming independent. Living on your own offers greater control over your life: where to go (and with whom), what to do, when to come home, and so on.

Self-growth. Life on your own gives you the opportunity to learn more about yourself. You also develop skills, such as priority setting and meal planning, as you navigate everyday living. A single decision, such as how to furnish your bedroom, may come with a range of options and price tags. By learning about yourself and considering your priorities, you discover what matters most to you.

The essentials of autonomy

Knowing you're ready to be on your own is the easy part. Preparing to make it happen might be harder. This section outlines some of the financial, work, and housing issues you need to understand to become self-sufficient.

Finances

Learning to manage your money is a crucial skill. Your financial situation can affect many of your decisions. For example, how much can you spend on housing? How often can you afford to eat out? Do you have enough savings to pay for a vacation?

Tracking and saving your money helps to keep you on solid financial ground. "You don't fully understand how much life costs until you have to deal with bills for the first time," says Katie Bryan, communications director for a financial services advocacy organization. "You might have to save to afford the things you want."

Budgeting. Before you can manage your money, you have to know what your finances are. This begins with knowing how much income you'll have every payday. You also have to know how much money you owe and when you're obligated to pay those bills. Budgeting helps you see your financial picture more clearly.

To create a budget, add up your monthly income (including wages and tips) and then subtract your monthly expenses (such as credit card bills, student loan payments, and groceries). How much money do you have remaining? Where do you spend most of your money? Which expenses could you cut back on? Plan to adjust your spending habits according to your circumstances.

Budgeting can motivate you to spend only what you can afford. "Your situation probably won't look as pretty as you might hope," says Tammy Greynolds, the communications coordinator for a nonprofit financial education campaign. "But by being aware of your expenses, you can resist the temptation to spend money that you really need for upcoming bills."

Emergency fund. To give you peace of mind, you should budget some of the money you earn each month for savings. Financial experts usually recommend saving enough to cover several months of expenses in case of unforeseen events, such as a job loss or an extended illness.

For many people, however, saving such a large amount of money may seem daunting. Remember: It's OK to start small. The important thing is to get in the habit of saving. Experts suggest keeping at least $500 within easy access, such as in a checking or savings account.

Retirement fund. Retirement can seem far away when you're young, and it's easy to focus instead on other priorities—such as saving for a vacation, a car, or a home down payment. Ideally, however, you should start saving for retirement as soon as you have a full-time job.

Experts recommend that you start saving in your 20s and 30s. "Save as early as possible to give your money more time to compound and grow," says Ranzetta. And don't ignore your employer's offer to match your retirement contributions, if available. "That's free money," Ranzetta says. "Few things in life are as good as they sound, but employer matching is."

Credit. Establishing your credit has its benefits. It helps determine your credit rating as you repay money you have borrowed. Many landlords, for example, check rental applicants' credit ratings because they prefer to sign tenants with good ratings. And you may receive better terms on credit cards and loans if you have a credit history that shows you're a responsible borrower.

To build good credit, experts recommend paying your credit card balance on time and in full. Doing so helps you to not only avoid a bad credit rating but also the pitfalls of accumulating credit card debt, including having to pay up to 25 percent interest on the money you owe. Experts suggest that you avoid other high-interest debt, such as payday loans, for the same reasons.

Approaching credit with caution is easier if you remind yourself that the money isn't yours. "People mistake their available credit for wealth," says financial analyst Richard Barrington. "It's tempting to confuse the two, but credit is not money you have. That's money you have to repay, money you take away from your future."

Taxes. Your income taxes are based on the amount of money you make. Once you're on your own and earning at least $10,300 annually, you are required to file a federal income tax return with the Internal Revenue Service (IRS) by April 15. If your income is under $62,000, you can file your federal tax return online for free directly with the IRS.

The IRS has seven rates, or brackets, on which income ranges are taxed. The income limits in each tax bracket vary by marital status and how you prefer to file your taxes—for example, single or married filing jointly (with a spouse).

In addition, you must file a state tax return if your state taxes income. Many states offer free online filing for their taxpayers, but some have income restrictions. You may also file your taxes through the mail.

Work

In addition to being your main source of income, a full-time job is where you spend a large part of your time. According to BLS data, in 2014, employed people spent an average of 7.75 hours on the job on days they worked —nearly one-third of their day.

Finding a job with the pay and benefits you need to support yourself is an important part of being independent. Once you have a job, you will need to present yourself professionally both during and after the workday. "Put your best self forward," says Greynolds. "It's best to err on the side of caution from the start."

Getting a job. To search job openings, especially postings online, look for opportunities that match your skills. Identify these skills by asking yourself some questions. For example, which of your everyday tasks apply to an occupation? What special training do you have? What kind of work interests you?

Finding a full-time job that suits you takes time and persistence. Your network is a great resource. Talk to friends, relatives, and colleagues who can offer guidance or connect you to prospective employers. Your school's job center or alumni association may also be a useful resource. Take the initiative to find as many leads as you can.

When you look for a job, it's important to have a realistic expectation of what you might earn in your chosen occupation in a particular city or region. Jobseeking decisions often depend on where you can find work. Employment for economists, for example, is concentrated in Washington, D.C. Other occupations, such as registered nurses and secretaries, are more likely to be spread throughout the country.

Earnings and benefits. Employers pay a wage or salary for the work you do and may also offer nonwage compensation, commonly known as benefits.

As table 2 shows, the number of workers and their earnings increase with age. This is because workers in younger age groups may not be employed full time, year round while completing their studies. Each of these age groups made less than $825, the median weekly earnings for all workers over 16 years old. Median earnings are the point at which half of workers made more than that amount, and half made less.

Table 2: Earnings and number of workers by age group, 4th quarter 2015 averages, not seasonally adjusted

Age group	Number of workers	Median usual weekly earnings
16 to 19 years	1,079,000	$410
20 to 24 years	8,736,000	$513
25 to 34 years	26,693,000	$743
Total, 16 years and over	**109,913,000**	**$825**

Source: U.S. Bureau of Labor Statistics, Current Population Survey.

Employee benefits vary by employer and may be as important as your wages. These benefits include compensation that an employer pays in full (such as time off for vacation) as well as plans (such as health insurance and retirement contributions) that an employer helps its employees pay for. Table 3 shows which benefits were most accessible in March 2015.

Table 3: Access to selected employee benefits for civilian workers, March 2015

Benefit	Percent of workers with access
Paid vacation	74%
Health care	72%
Retirement benefit	69%
Paid sick leave	65%
Life insurance	60%
Dental care	47%
Wellness program	40%
Short-term disability	38%
Long-term disability	34%
Vision care	26%
Paid family leave	13%
Childcare	11%

Source: U.S. Bureau of Labor Statistics, National Compensation Survey.

Be ready to negotiate for benefits as well as for salary. "You have to show that you're worth their investment," says Greynolds, "and employers need to show that they'll take care of you."

Dress code. Different types of employers have different dress codes. For example, a financial services firm might expect you to wear a suit, but an information technology company might allow a t-shirt and jeans. Ask your employer what kind of attire you are expected to wear.

Workplace dress codes may have varying degrees of rigidity. Guidelines that cover some of the main dress codes, including business casual and business formal, are widely available online.

Social media. How you act in person matters to your employer, but so does the way you appear online. On your social media accounts, set strict privacy settings to keep your private life private. You may also have to ask friends and family to remove personal things you don't want employers to find.

In contrast, make your professional presence online easy to find. Professional networking sites may help you find collaborators, connect with employees of a company you'd like to work for, and promote your skills. Setting up an online portfolio with references and work samples, for example, shows prospective employers what you can do.

Housing

When it comes to living on your own, you have two housing options: renting or buying. (On the path to full independence, some people may choose to stay with relatives for free or nominal rent.) Before committing yourself to something expensive or long term, make sure you feel settled in your job and city of choice. "Jobs don't always work out," says Barrington, "so give yourself some time to stay flexible and learn what you like."

Postponing a long-term housing commitment is common: Most young adults are not homeowners. According to Census Bureau data, in the fourth quarter of 2015, about 35 percent of young adults under age 35 owned a home—compared with nearly 64 percent of all adults who owned one. Whether you decide to rent or buy, consider location and other expenses in choosing where to live.

Location. Your housing search depends on the market in your area. If housing demand is low, you may have a lot of spaces to choose from—and might even be able to negotiate price. For example, landlords in low-demand areas may offer a free month of rent if you sign a lease.

But in some markets, especially major cities, the opposite is often true: Demand is high, limiting choices and pushing up the price. When visiting rental properties, show prospective landlords that you're ready and responsible by bringing a copy of your credit score, a blank check, and a list of references. Before shopping to buy, visit a mortgage lender and get preapproved for a loan.

Focus on what's important to you. Consider price, the space, the commute, and the neighborhood. You may pay more for a place near public transportation, for example, but its location may include other conveniences, such as shorter commuting time. Visit different neighborhoods and walk around them to get a feel for what they offer.

Security deposit or down payment. Renting or buying property nearly always requires an investment upfront. You must have this money at the time you sign a lease or mortgage lending agreement.

Landlords often require a security deposit, usually a month's rent or some percentage of that, to pay for repairs or cleaning after you move out. The remaining money, if any, is returned to you. A down payment is part of the total price of a property you buy, with minimum requirements based on the loan type. For example, loans insured by the Federal Housing Administration require a minimum down payment of 3.5 percent of the purchase price.

Insurance. Insurance requirements vary for renters and homeowners. For example, renters insurance is not usually required, but it's relatively inexpensive and protects your personal belongings against damage, theft, or loss from accidents (such as fires and flooding). It also may cover your liability for damage to neighbors' belongings caused by an accident in your unit.

Similarly, homeowners insurance protects your belongings—which also includes the dwelling itself—and provides liability coverage. Most lenders require homeowners insurance as part of the mortgage. Homeowners insurance differs from private mortgage insurance (PMI), which is usually required only when a down payment is less than 20 percent.

Utilities. The property you rent or buy uses basic utilities, such as electricity and water. Rental properties may include the cost of some or all utilities in the lease, or you might be responsible for paying utility companies directly. Homeowners usually pay their own utilities.

For the utilities that are your obligation, contact each utility company to set up an account. Utility bills are often accepted as proof of address for identification or services, such as a driver's license or library card. As with your rent or mortgage, paying your utility bills on time helps you to maintain a good credit rating.

Other expenses. Setting up residency may involve other costs. For example, establishing telephone, Internet, and cable service are likely to be your responsibility. Required fees for a community space or homeowners' association may cost extra. Trash and recycling collection may or may not be included in rent, fees, or property taxes.

Another big expense that is indirectly related to your housing choice is transportation. In some locations, public transportation—such as buses, commuter trains, and ferries—may be enough. But in others, you may need another mode of transportation. You can avoid the expense of buying, insuring, and maintaining a vehicle by using car-sharing services, carpooling, or renting. Or you could consider alternative methods for getting around, such as a scooter or a bicycle.

Make the move

All the responsibilities of setting out on your own can make the effort seem daunting. But remember, you don't have to do everything at once—and it's OK if you don't get each detail right on the first try. "Approach each challenge piece by piece, calmly and without pressure," says Barrington. "Learn from your mistakes, and you'll come up to speed at your own pace."

Being on your own is a big adjustment, Greynolds adds, so it's a good idea to reach out to others as you make the transition. "You're not the only one who's uncomfortable or scared," she says. "Other people have had to deal with the same problems, and you can learn from their advice. You'll find that people are more supportive than you imagine."

For more information

To learn more about occupations that might interest you for a career, see the *Occupational Outlook Handbook* (*OOH*). Each *OOH* profile includes detailed information about job duties, wages, job outlook, and more.

For the most recent occupational employment and wage data by location, industry, and more, visit the BLS Occupational Employment Statistics program.

Learn more about careers and your job search at CareerOneStop and the Job Seekers Guide.

For apartment hunting, some websites collect and map listings to make the search easier. For information about buying a home, the U.S. Department of Housing and Urban Development can help.

To learn more about money management, visit:

- Savings Fitness (PDF)
- America Saves
- Consumer Federation of America
- Consumer Financial Protection Bureau
- Next Gen Personal Finance
- Smart About Money

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