

What Does Graduating in a Recession Mean for Your Finances?

Recessions can be difficult for everyone and almost unfairly so for graduates.
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People graduating into a recession face worse job prospects.¹ And they can be paid less than young workers who graduate just before (or just after) an economic downturn.² Another study found prestigious firms were less likely to recruit on university campuses in the 2007-2009 recession.² But despite its difficulties, there are steps college graduates can take to get through one financially sound.

What is a recession?

In the simplest terms, a recession is when the economy shrinks instead of grows. The federal government looks at metrics like gross domestic product (GDP), the jobless rate, consumer spending, and manufacturing activity to assess the economy.

The National Bureau of Economic Research (NBER), the organization that officially declares when the United States is in (and out of) a recession, defines one as a significant decline in economic activity, spread across the economy, and lasting more than a few months.³

What will a recession mean for graduate bank accounts?

Economic downturns can affect graduate finances in many different ways. First, a tighter job market means some graduates might be unable to keep enough income flowing into their checking and savings accounts. This, in turn, can make repaying credit cards and loans more difficult.

Without factoring in inflation, the average student loan debt at graduation is nearly 30 times higher than it was for graduates in 1970, with average debt over four times as high.⁴

Beyond student loan debt, recessions can also make it difficult to obtain credit, as lenders tighten criteria and interest rates rise.

How can a recession affect credit scores?

Your credit may be negatively affected, for example, if you're without work for a long period and are unable to pay your bills on time. Being proactive with your finances is key to keeping your credit and debt under control until you've recovered.

Tips for graduating successfully during a recession

Consider taking these steps to make the most of a difficult environment.

Create a simple budget. Make sure you have an accurate picture of your income, debts, and expenses. If you don't already have one, now is the time to create a budget and stick to it. Include as much as you can, covering spending on rent, bills, social activities, healthcare, subscriptions, and groceries. Reducing your expenses now will give you more flexibility later on if you need to cut back.

Financial advisors can also be a resource to help graduates create a budget or chart a course out of the recession.

Deal with any debts. If you're earning right now, now is the time to start chipping away at any outstanding loans or credit card debt. You can redirect savings from your new budget to making regular payments. Even if you don't have any credit card debt, be sure to pay off the balances in full each month so that you don't end up paying interest on top of what you owe.

Have an emergency fund. Again, if you are still bringing in some income each week, then now is the time to start setting some money aside. Minor savings can give you something to tap into when unexpected costs arise. Putting even \$10 into an account each week can turn out to be a lifesaver down the track.

Start networking. One of the best things you can do for your career is to start networking now. Talk to people in your field, attend industry events, and get your name out there. The more people you know, the better your chances of hearing about job openings, getting referrals during your job search, and finding potential career mentors.

Consider other work. Consider alternative options to full-time work in your field of study. That could involve freelance work, or even starting your own small business. While these options may not be what you truly want in the long run, they can help you cover expenses and stay on track until the recession ends.

Above all, make sure to take care of yourself as you face any challenges caused by graduating during a recession. Exercise, eat well, see the people you care about, and look after your own mental health as you navigate a tough economy. Remember this, too: Recessions are often short, they always pass, and new opportunities always arise.

We're here for you in good times or bad. [Visit us in the community, online, or on your phone to see how we can help you today.](#)

1. Jessica Rochstein and Lisa B. Kahn, "The Lasting Scars From Graduating in a Recession," *Economist*, December 12, 2020, <https://economist.com/the-lasting-scars-from-graduating-in-a-recession>.

2. Russell Weinstein, "Graduating During a Recession, On-Campus Recruiting, And Selectivity," National Association of Colleges and Employers, February 01, 2022, <https://www.nacweb.org/job-market/trends-and-predictions/graduating-during-a-recession-on-campus-recruiting-and-university-selectivity>.

3. "Business Cycle Dating Procedure: Frequently Asked Questions," National Bureau of Economic Research, Revised August 15, 2022, <https://www.nber.org/research/business-cycle-dating/business-cycle-dating-procedure-frequently-asked-questions>.

4. Melanie Hanson, "Average Student Loan Debt by Year," January 19, 2022, Education Data Initiative, <https://educationdata.org/average-student-loan-debt-by-year>.

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