STUDENT BULLETIN BOARD – JULY 2026

YOUR FIRST SALARY: HOW TO EARN, SAVE, SPEND AND INVEST WISELY

Summary: Your first salary is more than a paycheque. It is your first step towards financial independence. Your first salary may not make you rich, but the habits you build with it can make you financially stronger.

Imagine receiving your first salary of ₹25,000. After months of studying, attending interviews and waiting for that first job opportunity, the money finally arrives in your bank account. You may want to celebrate with new clothes, a smartphone, a dinner with friends or a gift for your parents. These are perfectly understandable wishes. But there is another important question to ask: How much of your first salary will you still have by the end of the month?

For many young earners, the first salary brings excitement, freedom and responsibility. It may be the first time they manage their own income without depending entirely on their parents. Learning how to handle this money wisely can build habits that benefit them throughout their lives.

Financial literacy is not about being wealthy or earning a large salary. It is about making informed decisions with the money you have. The Securities and Exchange Board of India (SEBI) offers useful guidance on budgeting, saving, investing, inflation and responsible borrowing through its investor education resources. *SEBI: Money Matters.*

Earn smart: Your salary is not your entire worth

Your first salary represents the value of your work, skills, time and effort. However, your financial future will depend not only on how much you earn but also on how effectively you manage what you receive.

Before spending your salary, understand your payslip. Check your basic salary, allowances, deductions, provident fund contributions, professional tax where applicable and income tax deductions. Your gross salary may differ from the amount credited to your bank account, commonly called your take-home salary.

For example, if your annual compensation package is ₹4 lakh, do not automatically assume that you will receive ₹33,333 every month. Your compensation package may include employer contributions, bonuses or other components that are not paid as monthly take-home income.

Also, remember that your first job is an opportunity to develop your career. Invest in skills, professional communication, certifications and experiences that improve your future earning

potential. A slightly smaller first salary in a role that offers strong learning opportunities may sometimes prove more valuable over time than a higher salary with limited growth.

Golden rule: Focus on increasing your earning capacity, not just your spending capacity.

Save first, spend later

One of the most valuable financial habits is to save a portion of your salary as soon as you receive it rather than waiting to see what remains at the end of the month.

SEBI's investor education guidance recommends budgeting, prioritising essential expenses, building an emergency fund and setting aside money for future goals. SEBI: Management of Income and Expenses.

A beginner may aim to save around 10–20% of take-home pay, adjusting the amount according to rent, family responsibilities, commuting costs and other essential expenses. The percentage is a starting point, not a rigid rule.

Consider a young employee earning ₹25,000 per month after deductions.

Monthly allocation	Amount
Essential expenses	₹12,000
Contribution to family	₹3,000
Savings and emergency fund	₹4,000
Long-term investments	₹2,000
Personal spending and entertainment	₹3,000
Skill development and miscellaneous expenses	₹1,000
Total	₹25,000

This is only an illustrative budget. Someone living independently in Mumbai may need considerably more for accommodation and transport, while someone living with family may be able to save a larger proportion.

The principle is simple: give every rupee a purpose. Automating a transfer to a separate savings account on payday can help prevent unnecessary spending.

Build an emergency fund before chasing returns

Life rarely follows a perfect financial plan. A medical expense, unexpected travel, temporary unemployment or urgent family requirement can disrupt even a carefully prepared budget.

An emergency fund provides a financial cushion without requiring you to borrow money or sell investments at an unfavourable time.

Begin with a modest target, such as ₹10,000 or one month's essential expenses. Gradually work towards keeping approximately three to six months of essential expenses accessible, depending on your job stability, family responsibilities and personal circumstances.

Keep this money somewhere relatively safe and accessible, such as an appropriate bank savings account or other suitable low-risk option. Do not put your entire emergency fund into volatile investments merely because they might offer higher returns.

Remember that savings provide security, while investments aim to grow wealth. They serve different purposes.

Spend wisely: Needs, wants and the pressure to fit in

The biggest challenge for a first-time earner may not be earning money but resisting the temptation to spend it all.

Social media often creates pressure to own the latest phone, wear branded clothes, visit fashionable cafés and take expensive holidays. When colleagues or friends begin spending more, it can feel difficult to say no. This is sometimes called lifestyle inflation: spending increases as income rises, leaving little additional money for savings.

Before making a purchase, ask yourself three questions:

- Do I need this, or do I simply want it?
- Can I afford it without borrowing or dipping into my savings?
- Will I still be happy with this purchase a month from now?

There is nothing wrong with enjoying your earnings. Celebrate your first salary, buy something you value and spend on experiences that matter to you. The key is to decide your entertainment budget in advance instead of allowing impulse purchases to determine your finances.

Small expenses deserve attention, too. A daily coffee, frequent food deliveries, unused subscriptions and repeated online purchases may appear insignificant individually, but together they can consume a substantial portion of your salary.

Track your spending for a month. You may discover that saving money does not require giving up everything you enjoy; it simply requires identifying where your money goes.

Start investing early, but understand what you are buying

Saving money is important, but keeping all your savings in cash or a low-interest account for decades may not be enough to meet long-term financial goals. Inflation gradually reduces the purchasing power of money, making it important to consider suitable investments.

For example, if something costs ₹1,000 today, it will cost more in the future if prices rise. Your savings need to be considered in terms of both their rupee value and what they can actually buy.

Investing early can help because returns may generate further returns over time, a process known as compounding. However, investment returns are not guaranteed, and the value of market-linked investments can fall.

SEBI explains the importance of investment goals, risk tolerance, time horizons and diversification in its investor education resources. SEBI: Investing — Let's Understand.

A new earner can learn about the following options:

- Bank deposits: Useful for money that needs relative stability and predictable terms. Check interest rates, withdrawal conditions and applicable deposit insurance rules.
- Recurring deposits: Allow regular monthly contributions towards a savings goal.
- Public Provident Fund (PPF): A government-backed, long-term savings scheme with prescribed lock-in and withdrawal rules.
- Mutual funds: Pool money from investors into portfolios of securities. Their risk depends on the type of fund and underlying investments.
- Index funds: Track a market index and can provide diversified market exposure, although they still carry market risk.
- Equity investments: Buying shares gives exposure to businesses but involves price fluctuations and the possibility of losing money.

You do not need to invest in every category. First understand your financial goals, time horizon, liquidity needs and risk tolerance. Money required for rent, fees or emergencies in the near future should generally not be exposed to substantial market risk.

For beginners, SEBI's investor education portal provides an accessible introduction to investment choices and investment frauds: *SEBI Investor Education.*

Beware of easy-money traps and unnecessary debt

A first salary can make young people attractive targets for fraudulent investment schemes, fake trading courses, cryptocurrency scams and online lending offers.

Be cautious of anyone promising guaranteed high returns, asking you to transfer money urgently or pressuring you to recruit friends into an investment scheme. Never share banking passwords, PINs or one-time passwords. Verify financial intermediaries and investment products before committing your money.

Also, understand the difference between useful borrowing and borrowing for lifestyle consumption. A loan taken for a carefully considered purpose may have a role in financial planning, but repeatedly using credit cards or instant loans to fund shopping, holidays or everyday expenses can create a debt cycle.

If you use a credit card, pay the full outstanding bill by the due date whenever possible. Paying only the minimum amount can leave substantial interest accumulating on the remaining balance.

The Reserve Bank of India provides financial literacy material covering budgeting, savings, responsible borrowing, credit discipline and consumer protection. *Read its FAME: Financial Awareness Messages.*

Understand your taxes and protect your financial future

As your income grows, understanding taxation becomes an important part of financial planning. Learn to read your salary slip, retain Form 16 when issued, review tax deductions and understand whether you need to file an income tax return.

Tax liability depends on your taxable income, the applicable financial year, the tax regime and the relevant rules. Do not assume that every salary is taxable in the same way or that a particular tax-saving investment is suitable for everyone.

The Income Tax Department provides official guidance and calculators to help individuals understand their tax obligations. *Visit the Income Tax Department of India*.

Also consider appropriate health and other insurance coverage based on your circumstances. Insurance is primarily intended to protect against specified financial losses, not to serve as a substitute for an emergency fund or a guaranteed investment.

Set financial goals: Give your money a purpose

Managing money becomes easier when you know what you are working towards. Your goals could include purchasing a laptop, pursuing a professional qualification, taking a holiday, supporting your family, saving for higher education or eventually buying a home.

Divide your goals into three categories:

- Short-term goals: Expenses expected within the next year, such as a certification course or a new laptop.
- Medium-term goals: Goals over the next two to five years, such as further education or a planned major purchase.
- Long-term goals: Goals extending beyond five years, such as building wealth or planning for retirement.

Choose savings and investment options according to when you need the money and how much risk you can reasonably accept. Review your budget every month and increase your savings as your income grows.

Most importantly, do not compare your financial progress with someone else's. People have different salaries, family obligations, opportunities and starting points. Financial success is not measured by who buys the most expensive phone or takes the most holidays. It is measured by your ability to meet your needs, prepare for uncertainty and work towards your goals.

Conclusion: Make your first salary count

Your first salary is a milestone worth celebrating, but it is also an opportunity to build a healthy relationship with money. Learn to earn with purpose, save consistently, spend consciously, invest responsibly and protect yourself from financial risks.

You do not need a large income to begin managing money well. Even small, regular savings can help establish habits that become increasingly valuable as your earnings grow.

The choices you make with your first salary may seem small today, but repeated over months and years, they can shape your financial independence.

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