

Making the Most of Your Money

When you're in college and trying to make ends meet, every precious dollar really counts. Here are some tips to help you manage your money and stay on top of your finances:

- **Develop a budget and stick to it.** A simple budget plan will help you avoid problems like running out of money before the semester is over. Write down all your financial obligations in one column and the funds or income that will cover those obligations in another. Think about the way you will spend your money each month over the course of the school year. Then, write out your budget plan, consult it often, and stick to it. Unless you have someone who will bail you out if you become overextended, following your budget is a must.
- **Open a checking account.** A checking account will help you keep track of where your money goes. Always keep enough money in your account to cover the checks you write. Be sure to record all your deposits, withdrawals, and checks in the register that comes with your checkbook. Save all your banking receipts and compare them with your monthly checking account statement. Balance your checkbook every month. And hold on to your cancelled checks — they provide a record of your spending and count as proof that you paid for something.
- **Don't go overboard at the ATM.** Many banks have ATMs (Automated Teller Machines) on campuses, and they can be a real convenience when you need some cash after normal banking hours or when you don't have time to go to the bank. But ATMs can also be your fast track to financial problems. Because it's so easy to withdraw money (all you do is insert a card, punch a few numbers, and grab some cash) you can overspend almost before you know it. Try not to visit the ATM (or the bank) too often. When you do make withdrawals you'll waste less money if you take out small amounts — like \$20 instead of \$40. Save your ATM receipts, and record all your ATM withdrawals in your checkbook register.
- **Be smart about student loans.** Borrow only what you need. Being eligible to borrow doesn't mean you have to take the maximum the lender will allow. Remember, you're expected to repay your loans, plus interest. And, repaying your loans on time will help you establish a good credit rating which is very important when it comes time to rent an apartment or buy a car.
- **Say “no” to credit cards.** Here's where plenty of students get into big trouble. Banks are only too happy to offer you a credit card like VISA or MasterCard. But the fact is, these cards are really loans in disguise because the bank charges you interest if you don't pay the whole bill at the end of the month. When you use your credit card, you must make a monthly payment that includes interest or finance charges of up to 20 percent until your total bill is paid off. You'll probably also have to pay an annual fee just for having the use of the card. This means that if you owe \$300 on your card throughout the year, and your interest rate is 20 percent, and your annual card fee is \$20, you'll be paying \$80 a year in interest and fees alone! You could pay even more if you use your card to get a cash advance (a very bad idea). If you feel you must have a credit card, save it for a real money emergency.

(more)

- **Pay your bills on time.** If you can't pay the whole amount you owe, pay the minimum allowed on the bill. By making at least the minimum payment each month, you'll have a clean payment record and build a good credit rating for the future.
- **E-mail!** Those long distance calls to friends and family can really add up fast. Save money and be creative — send e-mail instead whenever you can.
- **Cut book costs.** Reduce book expenses by buying used textbooks instead of new ones. Check out college bookstores and private bookstores catering to students. Online book sellers like www.varsitybooks.com or www.textbooks.com often have textbooks for lower rates than the campus bookstore. Bulletin boards and ads in the college and local papers are also good sources for finding used books. Just make sure the book is the right edition. Another possibility is pooling resources in purchasing and sharing books with a roommate or close friend. Save more money by reading a library copy of some of the books on your list.
- **Save on living costs.** Unless you commute from home, a big chunk of your educational expenses will go toward room and board. Take a close look at dormitory expenses compared with apartment living. Enterprising students often save substantial amounts by combining their resources and renting an off-campus apartment. If several students room together and split the cost of rent and utilities, the cost per person can be less than in a dormitory. Of course, this all depends on avoiding high-rent districts and finding good roommates, but in the right circumstances it can be a smart alternative. No matter where you live, you can stretch your budget by fixing some of your own meals, avoiding fads in clothes, and taking advantage of free campus entertainment.
- **Think like a consumer.** Save money on computer supplies, notebooks, laundry detergent, and lots of other items by shopping at discount stores rather than on-campus stores. Comparison shop, take advantage of sales whenever possible, and stockpile supplies.

A College Student Budget

A mini-lesson for:

Secondary school teachers
Students, high school and college
Adult and community educators

This lesson includes learning objectives, background information, discussion questions, a budgeting activity and additional sources of information.

OBJECTIVES

Learners will:

- *Design a personal budget for a college student
- *Consider credit card use by college students

Out of Cash

Experience can be a dear teacher when it comes to overspending at college. Many students discover, at the most inconvenient and embarrassing times, that their expenses have exceeded their income--they are out of cash! The question is what to do. Call home? Borrow from a roommate? Both are short term solutions at best. A better solution is to design a budget using the worksheet [Budget for college spending](#) and take control of the cash flow.

College Budgeting 101

The primary purpose of a budget is to design a realistic plan for spending limited financial resources. A student budget requires flexibility to adapt to the changing circumstances of college life. Essential steps in designing a budget are:

- ***Identify you income sources.** Income can include your allowance from home, take-home pay from student employment, savings allocated to college expenses, interest, dividends, gifts, grants, scholarships.
- ***List fixed and flexible expenses.** Fixed expenses are exact amounts due on a specific date. Flexible expenses include money spent on wants and needs that are irregular in nature.
- ***Review and modify the plan.** If expenses exceed income identify ways to increase income or reduce expenses. This is not rocket science, but doing it right is terribly important to your economic well-being at college.

Peer pressure and conveniences such as automatic teller machines can play havoc with student budgets, because ready cash makes it easy to buy things on a whim. A budget can help you sidestep impulse spending. It puts you in control of the decision to buy or not to buy, based on your needs and available cash.

Budget Format

The time period of a student budget can be a month, a semester, or the school year. After listing all income, estimate how much money you will spend on the fixed and flexible items in your budget. Fixed items are a constant and easily defined. Flexible expenses are more difficult to identify because of their changing nature. Keep a daily record of your expenditures for a few weeks to better estimate the kind and amounts of your flexible expenses.

Fixed Expenses

College room and board--dormitory meal plan or off-campus housing
Car payment and insurance, if you have a car
Health insurance, if not covered by parent's policy
Tuition, a fixed expense, may vary depending on course load
Other fixed expenses, such as emergency fund and other savings

Flexible Expenses

Books, lab fees, equipment, supplies, tutoring, etc.
Snacks, drinks, groceries, restaurant meals
Telephone bills, including long distance calls
Social and recreation expenses--such as movies, sporting events
Transportation--plane, train, bus, cabs, car maintenance and parking
Personal expenses--toiletries, haircuts, laundry
Clothing--new purchases, dry cleaning
Health Care--prescriptions, doctor and dentist fees
Other expenses--such as dues and gifts

Compare total estimated expenses with your total income then adjust the flexible expenses in order to balance your budget. Your spending practices will have a significant effect on shaping your financial security, and a budget helps you keep spending in tow. Effective use of a student budget will help you gain the sense of independence that comes from being in control of your personal financial affairs, whether you have "plenty of money" or are operating on a shoestring.

Credit Cards and College Students

You will have access to credit cards as a college student. While credit cards are useful when used appropriately, the temptation to overspend can lead to expenses that could destroy your budget as well as your financial independence. Students sometimes wisely use credit cards to pay for unexpected expenses such as medical emergencies, with the full understanding that it costs money to borrow money if the credit card balance is not paid in full each month.

Your credit record begins when you establish credit in your name, and history of repayment is recorded by credit reporting agencies. Your credit rating follows wherever you go, and a bad credit rating can affect your ability to get a job or buy a car or house.

Credit Card Tips for College Students

*Set a credit card limit and stick to it. When possible, pay off credit card balances each month.

*If you pay only the minimum balance on credit cards each month, you will pay interest on the use of the money, and it will take time to pay off the total debt.

*Comparison shop for credit cards. On credit applications, compare the annual percentage rate (APR) including finance charges, methods used to compute charges, the grace period, annual fees, penalties for late payments and other charges.

Your credit limit may increase when you pay your bills on time. To avoid overspending, make buying decisions based on a careful analysis of your financial condition rather than on the credit limit on your credit cards.

DISCUSSION QUESTIONS AND TOPICS

1. Explain the advantages of a college student using a budget?
2. What are the steps that you would use to design a budget for your situation?
3. What are your options if your expenses are greater than your income?
4. Suggest uses of a credit card that are appropriate for college students?

ACTIVITY

Using a worksheet, **Budget For College Spending**, design a budget for a college student who receives \$3,500 from a parent, earns \$50 a week from student employment, has a \$500 tuition scholarship and will use \$1,000 of personal savings. Room and board expenses are \$____, tuition expenses are \$____. (Use figures from a local college of choice.) The student does not own a car and is covered by a parent's health insurance plan.

SOURCES OF ADDITIONAL INFORMATION

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A BUDGET FOR COLLEGE SPENDING

INCOME

Money from home	\$ _____
Money from savings	\$ _____
Part time work	\$ _____
Scholarship, grant, or student loan	\$ _____
Other	\$ _____
TOTAL INCOME	\$ _____

EXPENSES

FIXED EXPENSES

College room and board or rent	\$ _____
Car payment and insurance	\$ _____
Credit card payment	\$ _____
Health Insurance	\$ _____
Emergency fund	\$ _____
Savings	\$ _____
Other	\$ _____
TOTAL FIXED EXPENSES	\$ _____

FLEXIBLE EXPENSES

Tuition	\$ _____
Books	\$ _____
Meals and snacks	\$ _____
Telephone bill utilities	\$ _____
Social and recreation	\$ _____
Transportation	\$ _____
Personal	\$ _____
Clothing allowance	\$ _____
Health Care	\$ _____
Other	\$ _____
TOTAL FLEXIBLE	\$ _____

TOTAL FIXED AND VARIABLE EXPENSES	\$ _____
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TOTAL INCOME	\$ _____
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Minus TOTAL EXPENSES	\$ _____
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BALANCE	\$ _____
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School Budget Worksheet

College should be one of the best experiences of your life but it won't be if you are constantly stressed about money. Many students start the school year with plenty of cash but then do not spend it wisely. Use this budget worksheet to avoid becoming flat broke two weeks into the semester.

Print out this worksheet for your personal use.

Estimated Expenses for Semester		Projected Income for Semester	
Tuition	\$_____	Money from Parents	\$_____
Fees	_____	Money from Savings	_____
Books/Supplies	_____	Work/Study	_____
Rent/Housing	_____	Other Work	_____
Board/Meals	_____	Scholarships	_____
Phone/Utilities	_____	Grants	_____
Clothing	_____	Loans	_____
Laundry/Dry Cleaning	_____	Public Benefits (Social Security, Veteran's Admin., etc.)	_____
Medical/Dental	_____	Spouse's Wages	_____
Recreation	_____	Other	_____
Personal Expenses	_____	TOTAL SEMESTER INCOME	\$_____
Savings	_____		
Child Care	_____		
Credit Card Debt	_____		
Other	_____		
TOTAL SEMESTER EXPENSES	\$_____		

NOTE: If your total semester expenses exceed you total semester income, carefully review your spending habits and look for areas where you can economize.