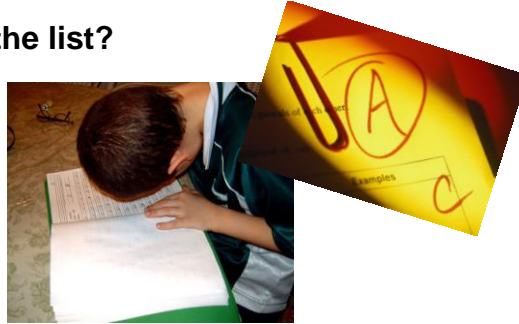


Money Management Basics for College Students

With mind-numbing exams, nonstop papers and challenging projects, a college student's life can be quite hectic.

Why add money woes to the list?



Top Five Money Mistakes College Student Make:

College Student Mistake #1: Not Budgeting

College Student Mistake #2: Squandering Your Student Loan Money

College Student Mistake #3: Getting Into Credit Card Debt

College Student Mistake #4: Choosing a College That's Too Expensive

College Student Mistake #5: Choosing a Mode of Transportation That's Too Expensive

Most often college students who have money problems don't know where their money goes. To determine where your money goes you will need to track your spending and live on a budget. What is a budget?

It is simply a written plan for spending your money.

Making the initial commitment to live according to your budget is the hardest part. If you have done that, you are well on your way to wise spending and saving.

Keep Your Spending on Track

We recommend tracking every cent you spend for an entire month. Tracking your spending accurately is critical to the development of a budget that will work for you.

Tracking expenses will also help you identify:

- possible problems in spending patterns
- opportunities to overcome the problems
- realistic ways to improve your spending plan



How to track your spending

- Carry the Spending Tracker with you at all times.
- Do not round up or down.
- When you make a purchase, immediately indicate the expense.
- At the end of seven days, total all expenses.
- Print another form and begin tracking for the next week.
- At the end of the month, total all expenses and see where your money goes.

Align Your Spending with Your Values

If you tend to shop and purchase items without much thought, perhaps you should start thinking about what you are about to purchase and whether you really "need" the item before you buy it. Think about the price; is it worth what you are about to pay for it? Think about how hard you have worked for the money you are using to pay for the item. Where might you otherwise spend the money to serve a better purpose? Answering these questions will help you align your spending with your values. Some other ways to ensure that you are spending according to your value system rather than spending impulsively include shopping when you have a need and always shopping with a list. If you follow these tips you may be less likely to fall into unplanned spending.

If your income is really tight, you should always ensure that spending is on needs and not wants.

Before a dollar leaves your hands, ask yourself, "Do I **need** this _____ or do I **want** this _____?"

Example:

Paying my rent so that I have a place to live

Need

Want

Concert tickets so that I can be with my friends for a good time

Need

Want

For some of us, depending on our individual personality, being with friends may be a need, but we have to prioritize!

Spending Tracker

Month: _____

| Expenses | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 | Day 6 | Day 7 | Total |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Rent / Mortgage Payment | | | | | | | | |
| Renter's / Homeowners Insurance | | | | | | | | |
| Groceries/Food at Home | | | | | | | | |
| Gas/Heat | | | | | | | | |
| Electricity | | | | | | | | |
| Water/Sewer/Garbage | | | | | | | | |
| Bus Fare/Parking Fees/Tolls | | | | | | | | |
| Car Payment | | | | | | | | |
| Auto Insurance | | | | | | | | |
| Gasoline | | | | | | | | |
| Auto State Inspection/Tags | | | | | | | | |
| Auto Maintenance/Repairs/Tires | | | | | | | | |
| Doctor/Dentist | | | | | | | | |
| Drugs /Medicines | | | | | | | | |
| Telephone/Cell Phone | | | | | | | | |
| School Tuition/Books | | | | | | | | |
| Health/Life Insurance | | | | | | | | |
| Clothing/Uniforms | | | | | | | | |
| Cleaning Supplies | | | | | | | | |
| Laundromat/Dry Cleaning | | | | | | | | |
| Personal Items/Hairdresser | | | | | | | | |
| Bank/ATM Fees | | | | | | | | |
| Postage | | | | | | | | |
| Church/Charity | | | | | | | | |
| Internet/Cable Modem/DSL | | | | | | | | |
| Meals Out | | | | | | | | |
| Pet Expenses | | | | | | | | |
| Vending Machines | | | | | | | | |
| Newspapers/Magazines/Books | | | | | | | | |
| Movies/Sporting Events/Cable TV | | | | | | | | |
| Video/Book/CD/DVD Clubs | | | | | | | | |
| Holiday/Birthday Presents | | | | | | | | |
| Vacation Expenses/Spring Break | | | | | | | | |
| Sorority/Fraternity/Organization | | | | | | | | |
| Tobacco/Alcohol | | | | | | | | |
| Parties/Clubs | | | | | | | | |
| Other | | | | | | | | |
| Total Spending | | | | | | | | |

Not setting up a budget is typically the first money management mistake college students make.

If you have limited funds or a set amount of money for expenses each month, you must track and plan how much and what you purchase each month.

Why Budget?

1. A budget lets you control your money instead of your money controlling you.
2. A budget will tell you if you're living within your income limitations or means.
3. Due to the use of credit cards, you cannot tell if you were living within your means because you don't keep a running total of how much you have charged. Many people don't realize they're living far beyond their means until they're knee deep in debt. With budgeting you can keep up with how much you have spent rather than waiting for the charge card bill to come in.
4. Following a realistic budget frees up spare cash so you can use your money on the things that really matter to you instead of something you won't remember buying in a week. A budget actually creates extra money for you to use on things that matter to you.
5. A budget helps you focus on savings goals. Remember to pay yourself first.
6. A budget helps you prepare for emergencies or unanticipated expenses that might otherwise create a financial hardship.
7. A budget reveals areas where you're spending too much money so you can refocus on your most important goals.
8. A budget can keep you out of debt or help you get out of debt.
9. A budget helps you sleep better at night because you don't lie awake worrying about how you're going to make ends meet.

Use the information you recorded on your Spending Tracker during your month of recording expenses to develop estimates for your budgeted amount listed on the monthly budget sheet.

Some of the budget items on the monthly budget sheet are shaded in gray: these normally fall in the category of "wants" and not "needs."

Monthly Budget Sheet Form

Month: _____

| Expenses | Target (estimate) | Track (actual) | Budget |
|---|-------------------|----------------|--------|
| Rent | | | |
| Renter's Insurance (optional expense) | | | |
| Mortgage Payment | | | |
| Property Taxes (necessary if purchasing a home) | | | |
| Homeowner's Insurance (necessary if purchasing a home) | | | |
| Internal Revenue Service (IRS) | | | |
| Groceries/Food at Home | | | |
| Gas/Heat | | | |
| Electricity | | | |
| Water/Sewer/Garbage | | | |
| Bus Fare/Parking Fees/Tolls | | | |
| Car Payment | | | |
| Auto Insurance (necessary if you own a car) | | | |
| Gasoline (necessary if you own a car) | | | |
| State Inspection/Tags (necessary if you own a car) | | | |
| Auto Maintenance/Repairs/Tires (necessary if you own a car) | | | |
| Doctor/Dentist | | | |
| Drugs /Medicines | | | |
| Telephone/Long Distance/Cell Phone | | | |
| Child Care/Babysitting | | | |
| School Tuition/Books | | | |
| Health/Life Insurance | | | |
| Clothing/Uniforms | | | |
| Cleaning Supplies | | | |
| Laundromat/Dry Cleaning/Alterations | | | |
| Personal Items/Hairdresser | | | |
| Bank/ATM Fees | | | |
| Postage | | | |
| Debt Payments | | | |
| Church/Charity | | | |
| Internet/Cable Modem/DSL | | | |
| Meals Out | | | |
| Pet Expenses | | | |
| Vending Machines | | | |
| Newspapers/Magazines/Books | | | |
| Movies/Sporting Events/Cable TV | | | |
| Video/Book/CD/DVD Clubs | | | |
| Holiday/Birthday Presents | | | |
| Vacation Expenses/Spring Break | | | |
| Gym Membership | | | |
| Sorority/Fraternity/Organization Dues | | | |
| Tobacco/Alcohol | | | |
| Parties/Clubs | | | |
| Other | | | |
| Total Income From All Sources | | | |
| Subtract Total Expenses | | | |
| Balance | | | |

If You "NEED" A Credit Card, Know Your Stuff

Overview of Credit Card Terms & Conditions

Every credit card has a different set of terms and conditions. Various fees and charges can be applied to your card-- and that's what determines the cost to you. Below are some of the fees that could cause the cost of owning your card to rise.



Annual Percentage Rate

The APR is a measure of the cost of credit, expressed as a yearly rate. The issuer of your credit card must disclose this information to you before you open your account. The card issuer also must disclose the periodic rate, which is the rate applied to your outstanding balance to figure the finance charge for each billing period.

Grace Period

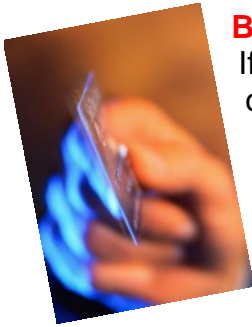
A grace period is the period of time, usually one month, in which you are allowed to avoid finance charges by paying your balance in full before the due date. Knowing whether a card gives you a grace period is especially important if you plan to pay your account in full each month. Without a free period, the card issuer may impose a finance charge from the date you use your card or from the date each transaction is posted to your account. If your card includes a free period, the issuer must mail your bill at least 14 days before the due date so you'll have enough time to pay.

Annual Fees

Many card issuers charge annual membership or participation fees that can range from \$25 to \$100. Try to avoid cards with these fees. There are plenty of cards that offer the same options with no annual fees.

Transaction Fees and Other Charges

Cards may have other costs related to cash advances, making late payments, or exceeding your credit limit. Avoid these fees at all costs. Unnecessary fees such as these will greatly increase the amount owed on your cards.



Balance Computation Method for the Finance Charge

If you don't have a grace period, or if you expect to pay for purchases over time, it's important to know what method the issuer uses to calculate your finance charge. This can make a big difference in how much of a finance charge you'll pay. Examples of balance computation methods include the following.

1. Average Daily Balance

This is the most common calculation method. To figure the balance due, the issuer totals the beginning balance for *each day* in the billing period and subtracts any credits made to your account that day. The resulting daily balances are added for the billing cycle. The total is then divided by the number of days in the billing period to get the "average daily balance."

2. Adjusted Balance

This is usually the most advantageous method for card holders. Your balance is determined by subtracting payments or credits received during the current billing period from the balance at the end of the previous billing period. Purchases made during the billing period aren't included. This method gives you until the end of the billing cycle to pay a portion of your balance to avoid the interest charges on that amount.

3. Previous Balance

This is the amount you owed at the end of the previous billing period. Payments, credits and new purchases during the current billing period are not included. Some creditors also exclude unpaid finance charges.

4. Two-cycle Balances

Issuers sometimes use various methods to calculate your balance that make use of your last two month's account activity. Read your agreement carefully to find out if your issuer uses this approach and, if so, what specific two-cycle method is used. If you don't understand how your balance is calculated, ask your card issuer. An explanation must also appear on your billing statements. Be aware that this method is usually the most costly of the calculation methods.

Other Costs and Features

When shopping for a card, think about how you plan to use it. If you expect to pay your bills in full each month, the annual fee and other charges may be more important than the periodic rate and the APR, if there is a grace period for purchases. However, if you use the cash advance feature, many cards do not permit a grace period for the amounts due — even if they have a grace period for purchases. So, it may still be wise to consider the APR and balance computation method. Also, if you plan to pay for purchases over time, the APR and the balance computation method are definitely major considerations. You'll probably also want to consider if the credit limit is high enough, how widely the card is accepted, and the plan's services and features.

TIPS FOR OBTAINING AND USING CREDIT CARDS

Just as you would pay more for insurance on a bad driving record, you can expect to pay more for your credit cards with bad credit. If your credit is less than perfect you'll pay more through assorted fees and charges. Your access to better cards will be limited.

Here are some ways to get the card you want and to keep your credit costs down:

1. Pay all your bills on time. When you get delinquent you won't have access to better cards.
2. Shop for low APR cards but read the fine print on the offers--the low introductory rate period may be short and the "teaser rates" may end quickly.
3. Get the lowest ongoing APR you can. This is where following tip #1 will help out. It is best when you can get a low rate that is fixed.
4. Check to see if the card you want allows a grace period for cash advances as well as for purchases.
5. Shop for a card with low- or no annual fee.
6. Consider transferring an existing balance from a high interest rate card to a new lower interest rate card.
7. Avoid over-limit fees by watching your charge totals. That's a no-brainer, but it's common.
8. Pay for purchases as close to the billing date as you can, and still be on time. This avoids interest charges. Always get a card with a grace period.
9. Always monitor your credit cards. Know exactly where you are on credit limits, billing dates and payments due. It's easy to forget to mail a payment. But it's also quite easy to get overextended. If that happens you'll find that your interest and miscellaneous fee charges can get bigger than your minimum payment due.

