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## **College Financial Survival Skills**

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# College Financial Survival Skills

Skills for helping young people survive **real** financial challenges with **real** solutions.

## College Financial Survival Skills

- ❖ Why are we talking about COLLEGE financial skills now? Can't that wait until I start college?
  - ❖ It's important to learn college financial survival skills now because the **financial decisions you make as a freshman or sophomore can have a major impact on your life after college graduation!**
  - ❖ **Be proactive!** Start making great financial decisions now!



If you do something that damages your credit when you are freshman, that damage will stay on your credit report for at least SEVEN years. Think about where you want to be in seven years. It is possible that you will want to buy a car, or a house, and most likely you are going to want to have a good job. All of those things are effected either positively or negatively by your credit history. I want to give you some skills that will help you create good financial habits so that when you apply for a job, or go to get a loan for a car or house, you don't get turned down because of poor credit.

## Survival Skills

1. Spending plan
2. Credit
3. Protecting your identity
4. Transportation
5. Textbooks
6. Living "off" or "on" campus
7. Tips for outfitting your living space



## Survival Skill 1: Spending plan

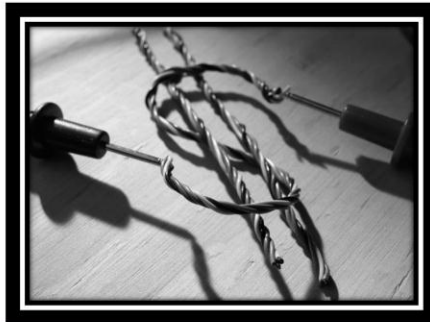
- ❖ Establish financial control and direction
- ❖ Help students stay out of debt & reduce the need for consumer credit
- ❖ Possibly save money
- ❖ Prevent impulse spending
- ❖ Needs vs. Wants
- ❖ Provide savings for unexpected expenses
- ❖ Save for long-term goals



# Survival Skill 1: Spending plan

## ❖ What is a spending plan?

- ❖ On-going process
  - ❖ Summarizing how you spend your income
  - ❖ Tracking income minus expenses
- ❖ Create guidelines for your spending
- ❖ Helps you meet your goals



On-going process:

A spending plan is NOT set in stone. When something happens in your life, such as getting a job or possibly losing a job, you will want to re-evaluate your spending plan. You should look over your spending plan every month to make sure it still meshes with your life.

Income can come from a job or as an allowance from your parents or grandparents, or it can come as financial aid.

## Survival Skill 1: Spending plan

- ❖ How to create a spending plan:
  - ❖ Create a list of all of your monthly income.
  - ❖ Divide any sources of income received yearly by 12.
  - ❖ Remember to list all sources including side jobs, allowances, gift, etc.



It may be easier to think of a spending plan in terms of semesters instead of a year, especially if you receive financial aid. In that case, you would divide your financial aid amount by 5 for the Fall Semester and by 4 for the Spring Semester. If you plan to go to summer school, you'll have to adjust your expenses to meet those needs as well.

# Survival Skill 1: Spending plan



## ❖ How to create a spending plan:

- ❖ Create a list of all your monthly expenses.
  - ❖ If an expense occurs quarterly or bi-monthly prorate it to fit a monthly format.
    - ❖ Expenses to include:
      - ❖ Housing
      - ❖ Food
      - ❖ Transportation
      - ❖ Utilities
      - ❖ Entertainment
  - ❖ Track your spending for a full month.
    - ❖ Save your receipts and record your expenses.
    - ❖ Backtrack your expenses through online banking.
    - ❖ Smart phone apps

What are some expenses you will have while you are in college? (besides typical ones, also bring up sorority and fraternity and other organization fees, dry cleaning, VENDING MACHINES!!, hairdresser, cell phone bill, pet expenses)

One way to keep track of expenses is to carry a small spiral notebook that has pockets in the cover. That way you can collect receipts and store them in the pockets and then at the end of the day or when you are waiting for a class to begin or waiting for the bus, you can record your expenses in your notebook. Remember not to round any numbers. If you spent \$1.53 on something, write down that you spent \$1.53, not \$1.50. Pennies really do add up at the end of the month. Also remember to record any money you spend that you didn't get a receipt for, such as vending machines. It will probably shock you how much you spend each month on cokes and food from the vending machines. If you buy 1 bottled drink a day, that's \$45 a month!

Backtrack expenses: this only works if you use your debit or credit card exclusively. Otherwise you would need to do it this in combination with a spending diary.

Smart phone apps: one example is Mint.com. They track and categorize all your spending (except cash)



## Survival Skill 1: Spending plan

### ❖ How to create a spending plan:

- ❖ Determine if your income covers all of your current expenses.
  - ❖ If the answer is no, then expenses need to be adjusted.
    - ❖ Reduce discretionary spending (entertainment, or luxury food items)
    - ❖ Downsize your vehicle or your living arrangements.



The size of your deficit will determine how much your expenses need to be adjusted. Maybe you just need to reduce some “wants” or maybe you need to find a cheaper place to live or sell your car and walk or ride a bike.

It is **much** easier to adjust your expenses than it is to increase your income.

# Survival Skill 1: Spending plan

## EXAMPLE

	Per Semester	Per Month	
<u>Income</u>			
Graduation Gifts	500	100	
Financial Aid (after tuition and room and board are paid)	3,130	626	
Family Contribution	250	50	
<b>Total Income</b>	<b>\$ 3,880.00</b>	<b>\$ 776.00</b>	
<u>Expenses</u>			
Car Payment		350	
Gas		120	
Entertainment		250	
<b>Total Expenses</b>		<b>\$ 720.00</b>	
<b>Discretionary Income</b>			<b>\$ 56.00</b>

So what can you do with this \$56 extra a month?

1. You could start an emergency fund.
2. You could start saving for your short-term or long-term goals.

What if mom and dad can't send you \$50/month?

1. Decrease expenses
2. Get a job to increase income

If you wanted to have more discretionary income, you could do those things anyway.

Let's take the vending machine example again. If you buy a bottled drink every day, that's \$45 per month. If you cut that down to every other day, then you now have \$22.50 you can put toward a savings goal or an emergency fund.

## Survival Skill 1: Spending plan

❖ Three overlooked categories :

1. debt reduction
2. retirement savings
3. emergency savings



An emergency fund can be used for unforeseen expenses (i.e., the car breaks down) and prevents the use of credit which can quickly destroy a personal budget.

## Survival Skill 2: Credit

### ❖ Credit Reports

- ❖ When you get your first credit card or loan, you also should order your first credit reports.
  - ❖ **[www.annualcreditreport.com](http://www.annualcreditreport.com)**
- ❖ Put together by credit reporting agencies
  - ❖ Information about who you are
  - ❖ Information about with whom you have credit relationships

By federal law, you are entitled to a free credit report every year from each of the three agencies. The website to visit is [www.annualcreditreport.com](http://www.annualcreditreport.com) or you can call 1-877-322-8228. You can order all three at once or space it out and check your credit report three times in one year.

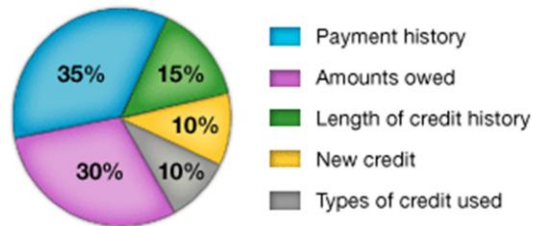
With each credit application, the lender will check your credit, and each inquiry tells other lenders that you are shopping for credit.

By paying your bills in full or in a timely manner, a credit card will help you establish a good credit score.

## Survival Skill 2: Credit

### ❖ Credit scoring

- ❖ Method lenders use to help determine your 'credit worthiness.'



www.myfico.com

This chart is from myfico.com and shows you what goes into your FICO score, which is the most well-known credit score.

The green section shows the length of credit history and the yellow shows new credit. Don't be tempted to sign up for every credit card to get the free gift or 10% discount. Every time you apply for credit (and that's what you're doing when you sign up for those t-shirts or discounts) it goes on your credit report. All of those applications stay on your credit report for 2 years. All of those kinds of credit cards will be considered new credit so that will lower your credit score, especially if you sign-up for multiple cards in a short amount of time.

The number of credit cards you have and your available balance can also lower your credit score. You may have too much available credit as compared to income. Available credit is the amount of credit you have available on all of your accounts combined. Lenders measure what kind of a risk you are by your ability to repay money when they look at your income vs. your available credit.

This website is good to look at for additional information about the grey section of the pie chart: [http://www.credit.com/credit\\_information/credit\\_help/Credit-Improvement-Type-of-Accounts.jsp](http://www.credit.com/credit_information/credit_help/Credit-Improvement-Type-of-Accounts.jsp)

## Survival Skill 2: Credit



- ❖ Why is my credit score so important?
  - ❖ Affects your ability to get credit
  - ❖ Affects interest rates for loans (car, mortgage, etc.)
  - ❖ Employers often check credit scores of prospective employees
  - ❖ Insurance companies see individuals with poor credit scores as a poor risk.
  - ❖ Poor credit can also influence your ability to secure rental property
  - ❖ Can affect what you pay for phone, electricity and gas rates.

## Survival Skill 2: Credit



- ❖ How do I build good credit?
  - ❖ Unsecured credit cards ***if*** used responsibly
  - ❖ Secured credit card
  - ❖ Open one or two cards and leave them open and don't open any more while you are in college.
    - ❖ Use them to buy groceries or gasoline and then pay them off every month.
  - ❖ Make all your payments (credit or otherwise) ON TIME.
  - ❖ Check your credit report for mistakes and correct them if there are any.

## Survival Skill 2: Credit

- ❖ **CARD act of 2009**
  - ❖ Lender can not open new account or raise credit limit on existing account unless it considers consumer's ability to make the required minimum payment
  - ❖ One way this will affect you is that anyone **under age 21** who cannot show ability to pay will have to have a co-signer in order to get a credit card





## **Survival Skill 3: Protect your identity**

- ❖ Protect your credit card information from others view.
- ❖ Don't let a business hold your credit card to run a tab.
- ❖ Keep a record of everything you carry in your wallet.
- ❖ Remember to copy both sides of your license, credit cards, etc.
- ❖ Keep the photocopy in a safe place.



You will know what you had in your wallet and all of the account numbers and phone numbers to call and cancel.

If you have a passport it would be a good idea to have a photocopy of it as well.

## Survival Skill 3: Protect your identity

- ❖ If your wallet is stolen or lost
  - ❖ Cancel your credit cards immediately.
  - ❖ File a police report immediately in the jurisdiction where your credit cards, etc. were stolen or lost.
  - ❖ Call or go online to one of the national credit reporting agencies to place a fraud alert on your name and Social Security number.
    - 1.) **Equifax: 1-888-766-0008**
    - 2.) **Experian: 1 888 397 3742**
    - 3.) **Trans Union: 1-800-680-7289**
    - 4.) **Federal Trade Commission: 1-877-438-4338**

Cancel credit cards--The key here is having the toll free numbers and your card numbers so you know whom to call. Keep those where you can find them.

File a police report--This proves to credit providers you were diligent, and this is a first step toward an investigation.

Call credit agencies--The alert means any company that checks your credit knows your information was stolen or lost, and they have to contact you by phone to authorize new credit.

The Equifax number is different from other sites that post this information, but this number is directly off of the Equifax website.

All three have an easy online form to fill out to place a fraud alert!

## Survival Skill 3: Protect your identity

- ❖ Other measures to protect your identity:
  - ❖ Check your account statements carefully each month and keep an eye out for suspicious activity.
  - ❖ Check your credit report for errors.
  - ❖ Shred, Shred, Shred anything with personal information, including pre-approved credit offers



If you know that you usually receive your VISA bill around the 15<sup>th</sup> of every month (just an example) and it's the 20<sup>th</sup> or 25<sup>th</sup> and you still haven't received it, call your credit card company. It is possible that someone stole your mail and has gotten you account information.

If you do find an error on your credit report, contact the agency who issued your report to file a dispute. You can usually do this online fairly easily and quickly, but if you need help call the agency directly.

It's important to shred or rip up pre-approved credit card offers because if someone goes through your trash (yes, it happens), they can retrieve these offers and possibly get a credit card in your name. They can then run up an incredible amount of debt on your card and you won't even know it. This will all end up on your credit report, so that is why it is important to check your report at least once a year.

## Survival Skill 4: Transportation



- ❖ Parking on a college campus is difficult at best. Due to the limited number of parking spaces available, many colleges strongly advise you to leave your car at home.
- ❖ A car: is that a “need” or a “want?”



## Survival Skill 4: Transportation

- ❖ What are the costs?
  - ❖ Car ownership
    - ❖ Car insurance
    - ❖ Car maintenance and repairs
    - ❖ Fuel
    - ❖ Parking
  - ❖ Public transportation
    - ❖ Bus
    - ❖ Taxi
    - ❖ Subway
  - ❖ Other options?



To be fair, you should also examine the negatives of public transportation, such as reliability of such transportation. If they are running late, so are you. If you are living on campus, what other ways they could get around? (bike, skateboard, walk)

## Survival Skill 5: Textbooks

### ❖ New textbook

- ❖ Brand new from the publisher.

### ❖ Used textbook

- ❖ Previously used by another student
- ❖ Costs about 25% less than new.
- ❖ Shop early!
  - ❖ Many are kept in very good condition, but those go first!
  - ❖ Books may have been highlighted or written in and may have cosmetic damage.



When you buy a used textbook, buy your books early! That way you will have many to choose from and can pick the ones that aren't as used as others. A used book that has highlighting on every page, has a torn back page and looks like it spent many days in a rain storm will cost the same as the used book that looks like it was never opened.

As a side note, when you get ready to sell your textbooks, do that early as well. You will get more for your book if you sell it the week of that class's final than you will if you wait until the semester is over.

## Survival Skill 5: Textbooks

### ❖ Things to consider when renting textbooks:

- ❖ Availability
- ❖ Edition updates
- ❖ Shop around
  - ❖ [cheap-textbooks.com](http://cheap-textbooks.com)
- ❖ Rental agreements
- ❖ Future need



<http://www.smartmoney.com/borrow/student-loans/should-you-rent-your-textbooks/>

If you need a new textbook for a class but don't plan to keep it, renting may be a good option for you. Many of the bookstores are now offering this option.

Availability--May only be available for core classes or when professors have agreed to use same text book for 5 years

Edition updates--If the professor orders an updated version of the textbook each year, bookstores probably won't buy your book back.

Shop around--Don't assume the college bookstore has the best price. Even different online rental sites will have different prices. Check [cheap-textbooks.com](http://cheap-textbooks.com) to compare prices.

Rental agreements--Make sure you know exactly what terms by which you have to abide. How much highlighting is acceptable? What kind of condition does the book have to be in for return?

Future need—If you are going to need your textbook, renting probably isn't the best option. Although most rental programs offer the option to buy a rented text for the balance of its purchase price, students are likely to find better deals on the new or used textbook market.

## Survival Skill 5: Textbooks



- ❖ Bring a copy of your class registration so you can **double check that you are purchasing the correct books** for your classes.
- ❖ Your college bookstore will have a list of textbooks selected and required by the instructor for each course
  - ❖ **alphabetically** by course department
  - ❖ followed by **course number and section letter or number** (i.e., MATH 060 A).



## Survival Skill 6: Living on or off campus



### ❖ Cost of dorm living

- ❖ Average cost for an academic year (nine months) is \$4,500 or \$500 a month

### ❖ Cost of apartment living

- ❖ Rent can range anywhere from \$500-\$1,000 per month, but will probably be somewhere around \$750 per month
- ❖ Plus, electricity, gas, phone, and internet



As a freshman, you won't have much choice about living on-campus as it is usually required that you do so. Depending on what college or university you choose, you may be required to live on-campus until you are a senior.

If you do have the choice it is important to look at the cost. You could save about \$250/ month. You would probably save more than that b/c you also would figure in the time it would take you to commute and find a parking spot and then get to class.

Once you decide what college or university you will be attending or which ones you will be applying to, at least, you can get more specific data. A simple internet search will yield average apartment costs and the school's website should have the room and board information readily available.

## Survival Skill 7: Tips for outfitting your living space

- ❖ **Computer purchases**
  - ❖ Suggest a computer purchase for your birthday, Christmas, or graduation gift.
  - ❖ Make sure you check with the Instructional Technology (IT) Department of the college you are planning to attend for system requirements.



Tell your mom and dad when people ask what you want for graduation to tell them that you are trying to save money for a new computer for college. Most people are more than willing to contribute to the computer fund!

Also check with the school you are going to attend to see if students are eligible to purchase computers and/or software at a discounted rate!

## Survival Skill 7: Tips for outfitting your living space

### ❖ Furniture

- ❖ Secondhand
  - ❖ charity and consignment shops
  - ❖ auctions, estate sales, flea markets, and yard sales.
- ❖ Carry a list of what you're looking for, noting sizes of needed pieces.
  - ❖ Keep a measuring tape with you.
- ❖ Think about mom and dad's hand-me-downs.



## Websites for Additional Information

- ❖ For High School Counselors, Students, and Parents.
- ❖ Panhandle-Plains Student Loan Center
- ❖ [www.ppslc.com](http://www.ppslc.com)
- ❖ Additional financial planning information
- ❖ TTU Red to Black™ program
- ❖ [www.r2b.ttu.edu](http://www.r2b.ttu.edu)

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The Panhandle-Plains website has information designed for students and parents. The student and parent sections includes information on financial aid, college planning, career/salary information, high school senior check list, and more.

The counseling services provided by Red to Black are only available to students enrolled at Texas Tech. However, the website contains information and forms that can be accessed by anyone. For example, the Money Management section contains a number of useful worksheets. You may view, print, or save to your computer worksheets like; Debt Payment Worksheet, Budget Tracking Worksheet, Monthly Spending Plan, and more.

The handout, *Money Management Basics for College Students*, provided with this presentation also contains information on planning and some sample budget worksheets.

Both websites are worth spending some time exploring.