

**HILLSBOROUGH COMMUNITY COLLEGE  
PERSONAL FINANCE SEMINAR**



**PERSONAL LIFE SKILLS:  
MANAGING YOUR MONEY IN COLLEGE**

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## **HEADED FOR COLLEGE**

Starting college can be one of the biggest changes in your life. It may be the first time you will live on your own - and handle your own finances. Some of the most valuable (and hardest) lessons you will learn won't come from a book. Life skills are learned from experience. And as long as you're able to plan ahead and take charge of your money, the financial skills you learn will benefit you for the rest of your life.

### **BUDGETING**

How much can you afford to spend on groceries in a week? Are you going to need to work extra hours to pay for all of your books? A budget will help you answer these questions and is absolutely essential in managing your personal finances. Do you need a budget? Yes. Does everyone need a budget? Yes. What's the message here? You need a budget! Create a budget by writing down your expenses to find out where your money is going. Pull out your credit card bills and bank statements from past years as guides to your spending habits. Then estimate how much your new bills will be. Be sure to include expenses for entertainment, clothing and other major expense categories. Include some money for savings. It may take several months to fine-tune your budget to match your exact spending habits. Now estimate your monthly income. Don't include potential income - only income you are sure to receive. For example, don't assume your parents will send you money if they have not agreed to do so. Check your budgeted expenses against your income. Do you have more going out than you have coming in? If so, you need to cut expenses. Entertainment bills are easy to trim; fixed costs such as utilities and housing are harder. Keep trimming until you have enough to cover your expenses. If you get paid hourly at a job, determine whether you can work more hours each week. But be careful not to let your grades slip because you're working too much. Remember why you are in college.

### **FINANCIAL AID**

College is expensive. Many people cannot afford to pay the costs of college all at once and need help. Fortunately there is financial aid. The best sources of financial aid are scholarships and other grants that you do not have to pay back. But loans are also a good option, especially with the low interest programs available.

#### **Scholarships and Merit-based Aid**

The diversity and number of different scholarships, grants and other programs available is staggering. If your high school grades are very high and you did well on your college entrance exams, your chance of snagging some merit-based assistance is high. But even if you don't have the best grades and highest test scores, do some research and you may find some surprisingly obscure requirements for scholarships. There is aid available for certain surnames, cities of birth and various other demographic information. There is even a scholarship funded by David Letterman that is restricted to those with a C average in high school!

#### **Student Loans and Need-based Aid**

There are many programs that provide financial assistance to those who would not otherwise be able to afford college. Federal need-based programs use a standard equation to determine what a family can be expected to contribute towards a child's education. Unfortunately, your family is not required to actually make this contribution. This equation takes into account all the family's assets, including income and investments, and subtracts expenses that the family has no control over, including taxes, basic needs and employment expenses. There is also an allowance for retirement savings. The rest of the assets are considered discretionary resources. This is the amount on which your financial need is based. There also are institutions other than the federal government that offer financial assistance. These institutions have their own formulas for determining need, which may differ widely from the federal standards. Be sure you know what type of program is providing your college money. Grant programs provide money that you do not have to pay back. Loan programs provide loans that you will have to pay back in full — with interest — once you graduate or leave school. So if you don't need the money, don't take it.

## **BANKING SERVICES**

Personal finances are just that - personal (you) finances (money). Your money: it includes everything from spending to investing and retirement. But when you're heading off to college, your more immediate need is understanding day-to-day personal finance. Checking accounts. Books. Making money. You cannot avoid day-to-day finance. You can learn about it now, or wait until you make a mistake. We suggest now.

The first step is to open a bank account from which you pay your expenses and to which you deposit your income. Otherwise, you have to carry all of your cash around with you or stuff it in your mattress - neither of which are sound financial strategies. Bank accounts also help you track how much money you have. What type of account do you need? That depends on your situation.

### **Savings Accounts**

A savings account isn't the only account you'll need. But it is an essential part of short- and long-term financial planning. A savings account is an easy way to start accumulating some financial reserves. You won't earn much interest, but the money is readily available in case of a financial crisis. And it's safer than your mattress. When selecting your savings account, check the minimum balance and monthly fees. Paying large monthly fees is the opposite of saving money.

### **Checking Accounts**

Your checking account will be your workhorse. This is where you'll deposit any money you receive. You will typically be able to write checks, withdraw money from an ATM, use a debit card, and have these transactions deducted from your account balance. Keep a record of all your transactions so that you know exactly how much money you have in your account. Banks can charge as much as \$30 and sometimes even more if you bounce a check. You will receive a monthly statement that lists all of your transactions as well as your ending balance. Make sure your monthly statement matches your own list of transactions. You may catch mistakes that you made in recording your spending, or even a bank mistake. [Click here](#) for a detailed description of how to read your bank statement and reconcile your checking account.

### **ATM**

You'll find an Automated Teller Machine nearly everywhere there are people. They offer access to cash from your bank account at any time. But this easy access can be dangerous. Record all of your withdrawals or you could find yourself broke before you can say "ATM." If the ATM belongs to your bank, your ATM withdrawal will usually be free. But if the ATM belongs to another bank, you'll be charged anywhere from \$1 to \$3 per transaction. If you find yourself being charged frequently, try to anticipate your spending and take out enough cash to cover all your expenses at one time. Or better yet, plan a weekly trip to your bank's own ATM to withdraw the money you will need for the week.

### **Debit Cards**

A debit card offers the convenience of using a credit card while allowing you to spend only what you have in your account. It's a great way to avoid racking up credit card debt. But, like your ATM transactions, record these transactions and be sure you have the money available in your account before you make a purchase.

Keep in mind that a debit card IS NOT a credit card. If you spend more than you have in your account, it's the same as bouncing a check. And since you are only spending what you have and are not using credit, a debit card will not help you build a credit history.

### **Credit Unions**

A credit union is owned and controlled by the people who use its services. So if you use a credit union, you are a part owner of it and will be treated to lower than average service fees and minimum account balances.

Not everyone can join a credit union, however. Credit unions are formed by members with a common bond. For example, some credit unions are formed by students attending a particular university. If you happen to be attending that university, you are eligible to join that credit union.

Don't immediately join any credit union you are eligible for. While most are quality financial institutions, some are not and may not have the organization and efficiency to offer good customer service and favorable interest rates. Do some comparative research into interest rates, fees and customer service ratings before you join a credit union.

### **Banking Online**

It seems that the Internet can be used for everything these days - including banking. If you have convenient Internet access, online banks can be an easy way to manage your finances. You can check your transactions and balances online as well as pay bills - all without even having to get dressed. The downside to online banks is the lack of personal customer service. If you find a traditional bank in your area that also offers online banking, you've got the best of both worlds. Just be aware of extra fees a bank may charge to let you complete transactions online.

### **TEXTBOOKS**

When you buy your textbooks, it will seem like they charge by the pound - and they are heavy! Plan on spending at least \$100 per class on books. Try not to think about the fact that you're only going to use them for a few months. If a book is relevant to your career and you plan on using it for reference later in life, it might make sense to buy a new book. For the majority of your books, which you won't need after the last day of class, you probably want to buy them used. Buying used books is like buying fruit - each one is different so make your selection carefully. Not everyone knows how to highlight. Sometimes the previous owner has outlined the important parts of the text for you. Other times, it looks like they dipped it in yellow paint. If you're going to shop at a used bookstore, shop early or you might get stuck with a bad copy. Or worse, you might have to buy the book new! Before you head to the bookstore, check with friends and neighbors to see if they have the book you need. You might work out a better deal for both of you if you buy it directly from them. Plus, they may even be willing to throw in their class notes for free. Make sure the book is the exact book you need - the same title and the same edition. Buying books online is another option. But consider the shipping cost of the book as well as the timing of the delivery. You don't want to go to your first few classes bookless.

### **WORKING IN SCHOOL**

If you don't have to work your way through school, thank your lucky stars every day of your educational career. Otherwise, you've got some decisions to make.

#### **Amount of Work**

First you need to consider how much you can work. Decide how much time you need to go to classes and study, how much time you need to sleep and add in some extra time to relax. What's left over is what you can work. If you can't seem to balance all that you need to do - working enough to pay for school while finding the time to study - consider alternating semesters. Work for a semester to save for school then go to school the next semester and so on. It will obviously increase the length of time you're in school, but it will benefit you in the long run with better grades and less debt.

#### **The hours**

You'll need to make your work and class schedule fit together. If you find a job during the day, make sure the classes you need to take are available in the evening. You may need a job with flexible hours to allow you to attend class and study for large chunks of time.

### **Pay**

Better paying jobs usually come with sacrifice. You may need to work late hours. Or early hours. Or you have to give up your weekends. But never sacrifice study time in favor of a higher paying job. What good is working to pay your tuition and then flunking out?

### **Interests**

No one expects you to stay at one job all through college. College is a great time to explore different career interests you have. Think of all the things that interest you and see if you can find a job related to those interests.

### **How to Find a Job**

The best referral source to find a job can be your friends or family. To get some experience in your field of study, ask your professors and faculty for ideas. Stop by your favorite stores and ask if they're hiring. Campus bulletins and career centers often are good outlets for job leads. Try a temp agency and let someone else find you a job. And, of course, there's the classifieds section of the newspapers. If your school has its own newspaper, the advertised job listings may be more suited to the life of a college student.

## **SELECTING A CREDIT CARD**

A credit card can be a valuable financial tool. These tips should help you choose the right credit card for you.

### **Build Good Credit**

You build a good credit history by using a credit card wisely. Make purchases and then pay your credit card bill in full every month. If this is your intent, look for a card with no annual fee. High interest rates won't matter since you won't be paying interest anyway. Your card should have a 20- to 30-day payment grace period so that interest won't be charged if you pay the balance in full every month.

### **For Convenience**

Having a credit card is much easier and safer than carrying large amounts of cash with you. If you plan to pay the balance in full every month, look for a card with no annual fee and a 20- to 30-day grace period. You might, however, opt to get a debit card attached to your checking account. It won't allow you to build credit, but it won't allow you to build debt either.

### **For the Freebies**

Some cards allow you to build points with every purchase towards free merchandise or airline miles. Be aware that these cards usually have a large annual fee and a high interest rate. You might be better off buying whatever freebie you're trying to earn.

### **To Carry a Balance**

It's not a good idea to carry a balance on a credit card. But if it's too late and you're already carrying one, seek out a card with a low interest rate. The most important thing is to pay off that card as soon as you can - even if you have to eat nothing but macaroni and cheese for months.