Right on the Money

2nd Edition

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Financial Know-How for Financial Freedom

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This booklet is meant to provide general financial information; it is not meant to substitute, or supersede, professional or legal advice.

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Introduction

You're in college. Chances are, you're concerned about money, but you're also consumed with writing papers, taking exams, and balancing everything from friends and family to a possible job. You've got enough to think about, right?

Consider this: You are in an ideal position to determine your financial future. Although it may seem strange to think about your financial future when you have tests looming, these lessons are very important. **Strong money skills will help you set and meet major goals, such as buying a house or earning a graduate degree. Money skills will help you save for retirement, plan vacations, manage tough financial times, and provide a comfortable life for yourself and your family.** These skills can mean the difference between worrying about bills and knowing you've got money in the bank.

Whether you're in college for two years or four, or just taking a few classes, this booklet can help you acquire the financial skills you need to create the kind of life you want. Created by the National Endowment for Financial Education® in conjunction with Washington State Department of Financial Institutions, this booklet offers lessons on checking accounts, savings, and handling credit cards.
It also covers tips for financing college, investing, and other topics that can help you become a savvy money manager.

You don't need a Ph.D. in finance to do this. All you need are a few tools and some time.

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1 Defining Personal Values

Have you ever seen a commercial on television showcasing a juicy hamburger and had a desire to stop at the nearest fast-food restaurant or passed by a sign featuring an ice-cold beverage then stopped for a soda? Our lives are surrounded by messages reminding us to "buy now," "sign up today," and "get more instantly!"

Advertising and marketing campaigns attempt to create a longing for "stuff." From movie theaters to grocery carts, to magazines and the Internet, ads try to convince us that if we have the right car, we are "cool." If we wear the right clothes, we are sure to be successful.

It is important to realize, though, that success and self worth aren't determined by what we have. Personal success has more to do with living according to our values. Values are a personal inventory of what we consider to be most important in life. We all have values, but unless we take the time to think about those values, we can be easily influenced when we're making important choices.

Values may be things like:

- Earning good grades
- Being responsible with money
- Finding meaningful work
- Taking care of the environment
- Being honest and truthful
- Spending time with family and friends

We all have values, but unless we take the time to think about those values, we can be easily influenced when we're making important choices.

Choosing to live in step with your values takes self-awareness and discipline. By aligning your money and spending habits with the things you value, you will be wealthy in the deepest sense of the word.

Identifying Needs vs. Wants

Needs are essentials. They are the basics of life. Think food, clothing, and a place to live. Wants simply increase the quality of living. Going to movies, eating out, and buying CDs and DVDs are wants. These are all fun and interesting, but you could survive without them.

It can be tough to prioritize our values when we are bombarded with ads telling us about the latest sales at the mall. For example, have you ever wanted a pair of shoes or new bike so badly that you justified your purchase like this: "I really need those shoes for work." Or, "I need that bike to get my exercise."?

Let's examine needs vs. wants first hand. Use this space to write down everything you need. This might include lunch, gas, clothes, a car, and a college education. Then write down everything you want, such as cable-TV service or a spring break vacation. For each item on your needs and wants list, include how much you think it will cost. Try to include more needs than wants.

Needs	Cost	Wants	Cost

If all of these things are important to how you want to live your life, consider making them into goals.

Look back at your "needs" and "wants." Think about what's really important to you and what has lasting value.

1. Decide if you really need or want everything on the list. Are some "needs" really "wants"? Cross off the "wants" that are the least important to you.
2. Put stars next to the items that are particularly important to you.
3. Decide if each item makes sense. Purchasing a brand-new sports car at age 20 might not be realistic, but buying a used, fuel-efficient vehicle might be reasonable. If the item doesn't strike you as reasonable, remove it or change it to a more reasonable alternative.
4. Keep in mind you will have both "needs" and "wants" on your list. Ask yourself whether these items match your values. If all of these things are important to how you want to live your life, consider making them into goals.

Goals

A goal is a destination, something you want or need, which you achieve by taking certain steps. One of the most valuable things you can learn to do is to clearly identify your goals. By knowing precisely what you want to accomplish, you will know what you have to focus on to achieve your goals. Setting goals will give you a long-term vision and short-term motivation to organize your resources.

Some goals require money; others do not. For example, you may want to exercise more, so you set a goal of walking five times a week. Walking is free. Or, you might set a goal of purchasing a new coat for winter. This goal has a price tag attached.

In this context, we'll look at goals involving money.

SMART Goals

When you set goals, write them down and make sure they are meaningful to you. Here's one "SMART" way to set goals:

Effective goals are:

Specific. "I want to spend my entire spring break in San Diego." Not, "I want to do something fun over spring break."

Measurable. "I need $180 for my share of gas, hotel, and food for the week." Not, "I need some money for my trip."

Attainable. "I'll save $15 a week from Thanksgiving until spring break." Not, "I'll win a weekly radio call-in contest to get the money for my trip."

Realistic. "I plan to drive from Washington to Southern California in about 20 hours by using four drivers." Not, "I want to drive from Washington to Southern California in about a half-day."

Time-bound. "I'll have the $120 for my trip expenses saved by March 5." Not, "I want to save up enough money by early spring."

Matching Goals to Values

Goals should also match your values.

Take a look at the needs and wants you identified in the previous exercise. Write these down as SMART goals. Then ask yourself, "Do my goals match my values?"

Take a look at the needs and wants you identified. Then ask yourself, "Do my goals match my values?"

Here's another example of how to translate your needs and wants into SMART goals:

Specific I need a laptop computer for college.

Measurable I need $900 to buy the laptop.

Attainable I will put aside $150 a month to purchase the laptop.

Realistic I can save $150 by baby-sitting four times a month, or working three or four extra shifts.

Time-bound I will save $900 in six months, before the start of the next school year.

Personal values I value educational achievement. My laptop will help me access information, communicate with professors, and write papers.

Defining Goals

An additional way to define financial goals is by how long they take to achieve. Goals can be divided into:

- Short-term goals. These are goals that can be achieved in three months or less. For example, you could save $200 to buy a nice MP3 player in two or three months.
- Medium-term goals. These goals take three months to one year to accomplish. An example of a medium-term goal is a one-year savings commitment to buy a reliable, used vehicle.
- Long-term goals. Long-term goals take more than one year to realize. Earning a bachelor's degree is a perfect example of a long-term goal.

Use the chart below to list one short-, medium- and long-term goal. Include a deadline for each goal. Also, include the estimated cost and the required amount you will need to save each week to make your goal. Before you write down the goal, be sure to ask yourself: "Does this goal match my values?" If not, reconsider the goal.

Time Frame	Goal	Achievement Date	Total Cost	Weekly Savings
Short-term:				
Medium-term:				
Long-term:				

Exploring Ways to Learn

Many people feel uncomfortable talking about money. Some don't feel confident in their knowledge of financial matters. Money can be intimidating. But the fact of the matter is this: money influences almost everything you do.

Money, or the lack thereof, can affect the quality of medical treatment you receive, the type of home you choose, how well you perform at school and/or work, and your stress level. Treating money management as a taboo makes it difficult to become skilled at handling it.

Learn from Other People's Successes and Mistakes

Talk to people about how they handle their money. Do you have friends who always have cash even though they aren't "rich"? Maybe they know a thing or two about saving, investing, and budgeting? How do they do it?

Do you also know people who are constantly scrambling to pay bills even though they make good money? Where does their money go? How do they handle money differently from your friends who seem more financially stable?

Share Your Successes and Challenges with Friends

Share money-handling tips with friends. Do you find yourself paying bills late and being assessed extra fees? Ask a money-savvy pal for hints on how he or she remembers to pay bills on time. On the other hand, do you have ideas for curbing spending to share with friends? Everybody has positive and negative stories to tell about money.

Consider Taking a Personal Finance Class

Taking an elective personal finance class, if available, could be the most valuable course you ever take. Or, if you don't have time to take a three-month college class, find out if your college offers personal finance classes to the community at a low cost.

Look for free workshops offered by local non-profit community organizations or state agencies. Always consider the source of the information, be wary of organizations that charge you for the information or organizations promoting specific financial products.

Banking On It

2

College opens your eyes to countless new experiences. You'll meet new people, encounter remarkable ideas, and try different things. If you're starting college at age 18, you may find yourself responsible for your finances for the first time in your life. Or, if you're re-entering college, a financial review might help now that you're paying tuition in addition to other bills.

This section covers the basic information you'll need to establish and manage checking and savings accounts. Plus, you'll learn about some expensive financial services you should understand thoroughly before using, and if you do, use them wisely.

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Debit Cards and Check Cards

You may receive a debit card or check card with your checking account. These cards look like standard credit cards but using them is just like using checks, except the money comes out of your account right away. Usually, you can use these cards to get cash from automatic teller machines (ATMs) as well. Because of the immediate access to the money, it's important that you track usage of a debit card or check card just like you do with your checks.

Checking Accounts: What You Need to Know

Chances are when you start college, you'll establish a checking account. Why? A few benefits of having a checking account include:

- Using debit cards and checks are safer than carrying cash.
- A checking account usually costs less than buying a money order to pay bills.
- Your canceled checks and monthly statements will help you keep track of expenses.
- Enrolling in online banking is a great way to monitor your spending and resources between monthly statements.

With a checking account, you simply write a check to a vendor or individual to pay for an item. The bank then takes the amount of the check out of your account and gives it to the person or business to whom you wrote the check. Sounds easy, doesn't it? Checks are easy and useful if you make sure to get the right type of checking account for your needs, and you learn how to take care of your account.

Understand Your Needs

Before running to the nearest bank or credit union to open a checking account, do some research. It could save you money in the long run.

Start by identifying your banking needs. Ask yourself the following questions:

- Can I have my paychecks deposited directly into my checking and/or savings account? Some banks waive account fees with direct deposit. A direct deposit into a savings account of part of my paycheck is also a great way to ensure I "pay myself first."
- On average, how much money will I be able to keep in my account each month?
- About how many checks will I need to write every month?
- Do I want to go to the bank to withdraw or deposit money, or will I use ATMs?
- Would I prefer to pay most of my bills using online banking?

After you answer these questions, you'll have a good idea about all the kinds of checking accounts and the features you need.

For example, if you don't plan to keep much money in the account, but plan to write only a few checks each month, a free, no-frills checking account might be right for you. Or, if you prefer to bank at ATMs or over the phone and/or Internet, an account with these features might be a good choice.

Also, consider your "money personality." For example, one student learned that he just couldn't handle his ATM card. Because the machines are everywhere, he withdrew and spent too much money. Now he doesn't have an ATM card, and he selected a bank across town so he has to make a special effort to withdraw cash. This cross-town trip gives him time to think about his money and spending.

Tip:
Always ask if the bank or credit union offers special accounts for students.

Handling Your Checking Account

After you establish your checking account, it's important to maintain it properly. The following tips can help you keep your account healthy to avoid costly and embarrassing mistakes.

After you establish your checking account, it's important to keep your account healthy to avoid costly mistakes.

- **Write down your transactions.** Every time you write a check, enter the check number, date, and amount into your checkbook register, and subtract it from your balance.
- **Consider check duplicates.** If you can't get into the habit of recording your check transactions immediately in your checkbook register, order checks that have duplicates. Then, you'll have a record of the check and can enter the transaction amount into your register later.
- **List all your ATM and debit card transactions in your register.** It's easy for these receipts to get lost inside a grocery bag or your car. Make sure they get recorded and subtracted from your account balance so that you don't overestimate the amount of money you have.
- **Record online transactions.** If you are using both paper checks and online banking, remember to enter the "electronic" checks you submit into your checkbook register and subtract those amounts from your balance. If you use personal finance software (such as Microsoft Money® or Quicken®) along with online banking, you can list both your paper checks and electronic checks in the software.

- **Don't "bounce" checks.** Bouncing a check means writing a check for more money than you have in your account. The bank can charge you $20 to $30 or more, for each bounced check. Plus, the company that took your "bad" check might charge you a fee. Bounced checks can hurt your credit report and score as well.
- **Don't check your account balance at the ATM and assume it is correct.** If you wrote checks that haven't cleared the bank yet, the ATM balance appears higher than the amount of money you have available.
- **Compare your bank statement to your records.** When the bank makes your checking account statement available each month, check the bank's numbers with those in your checkbook register and make any adjustments. This is called "balancing your checkbook."
- **Promptly report any errors or lost or stolen checks to your bank.**
- **Keep your bank statements, canceled checks, or check duplicates with your other financial records.** Not all banks return canceled checks, but if yours does, keep them. They are proof of your payments. In general, keep your canceled checks and bank statements for five to seven years.

Check Clearing for the 21st Century: "Check 21"

Another thing to keep in mind is the new Check Clearing for the 21st Century Act, which allows banks to use digital imaging to replace the shipping of paper checks.

How does this affect you? Your checks will clear faster. If you've "floated" checks in the past, (written checks while hoping to add money to your account before the checks make it to the bank for payment) that luxury is gone.

Under Check 21, you'll want to have money in the bank because the checks you write may clear almost immediately. Should you ever write a bad check, your bank will charge you and so will the business to which you wrote it. You're looking at $50 or more in fees and possibly a bad mark on your credit report.

Savings: the Why and How

You may think a booklet about college finances is an odd place to talk about savings. After all, you're spending all this money on an education. How can anyone possibly save money and go to school at the same time?

Granted, it's not easy to save, particularly for students. But saving or investing puts your money to work for you. Learning to set aside some money, even small amounts, in savings may reduce the amount you need in loans and help you develop a lifelong savings habit.

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Saving for the Unexpected

Another reason to save is to pay for those "unexpected" expenses such as car or computer trouble, the loss of a job, or unexpected medical expenses. Having money in an emergency fund will help you get through a drop in income, pay for repairs, or handle other unexpected expenses.

A good rule of thumb is to set aside enough money to pay for three months of basic living expenses. Then, if you can't find a part-time or work-study job for a quarter, or your computer sends up smoke instead of e-mail, you'll be ready.

Paying Yourself First

One way to get into the habit of saving money is to "pay yourself first." That means putting money in your savings account before spending it on other things. Think of it as a bill that you pay to your savings account.

A few savings ideas to try include:

- If you get money from relatives to help with school, put part of it into your savings account and the rest into your checking account.
- If you have a job, put $10 to $20 from each paycheck into your savings before paying other bills.
- If your job offers direct deposit, consider having a certain percentage of your paycheck deposited directly into your savings account.
- Put $1 a day plus your loose change into a cup or jar. By the end of the month, you may have $50 or more to deposit into your savings account.

You'll be more motivated to save if you have a goal for the money. One goal should be to set aside a few hundred dollars for emergencies. That way, you'll be ready should an unexpected expense arise.

Savings Options

So where do you put this money that you're saving? Common savings options include:

Savings Accounts. Savings accounts are easy to open and give you easy access to your money. They normally pay only a small amount of interest, but are secure because the accounts are insured by the federal government. Shop around to find the best interest rate.

Money Market Account. You often need anywhere from $1,000 to $10,000 to open a money market account. The upside? You'll earn more interest in a money market than in a regular savings account, but you might only be able to withdraw funds a few times a month. Depending on where you open the account, it may or may not be insured by the federal government. Be sure to ask.

Certificate of Deposit. With a certificate of deposit (CD), you agree to "lock up" a certain amount of money for a set period of time. Again, these accounts tend to pay more interest than regular savings accounts. At the end of that period, you get your money back plus interest. If you withdraw the money before the deadline, however, you'll pay a penalty. CDs that you buy from FDIC-insured banks are insured by the federal government (currently up to $250,000).

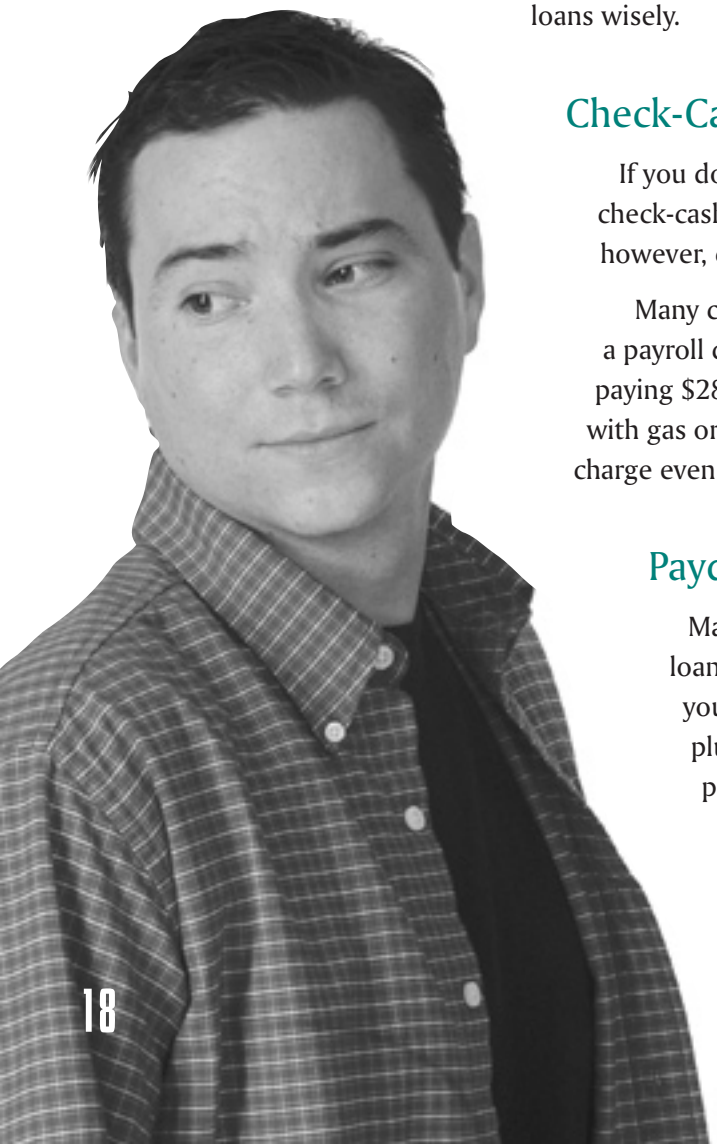
For more information, take a look at these helpful Web sites:

- www.smartaboutmoney.org
- www.fdic.gov (www.fdic.gov/consumers/banking/index.html)
- www.bankrate.com (provides savings, CD, and money market rates)
- www.practicalmoneyskills.com

Learning to set aside some money, even small amounts, in savings may reduce the amount you need in loans and help you develop a lifelong savings habit.

High-Cost Options

You have probably seen ads for check-cashing stores, payday loans, and rent-to-own stores. You may be intrigued by the services they offer. But these short-term financial fixes can cost you big bucks. Make sure you understand what you're agreeing to and can afford to pay back your loan before you sign any documents. Consider your options to taking a high-cost loan and use loans wisely.



Check-Cashing Stores

If you don't have a checking or savings account, you might think check-cashing stores are a convenient alternative. Understand, however, check-cashing stores charge you for that convenience.

Many check-cashing stores charge a fee of $4 for every $100 on a payroll check. That means if you have a $700 payroll check, you're paying $28 just to cash it. For $28 you might be able to fill your car with gas or buy groceries. For personal checks, these establishments charge even more.

Payday Lenders

Many check-cashing stores also make payday loans. A payday loan is a small, high-interest, short-term cash loan. In most cases, you write a post-dated, personal check for the advance amount, plus a fee. The payday lender holds the check for the loan period and then deposits it, or you return with cash to reclaim the check.

Although a payday loan may be a convenient short-term solution, it is not a good idea for long-term cash needs. You run the risk of getting into a payday loan cycle of debt taking out loan after loan.

Think a payday loan is the only answer if you're short on cash? Consider other options:

- Ask to borrow money from a friend or family member.
- Ask if your financial aid office offers low-cost, short-term loans.
- Ask your employer for an advance on your paycheck.
- Ask about delaying or making payment arrangements on your non-interest bills like telephone and utility bills. The company may not charge interest, but there may be late fees unless they agree to waive them.

If you do take a payday loan, here are some things to think about:

Among other information, you must receive disclosure statements outlining the finance charge and the annual percentage rate (APR) of your loan. The APR informs you of the cost of your loan (the interest rate). For example, a 45-day, $300 payday loan with a $45 fee has a 121.67 percent APR, whereas the same $300 loan with a $45 fee made for a 14-day term has a 391 percent APR. If the same loan were made for a five-day term, the APR would be 1,095 percent!

Think of what you could do with that $45 fee. For $45 you may be able to fill your car with gas, pay an electric or phone bill or buy groceries for the week!

Payday Loan Tips

If you decide to get a payday loan, shop and understand the terms before you sign on the dotted line.

- Contact the Department of Financial Institutions to verify that you are dealing with a licensed lender.
- Comparison shop for the lowest fees.
- Borrow only as much as you can afford to repay with your next paycheck.
- Know when your payment is due and be sure to repay the loan on time and in full.
- Avoid borrowing from more than one lender at a time.
- Plan for the future by making a realistic budget to avoid borrowing for emergencies and unforeseen expenses.

There are many ways to handle money problems. The key is finding low-cost solutions that work for you.

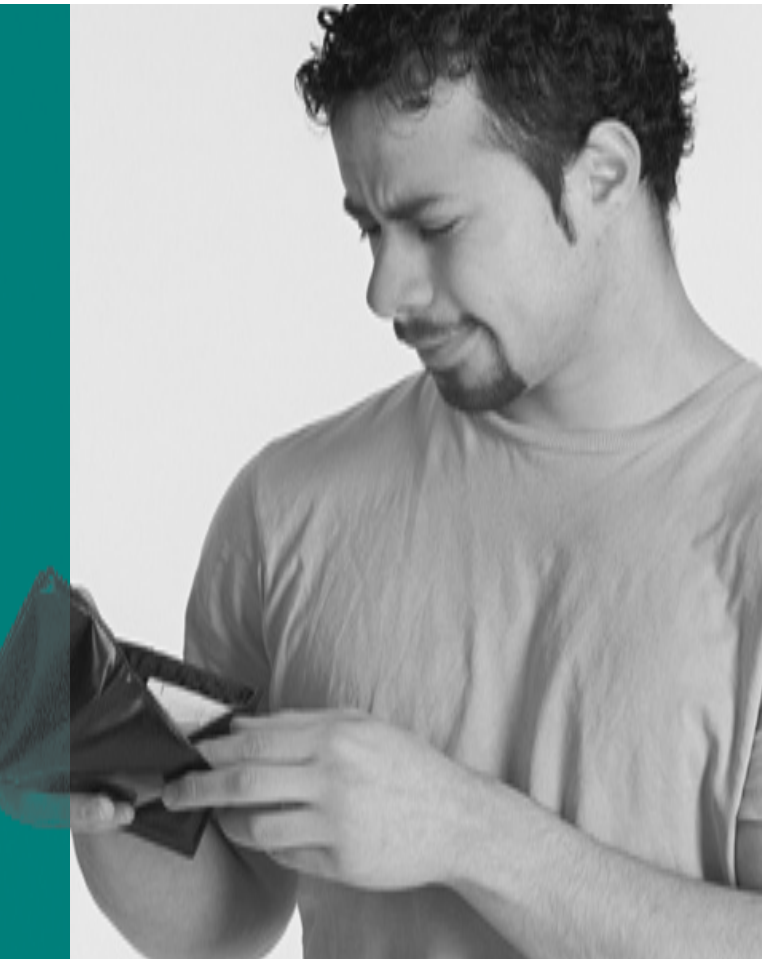
Rent-to-Own Stores

Rent-to-own stores provide items such as furniture and appliances for rent. A small part of each rent payment goes toward buying the item. Be careful of such offers. By the time you have paid enough rent to buy the item, you will have paid three to 10 times the actual cost of the goods.

Let's say you and your roommate want a TV. The TV costs $400 at a department store, but you don't have that much cash. Instead, the two of you agree to a rent-to-own plan for the same TV.

This is what your $400 TV could cost you:

Weekly rental	$15.95 x 78 weeks	=	$1,244.10
8% sales tax	$1.28 x 78 weeks	=	$99.84
Delivery fee	$10.00 (once)	=	$10.00
Total cost of rent-to-own TV		**=**	**$1,353.94**



A better option maybe to save up until you can buy the TV, or buy a used TV and pocket the savings for school.

Need Cash?

Now that you know about the high cost of check-cashing stores, payday lenders, and rent-to-own establishments, you can make informed decisions about what choice is right if you find yourself strapped for cash.

Want more options? Try selling something you no longer need like an old bike or pair of skis. Do odd jobs for pay. Borrow from a friend or family member. Negotiate a new payment schedule with creditors. Or, check with your financial aid office for short-term loan possibilities.

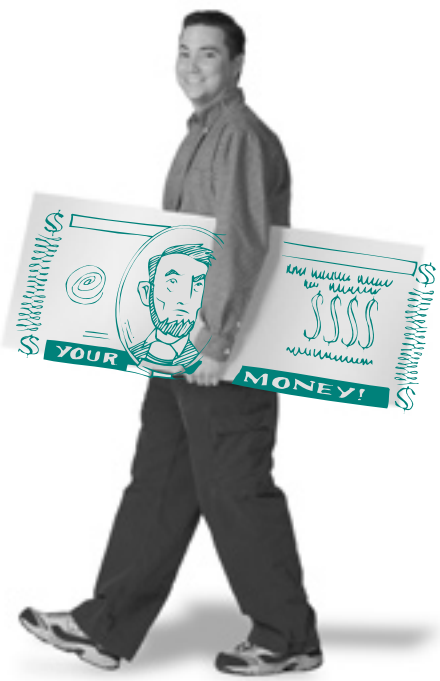
There are many ways to handle money problems. The key is finding low-cost solutions that work for you. Once you figure out how to get through the financial crisis, make a plan to get back on track, including setting aside money into an emergency fund.

Getting a Grip With a Spending Plan

3

When you are planning for and attending college, it may seem like there is never enough money. That's why you need a plan, a spending plan. A spending plan helps you keep track of how much money you have coming in, see where you spend it, and figure out where you might be able to save.

A spending plan works well for anyone, but for a college student it is especially important. Spending plans aren't complicated and don't take a lot of time to complete. Just follow these five simple steps, and you will have a better idea of where you stand financially.



Getting Started

A spending plan is not a bunch of rules you have to live by, it's a guideline. It's a tool you can use and adjust as necessary, to help you manage your money. For these purposes, you will track your income and expenses on a monthly basis. Ready to start?

There are five steps to creating a spending plan:

1. Identify your income.
2. List your expenses.
3. Compare your income and expenses.
4. Make your spending plan.
5. Review your results and make changes.

Just follow these five simple steps, and you will have a better idea of where you stand financially.

Step 1: Identifying Your Income

Your income is the money you have coming into your possession. Use the following chart to list all sources of income that you can think of. (Remember to include any additional sources of income you might receive, such as any financial aid you receive directly and money you receive from your family.)

To find this information, review your pay stubs, deposit records from banks, or other records of money you have received. If you only know yearly amounts for some sources of income, divide the yearly amount by 12 to get an estimated monthly amount.

Income Chart

Income/Assistance Source	Monthly Amount
Salary (your net pay after taxes)	$
Salary (net pay after taxes of others in your household)	$
Other job(s)	$
Self-employment income	$
Child support	$
Interest on savings	$
Social Security or Supplemental Security Income (SSI)	$
Gifts	$
Financial aid (work-study, scholarship distribution, etc.)	$
Family support for college	$
Other	$
Other	$
Total	$

An important thing to remember as you create your spending plan is to be as realistic as possible.

Step 2: Listing Your Expenses

An important thing to remember as you create your spending plan is to be as realistic as possible. This is especially important as you begin to estimate your monthly expenses. Also, keep in mind that some expenses will vary from month to month (such as the electric bill or car maintenance bills). Estimate the average monthly amount you spend on these, and record that number on your expense worksheet.

Use these sources to help uncover your expenses:

- Canceled checks from your checking account or your checking account statements.
- If you have a credit card, look at your credit card statements from the last six months, then divide the total by six to get the average monthly amount you charge.
- Any receipts or invoices for things you pay for once or twice a year, such as tuition or car insurance.

Using these items, you can fill in the blanks of the following chart. This chart will give you an idea of what you spend on each category in one month. You'll notice that we put "savings/investments" at the top of the list so you can pay yourself first! Also, feel free to list things we may not have included on the chart.

Expenses Chart

Expense	Amount Spent In One Month
Savings/investments	$
Alimony/child support paid	$
Charitable contributions (church offerings and donations to nonprofit organizations)	$
Credit card payments	$
Education	
Tuition	$
Books	$
Entertainment	
Movies, concerts, DVD and video rentals	$
Food	
Groceries	$
Dining out	$
Snacks	$
Health care	
Dentist	$
Doctors	$
Prescriptions	$
Supplies	$
Insurance	$
Hobbies	$
Home improvement or repairs	$
Loan payments	$
Mortgage/rent/room and board	$
Personal expenses (hair care and beauty supplies, etc.)	$
Clothing/uniforms	$
Phone/cellphone	$
Internet/Cable TV	$
Property tax (if you own your own home)	$
Transportation	
Car payment	$
Car repairs	$
Insurance	$
Bus/public transportation fare	$
Gas	$
Utilities	$
Other	
Laundry	$
Pet care	$
Child care	$
Gifts	$
Other	$
Other	$
Total	$

Step 3: Comparing Your Income and Expenses

It's time to do the math.

1. Write down your total monthly income (from Step 1): $ _____
2. Write down your total monthly expenses (from Step 2): $ _____
3. Subtract your expenses from your income and put the amount here: $ _____

If your monthly income is larger than your monthly expenses, you are doing great. Keep it up and see if there are other ways you can stash more into savings or reduce any excess spending.

Are your expenses larger than your monthly income? Then it's time to develop a spending plan!

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Step 4: Creating Your Spending Plan

Now that you know how much you earn and spend in one month, and whether they balance, you can start to take more control of your money.

Create your spending plan for one month, using the one below as a model. Make a plan of what you anticipate your income and expenses will be. At the end of the month, compare your planned amounts to what you actually experienced.

In this model, there is a $140 difference between "planned" and "actual" expenses.

Spending Plan

Sources of Income	Planned	Actual	Difference	Notes
Net salary	$2,000	$2,000	0	
Financial aid	$500	$500		
Total Income	$2,500	$2,500	0	
Expenses				
Savings goal	$50	$50	0	
Tuition	$600	$600		
Credit card payment	$50	$50	0	
Car insurance	$100	$100	0	
Rent	$650	$650	0	
Car repairs	$45	0	$45	No car repairs were necessary this month, leaving $45 extra to put in savings or toward paying off the credit card.
Gas	$50	$45	$ 5	Gas prices went down this month.
Phone/Cell phone	$100	$145	– $45	Roaming charges!
Utilities	$200	$195	$ 5	
Groceries	$350	$400	– $50	Can you think of ways to cut this grocery bill?
Clothing	$100	$75	$25	Yes! This is less than the target.
Entertainment	$150	$200	– $50	How do you think this could be trimmed?
Miscellaneous expenses	$200	$275	– $75	
Total expenses	$2,645	$2,785	–$140	If your spending plan shows this kind of difference, go back to your expenses and see if you can make any changes.

Step 5: Making Changes

If your spending plan is out of balance, like the one in the example, can you think of ways to bring it back into line?

Remember you have three choices:

- **Increase your income.** Can you take a part-time job or qualify for a work-study job at school? Can someone else in your household take a job? Do you have a hobby you can turn into a part-time business? Have you checked to see if you are getting all of the government benefits for which you might be eligible? See the following chapter for ideas.
- **Cut your expenses.** Are there spending leaks you can still plug? Are there small lifestyle changes you can make to save money? See the "Curbing the Spending Urge" chapter on page 44 for ideas.
- **Do both.** Increase your income and cut expenses.

Make a few changes, then revisit your spending plan next month. How'd you do? If your income consistently exceeds your expenses, then you're doing a phenomenal job!

4 Finding Funds for College

You've just read that there are three ways to shift the balance between your expenses and income: increase your income, decrease your expenses, or both. This section will show you some creative ways to provide for those college expenses.

Finding Financial Aid

Financial aid is one of the most intimidating aspects of the whole college process. There are forms to fill out, deadlines to meet, and all kinds of numbers to deal with.

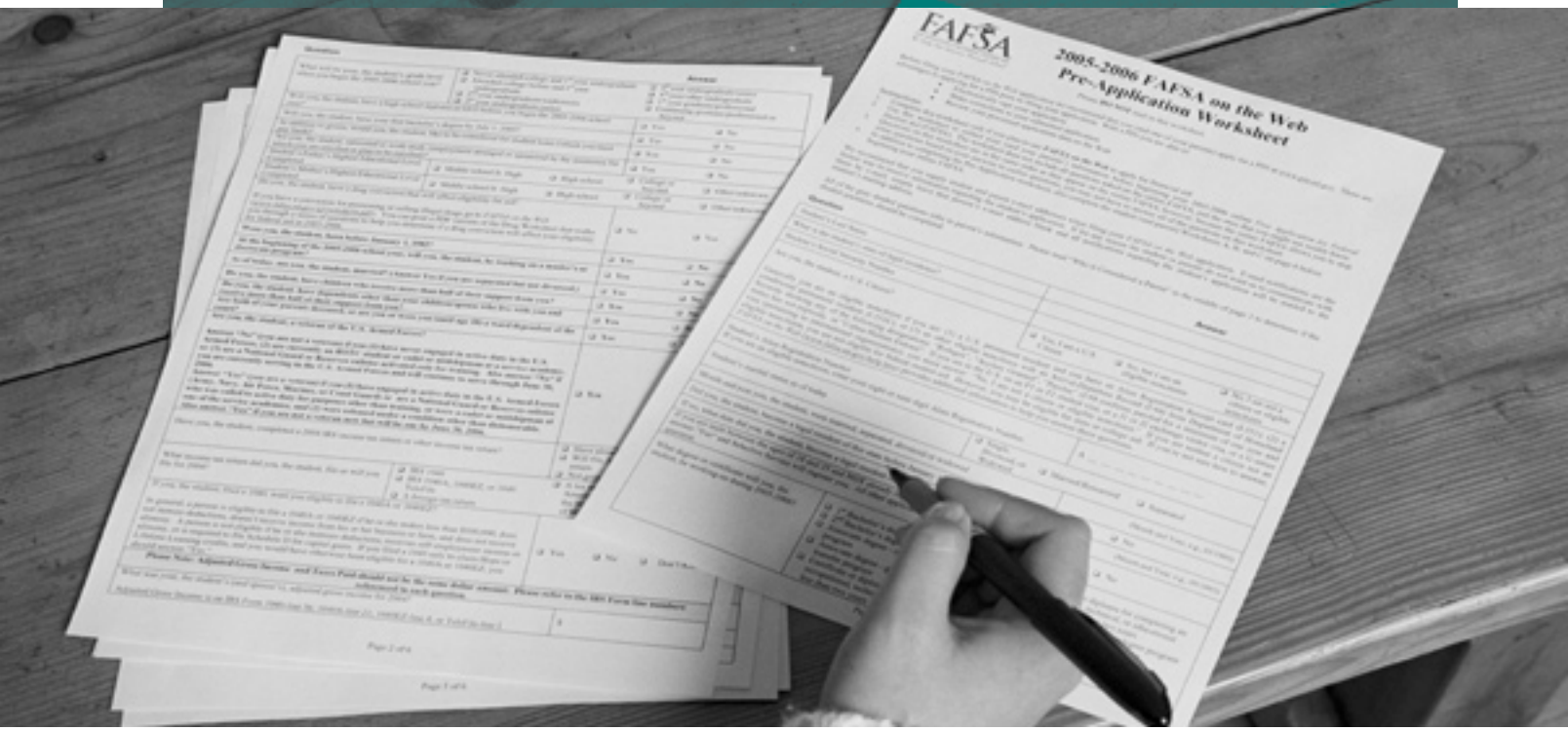
If it's so much trouble, why bother? Because some colleges won't consider you for academic scholarships if you don't apply for financial aid. Plus, you might qualify for other assistance that can really help.

The basic forms of financial aid consist of grants, scholarships, work-study programs, and loans. Financial aid can come from a variety of sources, including the federal government, the state in which you live, your college of choice, and/or private groups or companies.

You are not required to pay back money from scholarships, grants, and work-study programs. On the other hand, you must pay back loans.

If you're considering applying for financial aid in any form (which may include scholarships, grants, work-study programs and low-cost federal or state loans) start in the fall prior to the year you plan to enroll. Applications take time to complete, review, and approve. Many applications require financial details you'll need to get from your parents, guardians, or other family members, as well as end-of-the-year tax documents you won't be able to get until after January 1. Consult with your financial aid office as soon as possible.

Some colleges won't consider you for academic scholarships if you don't apply for financial aid. Plus, you might qualify for other assistance that can really help.



Keep in mind that schools tend to award financial aid on a first-come, first-served basis. Eligibility for financial aid depends on many factors. Unless you are a non-traditional student (a student who falls outside the 18- to 24-year-old age range of typical dependent college students), your eligibility may be determined by their income, rather than just your own. You'll find, though, that many people are eligible for some sort of financial aid, regardless of their income or employment status.

Many people are eligible for some sort of financial aid, regardless of their income or employment status.

Applying Now!

Start your application process by completing a Free Application for Federal Student Aid (FAFSA) form. Generally speaking, this form is your ticket to accessing federal, state, and college/university financial aid funds. You can complete this form online at:

- www.fafsa.gov
- Or, you can obtain a paper form at
  - http://federalstudentaid.ed.gov/fafsa_options.html
  - 1-800-4FED-AID

Remember to keep all paperwork. If you have questions, contact your financial aid office at college. Don't forget to reapply every year, your FAFSA form is good only for one year. For more information about filing assistance through College Goal Sunday, where financial aid professionals all over the country dedicate time to helping families complete the FAFSA, go to http://www.collegegoalsundayusa.org.

Checking the Student Aid Report

If you did the FAFSA online, you should expect your Student Aid Report (SAR) via e-mail within the week. If you mail in your paper FAFSA, it can take up to four weeks before you'll receive a Student Aid Report (SAR). Once you receive your SAR, review it carefully and make sure it is complete and accurate. If you find an error or need to make changes to your SAR, you may want to get some advice from your college financial aid officer before submitting the corrections.

The SAR lists something called an EFC or Expected Family Contribution. This is the amount your family is expected to put toward the cost of your education. As long as you report them on your FAFSA, the schools you are considering to attend will receive your EFC, along with the rest of your information. The school will use this information to prepare your financial aid package.

Reviewing Your Financial Aid Package

When you receive your financial aid package from your college of choice, review it carefully. Certain forms of financial aid are limited to those with the most financial need. Others are available to virtually all students. Your financial aid package will detail the types of aid the school will offer. If the offer doesn't meet your needs, contact the financial aid office. You may have special circumstances impacting your eligibility that are not being reflected on the FAFSA. The different financial aid packages you're offered can help you make a decision about which school to attend.

Scholarships and Grants

Most people assume that scholarships require excellent grades or special talents (such as being a great athlete or playing the piano really well). Although this is often true, scholarships are given to applicants for a lot of reasons, some are designated for people who have certain last names. Sadly, each year there are scholarships that are never awarded, simply because no one applies for them. As with the financial aid process, start studying your scholarship options early and applying for them in time for college. When you consider the reward of "free" money for a dozen or so hours of your time, scholarships definitely are worth the effort. Small scholarships add up!

Grants, like scholarships, are awarded to applicants based on many factors. However, most grants are given based on financial need. The federal government generally sponsors grants, so the application process begins by completing the FAFSA.

So where do you find out about scholarships and grants? As with most subjects these days, there's lots of information on the Internet. Each college has a financial aid office with a staff that knows about scholarships and grants. Visit individual schools' Web sites for other links to scholarship and grant opportunities. These Web sites can get you started:

- www.collegeparents.org
- www.NELA.net
- www.collegeview.com
- www.fastweb.com
- www.finaid.org
- www.federalstudentaid.ed.gov

Avoid scholarship scams

Thousands of Americans are conned out of millions of dollars each year while searching for scholarships, according to the National Association of Student Financial Aid Administrators. Consider these guidelines:

- Never pay a fee for scholarship money or application information.
- Never give out your credit card or bank account numbers.
- Don't fall for "guarantees" of scholarships or other claims.

The truth is that real scholarships never charge fees and the application information is available to everyone.

Jobs and Work-study

Most college students have a lot of flexibility. Depending on your grades and the rigor of your academic program, you might have time to study and work.

Many universities depend on student workers to get things done on campus. It's entirely possible that you might be able to get a campus-based job. This is a convenient way to earn money and gain valuable work experience at the same time. Plus, college employers may be more understanding if you need an afternoon off to study or finish assignments. Check with the career services department at your college for more information.

You also might find it appealing to get away from campus and work a bit. Earning money while in school can make it possible to reduce the amount of loans you'll have to pay off after graduation. Plus, you'll gain valuable experience for your resume.

Some jobs to consider:

- Baby-sitting
- Dog walking
- Turn a hobby into profit, sell your handmade goods such as jewelry, photography, or paintings
- On-campus jobs (cafeteria, library, gym, etc.)
- Off-campus jobs (retail, restaurant, etc.)
- Tutoring

Also, your financial aid package might include work-study money. This is a federal program, which allows you to work on campus for earnings you can use towards educational expenses.

College financial aid offices are the best place to start if you're interested in work-study programs. You can also indicate on your FAFSA that you're interested in work-study.

Financial Loan Facts

When taking out student loans, it's first important to understand what they are. Then, in addition to learning about your repayment obligations, you may hear about deferring and consolidating loans. Read on for information about all these issues.

Student Loans

If you receive a financial aid award, there's a good chance you'll receive the option of receiving loans as part of that package. Loans, of course, must be repaid.

Most student loans don't require repayment until after you graduate (or drop below half-time enrollment). Most federal student loans, in fact, give you anywhere from six to nine months after graduation before starting repayment. The idea is to give you a grace period, time to find a job, before you have to pay back your loans.

Student loans work like any other loan. You borrow the money and you pay the lender interest in exchange for borrowing it. If you have a federally subsidized Stafford or Perkins Loan, the federal government pays the interest on your loan until you begin the repayment process. With an unsubsidized Stafford Loan, you can choose to postpone your interest payments until after graduation, but the interest will be added to the lump sum of your loan for post-graduation repayment. If you make your interest payments while you're in school, you'll have less to pay once you graduate.

Deferment and Forbearance

If necessary, you can defer your loan payments longer than six to nine months if you meet certain conditions and get written approval. For example, if you return to school more than half time, are unable to find employment, or are experiencing financial hardship. In this case, if you have a federally subsidized Stafford or Perkins Loan, interest will not accrue during your deferment period. If you have an unsubsidized loan, interest will accrue.

You also can request a forbearance from your lender, which will postpone repayment or reduce your payments. Forbearances are typically granted for 12-month periods. If you receive a forbearance, your loan interest will continue to add up.

Consolidation

If you have several student loans and you have graduated from college, you may want to consider consolidating them. Consolidation allows you to group all your loans into one payment, making it easier to keep track of your student debt.

By consolidating, you may reduce your monthly payment by extending your loan over a longer period of time or reduce your interest rate (depending on the average rates of the loans you are consolidating). However, you may pay more interest overall by extending the life of your loan.

For more information on consolidation, contact the Direct Loan Servicer or visit their website at www.loanconsolidation.ed.gov.

Understand Your Student Loan Obligation

Use student loans sparingly. Students report that it's tempting to take all the loans offered to make life easier in school. Some also admit to spending their loans on clothes and entertainment instead of tuition. Take only the loans you absolutely need. If possible, take a part-time job to pay for extras to avoid additional loans. It's hard enough starting a career and a life without shouldering a major debt burden from school.

Choose the loan that has the lowest interest rate and, if possible, does not require you to start making payments until you graduate.

Before you accept a student loan, review it carefully. Make sure you know what you will have to repay and when. Research what starting wages for your chosen career path will be. The amount should be what you can afford to pay back on your loans and your living expenses. Keep in mind that private loans usually have higher interest rates than government loans. Choose the loan that has the lowest interest rate and, if possible, does not require you to start making payments until you graduate. Student loans do not have any penalties for paying them off early.

Also understand that a student loan must be repaid. If you don't repay it, it will hurt your credit record. A poor credit record will make it difficult, even impossible, to get a loan in the future to buy a car or a house.

In a few situations, the federal government may "forgive" your loan. This means you will not have to pay part or all of it. College graduates who go into law enforcement or agree to teach in a federally designated low-income area for a certain length of time may have part of their student loans forgiven. Ask your financial aid officer for details.

Loan Possibilities

This chart shows the types of student loans that may be available to you.

Loan Type	Loan Facts	Loan Limits*	Disbursement
Federal Perkins Loan[1] A campus-based aid program	• Student must show financial need. • Not all schools participate in this program.	• Up to $5,500/yr for undergraduate student. • Up to $8,000/yr for graduate student.	• The school disburses funds to student.
Stafford Subsidized Loans Federal Direct Student Loan Program (FDSLP)	• Student must show financial need. • Government pays interest while student is in school and during the grace period.	• Up to $3,500/fr, $4,500/sph, $5,500/jr.sr. total of $23,000. • Up to $8,500/yr for graduate with total of $65,500.	• Direct loans disburses funds to the school, which then applies them towards school expenses or refunds them to the student.
Stafford Unsubsidized Loans[2] Federal Direct Student Loan Program (FDSLP)	• Student does not need to show financial need. • Student responsible for paying all the interest during the life of the loan.	• Loan limits vary depending on level of study, years of study, and dependency status. http://studentaid.ed.gov/PORTALSWebApp/students/english/studentloans.jsp	• Direct loans disburses funds to the school, which then applies them towards school expenses or refunds them to the student.
Federal Parent Loan for Undergraduate Students (known as PLUS Loan)	• Lets parent(s) borrow money to cover anything not covered in the student's financial aid package. • Available to parent(s) of dependent undergraduate student. • PLUS loans are the financial responsibility of the parent(s).[3]	• Up to the full cost of attendance not already being met by other aid.	• Direct loans disburses funds to the school, which then applies them towards school expenses or refunds then to the parent(s) or student.
Private Loans[4] Sources include bank or credit union loans, life insurance policy loans, home equity loans	• Borrower must qualify for a private loan based on credit history.	• The lending institution will set the limit and contact the school to verify the student's status and other costs.	• Funds are disbursed directly to the school or the borrower.

1. Amount awarded depends entirely on when you apply, your financial need and the funding level at your school (not all schools participate in the Perkins program).

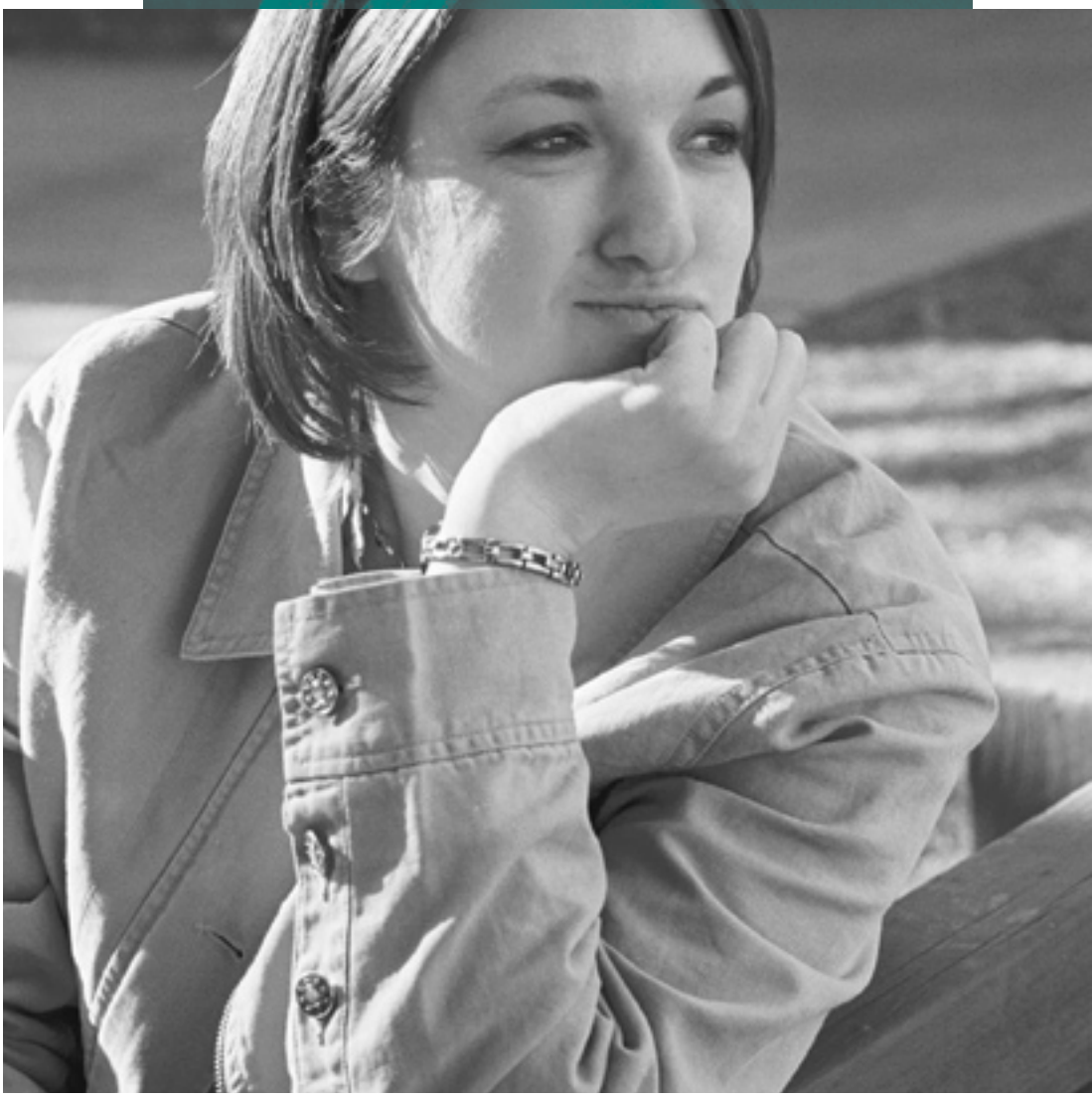
2. See http://studentaid.ed.gov for more information on annual limits. Overall, and in combination with subsidized borrowing, dependent undergraduates are limited to $31,000, independent undergraduate students are limited to $57,500 and graduate students are limited to $138,500.

3. Parents begin repayment while the student is still in school. The parent must qualify based on credit history.

4. Non-school certified private loans or direct to consumer student loans are not generally encouraged or recommended by the financial aid community due to the high interest rates and unfavorable terms for student borrowers.

*Amounts/limits as of 2009/2010.

Take only the loans you absolutely need. It's hard enough starting a career and a life without shouldering a major debt burden from school.

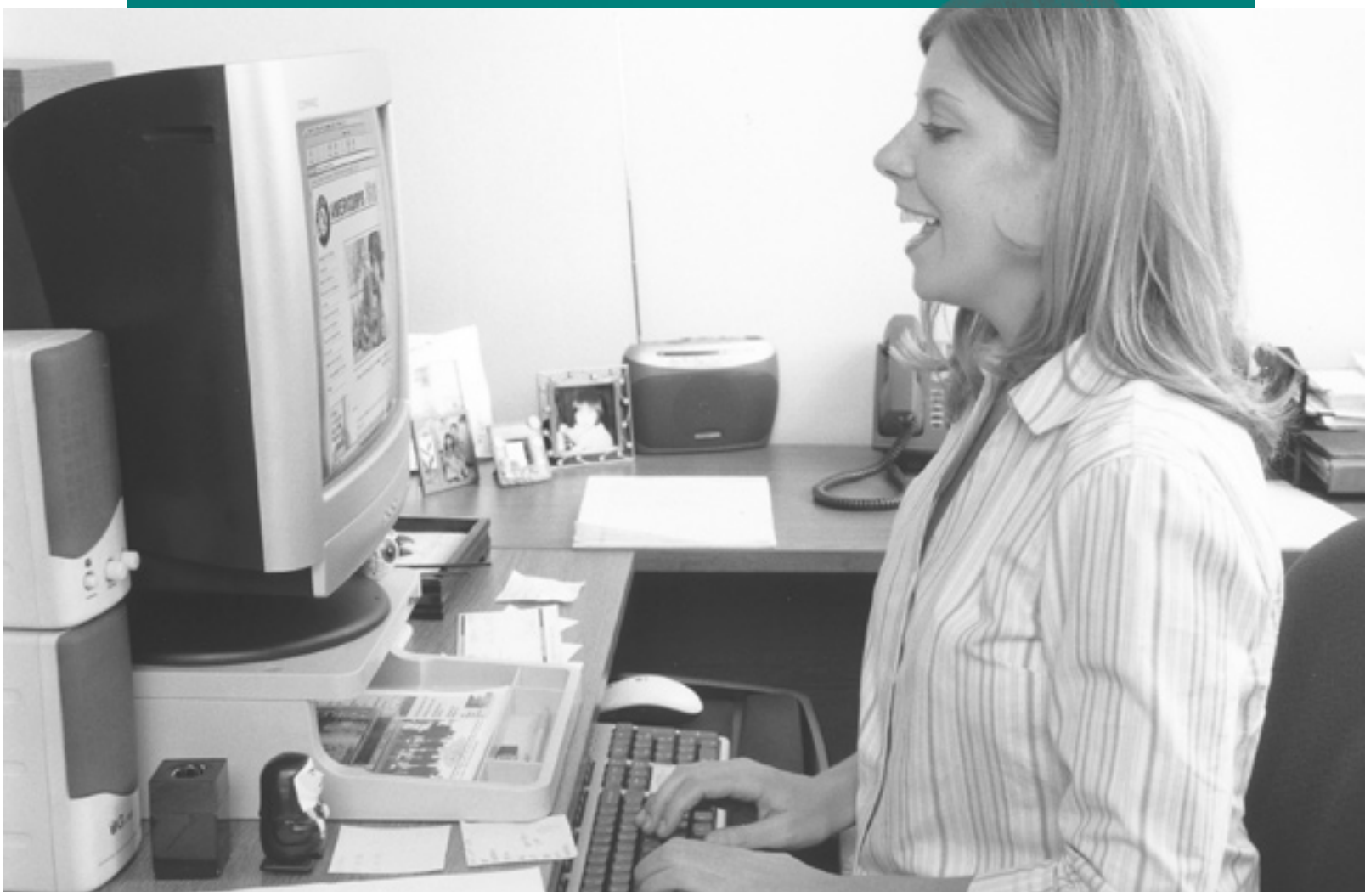


Calculating Loan Costs

Try to think of student loans this way: They are an investment in your future, but they should be used carefully because they will also put you in debt. Many students spend 10 to 20 years repaying their college loans. Also, if you don't make payments, the debt can quickly add up because the interest continues to accrue.

Take a look at the following chart:

Borrowed Amount	Interest Rate	Monthly Payment	Loan Duration	Total Payment
$31,000 (Federal Stafford Loan)	6.8% Annual Percentage Rate	$356.75	10 years (120 payments)	$42,809.83



College Financing Alternatives

There are many ways to finance college. Some community service programs offer loan forgiveness options or grants in exchange for your help with students in need. These are great ways to gain work experience, help others, and pay for part of your schooling at the same time. Check out the following Web sites:

- www.bhpr.hrsa.gov/nursing/loanrepay.htm
- www.peacecorps.gov
- www.americorps.gov
- www.federalstudentaid.ed.gov
- www.friendsofvista.org
- www.teachforamerica.com

Some companies will pay part or all of your tuition, fees, and books if you go to school.

Attending College at Any Age

Not everybody who attends college is 18 years old. According to the National Center for Education Statistics, about 6 million people age 25 or older are enrolled in some form of higher education every year.

Non-traditional students (those who fall outside the 18- to 24-age range of typical dependent college students) have different financial concerns than younger students. Chances are Mom and Dad aren't helping to pay your tuition. Plus, you may have responsibilities such as children and full-time jobs younger students don't have.

Hot Tips for Non-traditional Students

These ideas are specifically targeted to non-traditional students to help you cope financially as you pursue your degree.

1. Tuition Assistance Programs

If you work for a company, check with your human resources department or appropriate representative to see if a tuition assistance program is part of your benefits package. Some companies will pay part or all of your tuition, fees, and books if you go to school. Be sure you understand the rules of your company's specific program. Some companies only pay for graduate education, while others only cover the cost of degrees related to a particular field, such as accounting or finance.

Your tuition assistance program might require you to pay your educational expenses and then submit receipts for reimbursement. You might be required to maintain a certain grade point average. Also, check with your human resources professional about whether you will have to pay taxes on the tuition assistance you receive.

2. Test Out of College Credits

The College-Level Examination Program (CLEP), Advanced Placement (AP), and DSST (DANTES Subject Standardized Tests) allow you to test out of certain credits if you perform well on those exams. (Check the Resources section for more information.) This can save you a lot of money and shorten the time you spend in school. Many colleges accept credits earned by taking these tests, though some schools might limit the number of credits you can use. The tests are offered in a variety of subject areas and you will typically pay a fee to take these tests. For example, CLEP tests cost about $55 per exam (they're free to military service members). Check with your college or university first to avoid paying for tests that may not be accepted

3. Life Experience Credit

Some colleges give academic credit for prior life or work experience. To receive life experience credit, students must complete an extensive written portfolio documenting what they have done. The portfolio is evaluated, and if deemed acceptable, credit is awarded. Remember, life experience credit is not easy to earn, plus you will pay for those credits, but probably at a reduced rate. Check with your school to see if this is even an option.

4. Credit for Non-college Classes or Training

Employers, volunteer organizations, and the military offer courses and training that can translate into college credit. The American Council on Education has two programs that evaluate these courses and make recommendations about how much credit they might be worth. The two programs are: The Program on Noncollegiate Sponsored Instruction (PONSI) and the Military Evaluations Program. You will need to request that an official record of your training be sent to the college of your choice. Check with your college admissions representative to see if you qualify.

Employers, volunteer organizations, and the military offer courses and training that can translate into college credit.

5. Child-care Assistance Programs

Do you have kids? Investigate whether your college or state offers childcare assistance for students. Some colleges have regulated day-care centers on campus and offer financial assistance for students who meet financial assistance criteria.

6. Take Advantage of Tax Credits

The Lifetime Learning tax credit allows you to claim a 20 percent tax credit for the first $10,000 in tuition and fees paid beyond your first two years of college. (Again, some restrictions apply based on income.) Check with your tax professional for advice on how to take advantage of these programs. Find more information at www.IRS.gov.

7. Apply for Scholarships

Scholarships are available specifically for nontraditional students. Search and apply for them! Here are some great places to start:

- www.collegeparents.org
- www.collegeview.com
- www.fastweb.com

Start Saving!

Saving money is a short-term way to boost your financial security and a long-term way to boost your income.

When you have money in savings, it buys you peace of mind. Here's an example of how even a small amount of savings can "save" you:

Let's say you're writing a paper late at night. As you take a sip of coffee, your hand slips and coffee spills all over your laptop. The screen blinks and then goes black. Not only is your paper lost in space, your computer is dead, too. If you have a few thousand dollars stashed away, you can easily afford to replace it with money to spare. If not, you'll spend the rest of the year hassling with the campus computer lab.

Long-term, your savings can have an even greater affect. That's because money saved and invested grows over time. Though it may seem strange to think about retirement, when you've barely started a career, your money will have more power if you start saving now.

Start Small

No one is saying it's easy to save, especially when you're attending college, but there are some less painful ways to do it.

How about putting your change at the end of every day into a designated box? Then take it to the bank at the first of the month and deposit it in your savings account. Or simply put away $25 or $50 every month?

Even if you save a few dollars a week, at the end of the year you'll be surprised at how much you accumulate. And you'll earn interest on top of your deposits. The interest you earn is income you didn't have to work to get.

Here's a quick look at how savings can add up to not-so-small change.

Amount saved per week	Total at the end of one month	Total at the end of one year*
$5.00	$20.00	$260.00
$7.50	$30.00	$390.00
$10.00	$40.00	$520.00

*Does not include interest earned

The Time Value of Money

The younger you start saving, the better. This is due to **compound interest.**

When your money is working for you, it grows in value (or compounds). **Compounding,** or compound interest, is the practice of earning interest on interest. This is one of the most powerful lessons in personal finance: to make your money work for you.

Think about this example: Joy starts investing at age 22. Each year she stashes $1,000 into a retirement account. Then after 10 years, she stops. Her brother, Ron, doesn't start putting money into retirement until he is 32. He invests $1,000 a year for 33 years. Who do you think will have more money for retirement?

The Time Value of Money

	Joy's Retirement	Ron's Retirement
Interest rate	7%	7%
Number of years contributions were made	10 years (age 22 to age 32)	33 years (age 32 to age 63)
Amount contributed	$1,000 per year for 10 years = $10,000	$1,000 per year for 33 years = $33,000
Value of retirement at age 65	$128,839	$118,933

Check this out!

What's the deal? Compound interest! Even though Joy only invested for 10 years, she started earlier and her money had more time to grow. This is why it pays to invest early. Do you see now how time is on your side?

The younger you start saving, the better.

This is due to compound interest.

Investment Options

OK, now that you're saving money, what do you do with it? In the banking chapter, we discussed some savings options that included Certificates of Deposit, Money Market Accounts, and traditional savings accounts. In addition to savings, investing is another way to put your money to work.

Remember, though, the higher the growth potential for your investment, the higher the risk. In other words, investing can be risky. Investment options to consider include:

- **Traditional Individual Retirement Account (IRA).** You've probably heard of IRAs. It takes about $500 to $1,000 to start a traditional IRA. You can choose to put your IRA into several types of investments, including stocks, bonds, mutual funds, and so on. Generally speaking, you can't withdraw the money in your IRA until age 59 ½ or you will face a penalty and pay income taxes. There are also some immediate tax benefits to funding a traditional IRA.
- **Roth IRA.** It takes about $500 to $1,000 to open a Roth IRA. You can withdraw the money you put into a Roth without paying a penalty or taxes. (There can be income tax on earnings that have not aged for five years.) However, you can't withdraw any interest you've earned until age 59 ½ without paying a penalty. Like a traditional IRA, you decide how you want to invest the money. The money you put in is already taxed, but at retirement you can withdraw any amount of money you wish tax-free.

- **Mutual fund.** A mutual fund is a group of stocks, bonds, real estate, and other investments that are managed by a professional fund manager. Mutual funds tend to be less risky than individual stocks because if one investment in the fund loses value, there are others to offset the loss.
- **Individual stocks.** When you buy shares of stock, you become a part owner in a company. If that company and the economy do well, your stock flourishes. But stocks can be risky. If the price of your stock goes down, you could lose some of your investment.
- **Bonds.** When you buy a bond, you are loaning money to a company or the government. They agree to pay back your money plus interest at a set time; usually several years down the road. Because the interest rate usually is higher than bank accounts, bonds are a form of investment. The amount of interest you earn depends on the credit rating of the bond. The higher the rating, the lower the interest rate. The lower the credit rating, the higher the rate of interest. Of course, lower credit ratings (higher interest rates) mean there is a greater chance that the company won't be able to repay the loan when it comes due.
- **401(k) plan.** A 401(k) plan is a retirement fund provided by your employer. You can put in a percentage of your annual income, up to 15 percent. The money you put in is not taxed until you take it out. Another big bonus; your employer will often match all or part of what you contribute.
- **403(b) plan.** This plan is a nonprofit organization's version of the 401(k).

Remember, the higher the growth potential for your investment, the higher the risk. In other words, investing can be risky.

5 Curbing the Spending Urge

Most college students have to make every dollar count. That's why it's important to know where your money is going.

Remember the three ways you can alter your spending plan? By making more money, spending less money, or both.

In this chapter, we'll offer some ideas on how you can reduce expenses.

Watching Everyday Spending

Most college students have to make every dollar count. That's why it's important to know where your money is going, even the small amounts of money you spend on sodas, pizzas, online movies and music.

Identifying Spending Leaks

Use this worksheet to help you identify "spending leaks". Spending leaks are places where money that seems to be disappearing are actually going. You'll see how even small expenditures, such as a few trips for fast food, can add up. Complete this worksheet and you'll come up with even more ideas to save money.

Spending Leaks Worksheet

Item	Cost	Average Cost per Month	Average Cost per Year
Soft Drinks — 2/day (example)	$2 each or $4/day	$122.00	$1,460.00
New clothes			
Long distance phone calls			
Cellphone roaming charges, text messaging			
Snacks, convenience store purchases			
Dining out			
Having friends over for dinner			
Magazines, books, newspapers			
Entertainment (movies, concerts)			
Video, DVD, video game rentals or purchases			
CDs or music downloads			
Gourmet coffee			
Other			
Total			

Plugging Spending Leaks:

To gain control over the small expenses that add up big, consider the following tips:

1. Take a close look at each expenditure.
2. Decide how important the expenditure is. (It might be helpful to think about your values here. Having friends over for dinner might fit with your value of "maintaining friendships," while buying video games has more to do with passing time.)
3. Identify those expenditures you can cut back on or eliminate.

If you buy a $3 gourmet coffee every day, you're spending $15 per week or $60 per month.

Plugging your spending leaks doesn't necessarily mean giving up everything fun. For example, instead of buying two soft drinks a day at school (at a cost of $4 per day), buy a 12-pack on sale (for about $4) and keep it in your refrigerator. Instead of paying $2 for each can, you pay about $.33. This saves you about $110 per month, about $1,320 a year, and you still get to drink the soda.

Here are some other ideas on ways to reduce expenses in your college budget:

- **Use your meal plan.** If you've purchased a meal plan from your college, use it. Let's say you've purchased a weekly 20-meal plan. That's an average of three meals a day, two on Sunday. If you eat out five nights a week, you're wasting meals you've already paid for, plus accruing the extra expense of eating out.

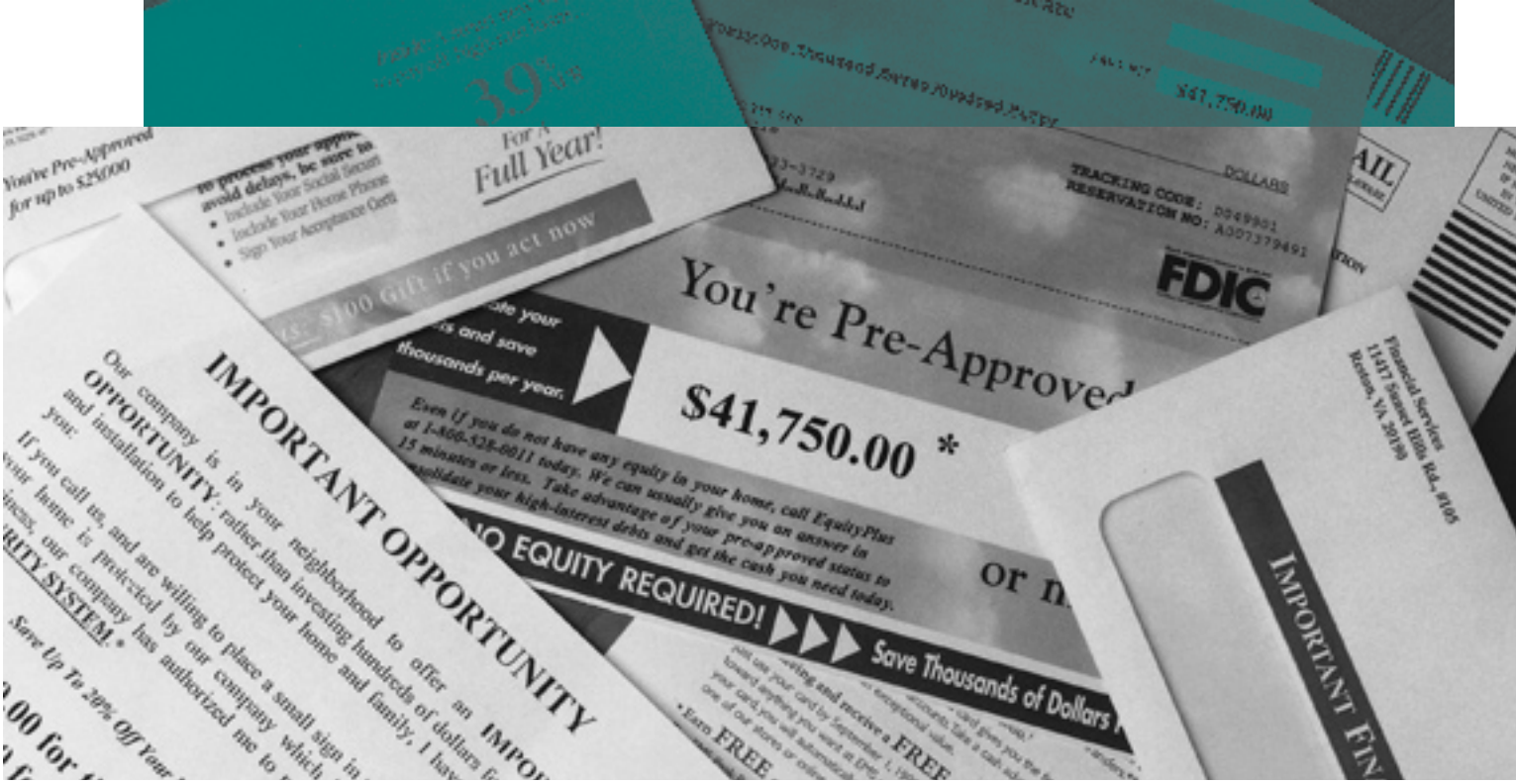
- **Drink residence hall coffee, or bring it from home.** If you buy a $3 gourmet coffee every day, you're spending $15 per week or $60 per month ($3 x 20 coffees per month = $60). Another tip: Instead of costly mochas, buy brewed coffee from your favorite coffee shop.
- **Use public transportation.** If your school provides students with a free local bus pass, use it! Leaving your car at home can saving money on gas, maintenance, and parking. If you aren't going to use the car, consider changing the insurance coverage.
- **Watch those fees!** Pay close attention to deadlines and restrictions to avoid additional college costs from course registration or cancellation deadlines, parking tickets, overdue library fees, replacement ID cards, and more.
- **Take advantage of student discounts.** Going to the movies, riding the bus, or even ordering pizza might cost less if you show your student ID. Discounts may not be posted, so be sure to ask.
- **Check out magazines, DVDs or videos, and CDs at your school or public library instead of buying them.**
- **Take advantage of low-cost or free events on campus.** Colleges abound with inexpensive opportunities to attend concerts, lectures, and plays. This is a great way to expand your horizons without paying full price.
- **Shop for housing.** Is it cheaper to live in a residence hall or off campus? (Be sure to factor in the cost of furnishing an apartment, buying food, commuting, and utilities when making your comparison.)
- **Know your roommate.** Roommate situations don't always work out. If you rent an apartment, make sure you both sign the lease (otherwise your friend could move out and leave you with the rent). If you've got a roommate problem in the residence hall, contact your residence hall director for help in arranging a new situation. Otherwise, you could find yourself without a roommate and paying extra for a single room.
- **If all of these are old news for you, be creative!** Think of your own ideas, and share them with your friends. Check out www.youngmoney.com, or www.nelliemae.com/finman for ideas on making your money last.

Standing Up to Peer Pressure

Many students report that they sometimes feel pressure from college friends to spend money they don't have. Some of these students find themselves overspending, often using credit cards, to keep up with friends.

There will always be people who have more money than you, or students whose parents pay off their credit card bills. Don't try to keep up with them or compete. If you feel pressured to spend money you don't have to fit in, you need to develop a few strategies to cope. Consider the following:

Write down the reasons you are attending college. Or, list some of your other long-term goals. Read the list daily. You may even want to keep it in your wallet, close to your money, so you'll remember your goals before you spend.



Problems start if you think of your credit card as extra cash, instead of realizing that using it is like taking out a series of small loans.

Credit Cards: Handling with Care

In college, students are bombarded with offers for credit cards, tons of them. You'll find credit card offers on bulletin boards, in your e-mail, and at tables in your student union. Consider this: According to the Nellie Mae Credit Card Usage Study, college students graduate with approximately $3,000 in credit card debt, an amount that can take years to pay off if you make only minimum payments.

On the plus side, credit cards are convenient and they come in handy for emergencies. Problems start if you don't pay off your bill every month, if you start to think of your credit card as extra cash, instead of realizing that using it is like taking out a series of small loans.

Here's an example that illustrates the danger of credit cards:

Let's say you end up with a $2,200 credit card balance, and you can afford to make only the minimum monthly payment. Here's what might happen (if you don't charge anything more on the card):

Credit Card Balance	Interest Rate Charged	Minimum Monthly Payment	Years to Pay Off Balance	Total Cost to Pay Off Balance
$2,200	18%	$40	Nearly 10 years	$4,680 (original balance of $2,200 plus $2,480 in interest)

See how easy it is to get mired in credit card debt?

Shop Around for a Good Credit Card Deal

If you really need a credit card, shop around for one that meets your needs and is the best deal. Ask some questions: Does it have an annual fee? What's the interest rate? Does the credit card offer premiums, such as air miles, discounts, or cash back? Try to find a card with no annual fee, a low interest rate, and premiums.

Ask about credit card deals at your credit union or bank. Check out the following Web sites. The first site can help you compare the best deals by checking interest rates and fees. The Federal Reserve site has good information on how to choose the right credit card, understand interest rates and fees, and learn the definitions for common financial terms.

- www.Bankrate.com
- www.FederalReserve.gov/pubs/shop

If you really need a credit card, shop around for one that meets your needs and is the best deal.

Rules to Live By

If you have or decide to get a credit card, here are some rules of thumb to prevent credit card debt:

- Have only one major credit card. Multiple cards mean multiple chances of debt.
- Eliminate store cards. They often charge the highest interest rates (around 22 percent a year). Don't just cut up the card. Call the store and have them close the account.

Best Borrowing Practices

When it comes to loans, whether it's credit cards or student loans, be sure to handle repayment properly.

- Keep all documents, this is critical. You need to know what types of loans you have, who the lenders are, and how to request a deferment should that become necessary. Keep all your loan information in one place. You'll refer back to it again and again.
- If you move, notify your school and lender in writing. Your lender needs your current address, otherwise you could miss payments and that will reflect badly on your credit report.
- Remember to see if you qualify for a student loan interest deduction on your income taxes. (That deduction starts phasing out once your annual income hits $60,000 and there is no deduction after $75,000.)
- Pay off loans quickly. Try not to defer your loans or request a forbearance unless it's absolutely necessary. And pay as much as you can every month. The sooner you pay off your student loans, the sooner you can start saving and investing more for other goals.
- Keep in mind that student loans often have lower interest rates. When repaying loans, give those with the highest interest rates more priority.

- Opt out of credit card offers that come in the mail. To stop pre-approved credit card offers from showing up in your mailbox, call 1-888-5-OPTOUT (1-888-567-8688) or www.optoutprescreen.com and ask to have your name removed from marketing lists. This helps remove the temptation to acquire more cards.
- Send your payment at least seven days before the due date. If your payment is late by even a day, you'll probably be charged a hefty late fee, as much as $30 or more. Your interest rate could go up, too. Some credit card companies also let you make electronic payments online, this saves you a stamp as well.
- Pay off your balance each month. The best part about this, no interest charges!
- Use your credit card for emergencies only. Charging your regular Sunday night pizza at $15 per pie can quickly create a credit card balance. Add $10 movie tickets and a splurge at the mall, and you could be looking at a $1,000 balance in no time. Use your credit card only when absolutely necessary. This will keep you from running up a large balance.
- Keep your receipts and check them against your monthly statement. If you find an error, call your credit card company immediately to resolve the issue.
- Try to avoid paying tuition with your credit card. Before charging tuition, look for other ways to boost your income or reduce expenses, and be sure to explore all your options for student loans. Big balances on your credit card are tough to pay off.
- Avoid using your credit card for cash advances. Interest can start to add up from the minute you withdraw the cash and can get costly.
- Protect your card against unauthorized use. Keep your credit card in a safe place and be careful about buying merchandise over the phone and online.

The Credit Card Accountability Responsibility and Disclosure Act of 2009

On May 22, 2009 the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "2009 Credit CARD Act") was signed into law by President Barack Obama. The 2009 Credit CARD Act made sweeping changes in the regulations governing how credit card companies must interact with their card holders, and it gives cardholders may protections that were not available previously.

Some of the most important changes and their effective dates are listed in the following pages.

Effective August 20, 2009

- Card issuers must provide a 45-day written notice before raising interest rates or making any substantial changes to the credit card agreement.
- Cardholders can decline a rate increase by closing the account and can take five years to pay off the existing balance under the previous terms; however, the issuer can increase the minimum payment by up to 100 percent (in essence, doubling the existing minimum payment).
- Account statements must be mailed or delivered to the card holder at least 21 days before the payment is due (14 days under the prior law).

Effective February 22, 2010

- If a payment is more than 60 days late, the issuer can raise the rate retroactively, but it must revert to the prior rate if the card holder makes minimum payments on time for six months.

- Card issuers must disclose the length of time and total interest to be paid if a card holder repays the card balance by making only the minimum payment.
- Banks may not charge an over-the-limit fee for a purchase unless the card holder gives prior authorization to allow purchases that would exceed the credit limit.
- Card holders cannot be charged for payments made by telephone, electronic transfer, or other means unless the payment requires expedited service.
- Promotional rates ("teasers") must generally last at least six months.
- Card issuers must consider a card holder's ability to pay when issuing credit cards or increasing credit limits.
- "Universal default" and "anytime/any reason" interest rate increases or fee charges are prohibited.
- Card issuers must post their credit card agreements online.
- If different interest rates apply to the balance, any payment greater than the minimum must be applied first to the balance subject to the higher interest rate.
- Card applicants under age 21 must have an adult cosigner or provide information showing they have the ability to make payments. Credit limit increases are prohibited unless both the card holder and the adult cosigner agree to the change. Prescreened offers to consumers are also limited.

Effective August 22, 2010

- Any penalty fees, such as for voluntary over-the-limit transactions, must be reasonable and proportional to the violation.
- A card issuer that has increased a card holder's interest rate must periodically review and decrease the card holder's rate if the review warrants doing so.
- Certain gift cards will be required to have a five-year life span, and gift cards not used within a reasonable time period can no longer carry hidden fees or terms that decrease the gift card's value.

Card holders cannot sue issuers for violation of laws relating to credit cards. Violations should be reported to the State Attorney General, who does have authority to bring a civil action against the issuer to recover damages for state residents, and to enjoin further violations.

Getting Out of Debt

To get out of debt, you must make it a priority. It takes some discipline, but think of all the things you can do when you don't have those $200 per month student loan payments.

Try using this debt recovery worksheet. It will help get your debt out of your head and onto paper where you can really begin to deal with it.

Debt Recovery Worksheet

Name of Creditor: _____

Interest Rate	Interest Amount	Amount Owed	Monthly Payment	Payment Due Date	Amount Paid and Date

1. Make several copies of the worksheet, one for each lender.
2. Put the worksheets in order from the one with the highest interest rate to the lowest interest rate.
3. Always pay at least the minimum amount on each debt. Then, pay any extra you can spare to the creditor charging the largest amount for interest. This is not necessarily the card with the highest interest rate. You may have a larger balance on a card with a lower interest rate and actually be paying more in interest than on the card with the highest interest rate.
4. When one debt is paid off, continue making extra payments to the creditor charging the next largest amount of interest.
5. When you pay off a high-rate card, call and close the account, or put the card in a safe place where you won't be tempted to use it. Make sure the creditor's representative notes "Closed by consumer" on your account.

To get out of debt, you must make it a priority. Soon, you will see your balances drop.

Soon, you will see your balances drop. And you'll save a lot of money in interest along the way.

6 Protection Matters

When it comes to your financial life, you need to be protected. You need to ensure that your credit report is accurate, you're insured against catastrophes, and you're doing what you can to prevent identity theft. You work hard for your money. You should work just as hard to keep it.

Credit History

When you get a credit card or take on a loan, this information becomes part of your credit history. Your department store cards, credit cards, bank accounts, and more are all listed on a credit report. The report establishes a history of how well you handle these accounts. Whether you pay bills on time, make late payments, or have unpaid debts. Depending on how well you do these things, you may be considered to have "good credit."

Why is it important to have good credit? When you apply for a credit card or loan, your credit report is examined. More and more employers and landlords check credit reports to get a sense of how responsible you are with money. Plus, having a good credit rating will come into play when you buy a house, get a car loan, and in Washington State, whether you can get vehicle insurance and how much you will pay.

When it comes to your financial life, you need to be protected. You work hard for your money. You should work just as hard to keep it.

Reviewing Credit Reports

It's a good idea to check your credit report from time to time. Even if you have a perfect credit history, it's possible for mistakes to slip into your report. The best way to check is to order a copy.

Each year, you can get one free credit report from these companies. Look on their Web sites or call for more information on ordering your credit report.

- Equifax, 1-800-685-1111 or www.equifax.com
- Experian, 1-888-EXPERIAN or www.experian.com
- TransUnion, 1-800-888-4213 or www.transunion.com

For an additional nominal fee, the report also will provide a single number that is your credit rating, or FICO score. The better your credit rating, the more likely you are to maintain financial stability in the future.

When you get your report, check it carefully and make sure it is accurate. Also look for signs of fraud, such as accounts you didn't open, charges you didn't make, and delinquencies you didn't cause. If you see evidence of fraud, call the credit reporting companies immediately, explain the situation, write a dispute letter to the credit bureau, and ask that a "fraud alert" be placed in your file. Then, report the fraud to the police.

If you see other problems on your report, such as an unpaid bill you might have forgotten to pay, handle the problem immediately. Then ask the business you owed the money to send a letter to the credit companies saying the debt has been resolved.

If your credit history is damaged, by you or someone else, it could prevent you from realizing goals such as buying a home or qualifying for school loans.

To learn more about your VantageScore report, a new credit score developed by the three major credit companies, go to www.vantagescore.com or:

Equifax Vantage Score

Call 1-888-202-4025 or visit www.equifax.com/vantagescore/lenders.html.

Experian Vantage Score

Call 1-888-414-1120 or visit www.experian.com/products/vantagescore.html.

TransUnion Vantage Score

Call 866-922-2100 or visit www.transunion.com/corporate/vantageScore/index.html.

If your credit history is damaged, it could prevent you from realizing goals such as buying a home, getting the job you want, or qualifying for school loans.

Building Good Credit

You can build good credit by taking the following steps:

- Pay basic expenses, such as rent and utilities, on time.
- Make loan payments on time.
- Apply only for the credit you need (if you apply too often, lenders may be concerned that you are using too much credit).
- Avoid bouncing checks.
- Use your credit card to establish good credit by paying off your balance every month or by keeping your balance low.

The National Foundation for Consumer Credit and Consumer Credit Counseling Services provide help to people with serious debt and credit problems. For more information, call 1-800-388-2227 or visit www.nfcc.org.

Insurance Issues

Insurance protects us against major financial losses. Have you ever had a car accident, a hospital stay, been robbed? Can you imagine what your life would have been like without insurance?

People complain about insurance. But you know what's more frustrating than insurance: dealing with the hassles of not having it.

Even though you're a college student, you need insurance. Types to consider:

- **Health insurance** pays for some of your health-care costs. While in school, you may be covered by your parents' plan or a student health plan. Parents need to check their group plans to see about continuing coverage for students older than 18 years old. Most, but not all, employer plans will continue a student's coverage, often through age 26. However, they require proof of student status to do so, and it is common for insurers to ask for copies of student transcripts to verify full-time attendance.

  It's also a good idea to check with your educational institution to see if it offers student health plans and to be aware of the plan's limitations.

  Once you start working, see if your employer provides health insurance coverage. If not, you may want to consider purchasing your own plan.

Helpful health insurance tip

It's a great idea to call the Washington State Office of the Insurance Commissioner consumer hotline at 1-800-562-6900 whenever you have questions about buying health insurance. You can also visit www.insurance.wa.gov.

Even though you're a college student, you need insurance.

- **Renter's insurance** helps cover the cost of possessions that are stolen or destroyed in a fire or flood. If someone breaks into your room or apartment and steals your computer, TV, and stereo, can you afford to replace these items? If you are a student, check to see if your parents' homeowners' policy covers your stuff. Or look into a renter's insurance policy for yourself.
- **Auto insurance** is required by state law. If you drive, you must have it. If you have an older car, you can save money by carrying only liability coverage. Or, you might consider using your local public transportation system.
- **Homeowner's insurance** is required when people get a mortgage (loan) to buy a house. It covers the same kinds of things renter's insurance covers, plus it also provides protection for the physical structure of the home itself.
- **Disability insurance** pays money if you are sick or injured and unable to work for a period of time. Many employers offer disability insurance, or you may be able to purchase your own policy.
- **Life insurance** pays money to the individuals you choose (your beneficiaries) in case you die. If you have children or a spouse, life insurance can provide funds to help them financially should you no longer be around.

Identity Theft

If someone steals your identity, they may spend your money, wreak general havoc with your credit, and commit crimes in your name.

How do they do this?

By getting your name, Social Security number, credit card number, driver's license, anything that identifies you as you, and then committing fraud or other crimes in your name. People who have their identities stolen spend months, even years, and countless dollars straightening out their lives. Because identify theft can affect someone's credit and reputation, victims can be denied mortgages or jobs, or worse, get arrested for a crime they didn't commit.

According to the Federal Trade Commission (FTC), 379,918 identify theft complaints were logged in 2009 up almost 65,936 from 2008.

For information about how to avoid Internet-based identity theft and cyber crimes, or to file a complaint, visit the Internet Crime Complaint Center at www.ic3.org

To prevent identity theft, keep your personal information personal.

To prevent identity theft, keep your personal information personal. For example:

- Don't provide information over the phone, Internet, or mail unless you know the source and/or have initiated the contact. Con artists working a scam can be very convincing.
- Deposit outgoing mail in U.S. Postal Service boxes rather than your mailbox.
- Remove mail from your mailbox promptly. If you're going on vacation, request your post office to hold it or ask a neighbor to collect it.
- Consider getting a Post Office Box for more secure mail delivery.
- Shred anything with your name, address, credit card information, bank account numbers, etc. before putting it in the trash or recycle bin.
- Keep your Social Security card in a safe place. A safe deposit box at the bank is a great place to store it.
- Keep your purse and wallet safe.
- Update virus protection software on your computer regularly.
- Use a password to access your computer data. That way, if your computer is stolen, it will be harder for the criminal to get your financial information.
- Use a firewall on your computer when you're connected to the Internet; update it regularly.

Don't Get Hooked by "Phishing!"

Scam artists looking to get personal information such as credit card numbers, bank account information, Social Security numbers, and other pieces of data send "spam" e-mails hoping to lure you into divulging this important information.

If you get an unexpected e-mail asking you to update or verify your billing information, be careful. It might be a "phisher" trying to con you out of your personal information and money. Take a look at this Web site for more information: www.phishinginfo.org.

If you think your identity has been stolen, start by taking the following steps:

- Report your suspicions immediately to the three credit bureaus listed in the Credit Report section on page 55.
- Ask that a fraud alert be placed on your credit report.
- Cancel any accounts you suspect have been tampered with, including your checking account, other bank accounts, and credit cards.
- File a report with the local police.
- Report the crime to the Attorney General's Office Consumer Resource Center at 1-800-551-4636.
- Report your problem to the FTC at www.ftc.gov and click on Identity Theft or 1-877-IDTHEFT.

Conclusion

You are in the process of acquiring a college education, and you couldn't be giving yourself a greater gift. It's not just a diploma you will hold in your hands, it's the doorway to your future.

By completing this booklet, you have started acquiring another education, that of financial literacy. You have learned about the power of money and compound interest. You have explored your own money life: the things you've done well and areas where you need improvement. You've learned to align your money with your values.

It's common for college students to hit a few money bumps. Try not to panic if this happens to you. Revisit the financial information you have learned in this booklet, and make positive changes to learn and grow from your mistakes.

Now it's time to create the life you want, to take your education into the world and flourish, personally and financially.

Resources

General

- **The Federal Citizen Information Center** (www.pueblo.gsa.gov): A trusted one-stop source for answers to questions about consumer problems and government services.
- **FDIC, Federal Deposit Insurance Corporation** (www.fdic.gov/consumers): The FDIC provides resources to educate and protect consumers.
- **Washington State Department of Financial Institutions** (www.dfi.wa.gov): DFI provides education and outreach to protect consumers from becoming victims of financial fraud. If you have a consumer question or need to file a complaint, DFI can help.

Financial Aid Information

- **U.S. Department of Education, Federal Student Aid** (www.federalstudentaid.ed.gov): Don't miss this comprehensive site on loans, scholarships, federal education assistance, important application forms, and more.
- **FastWeb Scholarship Sources** (www.fastweb.com): This site provides a comprehensive search for all kinds of scholarships.
- **Financial Aid Information Page** (www.finaid.org): A complete guide to financial aid, including information on resources and online calculators to help figure education costs.
- **Free Application for Federal Student Aid (FAFSA) on the Web** (www.fafsa.gov): Apply online or download the application form required for receiving federal financial aid. This site offers complete information on the process.
- **Hobson's College View** (www.collegeview.com): A robust site with all kinds of information about college selection and college financial planning. The site also has a scholarship search feature.
- **Northwest Education Loan Association** (www.nela.net): NELA has informative sections about college planning and paying for college.
- **College Goal Sunday** (www.collegegoalsundayusa.org) Get free, on-site professional assistance completing the FAFSA, talk to financial aid professionals about financial aid resources and how to apply. Get information regarding state-wide student services, admission requirements, and more.
- **Direct Consolidation Loans** (www.loanconsolidation.ed.gov) Combine your existing Federal education loans into one new consolidated loan with the Department of Education.

Financial Literacy

- **Washington State Department of Financial Institutions** (www.dfi.wa.gov): DFI provides education and outreach to protect consumers from becoming victims of financial fraud. If you have a consumer question or need to file a complaint, DFI can help.
- **The Bond Market Foundation** (www.tomorrowsmoney.org): This is a step-by-step financial planning guide. A Spanish language site is also available.
- **Jump$tart Coalition for Personal Financial Literacy** (www.jumpstart.org): Check out the Clearinghouse, a database of personal finance resources available from a variety of education providers such as government, business, and nonprofit organizations.
- **The Washington State Jump$tart Coalition for Personal Financial Literacy** (www.wajumpstart.org)
- **SmartAboutMoney.org** (www.smartaboutmoney.org)
- **NEFE High School Campus** (www.nefe.org/hsfppportal): This site from the National Endowment for Financial Education offers all kinds of financial planning information for teens.
- **PracticalMoneySkills.com** (www.practicalmoneyskills.com): This Web site is designed to help educators, parents, and students practice better money management for life.

Credit-Related Web Sites

- **www.bankrate.com:** provides tools and information that can help consumers make the best financial decisions.
- **www.debtadvice.org:** Do you have a credit problem? This site is part of the National Foundation for Credit Counseling. They can help you dig out of debt.
- **www.equifax.com:** This site offers complete information on credit reports and credit management.
- **www.experian.com:** This site also offers information on credit reports and credit management.
- **www.transunion.com:** This site also offers information on credit reports and credit management.
- **www.vantagescore.com:** This site also offers information on a new credit score developed by the three major credit companies.
- **www.nfcc.org:** National Foundation for Credit Counseling is a national nonprofit credit counseling network.
- **www.ftc.gov/bcp/consumer.shtm:** The credit reporting industry is regulated by the Fair Credit Reporting Act, which is administered by the Federal Trade Commission.

College Financing Alternatives

These organizations offer college grants and loan forgiveness programs for people who work for these organizations to help others.

- **AmeriCorps: www.americorps.org**
- **Federal Student Aid: www.federalstudentaid.ed.gov** (click Repaying Your Loans)
- **Nursing Education Loan Repayment Program: www.bhpr.hrsa.gov/nursing/loanrepay.htm**
- **Peace Corps: www.peacecorps.com**
- **Teach for America: www.teachforamerica.com**
- **Vista: www.friendsofvista.org**

Other Options

Another option for funding your education and starting a career is the military. Check out these sites:

- **U.S. Air Force: www.airforce.com**
- **U.S. Army: www.goarmy.com**
- **U.S. Marines: www.marines.com**
- **U.S. Navy: www.navy.com**
- **National Guard Association of the United States: www.ngaus.org**

Alternative Sources for College Credit

These programs can either help you "test out" of certain college credits or validate training you have already received for possible college credit. Check with your school to confirm they accept these tests before paying to take them.

- **Advanced Placement (AP): http://apcentral.collegeboard.com/apc/controller.jpf**
- **American Council on Education Military Programs: www.acenet.edu**
- **CLEP: www.collegeboard.com**
- **DSST Program: www.getcollegecredit.com**
- **National PONSI: www.nationalponsi.org**

Note: The organizations and Web sites listed in this resources section are provided for information only, and are not endorsed by or affiliated with NEFE or DFI.

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The **Washington State Department of Financial Institutions** regulates a variety of financial service providers such as banks, credit unions, mortgage brokers, consumer loan companies, payday lenders and securities brokers and dealers. The department also works to improve financial education throughout Washington through its outreach programs and online clearinghouse www.dfi.wa.gov/financial-education. In addition to posting information about licensees and administrative actions, DFI uses the Web and social media to provide financial education information: "Friend" us on Facebook (State of Washington Department of Financial Institutions) • www.twitter.com/FinEd4All • www.twitter.com/DFIConsumers • www.finlit.blogspot.com • www.youtube.com/user/WADFI • www.homeownership.wa.gov • www.dfi.wa.gov • 360.902.8700 • 877.RINGDFI (746.4334)

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