

# FINANCIAL BASICS FOR COLLEGE-BOUND STUDENTS



# WE'LL TALK ABOUT...

- Budgeting
- Budget Example
- Checking
- Credit Cards
- How to Save \$ in College



# FINANCIAL REALITY

- Many students start college with no real idea how much it will cost them to live, how much money they will have to live on, and how to make up the difference.
- According to Edvisors, 76% will go broke at some time during their college career; 64.5% of students said they had run out of money before the end of the current semester.





# WHO NEEDS A BUDGET?

- Budgeting isn't just for those on a limited income.
- Who could have used a budget?



In 2015, Rapper 50-cent filed for bankruptcy and was ordered to paid more than \$23 million of his \$36 million in debt.



Lindsay Lohan's accounts were frozen by the IRA in 2012 because she owed \$234,000 in back taxes and also went broke after blowing through the \$2 million she received for her own reality show.



# BILLIONAIRE ON A BUDGET



Billionaire Warren Buffet is known for his thrifty habits.

His advice includes:

**“Don't save what is left after spending; spend what is left after saving.”**

“Good personal financial habits are things like creating and sticking to a budget.”

Despite his wealth, he still lives in the house he purchased for \$31,500 in 1958.



# NEEDS vs. WANTS

NEED	WANT
Housing	Apt. w/pool and gym
Food	Fancy coffee, take-out
Health & Hygiene	Manicures, personal trainer



Ask yourself,

Can I meet this need less expensively?

- Fitness centers are usually included with tuition
- Grocery shop sales, use coupons; buy less snacks and more filling foods

This doesn't mean you should only buy things that are needs. Treat yourself to some "wants", but do so when you can afford to.



# TRACK SPENDING

Track your spending for a few weeks to see how you're *really* spending your money. Save all the receipts for one month, even for a pack of gum. Prepare to be surprised!



Eating out can increase college costs. A \$12 pizza each week can cost \$1,600+ over the course of a 4-year college degree. If the pizza is paid with student loan money, it may cost as much as \$3,200 by the time the loans are repaid.



# BUDGET SHOULD CONTAIN

**School Expenses** - Books, supplies, online course fees

**Living Expenses** – mobile phone, dorm cleaning supplies

**Food and Groceries** – Meal plan, eating out, snacks (Finals week costs )

**Personal Toiletries** – shampoo, bath soap, laundry soap, make-up, Tylenol

**Professional Fees** – eye care, hair cuts

**Entertainment** – going out, movies, concerts, sporting events

**Transportation** – Car payments, gas/oil, insurance, maintenance – typically can't bring your car on campus as a freshman

Budget will be very different for commuters vs. students living on campus.





# WHAT IS YOUR INCOME?

Think about where your income will come from:

- Part-time job – (fitness center, barista at café on campus, tour guide, library, etc.)
- Student Loan (living stipend)
- Savings
- Other income





# LET'S CREATE A BUDGET

- You're going to ABC University
- You share a dorm room with one other person
- You participate in the school's meal plan
- You pay for your own cell phone
- You rented or purchased all your books



# BUDGET EXAMPLE

## INCOME

	Week	Month
10 hrs/wk @ \$10 hour	\$100.00	\$400.00
Federal, SS, Medicare	-13.23	-52.92
Take Home Pay	\$86.77	\$347.08





# BUDGET EXAMPLE

	Week	Month
<b>Income</b>	<b>\$86.77</b>	<b>\$347.08</b>
<b>Emergency Savings 10%</b>	<b>\$9.00</b>	<b>\$36.00</b>
<b>School Supplies</b>	<b>2.00</b>	<b>8.00</b>
<b>Living Expenses</b>		
Cell Phone	10.00	40.00
Dorm Supplies	2.00	8.00
<b>Groceries</b>		
Eating out (Pizza, coffee)	15.00	60.00
Snacks	5.00	20.00
<b>Personal Care</b>		
Shampoo, shower, laundry	5.00	20.00
Pharmacy, contact lenses	3.00	12.00
Hair Cuts	5.00	20.00
<b>Clothing</b>	<b>5.00</b>	<b>20.00</b>
<b>Entertainment</b>	<b>5.00</b>	<b>20.00</b>
<b>Gifts – Birthdays, Holidays</b>	<b>5.00</b>	<b>20.00</b>
<b>Other</b>	<b>10.00</b>	<b>40.00</b>
<b>TOTAL</b>	<b>\$81.00</b>	<b>\$324.00</b>
<b>REMAINING</b>	<b>\$5.77</b>	<b>\$23.08</b>



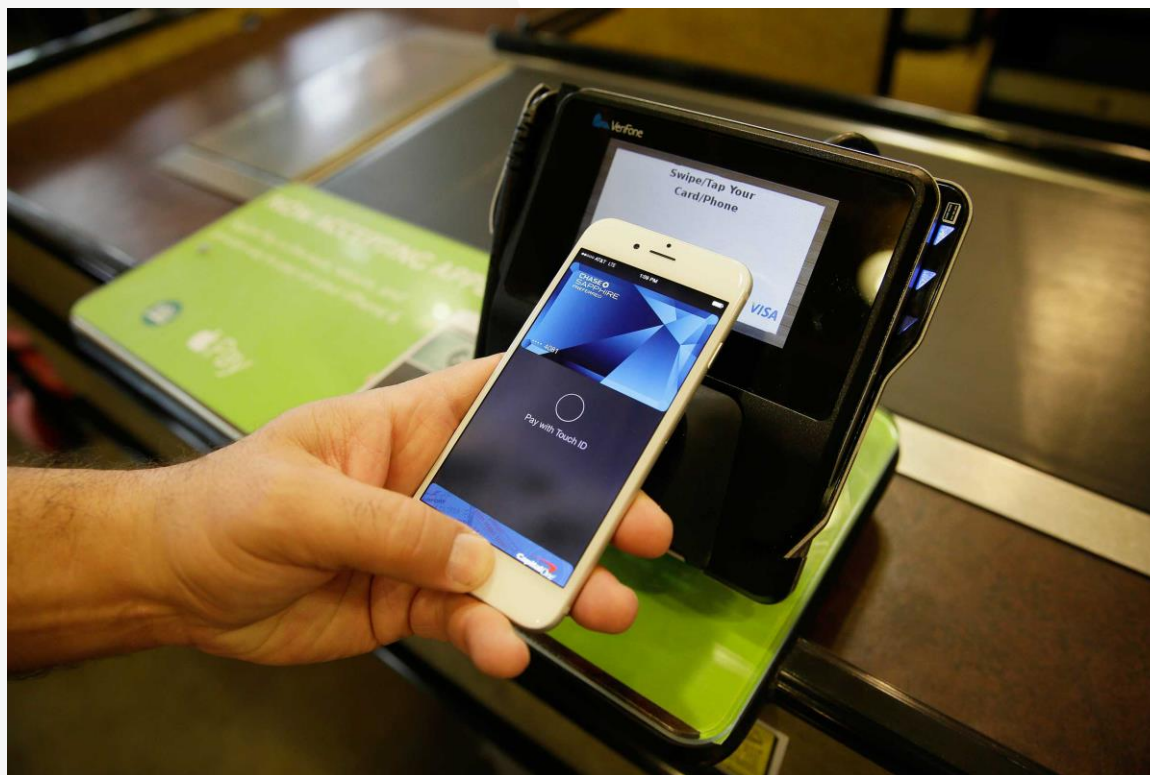
# BUDGET

- You can create a budget in about 10 mins
- If the budget doesn't work out, go back, adjust, and then continue. Re-evaluate often.
- Track where your money goes!! Use a mobile banking app to view your balance at least once per day – preferably twice. (Connex Money Management, Mint, BillGuard, Dollarbird, Goodbudget, etc.)
- Put money aside for large expenses and emergencies.  
**Every budget should include an emergency savings.**





# CHECKING ACCOUNTS





# HOW TO SELECT A CHECKING ACCOUNT

- Look for Free Checking with free online and mobile banking. Check out free ATMs near campus.
- Review your transactions and be aware of your account balance at all times. **Need a reminder?** Set up low balance alerts.
- Closely monitor your online purchasing.
- **Report suspicious activity.** See a transaction that you don't recognize? Contact your financial institution immediately.



# REG E – AKA: COURTESY PAY

- An overdraft occurs where there are not enough funds in your account. Financial institutions may pay checks, bills setup in online banking, and others.
- Federal Regulation E does not allow financial institutions to pay overdrafts due to ATM transactions (withdrawals) and everyday debit card transactions (store purchases) **UNLESS YOU ASK THEM TO.**
- Opting-In to Reg. E is **not** recommended for students because of the fees charged for overdrafts. (That \$5 sandwich with friends could cost you \$40 after you pay the fee for overdrawing your account.)

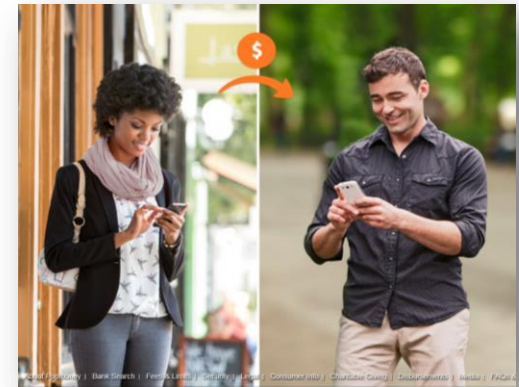




# MONEY MANAGEMENT MADE EASY!

With today's electronic options, it's easy to manage your finances:

- If you have a part-time job, have direct deposit into your checking account.
- Use a mobile app to deposit a paper check with your smartphone.
- Go paperless. Sign up for eStatements (electronic statements). Some institutions may even charge to mail you a statement
- Use online banking or a mobile app to check current balance, transfer funds, pay bills, monitor transactions and more!
- Popmoney and Venmo – pay nearly everyone using your mobile smartphone and the recipient's email address or cell phone number – no need to hit the ATM, carry cash or write a check.





# CREDIT CARDS





# CREDIT CARD

Having a credit card allows you to borrow money interest-free for a short period of time (grace period). You can buy something and you do not have to pay the bill until the next month.

If you charge more than what you can afford to pay in full when the bill comes, you will have to pay interest on the portion you do not pay (carrying/revolving balance)



# CREDIT CARDS

Credit cards are great – but they have to be respected. You must have the discipline to maintain a zero balance. Avoid making huge purchases with the mindset you will pay it off over 6 months.



**NEVER, EVER** be late on a payment. Being late with payments or, worse yet, defaulting on your credit obligations, has a huge and negative impact on your credit score. Late or missed payments stay on your credit report for 7 years.

**Make your credit card payment as soon as your bill arrives so you don't forget.**



# CREDIT CARD ADVANTAGES

First, having and responsibly using credit cards allows you to build a positive credit history and score. In the future, having a good credit score can help you:

- Get a lower rate car loan and insurance
- Rent an apartment
- Get a job
- And more!





# CREDIT SCORE RANGES

Excellent Credit: 750+

Good Credit: 700-749

Fair Credit: 650-699

Poor Credit: 600-649

Bad Credit: below 599



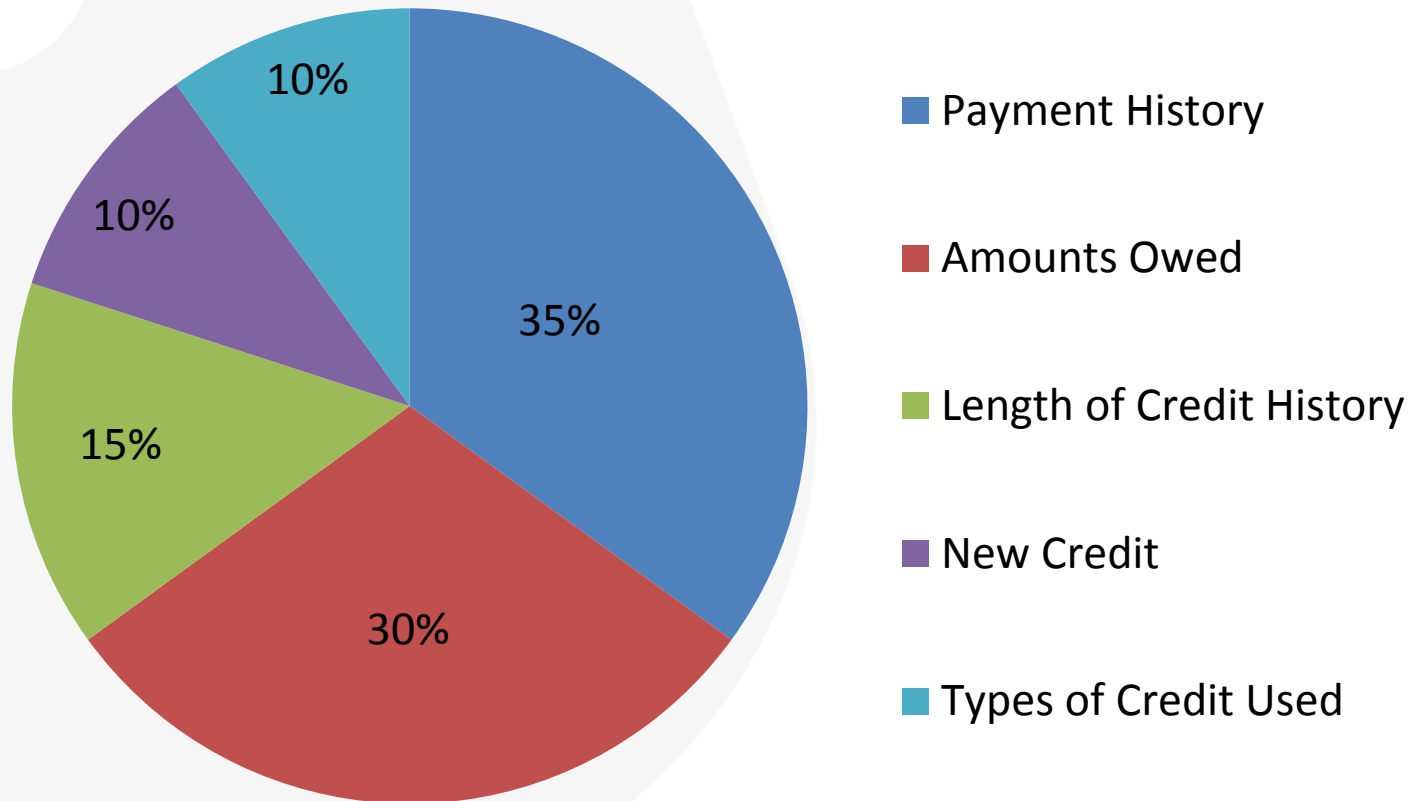
The average credit score for a college student is 630.\*

Don't be a 630!

\*thesimpledollar.com



# WHAT MAKES UP A CREDIT SCORE?





# REAL COST OF CREDIT CARD DEBT

- \$2,500 balance
- 18.9% interest rate
- 4% minimum payment, or \$100 each month

How long would it take you to pay off the balance??







# REAL COST OF CREDIT CARD DEBT

## — ANSWER:

It would take you over 9 years to pay the entire balance. By the time you make the last payment, you will have paid \$3,985.53. (or \$1,485.53 in interest alone)



# REAL COST OF CREDIT CARD DEBT

Four percent of the balance is steep, and likely too much for some people, which is why many credit card companies only require 2%.

- \$2,500 balance
- 18.9% interest rate
- 2% minimum payment, or \$50 each month

How long would it take you to pay off the balance??





# REAL COST OF CREDIT CARD DEBT

## — ANSWER:

It will take you more than 30 years to pay off the balance and you'll end up paying more than \$9,678.49 in total payments. (or \$7,178.49 in interest alone)



# WHAT TO LOOK FOR IN A CREDIT CARD

Remember that not all credit cards are created equal. When shopping for a card, pay attention to the features of each one. Look for the following:

- No or low interest rate/annual percentage rate (APR)
- No annual fee
- Cash back features



# CREDIT CARD TIPS

- **Pay on time.** If you miss a payment, your credit score can take a quick and hard hit. Furthermore, you may have to pay that late payment fee, typically \$25 to \$40.
- **Limit the number of cards you have.**  
Too many credit cards can hurt a credit score.
- **Do not close credit card accounts.** A longer relationship will help your credit score.
- **Pay more than the minimum payment due.** If you absolutely cannot pay the entire balance, at least pay more than the required minimum payment. Because the minimum payment is often very low, you could drag the debt out for many years, costing you hundreds/thousands in interest payments.
- **REMEMBER:** It's good to establish credit, but a bad score will follow you everywhere.







# WAYS TO SAVE MONEY IN COLLEGE

**BOOKS:** Borrow if you can or check the school's website for students selling their used books. Otherwise, rent your books (free shipping and free returns)

- archive.org
- chegg.com
- directtextbook.com
- textbooks.com
- eCampus.com
- campus buyback programs

**COFFEE:** Starbucks costs \$4.50 avg. Coffee made at home avg. 25 cents/cup. Make your own coffee or go to dining hall.

**BOTTLED WATER:** Support your local tap water and drink for free. Get a water bottle.

**FOOD:** Keep healthy, affordable food options in your room such as yogurt, cheese, bagels, peanut butter, fresh fruit, hummus. Buy generic.  
(Add an egg to your Ramen noodles for protein.)





# WAYS TO SAVE MONEY IN COLLEGE

- DollarShaveClub.com - \$3 to \$6 per month
- Save spare change in a jar
- Free movies and concerts on campus
- Do your own nails
- Use student discounts
- Consignment shops – sell the clothes you no longer wear and shop for “new to you”

118 Ways to Save Money in college

[www.collegescholarships.org/student-living/save-money.htm](http://www.collegescholarships.org/student-living/save-money.htm)





# FINAL NOTES

- A budget is no good unless you stick to it
- Re-evaluate your budget often
- CHECK YOUR BALANCE AT LEAST DAILY!



# CONNEX IS HERE TO HELP YOU!

**Connex can help you prepare for your financial life.**

Stop by a branch or call us today at 1-800-CR-UNION and talk with a Connex Financial Advocate who can answer your financial questions and get you on the right track.

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