

# money guides

## Headed for College

Things are about to change. Big time.

If you're like most people, college is the first time you're on your own, and it's also be the first time you handle your own finances. Some of the most valuable (and hardest) lessons you'll learn over the next few years won't come from a book – they'll come from experience. But if you're smart about it – if you plan ahead and take charge of your money – the financial skills you learn will stay with you for the rest of your life.

### Headed For College : Getting Personal

Don't let "personal finance" throw you – it's just you and your money, literally. Of course, that's not nothing – personal finance covers everything from your budget to your investments to your retirement plans.

Right now, though, the big concern is day-to-day finance. Checking accounts. Books. Making money. The way we see it, you can learn about it now, or wait until you make a mistake. We suggest now.

The first thing you'll want to do is open a bank account. You need it to pay bills, and anyway it's a lousy idea to carry all your cash around with you. The question is, what should you know about when you walk into the bank?

- **Savings accounts:** Like the name says, these are a good way to start saving money. You won't earn much interest, but your money's always there if you need it. Check for minimum balances and monthly fees – big monthly fees defeats the purpose here.
- **Checking accounts:** This is your workhorse, the account you'll use for writing checks and using ATMs and debit cards. Be sure to check your monthly statement against your own transaction records (you are keeping transaction records, right?) to make sure neither you nor the bank has made any mistakes. (Click here to learn how to read your bank statement and reconcile your checking account.) And make sure you keep track of your account balance – if you bounce a check, it could cost you as much as \$30, sometimes more.
- **ATMs:** Everyone knows what these are, but not everyone uses them wisely. Find out how many your bank has, and whether there's a charge to use them – or to use other banks' ATMs. And remember: it's not free money. Keep track of your withdrawals or you'll overdraw your account.
- **Debit cards:** It works like a credit card, but acts like a check. Funds are immediately withdrawn from your account, so you can't spend more than you actually have in your account – in other words, it's a great way to avoid racking up credit card debt. Again, keep track of your transactions or you could overdraw account, which is the same as bouncing a check.
- **Credit unions:** Credit unions work like banks, but membership is usually limited to people

with a particular common bond – teachers in a union, for example, or students at a particular university. However, a credit union is owned and controlled by its customers, so it usually offers lower than average service fees and minimum account balances.

Do some research before you join a credit union. Make sure the customer service is rated well, and check the interest rates and fees against those of the banks.

- **Online banking:** Most banks nowadays let you bank online. It's incredibly convenient for you—feel like checking on whether or not you've got enough coin to take off for spring break in the middle of an all-nighter? Not a problem. Make sure your bank offers online banking, and check to make sure that any fees they charge for online banking are reasonable. (No fees the is most reasonable, obviously.) You'll want to use online banking, too – setting automatic payment plans for regular bills (like car payments, for example) is a great way to avoid late payment and finance charges.

## Headed For College : Financial Aid

College isn't cheap, and you may need help paying for it. When it comes to financial aid, you've got two main options:

**Scholarships and merit-based aid:** Did you get good grades in high school? That ought to help. But even if the answer is no, there's still plenty of opportunities – you'd be amazed at the sheer variety of scholarships out there. Do your research – there's money waiting for you depending on where you were born, what your career goals are, what extracurriculars you've been involved in. David Letterman even has a fund reserved for C-students (though it's probably best not to tank any finals just to get that one).

**Student loans and need-based aid:** If you're not eligible for scholarships or merit-based aid (or if they don't cover the whole bill), there are other options. Find out how much need-based aid you're eligible through your school or through a lender like Sallie Mae. If that's not enough, other institutions also offer financial assistance, though they may use different formulas, with different results. Just be sure you pay attention to how the money comes to you. If it's a grant, it doesn't have to be repaid. Loans do have to be repaid, though, with interest, upon graduation (that's, you know, why they're called "loans"). If you're going to go that route, shop around for a good interest rate – you'd be surprised how much difference a couple percentage points make in the long haul. To find out just how much, toss some numbers into our loan calculator below and see for yourself.

## Headed For College : Budgeting

You really ought to have a budget. But you knew that.

Pretty much everyone knows that. But so few of us actually do sit down and figure out how much we actually have free for stuff like, you know, food, and books, and maybe a movie now and then. That's a mistake – a huge one.

When it comes to managing personal finances, having and using a budget is absolutely essential. The good news is, it's not as hard as it seems. Here's what you need to do:

### 1. Write down your expenses.

First thing you need to do is figure out where your money is going. How much do you spend, and on what? Pull out your old bills (rent, credit cards, receipts, etc.) to get a clearer picture. Don't forget

things like entertainment, clothing and other major expenses, and include some money for savings. Give yourself a few months to fine-tune this to match your exact spending habits.

## 2. Estimate your monthly income.

You know how much you spend, now figure out how much you have. Only include money you know you'll get every month – your mom may slip some cash in a care package every now and then, but unless you can count on it, don't count on it.

## 3. Do the math.

If you have more going out than you have coming in, start looking for things to cut. Entertainment bills are an easy place to start – a lot easier than your utilities and rent, anyway. Keep cutting, and then cut some more, until your income beats your expenses. It's not always easy... but it is simple.

## Headed For College : Textbooks

Remember that whole budgeting thing? Well, we hope you budgeted for books, because they're not cheap. Just how not-cheap depends a lot on your major, but you shouldn't be surprised if you're spending at least \$100 per class on books, some of which you'll actually like.

There are some ways to cut that number down, though:

- **Buy used.** The words don't wear down just because someone else has read them. Just beware, buyer – not everybody knows how to use a highlighter. Before you pony up, make sure the previous owner wasn't a total slob.
- **Buy online.** The Web is full of search engines that specialize in finding books – textbooks, even – at the lowest available price. Just be sure you factor in the shipping costs and the delivery time, and make sure you get the exact edition you need.
- **Barter.** Ask around. Someone you know may have the book you need, and might be willing to lend it to you, or trade it, or sell it cheap (Who knows, they may even throw in their class notes for free.)
- **Borrow.** It may seem radical, but that big square building in the middle of campus is a library – they may have the book you need, and they won't charge a thing. It's not ideal, though – you can't write in a library book, and you can't keep a library book. In some cases, though, it's a great way to save.
- **Sell back.** Keep in mind, you always have options. Of course, this doesn't do anything for you up front, but it'll help on the other side of the equation.

## Headed For College : Working in School

If you can get through school without working, you're golden. But if you're not that lucky, you've got some decisions to make:

- **How much time do you have?** If your school work suffers because you're working too much at an outside job, then there's no reason to be in school, is there? So, first figure out how much time you need for school. And for studying. And sleeping. And if you can't balance the time and the money, consider alternating semesters. Work for one term to save for school, then study for the next term. Sure, it may prolong your stay at the university, but

you'll come out with better grades and less debt.

- **Which hours can you work?** There's a reason so many students get jobs at restaurants: flexible hours (oh, and free food). Make sure your job doesn't conflict with your actual class time – or your study time.
- **How much do you need?** Work as little as possible to cover your needs. And while high-paying jobs are great, they often come with tradeoffs—like longer hours, or later hours, or earlier hours. Point being, you may have to pay a price for better pay. Don't let that price be your grades. Because again, what's the point in that?
- **What do you want to do?** Have fun. Learn something. Try something new. There's no better time than college for a little job experimentation. There'll be plenty of time later for a career track.
- **Where do you find a job?** Ask around. Your friends or family are the best referrals you've got. If you want experience in your field of study, ask your professors for ideas. Or just stop by your favorite stores and see if they're hiring. And of course, there's always craigslist where you can pick up some sweet temporary positions or short-term gigs. Just make sure the job posting is legit—the craigslist community does a great job of flagging scams but some creeps still slip past. Check out the postings. Ask for references.

### Headed For College : Selecting a Credit Card

A credit card can be an incredibly useful financial tool – so long as you use it wisely. Here are a few ways a card can be of use:

- **Building good credit:** You buy things, and then you pay for them – it's really a simple concept. No matter what anyone tells you, the best way to build good credit is to pay your card off every month, in full. If you're doing this, high interest rates won't matter, since you won't be paying interest anyway.
- **For convenience:** Having a credit card is much easier and safer than carrying large amounts of cash with you. If you plan to pay the balance in full every month, look for a card with no annual fee and a 20- to 30-day grace period. You might, however, opt to get a debit card attached to your checking account. It won't allow you to build credit, but it won't allow you to build debt either.
- **For the freebies:** Some cards allow you to build points with every purchase towards free merchandise or airline miles. Be aware that these cards usually have a large annual fee and a high interest rate. You might be better off buying whatever freebie you're trying to earn.
- **To carry a balance:** Like we said, it's not a good idea to carry a balance on a credit card. But if you've already got one, find a card with a low interest rate, then see what the annual fee is and how much they charge for balance transfers. Then figure out how much you will save in interest using the Cost of Credit Calculator. If you can save more in interest than you pay in fees, it's a good deal. If not, keep looking. Either way, pay off that card. Soon. Today, if possible. Because if you don't, you're digging yourself into a deep, deep hole.