

A “Top 10” List for Students

1. Don,t live a lifestyle you cannot afford.

If you live beyond your current financial means, it probably will be a short-lived lifestyle.

2. Budget your money just as carefully as your time. Put yourself on a monthly budget and stick to it.

There are many books and software products available in bookstores on personal finance. Most of these items include worksheets you can use to help you establish your monthly budget. There also are several software products available (e.g., The Access Advisor) that you can use if you prefer a computerized approach to budgeting

3. Get in the habit of saving even if you can only save \$5 per month.

All financial planners will tell you that it is essential to have savings. You need to have readily available funds for emergencies and other financial goals you want to achieve. Savings can provide the financial means to meet these needs. There are four important steps to a successful savings program.

Step 1. Determine your savings goal(s).

Identify why you are saving money, by establishing your savings goal(s). Determine what you are saving for, how much you need to save, and by when you need to have the money saved. This should make it much easier to discipline yourself in saving funds and in establishing a savings habit.

Step 2. “Pay yourself first!”

Put money into your savings at the beginning of the month or on payday. Don,t wait until the end of the month thinking that you will save whatever is leftover. If you do so, you,ll find that nothing is left!

Step 3. Establish your savings account in a different bank or credit union from where you have your checking account. It also should be some distance from where your checking account is located so that it is inconvenient to withdraw funds. This will help reduce the temptation to withdraw funds from your savings for purposes other than the goal you have set for yourself.

Step 4. Do NOT get an ATM card or checks that you can use to withdraw funds from your savings account. Make certain that the only way you can withdraw funds from your savings account is to go where you have your account and withdraw the funds personally by getting a cashier,s check or money order. This will also help to minimize the chance that you,ll spend

your savings on something other than your goal(s).

4. Keep accurate, well-organized records of your financial activities.

There are many books and software products available in bookstores on personal finance that you can use.

5. Maintain a strong credit history.

Obtain a copy of your credit report on an annual basis and review it for errors.

Your credit report is your financial transcript. It's comparable to your academic transcript and much more important in the world of credit and personal finance. Just as you are concerned about the quality and accuracy of your academic transcript, you should be concerned about the quality and accuracy of your financial transcript-i.e., your credit report

6. Borrow the minimum amount you need to achieve your goals.

- *Establish your goals.
- *Learn about the principles of credit and personal finance, and how they impact your financial well-being.
- *Borrow the minimum amount you need.

Every time you borrow money, whether an educational loan or use of your credit card(s), you are influencing your financial future. Remember, when you are financing your education with loans, you are using someone else's money. In other words, you should not think of the student loans you borrow as your money. It belongs to someone else. You are just borrowing it; it does not become your money until you pay it back!

In repaying the money you have borrowed, you will reduce your future discretionary income. Therefore, you should ask yourself, "Do I really need this now?" every time you make a discretionary purchase with your borrowed funds or with a credit card-this is someone else's money and one day you will have to pay it back with interest.

7. Be a well-informed borrower. Not all loans are alike, know the differences and borrow wisely.

- *Read the promissory note for each loan you borrow before you sign the note.
- *Know the terms and conditions of each loan you borrow-beware of the "fine print."
- *Understand your rights and responsibilities as a borrower.
- *Borrow what you need at the lowest cost.

8. Limit your use of credit cards, save them for emergencies.

Use credit cards only for convenience, NEVER for credit." (H. Jackson Brown,

Jr., *Life's Little Instruction Book*, Rutledge Hill Press, 1991)

When are you using a credit card for convenience? Only when you pay your credit card bill **IN FULL** each and every month. If you don't pay the bill in full each month, you're using your credit card for credit and that means you're living beyond your means. In other words, you are living a lifestyle you cannot afford. Doing so is not responsible behavior and in the long run, it will likely prevent you from achieving your financial goals.

9. Cut up all but one of your credit cards, you only need one.

Which card should you keep?

You can keep the card with the lowest limit, the card with NO annual fee, the card that provides frequent flyer miles based on usage, etc. The best choice, however, probably is the card that has the lowest limit. You only need a card with a limit of \$1,000 to \$1,500 to have sufficient credit for those emergencies that may occur. By keeping the card with the lowest limit, you are less likely to build up a balance beyond what you can afford to repay in full each month.

10. Be realistic about how much money you will earn.

You may not be offered as much money as you expect when you graduate, so plan accordingly by estimating realistically now what your discretionary (after-tax) income will be after you complete your training.

Income

You should estimate how much you expect to earn per year. (Use current dollars so as to avoid the complication of inflation.) This amount should be added to expected income from your spouse (if married) and any other income you expect (e.g., interest/dividend income).

What I have to pay for

There are things that you have to pay for and there are things you want to pay for. You have to pay for those things that are required by law (such as taxes), those that are required of professionals (such as malpractice insurance), and those that result from legally binding contracts such as student loan promissory notes. The consequences for not paying these items are more than just personal discomfort or embarrassment; they can include imprisonment, financial ruin, legal action, and destruction of one's credit.

Many people often mistake discretionary expenses such as rent, food, etc., as "have to" payments. The difference is that you can live without paying rent (there are places you can live for free, e.g., you can live with your parents, you can live in the park). The consequences of not paying for these items typically is just discomfort and/or embarrassment. In essence, you perceive these items to be your

short-term needs. It is important that you realize the difference between these discretionary items and the "required" payments. Hopefully it will cause you to borrow/spend less.

You should estimate how much disposable (after-tax) income you expect to be earning per-month once you begin working. You can expect your gross monthly income to be reduced by one-third (1/3) for taxes. Also, don't forget to subtract the cost of required professional expenses, your monthly student loan and credit card payments before you start looking at discretionary living expenses. You may find that the money you have left over for discretionary expenses such as housing, food, transportation, entertainment, etc., is considerably less than you expected