

CHAPTER 3

MONEY

Managing Your Money

Of course, going to college means attending classes, writing papers, and taking exams. But making money choices also is an important part of your college life. Good money choices can help you stay in college and keep your energies focused on your education. In this chapter, we'll offer some ideas for keeping your money on track so you can keep your college education on track.

Watching everyday spending

Most college students have to make every dollar stretch as far as possible. That's why it's important to know where your money is going—even the “small” amounts of money you spend on snacks, magazines, and pizzas. One way to know where your money is going—and to see how “small” purchases add up—is to keep a spending diary for a month.

Your diary could be a small spiral notebook that fits into your back pocket or purse. Then, write down everything you buy. Include even small items, like a newspaper or the cup of coffee from the student center.

Soon, you'll be amazed at how those small purchases really added up. Think how much money is leaking out of your pockets over the school year. So what can you do? You can plug those spending leaks.

Plugging spending leaks

Complete the chart below and see how much money you are losing on small items over the school year. After you look at the total costs, you might want to make some changes.

Item	Average Cost	Average Cost per Month	Average Cost per School Year
Soft drinks from vending machines (2 each day)	75¢/each or \$1.50/day	\$45	\$405
New clothes			
Long-distance telephone calls			
Snacks/convenience store purchases			
Eating out			
Cigarettes			
Magazines/books (not textbooks)			
Movies			
Video/DVD/video game rentals/purchases			
CDs/tapes			
Gifts			
Other			

After you find your spending leaks, you can plug them. That might mean giving up a costly habit, such as smoking. Or, it can simply mean making better buying choices.

For example, instead of buying two soft drinks a day at school (at a cost of \$1.50 per day), you could buy a 12-pack on sale (for about \$4) and keep it in your dorm refrigerator. Instead of paying 75¢ for each can, you pay only 33¢ per can—saving around \$25 per month or more than \$225 a year.



Cutting expenses

Here are more ideas for making every dollar stretch as far as possible:

- Buy only the things you really need. Before you buy something, ask yourself, “Do I need this? Or do I just want it?” Always put your needs above your wants.
- Take advantage of special student discounts offered by local movie theaters, restaurants, and stores.
- Compare prices on-campus with prices off-campus. For example, the school cafeteria may cost less than eating at a restaurant in town. The student health center may be cheaper than going to a doctor off-campus. The recreation center probably is free. On the other hand, school supplies might cost more at the college bookstore than at a big discount store nearby.
- As soon as you have your class schedule, start checking the campus bookstore for used books. If you don’t need your books at the end of the school year or in the future, sell them.
- Plan and save up the money to buy something. Do not take out a loan or use a credit card.
- Cut out costly habits, like smoking cigarettes or buying lottery tickets.
- Swap clothes with friends and relatives.
- Look for sales and “off-season” bargains. Compare prices.
- Share driving or use public transportation when available.
- Go to dollar movies or rent videos.
- Give homemade gifts.



- Read books, magazines, and newspapers at the library instead of buying them.
- Don't pay twice. If you are living in a dorm where the food is already paid for, cut down on eating out.
- Know your school's policies on assessing extra fees. For example, if you drop a class late, you may end up paying part or all of the tuition for the dropped class.



Standing up to peer pressure to spend

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. This pressure seems to be particularly strong among freshmen.

There will always be people who have more money than you or whose parents pay off their child's credit card bills no matter how big they get. Don't try to keep up with them.

If you feel pressured to spend money you don't have just to “fit in,” you need to develop a few strategies to deal with the situation. Consider the following:

- Write down the reasons you are attending college on a sheet of paper. Or, you may want to list some of your long-term goals. Read the list every day. You may want to keep it in your wallet, close to your money, so you'll have to think about your goals before you spend.



- Find inexpensive activities that you can do with your friends. College abounds with low-cost events, from concerts to lectures by renowned authors to sports. Make financial room for some low-cost fun, and suggest these options to your friends.
- Force yourself to acknowledge your spending. Keep your receipts, and write down how much you've spent on clothes, entertainment, and so on. Then, compare these amounts to what you listed on your spending plan. If you're spending more than you can afford, you'll have to make some changes.
- Be prepared to say, "No, I can't afford to do that." There's no reason to be embarrassed by limited funds. Many students don't have a lot of money. Your willingness to be honest and to live within your means sends a strong and positive message to your friends.

It can be difficult to turn down friends and live within your means, but remember, college is about expanding your mind, not your wardrobe. This also is the time for you to move away from the concept of "fitting in" and move toward becoming your own person.

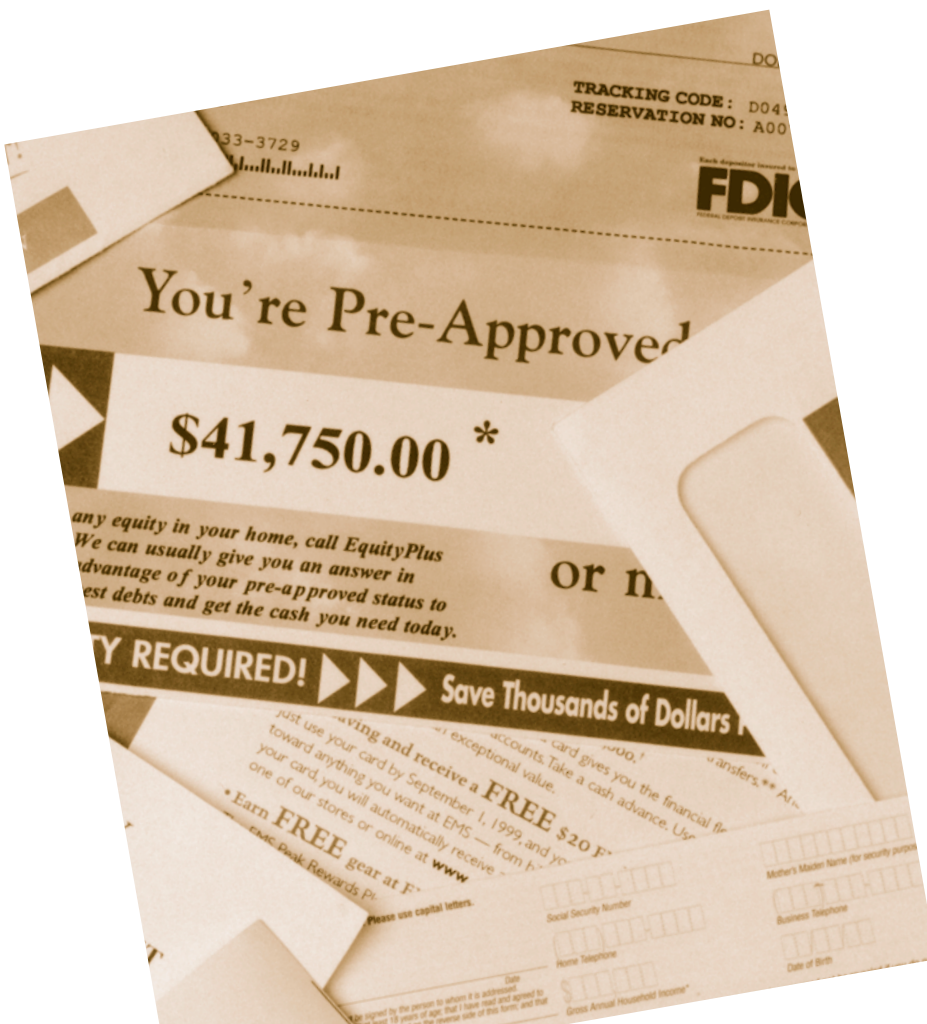
Watching out for credit cards

Americans love credit cards. In fact, the typical American household has seven to nine credit cards, charge cards, and debit cards. Unfortunately, many Americans—including college students—also are head over heels in debt. According to one of the largest makers of student loans, the average undergraduate has \$2,200 in credit card debt.

Chances are that you will be offered several credit cards as soon as you become

a college student. These cards are convenient, and they come in handy for emergencies if you pay them off every month. Problems begin when you start thinking of your credit card as extra money, instead of realizing that it's really a loan.

If you have a balance on your credit cards, you probably are overspending. The low minimum payments are tempting, but interest rates are high, and the ultimate amounts you end up paying for things you charge can be stunning.



For example, let's say you make the mistake of being one of those students with \$2,200 in credit card debt. This is what your balance could really cost you if you just make the minimum monthly payment:

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



Worse, if you start missing payments, you risk getting a poor credit record. (See page 50.) Poor credit can follow you for years. It can hurt your chances of buying a home or car someday, and it can even hurt your chances of getting a job.

Credit card guidelines

If you decide that you must have a credit card, try to stick to these guidelines:

- Have only one major credit card. Multiple cards mean multiple chances of landing in debt.
- Get rid of store cards. They often charge the highest interest rates (often around 22 percent a year). Don't just cut up the card; call the store and have the account closed.
- Shop around for a card that has no annual fee and a lower interest rate. You can shop for the best credit card deals on the Internet. Try the Bank Rate Monitor's site at www.bankrate.com.
- Use the card only for emergencies. (A good rule of thumb: If you can eat it or wear it, then it's not an emergency.)
- Make sure you pay the bill before the due date or you'll face a hefty late fee—often around \$30.
- To avoid interest rate charges, pay off the entire balance each month.
- Avoid getting a “cash advance” on the card. The interest rates for cash advances often are huge and the credit card company will begin charging interest immediately.

CREDIT CARDS

Paring down your credit card balance

If you pay more than the minimum payment on your credit card bill, you can save thousands of dollars in interest. For example, if you owe \$1,000 on a credit card and pay the minimum rate at 18 percent, it will take you almost eight years (94 months) to pay off the debt, and you will have paid a total of \$1,880. The chart below shows that if you:

Add to Each Payment	You'll Save	Pay Off the Bill This Much Sooner
\$ 5	\$330	32 months
\$15	\$550	54 months
\$25	\$620	64 months
\$50	\$690	75 months