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Finances for College Students Podcast

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Nikki:

You're listening to Personal Finance for College Students, a podcast brought to you by Balance, in partnership with Your Credit Union. Hi, I'm Nikki, your host for today's podcast.

If you're like most college students, your number-one priority is getting a great education. However, for many students, valuable study time is wasted, worrying about money. Unless someone else is footing the bill during your college years, it's your responsibility to make sure you have enough money for tuition, books, food, housing, entertainment, and all kinds of other expenses. Even if your parents are helping you out, you're still faced with a number of financial decisions that can impact your life.

What's a college student to do? Learn to make the most of your money today, so you can be prepared for tomorrow. To help you learn more about money, and finances, we're going to cover five important topics every college student should know: money management, checking, and savings accounts, credit cards, household bills, and student loans.

Let's start with money management, and setting goals. There are three types of goals. The first are short-term goals, which refer to things you want to accomplish within a year. Mid-term goals are things you want to accomplish in one to five years. Then there are long-term goals. These are goals achievable in five years or longer.

List your goals, and estimate how much money you'll need for each one. You can also write down a date for each goal. For example, if you wanna buy a laptop, find out how much the one you want costs, and when you want to buy it. Figure out how much you need to put away each month. Divide the price of your goal by the amount of months you have to save. For instance, if the laptop costs $1,000, and you wanna buy it in one year, divide 1000 by 12 months, which is about $83 a month.

Once you set your goals, create a budget. First add up your monthly income, after taxes. If you have a periodic income, like a summer job, or student loan money, add up what you'll receive for the year, and divide it by 12, and that's your monthly total.

Okay, next are expenses. Make a list of the things you spend money on each month. For periodic expenses, like birthdays gifts you wanna buy during the year, add them up, and divide by 12 to get a monthly figure. You should also plan to deposit money in to a savings account, each month, and consider that an expense, too.

Though everyone's budget is different, all budgets should have one thing in common: your expenses should never be higher than your income. If you have more money going out than you have coming in, it's time to make changes. You can increase your income, decrease your expenses, or do both. Keep working at it, until you get a balance that lets you achieve your goals, while still paying for everyday expenses. That's how to create a balanced budget.

Keep in mind that creating a budget, and sticking to it are two different things. The one thing you can do to stay on track is keep an eye on your cash, and avoid impulse purchases; you know, things that you buy on a whim, without really thinking it through?

Okay, let's talk about checking, and savings accounts. If you don't already have a checking, and savings account in your own name, now's the time. These accounts allow you to save up money, buy stuff, and pay your bills. Now, I know, for many college students, saving money may seem impossible, but if you can say just a couple of dollars a month, it can make a huge difference.

There are many reasons to save money. Saving money can help you reach your goals. You can also save for emergencies, like car repairs, or unplanned school expenses. An easy way to get in the habit of saving is to always deposit a portion of any money you earn. You can do this by setting up a regular automatic transfer from your checking to your savings account. This can help you avoid the temptation of spending that money. When you do wanna use the money, a checking account is your best bet. After all, it really isn't practical to pay for things like utilities, and rent with cash.

Just because it's called a checking account, doesn't mean you can only write checks. There are many ways to access your account, using an ATM card, debit card, or online bill pay. Whichever you choose, it's important to know that your spending isn't limited by the cash you physically have in your account … Well, sorta. For instance, with a checking account, it's possible to spend more money than you have in your account. Now, don't get too excited, this isn't a good thing. It's called overdrawing your account. You're more than likely have to pay hefty fees.

There are two ways to prevent this from happening. The first is to always know how much money you have, and never write a check, or use your debit card, if you can't cover the transaction. The second is to apply for overdraft protection. Think of this as a safety net. In the case that you accidentally overdraw your account, money can be pulled from a savings account, or credit card, or line of credit to cover the transaction. Still, even if you do have overdraft protection, overdrawing your account is not a good idea, because you are either taking money away from your savings, or increasing your debt.

Next, I wanna talk about credit cards. A credit card can either be a powerful financial tool, or a recipe for a financial disaster. If you carry a credit card, the key is to use it responsibly. You see, a credit card can allow you to build a positive credit history, and that can help you rent an apartment, by a car, or even get a job in the future. Abuse a credit card, and you may feel the effects for years to come.
Many college students get in trouble when they use their credit cards too often, and wind up owing thousands of dollars by the time graduation rolls around.

It's important to know that not all credit cards are created equal. As a matter of fact, some credit cards are way better than others. It's just a matter of knowing what to look for. For example, a low interest rate is important, but so is a long grace period – maybe 20 days, or longer. A grace period is the amount of time you have to pay your balance, before interest will be charged. If you pay off your credit card balance before the grace period ends, the rate won't even matter. A credit card with no annual fee is also important, and you wanna look for a card that has low penalty fees, just in case you're late with a payment.

Once you have a credit card, use it wisely, and pay your balance off at the end of each month. If you absolutely can't pay the entire balance, at least pay more than the required minimum payment. Because the minimum due is often very low, you'll drag the debt out for many years, if that's all you pay.

If you're living off campus, you're probably no stranger to paying bills. Even if you do live on campus, it's just a matter of time before you'll be responsible for paying household bills, just like the rest of us. Here are a few tips for paying bills.

When it comes to rent, pay attention to the rules of your lease. If your rent check is due on the first of the month, don't pay on the 5th, or some other late date. If your lease says no pets, don't get a pet. Breaking the rules of a lease is a surefire way to get evicted, and that can prevent you from renting in the future.

While you're renting, it's a good idea to have some form of renter's insurance. This could help cover the loss of your personal property, as well as your personal liability, like if someone is injured in your apartment, and sues you. Renter's insurance is fairly cheap, usually costing no more than a few hundred dollars a year.

When you're out on your own, you'll also have to pay for utilities, such as cable, internet, phone, trash collection, gas, electricity, and water. Many of these utilities charge based on usage. If you wanna decrease your bill, decrease your usage. Just like rent, it's important to pay your utility bills on time. If you don't, you may be charged late payment fees. If you ignore your bills, you may find yourself with your utilities shut-off, and you may not be able to turn them on again until they're paid, or you may end up dealing with a collection agency, which is not a pleasant experience, at all.

Having roommates can make paying bills more complicated. Set the rules for paying bills before you move in together. You may be able to split some of the bills, and each send a check for your portion of the amount due. Another option is for one of you to act as money manager, and collect from the others. Just remember, if an account is in your name, you're responsible for making sure the bill is paid on time.

Finally, I wanna talk about student loans. If you're like most college students, you're probably receiving some type of student loan, though you may not even know what type of loan you have. To give you a little hint, here are different types of student loans.

First are public loans, with the most popular being Stafford Loans. Depending on where you go to school, Stafford Loans can be funded by the U.S. government, or from a private lender, such as a bank or credit union.

Perkins loans are available to students with extreme financial hardship. The government pays the interest on the loans, while you're in school, and the interest rates are very low. PLUS loans are made to your parents, or guardians, so they can help you pay for your education. Are you expected to pay the PLUS loan back? That's up to your parents.

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Now, there are also private loans. Unlike the other loans I just mentioned, private loans have no government involvement, at all. They often have higher interest rates, and fees, and they usually do not offer benefits, such as flexible repayment plans, and loan forgiveness, which I'll get to in a moment.

At some point, you'll need to repay your loan. After you graduate, or drop below a certain number of units, you'll have a grace period – typically six months before your first payment is due.

Many people struggle to pay their loans, especially if they borrowed a lot. However, if you have a public loan, there are options to help make repayment easier. The first is a forbearance, or deferment, which allows you to temporarily stop making payments. With a deferment, interest doesn't accrue on a subsidized loan. With a forbearance, interest is added, no matter what type of student loan you have. Next, is an alternative repayment plan. The standard being a 10-year payment plan.

However, other options with lower payments may be available. There are a number of different ways to restructure your loan, but be aware that as you increase the amount of time you have to pay back the loan, the more interest you'll pay in the long run.

Then, there's loan forgiveness. In some cases, you may be able to have all, or part of your public student loans forgiven, which means you don't have to pay them back. This may be available to students who participate in specific types of volunteer work, or military service, or who teach, or practice medicine in certain communities.

That's all for today's podcast. I wanna thank you for listening. For Balance, and Your Credit Union, this is Nikki, saying goodbye.

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