

# Getting Ready for College

**G**oing from high school to college means taking more difficult classes, meeting new people, and setting your own hours. But it also means taking charge of your personal finances. Don't let that thought scare you. You can follow these steps and begin your journey to solid money skills.

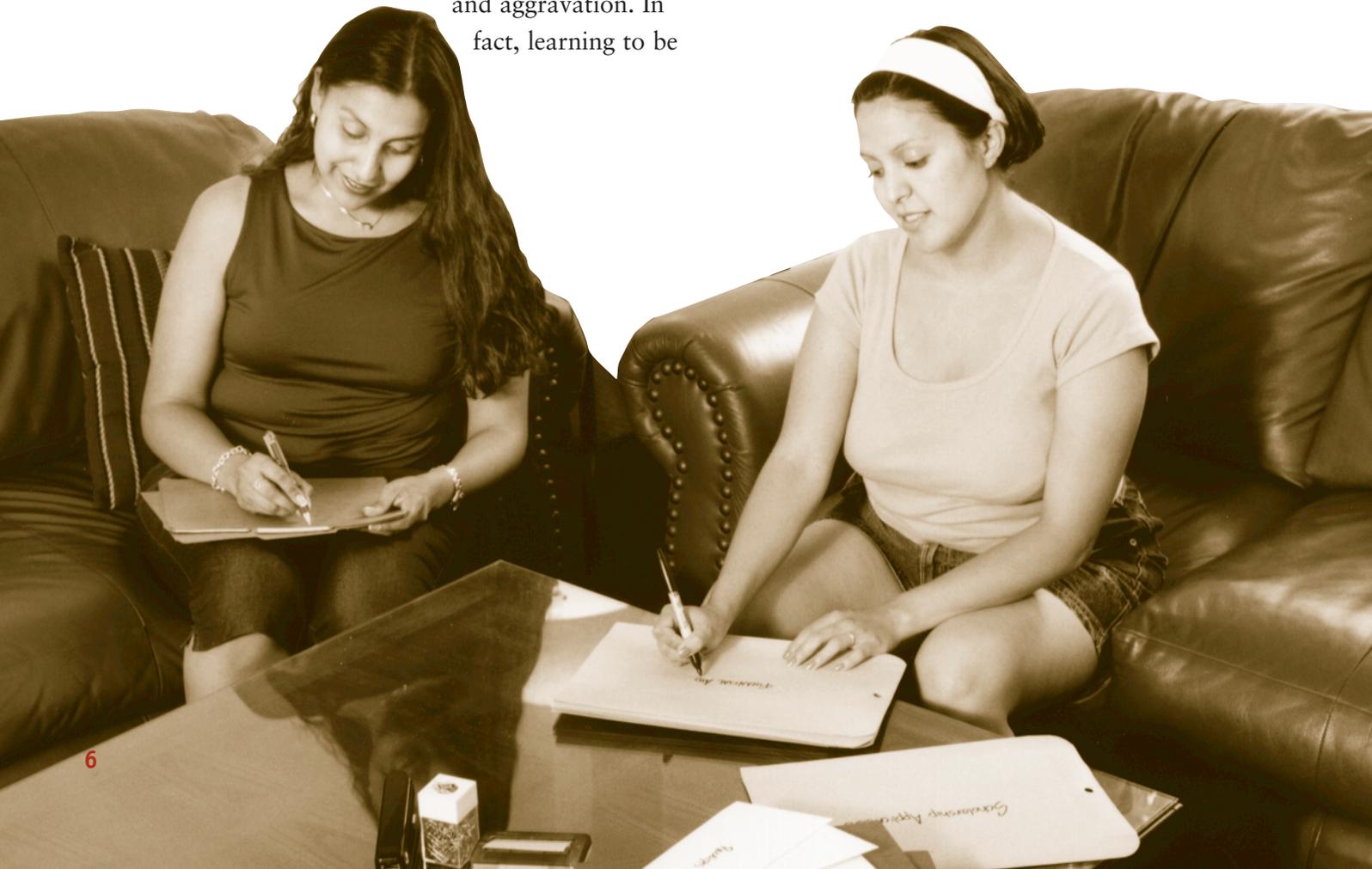
## Getting organized

Getting organized—especially with your important papers—is the first step in getting ready for college life. Putting your paperwork in order can save you time—and aggravation. In fact, learning to be

organized with your important papers is a good skill for your life after college, as well.

Organizing your papers and records will take a few hours, but it doesn't take a lot of cash. Most records can be kept at home in any of the following:

- inexpensive file box (available from an office supply store or major discount store)
- labeled file folders kept inside a cardboard box
- labeled shoe boxes





Most of your financial records can be kept with you in your dorm room, apartment, or home. How you organize your files is up to you, but you may want to consider making separate files for the following categories:

- **Bills.** As bills come in to be paid, place them in this file. Pull the file out every few days to pay all bills that are coming due. You also may want to note on a calendar when you need to send in a payment on a particular bill. Then, just go to your “bill box,” find the bill, and send in your payment.
- **Checking account.** Canceled checks (if you get them) and monthly statements from the bank or credit union go into this file.
- **College.** Keep a file for college-related information, including high school grade reports, awards, and other records of note. You’ll also want to sort and file recruitment and program information from various colleges, SAT and ACT score reports, and so on. After you are enrolled in a college, you can keep records of requirements to graduate, courses completed, grades, and credit hours. Later, when you are out of school, this information will come in handy if you want to apply to graduate school.
- **Financial aid.** File your financial aid applications, grant and scholarship awards, and agreements concerning any student loans. If you talk to someone by telephone about your financial aid, keep written notes of your conversation, including the person’s name, telephone number, and date.
- **Insurance.** File your car, medical, life, and renter’s insurance policies here. If you receive any paperwork about changes to your policies, keep those, too.
- **Loan and credit records/receipts.** File loan agreements and payment records for items like student loans, car loans, credit card payments, and so on.
- **Receipts and warranties.** Receipts and warranties can help you get an item repaired or replaced when needed. Receipts also come in handy if you need to return an unused item. Of course, you’ll want to keep receipts for major purchases, such as computers, appliances, or stereo equipment. You also may want to keep receipts—for a short while—on clothing, books, or similar “smaller” items.
- **Banking and investments.** Keep quarterly and end-of-year statements from your savings and investment accounts in this file.

- **Taxes.** Use this file for W-2 forms, copies of past tax returns, and proof of tax deductions.

Records that would be difficult to replace should be stored in a safe deposit box at a bank. A safe deposit box costs around \$30 a year. Another option is to put these records into a fire-resistant box. Examples of hard-to-replace items include birth certificates, Social Security cards, passports, car titles, and military records.

One item that should not be placed in a safe deposit box is your will. A will directs how—and to whom—your assets will be distributed. You also use your will to name a guardian for your minor children. However, upon death, a safe deposit box is sealed and can be opened only with a court order. This means

your wishes may not come to light until after decisions already have been made. If (or when) you have a will, keep a copy in a fire-resistant box at home and give a copy to a trusted friend or relative who lives at a different address.

### Checking accounts

If you don't already have a checking account, you may want to consider setting one up now or when you get settled at college. This is another major step in getting organized.



# BANKING

## Shop for the right account

After you have answered the checking account questions on the next page and thought about your money nature, it's time for some comparison shopping. Use the worksheet below to compare the costs of checking accounts. If a credit union has the best rate, find out if you can join.

Checking Account Feature	Bank A (name)	Bank B (name)	Savings and Loan (name)	Credit Union (name)
Monthly fee				
Cost to print 200 checks				
Monthly cost of on-line banking				
Minimum balance to avoid fees				
Fee for falling below minimum balance				
Bounced check fee				
Fee for check copy (if canceled checks aren't returned)				
Teller fee				
Account reconciliation fee				
ATM card fee				
Interest rate for high balances				
Overdraft protection charge				

The bank, savings and loan, or credit union I will use is: \_\_\_\_\_



Using checks is safer than carrying cash. A checking account costs less than buying a money order, and your canceled checks or monthly statement will help you keep track of your expenses.

With a checking account, you simply write a check to a vendor or person to pay for an item. The amount of the check then is taken out of your account and placed in the account of the person or business to which you wrote the check. Sounds easy, doesn't it? Checks are easy and useful if you follow these steps:

- Decide what type of checking account will work best for you.
- Learn how to take care of your account.

### **Know what you need**

Before running out to the nearest bank, credit union, or savings and loan to open a checking account, do some research first. It could save you money in the long run.

Start by identifying your banking needs. Ask yourself the following questions:

- On average, how much money will I be able to keep in the account every month?
- 

- About how many checks will I need to write each month?
- 

- Do I want to go to the bank to get or deposit my money, or will I use automated teller machines?
- 

- Would I prefer to pay most of my bills using on-line banking?
- 

After you answer these questions, you'll have a better idea of the kind of checking account (and account features) that will work best for you.

For example, if you won't be able to keep much money in the account, but plan on writing only a few checks each month, a low-cost, no-frills checking account may be right for you. Or, maybe you would prefer to do your banking at automated teller machines (ATM) or over the telephone. Then, an express account might be a good choice. Always ask if the bank, credit union, or savings and loan offers special accounts for students.

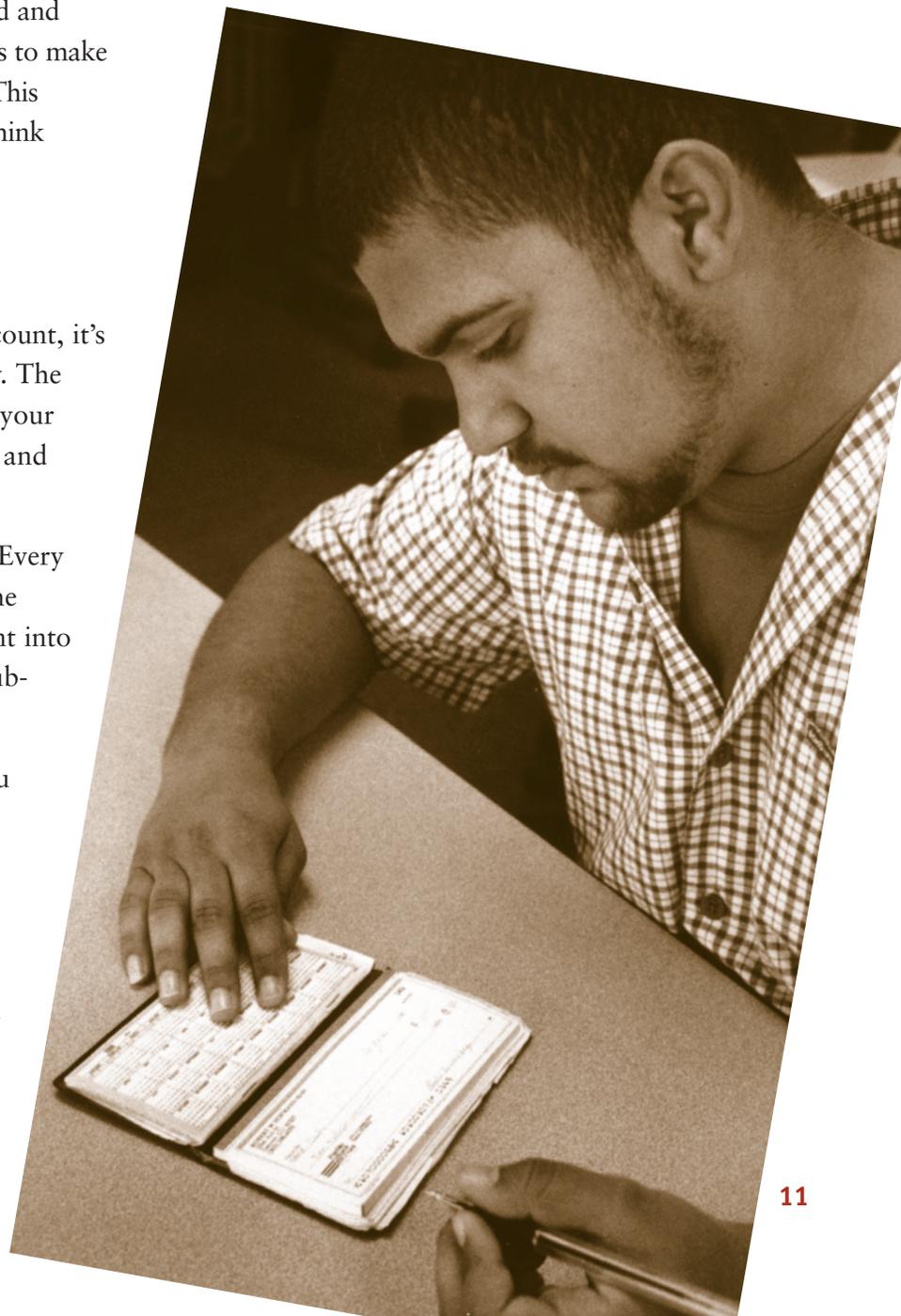
You also need to think about your “money nature.” For example, one student learned that he just couldn’t handle his ATM card. Because the machines were everywhere, he withdrew—and spent—too much money. Now, he doesn’t have an ATM card and chose a bank across town so he has to make a special effort to withdraw cash. This cross-town trip gives him time to think about his money and his spending.

### Handling your checking account

After you have your checking account, it’s important to maintain it properly. The following tips can help you keep your account healthy and avoid costly and embarrassing mistakes.

- **Write down your transactions.** Every time you write a check, enter the check number, date, and amount into your checkbook register, and subtract it from your balance.
- **Consider check duplicates.** If you can’t get into the habit of writing down your check transactions immediately in your checkbook register, order checks that have duplicates. Then, you’ll have a record of the check and can enter the transaction amount into your register at a later time.

- **Synchronize your checking account.** If you are using both paper checks and on-line banking, make sure you enter the checks you wrote electronically into your paper register.





If you use personal finance software (such as Microsoft Money® or Quicken®) along with on-line banking, you can list both your paper checks and electronic checks in the software.

- **If you use an ATM** or have a bank debit card, write down those transactions in your checkbook register, too.
- **Don't "bounce" a check**—write a check for more money than you have in your account. The bank will charge you as much as \$20, \$30, or more for each bounced check. In addition, the company that took your "bad" check can charge you a fee. Bounced checks also can hurt your credit record.
- **Don't check your account balance** at the ATM and assume it is correct. If you wrote checks that haven't cleared the bank yet, the ATM balance appears higher than the amount of money you have available.
- **When the bank mails your checking account statement each month**, compare the bank's figures with your own and make any adjustments. This is called "balancing your checkbook." Follow the statement's directions on how to balance your checkbook. If you have any questions, ask a bank representative to help you.
- **Promptly report any errors or lost or stolen checks to your bank.**
- **Keep your bank statements, canceled checks, or check duplicates with your other financial records.** Not all banks return canceled checks, but if yours does, it helps keep track of your spending. In addition, you may need this information to re-apply for financial aid or to do your taxes. In general, keep your canceled checks and bank statements for five to seven years.

## Making a spending plan

When you are planning for college (and while you are in college), it may seem like there is never enough money. That's why you need a plan—a spending plan. A spending plan helps you know how much money you have coming in, where you must spend it, and where you might be able to save.

A spending plan works well for anyone, but for a college student it is especially important. Consider making several copies of these spending plan worksheets to use throughout the year (or create your own on the computer). Spending plans aren't complicated and don't take a lot of time to complete. Just follow these four simple steps, and you will have a better idea where you stand financially.



# Spending Plan WORKSHEET

## Step one: Identify your income

The first step in making a spending plan is to list the income you receive each month. Use this worksheet to estimate your monthly income. Don't include any financial aid that pays for "direct" college expenses, such as tuition, room and board, and so on. Also, if your financial aid exceeds your direct college expenses, don't rush out and spend that "extra" money. Instead, request that the money be applied toward the cost of the next quarter or semester.

If you receive any money in a lump-sum payment at the beginning of each quarter or semester, divide the total amount by the number of months it must last.

<i>Monthly Income</i>	<b>Sources</b>	<b>Per Month</b>
	After-tax wages from a job or work-study program	\$ _____
	Financial help from family	\$ _____
	Withdrawals from savings	\$ _____
	Other (child support, public assistance, gifts, etc.)	\$ _____
	<b>Total Income</b>	<b>\$ _____</b>

# Spending Plan WORKSHEET

## Step two: List your expenses

Use this worksheet to estimate your monthly expenses. If you are not sure how much you spend for things like meals, gasoline, or CDs, try keeping a spending notebook for a month. In your notebook, jot down what you spend on everything—including those “small” purchases, such as gourmet coffee or candy bars. An inexpensive, pocket-sized notebook works well for this purpose.

Some expenses, like food or rent, are paid every month. Other expenses, such as books, school supplies, and car insurance, come due every three or four months. To set aside enough money each month for these occasional expenses, divide the total amount by the number of months between payments. Write that amount on your monthly expense worksheet.

<i>Monthly expenses</i>	<b>Sources</b>	<b>Per Month</b>
	Tuition and other expenses not covered by financial aid	\$ _____
	Textbooks and school supplies	\$ _____
	Transportation (bus or rail pass, gas, oil, car payment, travel at holidays)	\$ _____
	Insurance (car, health, life)	\$ _____
	Rent, mortgage, or dorm room	\$ _____
	Food (groceries or meal plan)	\$ _____
	Utilities (heat, water, electricity)	\$ _____
	Telephone or cell phone	\$ _____
	Snacks/dining out	\$ _____
	Child care	\$ _____
	Loans and credit card payments	\$ _____
	Clothes	\$ _____
	Entertainment (movies, dates, concerts)	\$ _____
	Savings*	\$ _____
	Other	\$ _____
	<b>Total Expenses</b>	<b>\$ _____</b>

\*If you think of saving money as a regular monthly expense, you will be more likely to set money aside.

# WORKSHEET

## Step three: Compare income and expenses

Write down your total monthly income (from step one). \$ \_\_\_\_\_

Write down your total monthly expenses (from step two). \$ \_\_\_\_\_

Subtract expenses from income and list the amount here. \$ \_\_\_\_\_

## Step four: Set priorities and make changes

Was there money left over at the end of the month? Congratulations! If you treat it wisely (like putting it into a savings account), you will be on your way to building financial security.

If you came up short, review your monthly expense worksheet. Some costs you have no control over, such as tuition, room and board, and so on. But other costs, such as travel, entertainment, and personal expenses, you do have some control over. Look to see where you can reduce these expenses. If cutting back isn't enough, you also may need to consider increasing your income—if possible.



## Learning to save

The best way to pay for college is to have the money on hand to handle at least some of the expenses. The money that you set aside in savings may reduce the amount of financial aid you qualify to receive. Still, it's always cheaper to "pay as you go," rather than "go now and pay later."

If you're expecting to receive financial aid, realize that some of the financial aid you receive may be in the form of student loans—which must be paid back. In 2001–2002, a record \$74 billion was available to students for financial aid. Some 58 percent of this aid was in the form of loans. (Source: The College Board.)

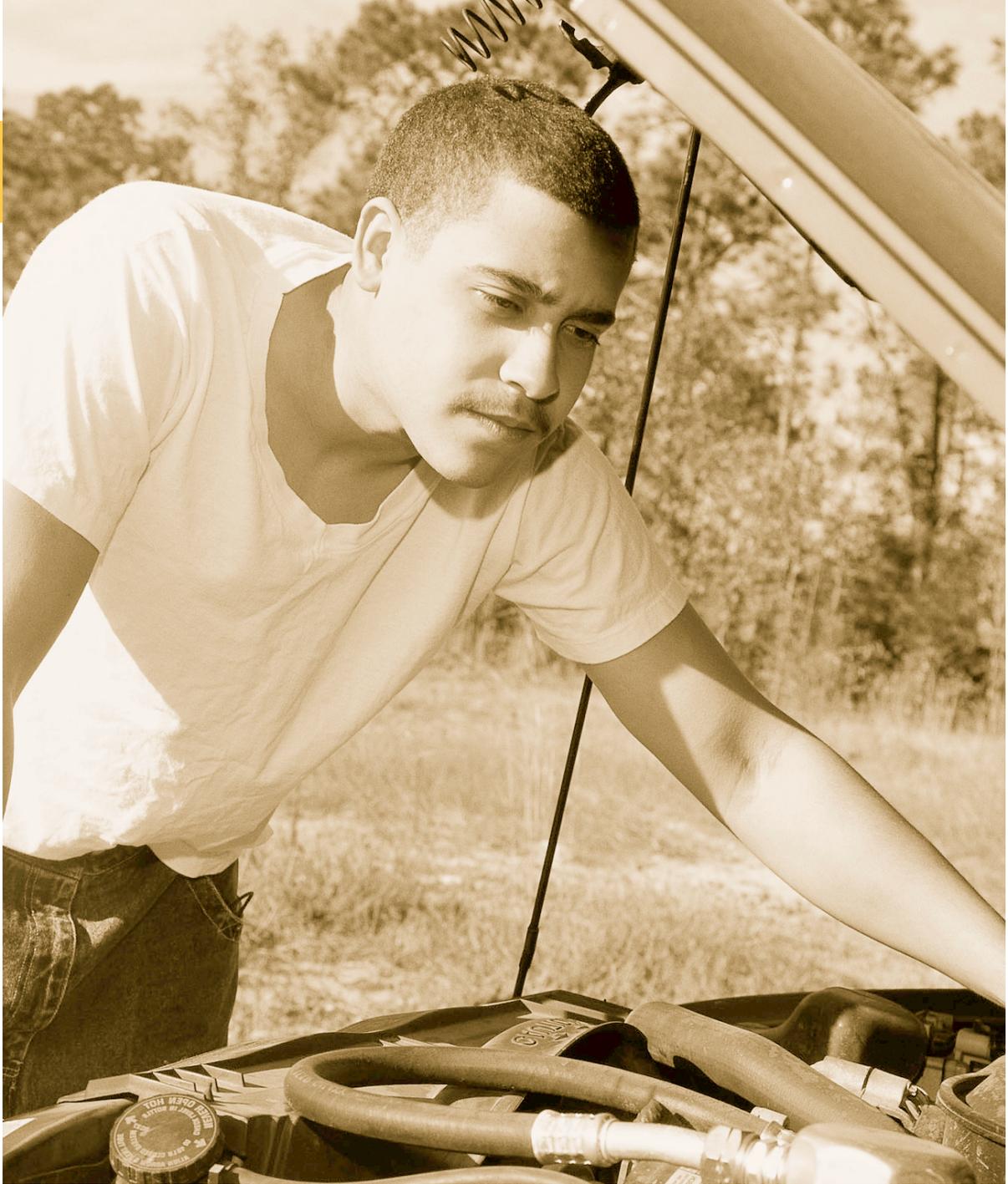
Frankly, few college students and their families can save enough to pay the entire cost of a college education. Instead, they often rely on a combination of savings, family contributions, financial aid, and, possibly, income from a part-time job.

Of course, it's not easy to save—particularly for college students or soon-to-be college students. But learning to set aside some money—even small amounts—in savings may reduce the amount you need in loans and may develop a life-long savings habit.



Here are a few simple ideas to start a savings habit:

- If you receive money from a relative, put the money into a savings account instead of spending it.
- Each day, put \$1 plus any loose change into a jar, box, or some other container. Put the container in a secure place. In a month, you'll probably have around \$50 to put into a savings account.
- Pay yourself first. Try to set aside 10 percent of the money from a work-study or other part-time job into a savings account.



### **Saving for the unexpected**

Another reason to save is to pay for those “unexpected” expenses that always seem to happen. For example, a car could break down, a part-time job may suddenly end, or your computer could suddenly stop “computing.” Having money in an emergency fund will help you get over a loss of income or pay for repairs.

A good rule of thumb is to set aside enough money to pay for three months of basic living expenses. Then, if you can’t find a part-time or work-study job for a quarter, or your computer sends up smoke instead of e-mail messages, you’ll be ready.

## Diana Diaz, Certified Social Worker

# PROFILE

Diana Diaz, 26, loves her work at the New York Board of Education. She has a degree in applied psychology from New York University. She also earned a master's degree from Columbia University.

Diana had emotional and some financial support from her family. "My parents were major motivators," she says. "They emphasized how difficult it was for them. They are very intelligent people, despite limited education. They emphasized how important it was to continue my education.

Diana needed scholarships, student loans, work income, and savings to pay for college.

She lived at home to save money. Diana worked part time in college and full time in graduate school. She had a two-hour commute and often got home very late. She also admits having only a limited social life.

But still, Diana doesn't regret a thing. "I'm glad that I did whatever I had to do. It worked out nicely," she says.

Diana warns today's college students about overusing credit cards: "I didn't want to ask my parents for anything, so I charged everything."

