



Budgeting: Your Money Guide For Getting Through School

**A free publication provided by
CreditGUARD of America, Inc.
a non-profit educational credit counseling and
debt management organization.**

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Course Description: Learn how to successfully manage your money and avoid credit problems. This course will give you money management techniques that can put you in control of your money and help you to graduate with a plan for a successful financial future.

Did you know that...

- 83% of undergraduate students have at least one credit card?
- 41% of students carry credit card debt with an average balance of \$3071?



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- 39% of students now graduate with unmanageable student loan debt?
- A third of college seniors graduate with \$20,000 or more in student loan debt?
- Just over half of students who used loans to pay for college say they feel burdened by their debt?
- 73% of parents of graduating seniors said they expect their son or daughter to take a job at a salary that would require some sort of financial boost from them. Within that group, 38% said their child might have to move back in home with them.
- Only 44% of college students clearly understand the term "budget".

College Life, Money, and Budgeting

Making the most of your money while you're in college can be tough. You may have to rely on student loans, your savings, a full or part-time job, or help from your parents to make ends meet. The money you do bring in may come in spurts rather than in a steady stream. And you may be paying for things you used to take for granted at home, like a place to live or food.

But just because budgeting is challenging doesn't mean you can't do it. In fact, now's a great time to learn how to create and live within a budget. After all, you've gone to school to create a successful future. Learning how to budget is one of the lessons that will stick with you long after you've graduated. If you don't learn to manage your money now, the headaches your debt creates may stay with you for a long time.

At CreditGUARD of America, Inc. we help many college students and recent graduates who are deep in debt from student loans and credit cards. We want to help you and other students avoid problems and become financially successful.

We've created this guide with two purposes in mind:

- To help you create a successful budget and use it.
- To give you proven strategies for avoiding too much debt.

Part One: Managing Debt

Many college-bound seniors get credit card offers before they even set foot on campus. Once at school, they are enticed by credit card companies with offers for free T-shirts, concert tickets or other freebies for filling out an application. Credit card companies are competing to be the first in a student's wallets because they know that students who have their cards are likely to keep them and use them.

Credit isn't all bad. In fact, establishing good credit as a student can help you get the best rates on auto insurance, rent an apartment or buy a home, and avoid deposits on utilities or other services.

The key to managing credit is not to get trapped in the mindset of "I'll buy now and pay later". When you do borrow, you want to ask yourself how and when you'll repay the debt - and how much it will cost you. We've created a Borrowing Worksheet you can use to keep track of your debt and create a repayment schedule.

Tips for Smart Credit Use:

Shop around for the best credit card interest rate. Consider using one card for balances that you'll pay in full and another card with a low interest rate for times when you need to carry a balance. A list of student credit cards is available at www.cardtrak.com.

Don't pay interest on items you don't really need, or for things that will be gone by the time you get your bill. Otherwise, it's like buying that item marked up instead of marked down!

Read your credit card agreements and the correspondence you get from issuers. There may be important information in them. For example, credit card issuers can generally change your interest rate with only 15 days written notice - even on a card with a fixed rate.

Always mail your payments for your credit cards at least 5 business days before the due date. Most credit card companies have steep late payment penalties if your payment doesn't arrive on time. Also, your interest rate on new purchases as well as any current balance may be raised to a very high rate if you are late.

If you pay your debt late, a late payment will likely be reported to the major credit bureaus and will stay on your credit report for seven years. Your other credit card issuers may raise your interest rates if they see you are falling behind on other accounts.

Call your issuers if you can't make a monthly payment on time. Ask them about alternative payment arrangements without damaging your credit or raising your interest rate.

Notify your credit card issuer 30 days before you move, and don't assume that just because you didn't get a bill you don't have to pay it. If a bill doesn't arrive, call your card issuer or lender immediately.

Try to pay off your total balance each month. Just paying the minimum is a trap. If you pay off a \$1000 debt on a card with an 18% interest rate, it will take you more than 12 years to repay.

Aim to keep your debt payments at less than 10% of your income after taxes. If you take home \$750 a month, spend no more than \$75 a month on credit.

Student Loan Strategies

Student loans can be a lifesaver when it comes to financing school. However, they can quickly become a major burden if the payments are unmanageable or if you have a hard time finding a job at your expected salary when you graduate. Here are some tips for avoiding problems with student loans later:

Calculate the cost of your expected student loan payments before you borrow and compare them to the salary you realistically expect to earn when you graduate. Generally, your payments shouldn't exceed 8% of your expected income. Any credit card payments should be included in that 8%.

Graduate school can mean significantly more student loan debt if you must borrow to help pay for it. Consider looking for a job with tuition benefits and attending graduate school while you work.

You may be able to get part of your student loan forgiven or cancelled if you perform certain types of work such as teaching or healthcare in low-income areas, some forms of military service, or if you serve in the Peace Corps. If you'll have a lot of student loan debt, you may want to explore these options before you graduate. Visit the Department of Education's website at www.ed.gov for information on student loan cancellation and forgiveness.

If you anticipate having trouble paying back your student loan, look into options for flexible repayment plans, or postponing your payments. If you fall behind, you'll have fewer options available to you, so be proactive. Contact the Department of Education's Ombudsman's Office for more help at www.sfaahelp.ed.gov.

While you may be anxious to graduate as soon as possible, working full or part-time and attending school part-time may allow you to get valuable work experience while keeping loan balances at a more manageable level.

Borrowing Worksheet

Use the calculators at www.finaid.org/calculators to calculate student loan payments and costs.

Part Two: Budgeting

Research by Consumer Federation of America and Bank of America has found that consumers who have taken the time to write down their financial goals have twice as much money in savings and investments as those who haven't.

Creating and sticking to a budget is one of the keys to taking control of your finances and getting ahead. A budget is simply a plan for the money you bring in. This kit will assist you in breaking down your spending by category (for school and non-school related expenses) and help you set spending limits based on your income. People who get ahead and stay ahead are people who are in control of their finances. It means you are in charge!

Flexible expenses are ones where you control the amount of money you spend.

Sometimes flexible expenses are items you need (like groceries) but you can control how much you spend on them by choosing less expensive items, shopping at discount stores, etc. Depending on your circumstances, a few of the items listed below may fall into the Fixed Expenses category.

Ask friends for support and suggestions for cutting your expenses. You may find ways to help each other, such as splitting bulk groceries, carpooling or renting videos together.

Students or parents who may be headed for a "Debt Disaster" can visit www.CreditGUARD.org or call 1-800-838-7132 for free professional advice by Certified Credit Counselors.

10 steps for students who want to handle credit wisely

The risks are higher than ever for a student with lots of card debt. More employers and landlords are checking the credit reports of job candidates, so the cleaner the credit, the better. Here are the experts' 10 steps for handling it wisely.

- Always remember that credit is a loan. It's real money that you must repay. Before you apply for the first card, decide what the card will be used for — Emergencies only? School supplies? — and determine how the monthly bills will be paid.
- Go slowly. Get one card with a low limit and use it responsibly before you even consider getting another.
- Shop around for the best deal.
- Study your card agreement closely, and always read the fine print flyers enclosed with every bill. Credit card offers vary substantially, and the issuer usually can change the terms at will with 15 days notice.
- Try to pay off your total balance each month. Just paying the minimum is a trap. If you pay off a \$1,000 debt on an 18 percent card by just sending in the minimum each month, it will take more than 12 years to repay.
- Always pay on time. A single slip-up will place a black mark on your credit record — and likely will cause your issuer to increase your interest rate to the maximum.

BORROWING WORKSHEET

Creditor	Interest Rate	Amount Borrowed	Monthly Payment	Time to Pay Off	Interest Cost

Use the debt organizer at www.creditguard.org to calculate interest costs for credit cards.

- Set a budget, follow it faithfully and watch how much you're paying on credit. A good rule of thumb is to keep your debt payments less than 10 percent of your net income after taxes. So if you take home \$750 a month, spend no more than \$75 a month on credit.
- Keep in touch with your issuer by notifying the company promptly when you move. In the event you must be late on a payment, call them before it's late. They want your business for life, so they may be willing to make alternate payment arrangements that won't leave a mark on your credit rating.
- Close accounts you aren't using. Having available-but-unused credit counts against you when it comes time to buy a car. That's because lenders don't like it when you have the ability to go deep into debt quickly.
- At the first sign of credit danger, such as using one card to pay off another, makes the card harder to use. Only carry it when you plan to use it. Lock it up in an inaccessible place or entrust it to your parents.

Ways To Save Money

Airline Fares

Include a Saturday night stay-over, and purchase your ticket in advance. You can reduce the price of a round-trip airfare by as much as two-thirds. To make certain you have a bargain fare, even if you use a travel agent, call all the airlines that fly where you want to go and ask what the lowest fare to your destination is. Keep an eye out for fare wars and be prepared to act quickly.

Car Rentals

Car rental rates can differ greatly; shop around for the best basic rates and special offers. Check with your insurance agent and credit card company in advance to see what kind of coverage you have. This way you'll avoid paying for coverage you already have.

New Cars

You can save thousands of dollars during a car's lifetime by choosing a model that couples a low purchase price with low financing and insurance rates. Purchasing a car that

has good gas mileage, low maintenance, and repair costs can save you a great deal of money in the future. Find new car guides that contain this information in your local library. Comparison shopping for an automobile can save you hundreds of dollars. Call at least five dealers for price quotes and let each know that you are calling others.

NOTE: Do not let dealers pull your credit report until you are satisfied with the price offered. Too many inquiries can look bad on your credit report.

Used Cars

Before buying a used car:

Compare the asking price with the blue book price. Have a trusted mechanic check the car, particularly if the car is sold "as is". Consider acquiring a used car from a person you know and trust. They will be more inclined to charge a lower price and point out any problems with the car.

Leasing A Car

CreditGUARD of America recommends you use the following as a rule of thumb when contemplating leasing a car: Do not decide to lease a car just because the payments are lower than on a conventional auto loan. Leasing a car can be very complex. Consider the price of the car, your trade-in value, down payment, monthly payments, and miscellaneous fees like excess mileage, excess "wear and tear", and the cost of buying the car at the end of the lease. Do not lease the same car for more than 4 years. At that stage, you are at the "break even point" and you need to decide to take one of the following actions:

- a) Return the vehicle to its rightful owner (the lessor).
- b) Trade your leased vehicle in on a new one. If there is "equity" in the car, it should not cost anything to trade it in. This will typically not be the case until you are near the end of your lease (in some cases, you may never have equity).
- c) Purchase the vehicle outright from the lessor, usually for an amount equal to the residual value stated in your lease agreement plus any additional fees.

Auto Loans

If you have considerable savings earning a low interest rate, consider making a large down payment or even paying for the car in cash. This could save you several hundred dollars in finance charges.

Shop for the cheapest loan and you may also save hundreds of dollars in finance charges. Contact several banks, your credit union, and the auto manufacturer's own finance company.

TIPS: Smart Spending Techniques, Practices and Recommendations:

- Begin saving one dollar a day and all pocket change, everyday.
- Wait for sales.
- Comparison-shopping sometimes can save you more than 50 percent.
- Make two shopping trips.
On the first trip compare prices, value, etc. Avoid carrying credit cards, too much cash or a checkbook on the shopping trips. The second trip is when you will actually make the purchase after having determined the best value.
- Use coupons wherever possible and send in for rebates.
- Pay yourself first. Set up a separate savings account once you get paid and immediately transfer a portion (start with 5% of your regular deposit amount) to the savings account. Attempt to forget about the account in order to prevent unnecessary withdrawals. Only access the funds upon emergency.
- Collect and write notes on your cash purchase receipts. This will help you track spending and raise awareness of your spending habits.
- Sell items that are losing value.
- Review all insurance coverage for duplication, raised deductibles, etc.
- Take advantage of consignment shops, rebuilt, and used items.
- Start doing things yourself and do not pay for services you can perform.
- Have weekly meetings on how to improve spending habits with family members, make getting out of debt a family activity.

An Overview of The Budgeting Process

After you have tracked your spending habits for 30 days, you are ready to implement a budget.

You will first have to start by keeping track of your income and writing down your fixed monthly expenses like rent, car payment, etc. Then you want to make a list of your flexible expenses like groceries, utilities, gasoline, etc. Then list discretionary expenses such as clothes, entertainment, etc.

Make sure you are not leaving anything out. Include the coffee you buy every morning, newspapers, stamps, etc.

The key is making sure you include everything you are going to spend money on, and since you have been tracking your funds for the last 30 days, this should be easy for you to do.

When you are finished listing your expenses, add them up and compare to the amount you are bringing home each month. If your expenses are less, great! More money to save. If your expenses are more than you are bringing home, you need to create a spending plan that permits you to diminish your debt and rethink some of your monthly expenses.

Get rid of any unessential spending like eating out or expensive entertainment. Consider taking public transportation rather than owning a car. Clip coupons, buy generic products, and avoid impulse purchases. Contemplate getting a debit card and cut up and cancel your credit cards. Try to cut down your expenses. Use some of your savings to pay off your debt. Withdrawing savings from low-interest accounts to settle high-rate loans usually makes sense.

For the first few months you use this management plan, think of it as a work in progress. Don't get discouraged and quit if things don't go just like you want them to. You may have to change some categories,

add new categories, tweak the dollar amounts, or all of the above. Just stick with it. Each month, you will get better at anticipating and planning your monthly expenses.

Living paycheck to paycheck, with no spending plan, no end-of-the-month summary report, no savings plan, or no idea of

when you would be out of debt is not the right way to plan for the future. Do not worry about becoming a slave to your budget and savings plan. It should reflect your values and it must be compliant to your lifestyle. A budget can finally allow you to stop overspending and start saving. It will bring order and new priorities into your life.

CreditGUARD of America, Inc. is a member of the Palm Beach Better Business Bureau, the Boca Raton Chamber of Commerce, the Association of Independent Consumer Credit Counseling Agencies, and certified by the prestigious International Standards Organization.

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