

Lesson 5 of 5: “Students Becoming Money Mature”

ABSTRACT

Your students will have a great time in college, but there will be hurdles to overcome. One of their biggest challenges will be learning how to manage a job and earnings for the first time without parental supervision. Wisdom in the areas of professionalism, budgeting and credit card use is greatly needed. As a counsellor you can help shape their financial position if they are willing to learn from your experience. Here are some tips to help you with this.

Be Faithful & Professional on Small Jobs

It is important for your students to think like a professional even in small jobs! They are developing good habits such as self-discipline, teamwork, faithfulness, respect for authority and integrity in everything they do. They are creating a “good name” that will follow them into adulthood. Having longevity in one position is important. Most on-campus employers realize they have high turn-over positions. Students come and go and many times quit without giving notice. When a referral is needed, the on-campus employer will vouch for those that gave one to two years of quality work.

Job hopping hinders other things like the timely payment of bills. Defaulting on credit payments can form a pattern that continues post graduation. The National Bureau of Economic Research published a statistic that says 46% of Americans will never gain a net worth in excess of \$10,000, so understanding simple money management skills must begin early.

Create a Simple College Budget

One of the best things we can do is help students create a simple budget. Here are some aspects to consider when doing this.

Stabilize Variable Costs. Fixed costs are bills where the amount due is fixed. It does not change from month to month. These are bills such as car note, rent, insurance, etc. Variable bills change from month to month depending on how much is used. These are things such as gas bill, groceries, entertainment, gasoline, excess cell phone charges, etc. One key to maintaining a budget is to stabilize these variable costs. They do this by setting limits on how much to spend in these areas each month.

Identify Sources of Income. Once students know their fixed and variable costs are, they need to determine if their income will cover the costs. Income can include pay from a part time job, allowance from home, grants, scholarships, or loans. If the expenses exceed income, then they will need to identify ways to reduce expenses or increase income. ^[1]

For example, to help reduce expenses, they may be able to carpool with friends or limit entertainment to once a month. To help increase income, they may need to increase hours on the job they have. They have to consider the affect this will have on their schoolwork which should be priority. Below are other ways students can be thrifty on campus. ^[1]

Walk or ride their bike to classes. This saves money on gas or car maintenance.

Look for free or cheap entertainment. Many campuses host free movie nights, free student concerts or other fee events. Stay away from shopping malls when bored; it's a temptation to make purchases. Instead, keep themselves busy by playing sports or having a picnic with friends.

Use coupons. For every item that purchased, see if there is a coupon for it. This includes groceries, clothing, electronics, etc. If purchasing items online, first visit sites such as www.retailmenot.com, www.ultimatecoupons.com, or www.couponchief.com to check for online coupon codes.

Buy textbooks online. Websites, such as www.half.com and www.amazon.com, offer cheaper textbook prices than local bookstores. In most cases, online shopping is 50% cheaper than buying books in campus bookstores.

Don't shop for groceries when hungry. They'll end up spending way more than originally intended. Tell them to make a list and stick to it!

Set up Accounts. It is probably best for students to open both a checking account and a savings account where extra money can be saved. Look for banks that offer checking accounts with no minimum balances and no monthly fees and a savings account that can be used as overdraft protection for the checking. ^[1]

Some students are not very disciplined and fear accidentally spending money they have in the bank reserved for fixed expenses like rent. In the past, I have suggested buying money orders for their rent payments six months out. Make the money orders out to the apartment complex and store them safely in their room. This provides a mental "hands off – these funds are solely for rent".

Be Money Mature

In college, students will be bombarded with credit card solicitations. Suggest they RUN! While having credit cards is a good way to build credit, they can quickly get into a lot of debt if they are not, what I call, "money mature". Here are two simple ways they can begin developing money maturity when starting to use credit.

One card with a low balance. If a credit card is needed at all, the best suggestion would be to get one card with a fixed limit and maintain that throughout college. I would suggest a \$500 limit. Find a card with no annual fee and a low finance charge. Then charge small amounts (under \$100) only when they know they can pay it off within the month. They are proving to themselves that they can timely pay off debt. If they are not paying debt, tuck the card away in a draw until the small balance is paid.

Don't charge unnecessarily. The biggest mistake for students with a low cash flow is charging things that do not need to be charged. They have to ask themselves, do I really need this if I do not have cash to buy it? Do I need to charge dinner or can I cook what I have at home? Do I need to vacation with friends now or can I wait until later when I have the cash? The national statistic we mentioned earlier is proof that this sort of self control is needed.

Summary

College years for students can be a financially rough time. However, they can survive by maintaining stable employment and using their cash flow wisely. If your students employ these tips, they will soon become "money mature".

Reference

1) Henry, Julie. *Frugal Living: Tips for Surviving on a College Budget. Creating a College Budget*. Retrieved February 27, 2009 from <http://www.ecampustours.com/campuslife/collegebudgets101/survivingonacollegebudget.htm> and <http://www.ecampustours.com/campuslife/collegebudgets101/collegebudget.htm>