

## COLLEGE

## Smart financial tips for college students

By Tamara Lytle • Bankrate.com

When she was a child, Alyssa Parr's dad made her fill in a spreadsheet for her lemonade-stand business, detailing costs and expenses. That's life when you are the daughter of a Certified Financial Planner professional.

But even she made some big financial mistakes last fall during her first semester at California Polytechnic State University. Just a month into the school year, she had made so many Starbucks and Subway purchases that she used up her meal-plan bonus dollars for the quarter. Parr also spent a lot on printer ink before she realized making copies at the library was a lot cheaper. And she failed to budget for the steep supply of materials needed for her architecture class projects.

"(In the) first quarter, I spent so much money, but I learned a lot," says Parr.

Many freshmen -- managing their lives on their own for the first time -- make even bigger mistakes than Parr, a Columbia, Md., native. Some treat friends to pizza, ending up with huge credit card bills. Some students take out larger loans than they need and saddle themselves with years of large loan payments, or they blow through their spending money before midterms.

"They just don't have a clue," says Anissa Arthenayake of the OSU Federal Credit Union in Oregon. She teaches financial literacy to students. "They are taking out student loans that they don't fathom they are going to have to pay back later. They think they deserve everything right now. They don't understand these are college days, and you're supposed to be broke and not have everything you want."

Here are a few ways freshmen can avoid flunking Personal Finance 101.

**Start with a budget.** That means writing down what you think you'll spend in a month and then checking to see how close your estimate was, says Judy McNary, a CFP professional in Boulder, Colo. Don't forget to budget for fun, Parr adds, such as for concerts and eating out with friends. She also budgets about \$100 a month for necessities such as toiletries and food not covered by the meal plan.

**Try a budgeting computer program or smartphone app.** Several websites will help track your money, and Bankrate's budget calculator can help you start planning. But Parr says that's not always easy for busy students. Her dad offered to help pay for school supplies if she tracked her spending, but she couldn't seem to find the time.

One of McNary's clients gave a son all his living expense money for the semester, and he blew it all in a month. "They said, 'That's all we have.' He had to scramble to get part-time work to make rent. I thought it was really good they didn't reopen the wallet."

McNary gave her own three children, now in their 20s, just a month's expenses at once, so they could gradually learn financial lessons "without the magnitude of the whole semester."

**Limit credit card debt.** Learning to manage credit is important, and it helps establish a credit record that young adults need after they graduate. McNary recommends beginning with a store credit card because it doesn't have an annual fee and is less tempting because it can't be used everywhere. Vicki Schultz, a CFP professional in Reno, Nev., says students need to realize how much credit card purchases *really* cost. A \$300 designer purse can add \$3 to \$4 a month in interest charges if the balance isn't paid. "It's costing you a latte a month."

**Don't take out any more in loans than you need.** If a loan provides more than is truly needed, the student should pay the extra back immediately before it starts racking up interest costs, McNary says.

**Many campuses offer to put leftover loan money, after tuition is paid, onto a debit card.** "Instead of looking to see if there are less expensive ways to get your money, the students might do that because it's easy," says Michelle Jun, senior attorney for Consumers Union, which publishes Consumer Reports. She recommends looking for free options such as bank and credit union accounts. Students also should be leery of prepaid debit cards, which can be targeted at teens. "The problem with those can be the fees," Jun says.

**Manage your meals.** Meal plans vary, but for some programs, it's possible to spend it all before the semester ends. Parr has learned to haul herself across campus to the cheaper cafeterias and to stock up on cereal and milk to save money.

**Shop around for books.** Financial planners say buying new texts at campus bookstores may be a lot more expensive than other options. Parr got saddled with a \$130 tab at the campus bookstore for a textbook that cost only \$60 used on Amazon. She failed to order it soon enough for her first homework assignment.

**Think about a part-time job for income.** Parr got a job for 10 hours a week and now earns about what she spends each month on extras -- going out with friends, toiletries, etc. -- alone.

**Watch for hidden costs.** For Parr, it was the cardboard and other materials she needed for building models in her architecture major. She sees students with cars get stuck ferrying around friends without getting paid for the gas.

For the later college years, alcohol is another expense that can really add up without students realizing it, says Alan Moore, a CFP professional in Bozeman, Mont. Sorority and fraternity costs also can be a surprise, Moore says, when you figure in dues, formals, mixers and more.

**Begin a savings account.** McNary says it doesn't have to be a lot. But saving begins a precedent that serves students later in life. "The sooner you can get in the habit of spending less than you make, the better. That sets up everything for them to have good finances later on."

"A lot of people went off to college with all these dreams," Parr says. "Some people are figuring out now what they can and cannot afford. Others will figure it out later."

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