

BUDGETING 101

for College Students

Your Money Guide for Getting Through School



Going to college is often the first taste of financial independence that most young adults get. You're out on your own, managing your own finances and often making your own money. It's a great opportunity to learn, but you also want to avoid common money mistakes that could stay with you for years to come.

Thanks to the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009, fewer students are being tempted to sign-up for credit cards in college. In fact, the Consumer Financial Protection Bureau reports that the market for college credit cards has gotten smaller since the enactment of the CARD Act.

Nevertheless, avoiding credit card debt and budgeting are still important skills for college students to learn. These lifelong skills can help you build a foundation for a financially secure future. If you don't learn to manage your money now, the headaches your debts create may stay with you for a long time.

Recent Statistics:

- *57% of undergraduate students have at least one credit card*
- *25% of them worry their credit card debt is out of control*
- *The average graduate leaves college with over \$35,000 in student loan debt*
- *Young college graduates with student loans are more likely to report struggling financially than those without loans*

Managing Debt

Credit card debt and student loans are the two most common types of debt for college students. Credit card companies compete to be the first in student's wallets because they know

that students who have their cards are likely to keep them and use them. Most people take out student loans when seeking higher education but don't realize the financial impact of these loans until much later.

Credit and borrowing aren't all bad, however. Establishing good credit as a student can help you get the best rates on auto insurance, rent an apartment, or eventually buy a home. It can also help you avoid deposits on utilities or other services.

The key to managing credit is to not 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.

The Income Worksheet and Budgeting Worksheets in this guide are designed to help you keep track of your spending and manage credit card debt. The Borrowing Worksheet will help you keep track of your student loan debt and create a repayment schedule.

Credit Tips

If you are over age 21 or over 18 with verifiable income, you can get a credit card. This can help you build credit, but it also means you can end up with debt problems. Here are some tips to help you develop a healthy relationship with credit cards:

- Start your credit card search by comparing rates for student credit cards online. You can find out more about the terms and perks of a credit card by visiting the credit card issuer's website.
- Consider using one card for balances that you'll pay in full every month and another card with a low interest rate for times when you need to carry a balance for a big purchase.

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- 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 any correspondence you get from issuers. There are important terms and conditions in these letters.
 - Always make your payments for your credit cards before the due date. Most credit card companies have steep late payment penalties. 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 debts late, a late payment will likely to be reported to the major credit bureaus and could stay on your credit report for seven years.
 - Call your issuers if you can't make a monthly payment on time. Ask them about alternative payment arrangements that won't damage your credit or raise your interest rate.
 - Try to pay off your total balance in full each month. Just paying the minimum is a trap. If you pay off a \$1,000 debt on a card with an 18% interest rate with minimum payments, 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, your minimum payments should total no more than \$75.



Student Loan Strategies

Student loans can be a lifesaver when financing an education. 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:

- If you have unsubsidized federal student loans, interest will accrue while you're attending school. If you have the means to do so, you should make payments to prevent your student debt from growing significantly before you graduate.
- Graduate school can mean significantly more student loan debt if you need to borrow money to help pay for it. Consider looking for a job with tuition benefits or attending graduate school while you work.
- You may be able to get part of your student loans 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 [ED.gov](https://www.ed.gov) for information on student loan cancellation and forgiveness.
- If you anticipate having trouble paying back your student loans, 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 your loan servicer or visit Studentaid.gov for more information.

- 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.

Keep in mind that for most student loans, repayment will begin six months after you graduate, leave school, or drop below half-time enrollment.

Credit Card Debt & Student Loans

At Consolidated Credit we help many college students and recent graduates who are deep in debt. We want to help you and other students avoid problems and become financially successful.

On this worksheet, list your current loans or the loans that you are thinking about taking out. 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.

Borrowing Worksheet

Creditor	Interest Rate	Amount Owed	Monthly Payment	Loan Length	Interest Cost

Totals	Average Interest _____%	Total Amount \$_____	Total Monthly Cost \$_____	Total Time To Payoff _____	Total Spent On Interest \$_____

Credit Card Debt Worksheet

Creditor Name	Interest Rate	Balance Owed	Monthly Payment
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
Totals	Average interest of all cards: _____%	Total Owed: \$_____	Monthly Payments: \$_____

College Life & 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, like a place to live or food.

Budgeting can be challenging, but that doesn't mean it's impossible or not worth the effort. 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. The following worksheets will help you keep track of your income and expenses.

The first step of creating your budget is to list all sources of monthly income, including gifts, bonuses, tax refunds, allowances, etc. To tally your income, use the Income Worksheet below.

Income Worksheet

Income Sources	Income Weekly/Bi-Weekly
Your Wages	
Allowance	
Internship Stipends	
Social Security Benefits	
Other	
Other	
Other	
Total	

TIP: Pay yourself first. Set up a savings account and transfer 5% of your income to the account – and try to forget about it. The extra money will come in handy when you need it!

Expenses

The next step involves listing your expenses. Expenses are separated into three categories:

1. Fixed expenses are necessities with a set monthly cost
2. Flexible expenses are necessities that don't have a set cost
3. Discretionary expenses are your wants – those items in your budget that are nice to-haves instead of necessities

TIP: Use your bank statements to fill in the budgeting worksheets. This will help you track your actual spending and help you raise awareness of your spending habits.

Fixed Expense Worksheet

Monthly Expenses	Amount
Rent/Dorm Payment	\$
Activity Fees	\$
Trips/Required Outings	\$
Car Loans/ Lease Payments	\$
Car Insurance	\$
Book Costs for each Semester	\$
Medical Insurance	\$
Credit Card Debt (totalled from the credit card worksheet)	\$

Other	\$
Other	\$
Other	\$
Total	\$

Flexible Expenses Worksheet

The next step involves listing your ***Flexible Expenses***. These expenses are ones where you may have some control over the amount of money you spend. For example, groceries are a necessity because you need food to survive, 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.

Monthly Expenses	Current Payment	Adjusted to Balance Income
Phone Bill	\$	\$
Electric/Gas/Oil/Fuel	\$	\$
Cable/Internet/ Television	\$	\$
Groceries	\$	\$
Household Supplies	\$	\$

School Supplies	\$	\$
Clothes	\$	\$
Dry Cleaning/Laundry	\$	\$
Savings	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

Discretionary Expenses Worksheet

The next step is to list all of the other expenses not listed in the previous categories. These are called ***Discretionary Expenses***. They are items that are not necessary for survival. If your expense-to-income ratio is out of balance and you are spending more money than you earn, items from this category should be eliminated or cut back.

Monthly Expenses	Current Payment	Adjusted to Balance Income
Recreation	\$	\$
Movies/Plays	\$	\$
Dining Out	\$	\$
Sporting Events	\$	\$

Media Subscriptions	\$	\$
Personal Care	\$	\$
Hobbies	\$	\$
Fund-Raisers/Dues	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

Where Do You Stand?

Now that you have compiled your income and expenses it is time to do the grand totals! Total up your expenses and subtract it from your total income. If you spend less than you earn, your budget is balanced. If not, you need to go back and find expenses to cut or cut back.

It's also a good idea to divide your total expenses by the number of paychecks you receive each month. Always keep in mind that you don't want to use credit cards to cover regular expenses in

your budget because this leads to debt problems. Each month set aside enough savings to



cover your fixed expenses and some flexible expenses. This reserve method will save you from living paycheck-to-paycheck. Review your budgeting worksheets every time you get paid. At the end of each month, compare your actual expenses against what you budgeted. As time passes, you may want to only perform this comparison on a quarterly basis.

Mary's Story:

"I went to college straight out of high school and was responsible for all my bills. Unfortunately (student) loans didn't cover all my school expenses, so I started getting credit cards to help buy the things I needed for school and to pay for school-related bills.

*My credit cards became temptations when my friends seemed to always have so much more. To "keep up with the Joneses" I began using my credit cards for more and more non-essentials, such as eating out or going on spring break. I didn't really seem to catch that my cards were really getting me into deep financial trouble because I was up-to-date and current with all my payments, just unable to pay them off in full. I thought I would be able to land that "dream job" that they promised a college education would bring when I was in high school. **I didn't figure that two years after graduation I would only be making \$32,000 a year. Eventually I had built up nearly \$35,000 in credit card debt and \$50,000 in student loans.***



I was at the point where I had collectors harassing me at home and even at work. Now I am working my way through paying off the debt with the help of a credit counseling service, but if I could do it over again, I would say NO to all credit card offers.

Moral of the Story: *Don't use credit cards to live a lifestyle you can't afford.*

End of the Month Budget Analyzer

After the second month of using your budget, use this sheet to compare what you actually spent and the amount you budgeted. This will give you a clear picture of how realistic the amounts you budgeted are for each item. This will also allow you to be more accurate when doing your next monthly budget. Make enough copies of the End of the Month Budget Analyzer so you can try this exercise each month until the end of the year.

End of the Month Budget Analyzer

Date: _____ Monthly Income: _____

Expenses	Budgeted	Actual
Dorm/Rent	\$	\$
Electricity	\$	\$
Telephone	\$	\$
Car Payment	\$	\$
Insurance	\$	\$
Gas	\$	\$

Expenses	Budgeted	Actual
Clothing/Accessories	\$	\$
Dry Cleaning	\$	\$
Medical/Dental	\$	\$
Spiritual/Tithing	\$	\$
Therapy/Financial Counseling	\$	\$
Pets	\$	\$
Movies	\$	\$
Video Rentals	\$	\$
Concerts/Sporting Events	\$	\$
Dining Out/Take Out	\$	\$
Parking/Tolls	\$	\$
Bus/Train	\$	\$
Groceries	\$	\$
Supplies	\$	\$
Self-Care	\$	\$
Toiletries	\$	\$

Savings/Emergency Fund	\$	\$
Stock/Mutual Funds	\$	\$
Gifts	\$	\$
Periodicals/Magazines	\$	\$
Dues/Donations	\$	\$
Total	\$	\$

Jerry's Story:

*"I thought it was so cool at 18 to be able to buy things and pay just a little bit per month. I worked two full-time jobs to support myself through college, and ended up with four credit cards, all maxed to their limits. I had trouble keeping up with just the minimum payments on all of the cards, and became frustrated at how, even though I was making monthly payments, my balances actually went up each month due to interest rates. I'm now 22 years old, and I've had a lot of problems because of my credit history. I still have \$17,000 in credit card debt that I'm working to pay off with the help of a nonprofit credit counseling service. Before joining their debt management program, I couldn't get a bank account or an apartment without my mom co-signing on it. **According to my latest credit report, these credit snafus from my college years will be on my record until I'm 29 years old! Buying a house, a car, getting loans, etc. are***

going to be very tough until I am in my 30's. Moral of the Story: Don't borrow from your future to pay for things that won't last.

Budgeting Tips

When you first start budgeting, it makes sense to write things out so you can see the numbers right in front of you and make adjustments as needed. But as you get comfortable with your budget, pen and paper worksheets may be too time-consuming.

To make sure that you can stick to your budget, use technology! There are plenty of smartphone apps and online budgeting platforms that can make maintaining your budget easier. They link to your bank accounts and categorize transactions automatically for you.

For example, [Mint](#) is an app that you can use for free. If you prefer budgeting with spreadsheets, [Tiller](#) can be a good option, although you'll pay a monthly subscription fee. Take some time to research these types of programs and find one that fits your needs and lifestyle.

More Money Management Tips

Credit card debt and student loans can haunt college students long after they graduate. Here are some additional tips for handling credit card debt and student loan debt wisely:

1. **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 or just school supplies—and determine how the monthly bills will be paid.

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2. **Go slowly.** Get one card with a low limit and use it responsibly before you even consider getting another one.
 3. **Avoid using more than 30% of your available credit.** Credit card debt is not the only thing that can wreck your score and make future financing harder. Use the **Credit Card Debt Worksheet** to keep track of your monthly balances and strive to pay off your balances in full.
 4. **Avoid closing your credit card if you can help it.** The longer your credit card account stays open, the larger, positive impact it has on your credit score.
 5. **Study your student loan agreements closely.** Use studentaid.gov to keep track of your lenders, your loan amounts, and your interest rates. If you have private student loans, keep any and all paperwork you sign. Contact your school if you can't locate your student loan records.
 6. **Consider paying off the interest on your student loans while you're still in school.** This way, you can cut down on the cost of your loan overtime. If you have subsidized federal student loans, the government will pay interest while you are attending school and while your loans are deferred.
 7. **Carefully review your student loan repayment options.** Depending on your situation after graduation, you can adjust your repayment plans to make repaying your loans more affordable.
 8. **Consider keeping your budget student-like after graduation.** Even if you land a well-paying job, remaining frugal can help you stay out of debt and achieve financial independence.