



FRESHMAN FINANCE 101: MONEY MANAGEMENT SKILLS FOR COLLEGE STUDENTS

Don't wait until you're headed off to school to learn how to manage money. Start by sitting down with your parents to discuss monetary issues openly.

HAVE A PLAN IN PLACE

To avoid misunderstandings with your parents, be up front about which college expenses they will cover and which they expect you to pay. Once you're in agreement, have them set up a plan for disbursing those funds.

Monthly payments typically work best. If your parents give you a large lump sum at the beginning of the semester, you may be tempted to use the entire amount in the first few months. When the money runs out, unless it's an emergency, you won't be able to cover the shortfall and you'll never learn the value of living on a budget.

FOCUS ON BUDGETING

College life is full of opportunities to spend. By developing a budget you can maintain control of your money and limit spending. Get started by listing all sources of income—job earnings, savings, and parental support— and then develop a list of what you think you might spend in each category for a month.

Identifying your living expenses in advance can be tricky. For starters, think about the cost of books and school supplies, meals not covered by a meal plan, entertainment, personal care items, laundry, telephone and Internet service, cab rides or car expenses, and clothes. Remember, budgets need to be flexible and can be revised after the first month or two.

The next step is to total income and expenses. If expenses are higher than your income, you'll need to find ways to increase the income, perhaps by taking on a part-time job or by reducing spending.

CREDIT CARDS CAN SPELL DANGER

With credit card companies aggressively targeting college students, credit cards can be a major pitfall. Having a credit card for emergencies and for building a credit history is not necessarily a bad idea. But for some, access to credit is an invitation to overspend.

If you decide to get a credit card, be sure you understand how credit works. You should never charging more than the amount you can comfortably afford to pay each month.

Want to be on the safe side? Use a debit card for everyday expenses and reserve the credit card for true emergencies. Debit cards give you all the convenience you need but are limited to the amount of money in your bank account.

CHECKING ACCOUNTS PROVIDE CONVENIENCE AND TEACH SKILLS

It's usually a good idea to open a checking account in the area where your school is located.

Locate a bank that offers free or low-fee checking for students and has several convenient ATM locations. This reduces out-of-network ATM fees.

You should know how to balance a checkbook. It's a tedious job, but it's cheaper than bouncing checks. Also, it's important to know that out-of-state check deposits take a few days to clear.

SMART SPENDING SAVES DOLLARS

Keep your spending under control by looking for low-cost entertainment on campus. Universities and college towns are known for having excellent entertainment at lower prices. Also, joining clubs and organizations means that you will have something to do and someone to do it with, and the expenses are far less than a weekend shopping spree. It's also good to learn to comparison shop and economize. Clipping coupons, purchasing used textbooks, sharing cab rides, buying generic brands, and renting videos instead of going to the movies are just some of the ways you can save money.

The 360 Degrees of Financial Literacy Web site offers general information for managing personal finances and does not recommend specific financial actions. For financial advice tailored to your situation, please contact an expert such as a CPA or a personal financial advisor.

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