

\$uccessful Start and the Office of Student Services Present:

MONEY MANAGEMENT

SESSION OBJECTIVES

- Put you in a position to begin budgeting and saving money even while you are in school
- Know the basics of credit reports and credit scores and put into practice simple habits that will save you thousands of dollars over your lifetime
- Give you easy tips to help decrease the overall cost of your educational borrowing
- Understand loan repayment options

BUDGETING

WHY BUDGET?

- ✦ Tracking your expenses gives you a strong sense of where your money goes and can help you reach your financial goals

OBSTACLES TO BUDGETING

- Discipline
- Thinking that it doesn't matter
- Procrastinating
- Family or other will send me more money
- My birthday/holiday money will arrive soon
- My student loan check will take care of my expenses

SUCCESSFUL BUDGETING

× 5 Quick and Easy Steps:

- Determine budget categories
- Identify all sources and amounts of income
- Identify how dollars are spent today
- Calculate budget amounts
- Set goals and make adjustments

DETERMINE BUDGET CATEGORIES

- Common mistake: Fit your spending into somebody else's categories
- Successful budgeting includes categories that reflect the way you spend money

IDENTIFY INCOME

- Review all sources and amounts of income (after-tax) for past three months to determine monthly income
- Examples:
 - + Employment
 - + Student Loans
 - + Checking Account
 - + Savings Account

IDENTIFY EXPENSES

- Review all bills and expenses for the last three months to determine monthly expenses
- Examples:
 - + Recurring Expenses
 - + Variable Expenses
 - + Yearly Expenses

FIXED VS. DISCRETIONARY EXPENSES

- Rent
- Groceries
- Utilities
- Car Insurance
- Haircuts
- Laundry
- Cell phones
- Restaurants
- Cable TV
- Vacations
- Takeout
- Designer Clothes

SET GOALS AND MAKE ADJUSTMENTS

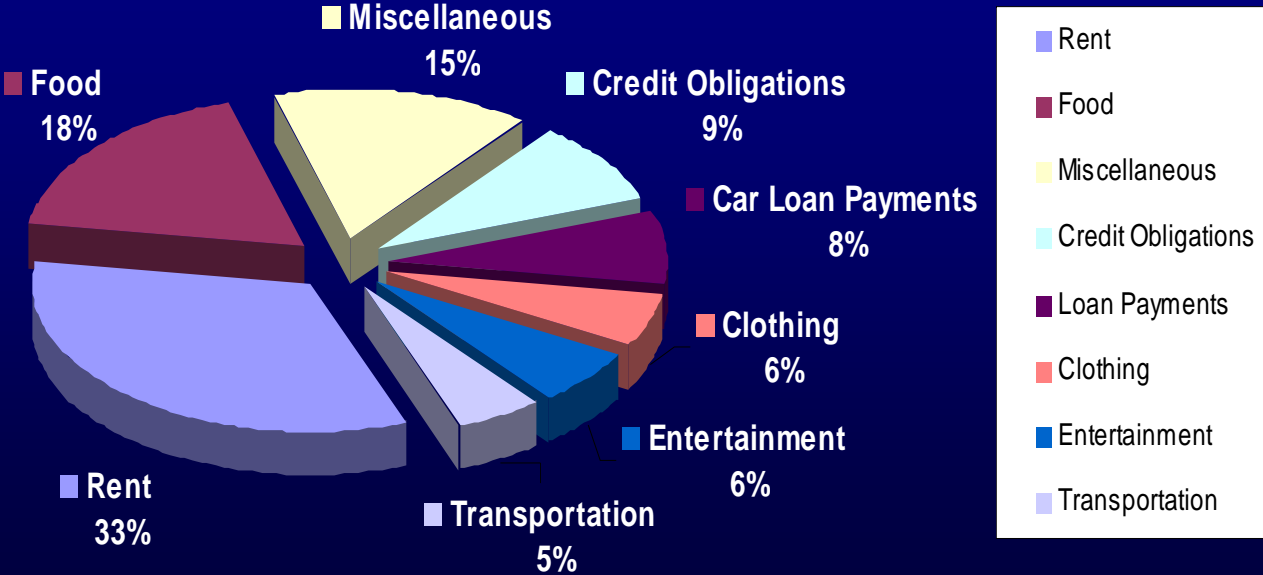
- Set goals that reflect your true financial picture
- Two types of financial goals:
 - + managing your money
 - + spending your money
- Monitor budgeting process for two months to identify areas where you can save

EMERGENCY FUNDS

- Emergency funds are an absolute necessity!!
- Emergency funds = 3 – 6 months of basic living expenses
- Emergency funds should be kept separate from a savings account that is used primarily for large, planned purchases

SAMPLE MONTHLY BUDGET

Sample Monthly Student Budget



MONEY LEAKAGE

- ✘ Dinner out every Saturday night:
 - ✘ \$1920 per year
- ✘ One tall Starbucks coffee per weekday:
 - ✘ \$780 per year
- ✘ Wendy's #2 Combo + tax twice a week:
- ✘ #2 Classic Double® with Cheese Combo
 - ✘ \$364 per year

YOUR TIPS ON SAVING MONEY?

- Housing?
- Groceries?
- Phone?
- Transportation?
- Banking and Taxes?

NOW WHAT?

✘ If Deficit

- Look for ways of raising your income
- Look for ways of cutting costs

BENEFITS OF BUDGETING

- ✘ Less reliance on credit
- ✘ More buying power
- ✘ Better credit scores
- ✘ Ability to obtain credit any time
- ✘ Lower credit costs (prime rate)

BORROW SMART

LOAN EXAMPLE- MINIMIZE BORROWING

- ✘ Loan Balance:
\$30,000.00
- ✘ Monthly Loan
Payment:\$345.24
- Cumulative Payments:
\$41,428.91
- ✘ Total Interest Paid:
\$11,428.91
- ✘ Loan Balance:
\$28,000.00
- ✘ Monthly Loan
Payment:\$322.22
- Cumulative Payments:
\$38,666.99
- ✘ Total Interest Paid:
\$10,666.99

If you borrow only \$2,000.00 less during your education, you will save \$**2,761.92** and \$23.02 per month in payments.

LOAN EXAMPLE- EARLY REPAYMENT

- ✘ Loan Balance: \$22,000.00
- ✘ Loan Interest Rate: 6.80%
- ✘ Loan Term: 15 years
Monthly Loan Payment:\$195.29
- ✘ Number of Payments: 180
Cumulative Payments: \$35,152.34

- ✘ Total Interest Paid: \$13,152.34

LOAN EXAMPLE- EARLY REPAYMENT

- ✘ Loan Balance: \$22,000.00
- ✘ Loan Interest Rate: 6.80%
- ✘ Loan Term: 10 years
- ✘ Monthly Loan Payment:\$253.18
- ✘ Number of Payments: 120
Cumulative Payments: \$30,381.04
- ✘ Total Interest Paid: \$8,381.04

- ✘ You save **\$4,771.13** in real money. This savings translates into a guaranteed, tax-free, average annual return of 6%.

LOAN EXAMPLE- CAPITALIZATION

- ✘ Loan Type: Unsubsidized
- ✘ Loan Amount: \$8,900.00
- ✘ Interest Rate: 6.8%
- ✘ Repayment Term: 10 years
- ✘ Capitalization Frequency: Quarterly

LOAN EXAMPLE- CAPITALIZATION

- ✘ Amount Borrowed: \$8,900.00
 - ✘ Amount owed when you leave school: \$10,715.60
 - ✘ Total Payments: \$14,388.11
 - ✘ Total Interest Paid: \$5,488.11
 - ✘ In-School Interest: \$1,815.60
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- ✘ If you had paid interest while in school, you would save **\$622.55**.

CREDIT CARD EXAMPLE

× Charge	\$1,000.00
× Interest	17.99%
× Minimum Payment	\$20.00

- × At this payment rate,
how long will it take to pay the balance?
 - × 93 months (7.75 years)
 - × How much interest was paid?
 - × \$861.02 or 86% of the initial loan amount

CREDIT CARD EXAMPLE B

× Charge	\$1,000.00
× Interest	17.99%
× Minimum Payment	\$20.00
× Monthly Payments Made	\$25.00

- × At this payment rate, how long will it take to pay the balance?
 - × 62 months (5.16 years)
 - × How much interest was paid?
 - × \$538.07 or 54% of the initial loan amount

CREDIT REPORTS

CREDIT REPORT FACTS

- Record of your credit payment history
- Illustrates the amount you have borrowed in credit cards and loans and your timeliness of payment
- Contains identifying information
- Used to determine creditworthiness

ANATOMY OF A CREDIT REPORT

Section 1: Personal Identification Information

Section 2: Public Record Information

Section 3: Collection Agency Account Information

Section 4: Credit Account Information

Section 5: Companies Requesting your Credit
File

HOW TO OBTAIN YOUR CREDIT REPORT

Credit Agencies:

- ✘ Equifax www.equifax.com
- ✘ Experian www.experian.com
- ✘ Trans Union www.transunion.com

- ✘ One free report from each agency every 12 months:
 - ✘ www.annualcreditreport.com

- ✘ ** do not use www.freecreditreport.com ***

CREDIT SCORES

ESTABLISHING GOOD CREDIT

- ✘ Pay your bills on time
- ✘ Establish credit early
- ✘ Don't max out your account limits
- ✘ Don't apply for too much credit in a short period of time
- ✘ Fill out applications uniformly
- ✘ Check your credit report annually or 4 months before major purchase

CREDIT SCORE

- Reflection of the information on your credit report
- Formula developed by Fair and Isaac Corporation (FICO)
- Scores range from 300-850
- Average score is 720
- The lower the score, the greater the risk it is to lend you money

REQUIREMENTS FOR THE PERFECT SCORE

- Having paid all bills on time during the past seven years
- Having a minimum of 30 years of credit use
- Having between four and six revolving credit accounts

IMPACT ON INTEREST RATES

- ✘ How much can your FICO score impact the interest you pay on a loan?

A LOT!!

HOW TO BE A WISE BORROWER

- ✘ Consider your future salary when borrowing – check our website, www.amsa.com/bor to find out what you can expect to earn after graduation
- ✘ Use credit cards sparingly – that \$5 latte could cost you \$15 or more depending on how quickly you repay your balance
- ✘ If you use your credit card, pay “on-time, in full, as agreed”
- ✘ Learn how to budget now – track monthly income and expenses so you know the “big picture”
- ✘ Beware living “in the future” – live like a student today, so you won’t have to later

USEFUL WEBSITES

- ✦ American Student Assistance:
www.amsa.com/bor
- ✦ Repayment and Career Information:
www.journeyonline.org
- ✦ U.S. Department of Education:
www.ed.gov
- ✦ Career Voyages
www.careervoyages.gov

RESOURCES AND FINAL MESSAGE

- Keep all Financial Aid information in one place for future reference.
- Additional websites for unbiased guidance:
www.bankrate.com
www.consumerreports.org
- Don't be afraid to ask questions. Seek out your Financial Aid administrators

MORE HELP

- ✦ Consumer Credit Counseling Service
www.cccsintl.org
- ✦ www.moneymanagement.org
- ✦ Jump\$tart Coalition for Personal Financial Literacy
www.jumpstart.org
- ✦ Student Loan Locators
www.loanlocators.org
- ✦ [ww.nslds.ed.gov](http://www.nslds.ed.gov)
- ✦ A Student's Life (click on "After College")
www.astudentlife.com
- ✦ www.mint.com

QUESTIONS?

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- × <http://twitter.com/#!/SuccessfulStart>