

This topic is one of several in Access Group's WiseBorrower® Education Series.

Budget Planning

Managing Costs During Graduate School

Implementing an Effective Financial Plan

The cost of obtaining a graduate education represents a substantial financial commitment. If you are like many students today, you will need to rely on education loans to help pay for your education. In doing so, it is important to understand the serious nature of the financial obligation you are undertaking and what it will mean to you in the future. By taking a proactive approach and exercising prudent borrowing strategies, you can help ensure success in meeting your personal and professional objectives. Budget planning should be an important step in your borrowing strategy. It will help you determine how much you need to borrow and can insure that it is the minimum amount possible.

Taking Your Financial Pulse

Before determining your borrowing needs, it is important that you have a clear understanding of your current financial status and the financial commitments you have made prior to entering graduate school. If you have outstanding undergraduate debt, it is important that you understand the nature of those loans, the total dollar amount owed, and the amount of any interest that has accrued. If you have other consumer loans (such as car loans, credit cards, etc.), you need to understand what your repayment obligations are in relation to those loans, and how they will affect your ability to handle additional debt.

Identifying Your Financial Resources

The first step in budget planning is to identify available resources.

Yearly Resources Available While Attending Graduate School

Anticipated Income	Employment (net annual salary)	
	Other income (spouse's income)	
Other Resources	Savings and Parent Contributions	
	Gifts and Other Sources	
Financial Aid	Scholarships, Grants, Tuition Waivers	
	Work Study	
	Federal Loans (Stafford, PLUS, etc.)	
	Other Loans (private, institutional)	
	Total Yearly Resources	

Identifying Your Educational Expenses

It is recommended that you take a very conservative approach in evaluating your financial needs while attending graduate school, especially if you are relying on loans as a primary source of financial aid. Be as thrifty as possible. This will help you to have more disposable income in the future and allow you the freedom to achieve your professional goals. Most education loan programs limit borrowing to cover the cost of attendance as determined by the financial aid administrator at your institution. Cost of attendance typically includes allowances for tuition, books, fees, room and board, transportation, miscellaneous personal expenses, and child care (if applicable). You should begin by determining approximately how much money you will need to meet your educational expenses for each academic year.

Direct Educational Expenses Per Year

Tuition	
Fees	
Books, Supplies, etc.	
Total Educational Expense Per Year	

Identifying Living Expenses

Use the following budget worksheet to estimate your living expenses while you are in school. You may wish to personalize the budget to more accurately reflect your personal expenses. Lifestyle requirements should be realistic.

Basic Personal Living Expenses (per month)	Mortgage or Rent		
	Utilities	Electric/Gas/Oil/Water/Sewer	
		Telephone and Cable	
	Food	Groceries, Dining out	
	Transportation	Car Payment	
		Maintenance and Repair	
		Gas	
		Parking/Public Transportation	
	Insurance	Auto	
		Medical and Dental	
Home/Apartment			
Life			
Other			
Other Personal Living Expenses (per month)	All Other Loan Payments (student, personal, etc.)		
	Dependent Care Expenses (child, spouse)		
	Clothing		
	Household Goods and Furnishings		
	Miscellaneous Personal Living Expenses		
Miscellaneous Expenses (per month)	Recreation/Entertainment		
	Interview Expenses (suits, travel, resume, etc.)		
	Other Miscellaneous Expenses		
Total Monthly Living Expenses			
Total Yearly Living Expense (multiply above line by 12)			

Putting the Numbers Together

Once you have calculated your yearly resources and expenses, insert the numbers into the table below.

Line 1		Total Yearly Resources	
Line 2	—	Total Yearly Educational Expenses	
Line 3	—	Total Yearly Living Expenses	
subtract lines 2 & 3 from line 1	Line 4	=	Yearly Discretionary Income
	Line 5	X	Number of Years in Graduate School
multiply line 4 by line 5	Line 6	=	Total Discretionary Income

How to Use This Projection

If your discretionary income figures are negative or zero, you may have to make some lifestyle changes in order to balance your budget. Here are some suggestions to cut your expenses:

- Find one or more roommates to share housing and other living expenses.
- Consider reducing entertainment expenses, such as dining out.
- Consider public transportation, which may be cheaper than owning a car.
- Refrain from taking on further consumer debt, such as credit cards or consumer loans.
- If your calculation shows available discretionary income, consider reducing what you plan to borrow.

Living on a Budget

In order to make your money stretch, you may find that it is helpful to pay your fixed expenses at the beginning of each term (tuition, books, fees, etc.) and then place the remaining discretionary funds into a savings account. At the beginning of each month, move the amount of money you have established for your monthly budget (see previous page) from your savings account to your checking account, then pay all monthly expenses from your checking account. The objective is to make the money last throughout the month, and not tap reserves in savings. By following this approach, you can avoid borrowing additional loans to meet annual expenses. Occasionally, you may even be able to treat yourself to a “bonus!”

Establishing a Prudent Borrowing Strategy

If you must borrow money to fund your education, you should implement some additional prudent borrowing techniques. The following suggestions may be helpful in reducing the level of debt you incur during graduate school:

- Limit the number of consumer debts you acquire while enrolled in school.
- Save money by working during school breaks.
- Maintain realistic expectations about the amount of debt you can handle.
- Determine if you can afford to repay what you are borrowing in education loans by estimating what your future out-of-school budget will look like once you have graduated and are working in your chosen profession.

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