

## Financial Literacy (Personal Finance 101)

Financial literacy (education on the management of personal finances) is an essential part of planning and paying for postsecondary education. Everyone needs to understand the options with respect to the vast array of financial products, services, and providers to make sound financial decisions.

### Learn "fiscal fitness" now for a lifetime of financial well-being.

Fiscal fitness means practicing smart money management techniques. Decisions you make about handling your money before and during college can have a huge impact on your future. Before making major financial decisions, educate yourself about options and be consistent in making informed financial decisions. Learning good personal finance skills now can help you reach your goals and find success sooner. Your life goals are important, so make sure you have the money to make them a reality.

### Financial Planning

When you want something in life, it's best to have a plan for how you will get it. Everyone wants a life of financial security—the ability to save and invest so that your money is working for you in a way that enables you to fulfill your life's goals. To achieve financial security, you need to create a financial plan.

A financial plan is simply a roadmap for how you will manage your money on an ongoing basis. At its most basic, a financial plan involves defining your money goals, identifying the steps it will take to reach those goals, and then following through with those steps.

The sooner you develop and implement a financial plan, the sooner you can be financially secure. The National Endowment for Financial Education at <http://www.smartaboutmoney.org> includes tips to create your financial plan, as well as many other smart ideas for saving, spending, and protecting your money.

### Practice Good Credit Habits

Even if you don't need loans to pay for college, sooner or later you will probably need to borrow money. Your borrowing and repayment history is tracked by the financial industry to create your credit score, which helps lenders gauge whether you are a good credit risk. The better your credit score, the easier it will be for you to borrow money and the better terms you will be offered. A good credit score can save you thousands of dollars over your lifetime. Here are some ways to build and maintain a good credit score (typically a score of 700 or higher) and avoid financial headaches:

- **Always pay your bills and loan installments on time.** To avoid late fees, note the due dates for bills and installments as soon as you receive them. Keep a copy of all bills and loan payments you make.
- **Don't bounce checks.** Bouncing a check means writing a check for more money than you have available in your account. Aside from hurting your credit score, banks usually charge you a fee for every bounced check. The fees are automatically charged to your account, which can cause subsequent checks to bounce, leading to more fees, more bounced checks, etc. Bounced checks can lead to real money problems and even get you into legal trouble. The good news is that with a little caution and diligence, you can prevent bounced checks altogether by being aware of the amount of money in your bank account and spending only what you can afford.
- **Avoid credit cards.** In college, you'll get tons of credit card offers. Your best move? Shred them. Don't sign up for a credit card just to get something for free. As attractive as easy credit might seem, credit card interest can put you in a very deep financial hole that can take years to dig out of. If you feel you need a credit card or you want to start building your credit history, apply for one credit card with the lowest interest rate available then charge only what you can afford to repay. Also, pay the balance in full to avoid interest charges.
- **Don't ignore credit problems, get help ASAP.** In spite of your best intentions, you may get in over your head. Credit problems include missed payments, bounced checks, and credit card debt; these problems lead to a lower credit score and a more difficult time when borrowing money in the future. Sometimes, people mistakenly believe that if they ignore their credit problems, these problems will go away. Instead, their credit

### A Few Basic Financial Tips for College Students

- **Organize your files.** Creating a paper and/or electronic filing system will make paying your bills on time and meeting deadlines easier. Record keeping also helps avoid potential disputes-disagreements regarding whether the terms you agreed to with banks, stores, or friends have been upheld including timing of payment and amounts. You'll also want to keep records for tax purposes.
- **Make a budget and stick to it.** A budget is just a self-imposed guideline for how much money you can spend and what you can spend it on. You will be amazed at how much farther your money goes when you have a budget. Life is unpredictable, so don't forget to allocate money for unexpected expenses in your budget.
- **Buy used books.** Many students and their parents are shocked to learn how much textbooks cost. They can average \$1,000 plus a year. Most campus bookstores sell used books that can help reduce this cost. You might also save money by buying or renting textbooks online.
- **Leave your car at home.** Cars cost more than just gas money. Don't forget about insurance, parking (and parking tickets!) and repair expenses. Walk, use public transportation, and/or ride a bike. You may also want to arrange a carpool with friends if public transportation isn't available.
- **Watch the ATM fees.** They can add up quickly. Look for a bank with free ATMs near your school.
- **Save on snacks.** If you can, avoid buying snacks at vending machines or convenience stores. Stock up at your local grocery store and keep them with you during the day to avoid more expensive and less healthy on-the-go options.
- **Consider living costs.** Aside from rent, you will probably have utility bills and grocery expenses, at a minimum. You may also need to pay rental insurance and property maintenance fees. Learn what other expenses you'll be responsible for, in addition to rent.
- **Use student discounts to your advantage.** It's common for movie theaters, concert halls, restaurants, insurance and travel companies to offer steep discounts with a student I.D. Just ask!
- **Start saving.** A few dollars here and there can make a big difference later in life. Saving and investing your money puts your money to work for you.
- **Keep life in balance.** Money management is important, but it's only a means to get you where you want to be in life. Strong values, good friends, and a solid education should all be part of your plan for success.

The Web sites listed below provide information on managing personal finances and information on consumer protection.

[MyMoney.gov](#) is the U.S. government's Web site dedicated to teaching you the basics about financial education. You will find valuable information on such topics as budgeting, credit management, saving and investing, financial planning, paying for education beyond high school, and managing loan obligations. The free "My Money" Tool Kit package covers publications on saving, investing, protecting, and getting the most for your money.

[360 Degrees of Financial Literacy](#) sponsored by The American Institute of Certified Public Accountants, contains articles addressing such topics as "Freshman Finance 101: Money Management Skills for College Students" and "College students and credit cards: What you don't know can hurt you."

[FDIC Consumer News](#) provides articles on how to become a smarter, safer user of financial services that will protect and stretch your earnings.

