

Tips for Freshman Year Finances

By Patricia A. Konetzny, CFP® EA

If your son or daughter is planning to go to college next September, you are probably making a list of all the things to bring: sheets, towels, desk lamp, and backpack. Their list may be more elaborate and include a TV, microwave, and refrigerator. However, there is one item more important than all of these – a budget.

As my children can attest, having a financial planner for a mother means discussing finances. After years of babysitting and summer jobs (and saving 50% of what she earned for college), our eldest, Mary, went off to college the fall of 2000. Between hard work and scholarships, she paid for the entire semester herself. Before leaving, we sat down together and helped her plan how much she would need for living expenses for the semester and deposited the money into her bank account. We thought she had a sensible budget, but by Thanksgiving, she experienced a serious cash crunch (she was out of money!)

Since I thought we gave her all the skills she needed to live within her budget, I asked her to help come up with a list of financial tips for college freshman. Most are things we talked about before she left, but like many aspects of life, she had to experience them first-hand. These are her tips (with a few extras from me) for trying to avoid the cash crunch. Maybe the experience of an 18 year-old freshman will make a difference for your child:

- **Make a budget for all of your living expenses** - Books are a big item but don't forget the phone bill, laundry money, transportation home, pizza, and more pizza. Save your quarters for laundry and always bring home your wash if you are going home for the weekend.
- **Don't forget that all the \$5 to \$10 take-out food adds up** - Chances are good that almost every night someone will be calling for pizza or buffalo chicken wings to be delivered. Don't get in the habit of ordering out. It is very expensive and a waste of the meal plan money.
- **Speaking of meal plans, buy the least expensive one** - College students have a habit of staying up late so making it to breakfast is highly unlikely. Instead, bring an extra piece of fruit back to the dorm and buy a box of cereal to have on hand. Reconsider this if your child tends to go to the grocery store often. An unlimited meal plan is much less expensive.
- **Be careful about the phone bill** – it adds up quickly! Understand your long distance plan and the different rates at different times. Use discount phone cards when their per-minute rate is the best deal. Email is even cheaper and with AOL Instant Messenger, it's easy to "talk" without it costing extra.
- **Don't deposit the entire semester's money in your bank account in September** - (This was my daughter's number one tip.) I thought it would be a good learning experience for her to have to self-discipline for the entire semester. But when she ran out of money, I told her what I would tell a client: you either have to make more money or spend less. It was too late to spend less for that semester, so she made plans to come home for the weekend, work, and earn enough money to get her through. (I started a 6-month budget with my younger children so they could learn

to plan longer-term how to handle their money before they go off to college.)

- **Spend your money on what you want the most** - A Brita Filter or 2-gallon jug of store water costs less than the fashionable 16-ounce bottles. Which is more important to you – going out on the weekend or drinking water from a small bottle?
- **Limit the ATM and Debit card withdrawals** - Have a weekly ATM budget, and write down each withdrawal or purchase just like you would a check. University Cards (similar to debit cards and can be used to purchase almost anything at school) are convenient, but it's easy to overspend when you're not actually handling the money. Open a bank account near school that allows ATM withdrawals from different banks without a fee.
- **Avoid all credit card offers** - If you need an emergency card, get a low limit (\$500) and don't use it unless it's a real emergency. Those free t-shirts aren't really free!
- **Don't use your social security number as your student ID due to the risk of identity theft** - I was surprised to have the registrar's office tell me that almost all kids use their social security number in spite of the fact that they have the option to choose another number.

Freshman year is an exciting time and a great learning experience.

Unfortunately, handling finances isn't taught in most high schools so our children aren't prepared for the financial decisions they have to make. Following these few ideas may help them learn good financial skills as they begin this special time in their lives.

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