

CARE Program

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The Creating A Realistic College Budget That You Can Stick To

(some of these tips are included in the Jan/Feb 2005 issue of NextStep Magazine)

When I was in college I wish I had not: (1) spent as much money on beer and alcohol; (2) lent as much money to my friends, or picked up the tab for their food and drinks when they didn't have any money, because they seldom paid me back; (3) gone on an expensive spring break vacation all four years; (4) made so many stops at the gourmet coffee shops; (5) purchased so much school logo clothing at the campus bookstore; or (6) tried so hard to keep up with my friends who were either wealthier than me or willing to go into credit card debt to do things that they couldn't afford.

When I was in college I wish I had: (1) taken the time to create a realistic budget and then stuck to it; (2) looked for a better paying summer job or took a job at school right away, so that I had more money to spend; (3) taken advantage of more of the free things to do on campus or around town; (4) thought more about ways to save money on simple things like buying snacks at the grocery store or a discount store, rather than at the campus store or a nearby convenience store; (5) waited a month or two to rent a movie or see it at a discount theater, rather than always going to first-run theaters; (6) checked around for the cheapest gas prices, or took advantage of weekend gas sales that many gas stations offer; (7) better checked out in advance the many fees I had to pay for school clubs and other extracurricular activities; (8) better researched the best phone plan for my needs; or (9) purchased some of my school books used, or at www.bestbookbuys.com or www.half.com, rather than at the campus book store.

These are only some of the Do's and Don'ts that are frequently heard from college students and recent college graduates. In this article we will suggest a series of steps so that you and your parents can develop a realistic college budget that is based upon reasonable and necessary expenses. We will also share with you more Do's and Don'ts that will make it easier for you to stick to your budget when you get to college. This way you can win the game of making it through college without spending any more than you really need to and avoid going into unnecessary debt.

A budget is simply the comparison of all of your expenses to the funds you have available to pay for those expenses. If your expenses exceed your available funds and you want to stay out of debt, your only choice is to balance your budget by either increasing your available funds or decreasing your expenses. To decrease your expenses you can eliminate an expense or reduce the amount of any given expense. If you are buying shampoo at \$10 a bottle and you need to reduce your expenses, you can either stop washing your hair or start buying shampoo that may work just as well at \$5 a bottle. When you need to cut expenses you must ask yourself whether your ACTUAL EXPENSES (the \$10 shampoo you may have been using at home when your parents were paying for it) are REASONABLE and NECESSARY (the \$5 shampoo which may be all that you can afford).

Below is a template for an initial college budget.

SOURCE OF FUNDS

Parents Contribution
Gifts from family (holidays and other)
Savings
Summer Job
At College Job
Scholarships
Student Loans

EXPENSES

Tuition
Room (on or off campus)
Board (on or off campus)
Books and School Supplies
College Fees (technology, health service, Athletic and more)
Activities Fees (clubs, sorority, fraternity, and other)
Required Student Loan fees or payments
Communication (phone, cell phone, internet, cable)
Transportation (to and from home and to visit friends)
Recreation (eating out, sporting events, concerts, movies, plays, parties, clubs/bars, CD's/DVD's and more)
Clothing
Gifts
Health & Beauty (laundry, shampoo, soap medicine, hair cuts etc)
Spring Break/Vacations
Car (gas, maintenance, parking, parking tickets, insurance)
Other Expenses (dry cleaning if in a music program, sports equipment if not in a Division I program, particular hobbies and interests like skiing, biking, golf, or reading and more)
Non-Recurring (TV, computer, refrigerator, bedding, dorm or apartment furniture and furnishings)
Emergency Fund

HOW TO CREATE A BALANCED BUDGET

FIRST: Start now to carefully observe and record your spending. Keep a journal and write down **EVERYTHING** that you are actually spending your money on. You may be surprised. I was recently in a clothing store and overheard a conversation between a mother and her high school daughter who didn't have enough money left to buy some of the things she had seen in the store the week before. They were trying to figure out where all the girl's money had gone. Finally the daughter acknowledged that she had been buying speciality coffees two or three times a day.

SECOND: Take a realistic look at your habits, interests, lifestyle and activities. Then determine whether when you go to college you will be continuing, discontinuing or adding some things that you regularly do. That way you can better plan and budget for them. Do you have an expensive hobby like skiing that you may want to participate in on a regular basis if you go to school in Vermont, but will only do during vacations if you go to school in Florida? If you are an avid golfer at the club where your family has a membership, how many times will you be able to afford the greens fees to play golf at school? Do you have enough clothes so that you won't have to do laundry that often? Are you likely to be involved in a number of extra curricular activities at college that can be costly, or will you spend most of your time studying and hanging out with friends? Are you going from an area that doesn't have professional sports to a school in a city where there are professional teams that you will want to see? Do you have some health issues that may make your expenses for prescription or over-the-counter medicines higher?

THIRD: Ask yourself, what are you doing now that you don't have to spend money on because your family is paying for it, but that you or your family will have to pay separately for when you are at school. For example, now when you have a headache you just go to the medicine cabinet and take an aspirin, your favorite snacks are always in the kitchen and laundry soap is always in the utility room and you don't need quarters to use the washer and dryer.

FOURTH: Be honest with yourself so that you can determine whether some of your actual or projected expenses are wants or needs, and, if you have to, how you might be able to reduce some of the expenses that are not truly needs. Almost every one of the expenses on the budget template can vary. For example: you can buy a brand new lamp for your dorm room or a really cool one at a garage sale; you can buy designer clothing or find some interesting things at discount stores, second hand shops or retro clothing stores; you can buy your friends and family expensive gifts, or make them relatively inexpensive gifts or take them out for an inexpensive breakfast or lunch

instead of buying them a gift; you can buy store brand over-the-counter medicine that is just as effective as the name brand medicine; you can fly home with a discount fare if you purchase your tickets in advance or pay full price if you wait too long; or you can buy your school supplies at the campus bookstore or at one of the discount office supply stores.

FIFTH: In addition to keeping any particular expense down by looking for the best buy, you can and should set a limit on how much per week you will spend on certain items like eating out or ordering in, buying beverages, going on road trips to see your friends, attending concerts or sporting events and shopping at the mall.

SIXTH: Make sure that you have researched the direct expenses at your particular college and the costs of things in the surrounding area the best that you can. Check out all of the activity fees at the school and what the cost of living is in that area (Washington D.C. versus Harrisburg, Pennsylvania) so you know things like what the gas prices are.

SEVENTH: Know exactly what your parents will contribute. Remember, although your parents may agree to pay for things at school like clothing, it may be because they think that you will only be buying a few things a month that you need. If you go to the mall every weekend and come back with an armful of clothes, your parents may change their mind and not pay for them at all.

EIGHTH: Do a first draft of your budget with your realistic expenses. Does it balance? Are you in the **BLACK** because you have some extra funds or in the **RED** because your expenses are higher than your available funds?

NINTH: Start making adjustments by adding funds (I will work more hours at my school job) or reducing expenses (I need to get a coffee maker in my room) if you are in the **red**, or by increasing your emergency fund or the amount that you can spend on some expenses if you are in the **black**.

TENTH: When you get to school, try to stick to your budget faithfully the first month so that you can see how it is working. Then, if the budget needs adjustments because you overlooked or miscalculated something, discuss it with your parents and decide what you can do to make it balance. Be flexible. Creating a budget and then sticking to it is a life-long process.

Here are a few absolute Don'ts that are killers:

1. If, because of your family finances, you must use student loan money for living expenses after you have paid your tuition, room and board, keep your loan balances down by committing to using the money only for reasonable and necessary living expenses, not for luxuries;
2. If you are going to purchase a campus meal plan, realistically determine how you would likely use the meal plan, so that you don't buy one that exceeds your needs. For example, if you know you are never going to eat breakfast, or if you know that if you eat breakfast and dinner you will never eat lunch, you don't need a full meal plan;
3. Scrutinize what your likely communication needs will be in college, including long distance and local telephone calls, and then research the most cost-effective combination of services that will meet those needs - - - cell phone, regular phone, e-mail, an 800 number.

Check out these additional Do's:

1. Have only one credit card and avoid using it except for convenience and an emergency, and then use it only if you can pay the balance off at the end of the month;
2. Share the expenses of decorating your dorm room or apartment with your roommates, but make sure you know who will be taking what with them when the year is over;
3. Avoid the very expensive habits of smoking, taking drugs and gambling;
4. Avoid ATM fees by using those machines that are tied into your bank or are otherwise free;
5. Find ways that you and your friends or roommates can buy things in bulk, at shopping clubs or other discount stores, and remember to look for and save coupons;

6. Look for places that have special discounts for students;
7. If you are in a city that has a good public transportation system that you will use frequently, look into getting a monthly pass;
8. If you are on a large campus, consider a bicycle to get around;
9. Avoid impulse buying on the internet;
10. If you have a car on campus, make sure you park only in authorized spots; the parking tickets can add up quickly and prevent you from registering next semester or graduating until you have paid them;
11. Return your library books on time or make sure that you pay any overdue fees as soon as possible, so that you can register next semester;
12. Carry some cash with you at all times so that you can buy minor items without using a debit or credit card and make better choices about spending on inexpensive items that can add up fast; and
13. Always have savings for emergencies and for important things that may come up. Remember a late night pizza because you are hungry or a concert ticket because you like the group are not emergencies.

For more first-hand Do's and Don'ts, keep checking out the "Credit Card Chronicles" on the Credit Abuse Resistance Education (CARE) Program web site at www.careprogram.us, where Jessica Wahl, a freshman at Georgetown University, and Joe Feeney, a freshman at Boston College, are periodically reporting about their experiences with finances and credit cards in college. They are a must read.

These are the ABC's of budgeting. **A**lways be financially pro-**A**ctive by having a **B**asic **B**udget. **C**arefully look at your wants and needs so that you can make good **C**hoices about what you will spend your money on. Then be **D**isciplined and **D**etermined to stick to your budget so that you can be **D**ebt-free and still **E**xperience and **E**njoy more in college and in life. However, don't **F**orget to be **F**lexible, so that as circumstances change you can adjust your budget by increasing your **F**unds or reducing your expenses.