



Financial Literacy

Southwestern

Financial Basics

No doubt you've had a little experience managing money at this point—and you may have been successful. But don't be surprised if all the demands and temptations of college life catch up to you and you find yourself scrambling for cash. You wouldn't be alone—the average college student graduates with \$2,700 in credit card debt on top of an average of \$19,000 in student loans. That's a lot of money to pay back when you're launching a new life after college.

It doesn't have to be this way. By learning financial basics in college, you can get a handle on your money now. You can learn to:

- Live within a budget—and never have to call home for cash
- Handle debit cards, credit cards, and checking accounts
- Prevent identity theft and avoid short-term financial fixes such as pawnshops
- Set goals—and save for them

Invest in your future

Once you understand the basics of financial management—and put those techniques to work—you'll be able to manage your money for life. You will not only avoid the stress of unnecessary debt, but you can learn to easily achieve financial goals, whether it's getting through the week on a paycheck, paying for spring break, or retiring early

- Budgeting & Financial Planning
- Overspending
- Dealing with Debit & Credit Cards
- Saving Money

Budgeting and financial planning may sound like the same thing—but they aren't. Each represents a unique approach to the creation of a personal money management system.

Why should you care about budgeting and financial planning? There are two good reasons. First, a budget forces you to think of new ways to adjust your spending habits as your financial situation changes. Secondly, good budgeting habits help ramp up your thinking about money. Any experience you gain by managing money over weekly or monthly timeframes can help prepare you mentally for the longer-term financial planning you'll face later in life.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

Defining your personal budget can lend structure to your spending habits. It is a way of organizing your use of money by thinking in terms of spending categories and setting priorities. A budget establishes boundaries that you can observe to pace your spending-and it helps you recognize spending limits before you exceed them.

Budgeting as guidance

Thinking of finances in categories helps you discipline yourself in those moments when you are tempted to choose between something you need and something you merely want. Just as a blueprint guides the building of a house, a personal budget acts as a guidance system to steer you away from costly impulses and money-burning behaviors.

Creating a budget while in college can help you:

- Meet personal goals such as studying abroad
- Remain better prepared for emergencies
- Stay out of debt
- Keep accurate and up-to-date records
- Prepare to begin thinking about longer-term financial planning

Learn how to create a budget and then try the CashCourse Interactive Budget Wizard that you can access in the header of the Web site. After creating your budget in the Budget Wizard, you can logon to access and edit your budget any time.

Budgeting doesn't have to be difficult-it's a process of simple arithmetic. Initial budgeting experience is gained through trial and error. But once you identify your spending limits and feel the benefits of effective financial control, budget watching evolves into a healthy, lifelong habit. The keys are to figure out how much you actually spend, write down your income and expenses, compare the amounts, and then make adjustments as necessary.

Track your spending

Americans are notorious for underestimating how much money they spend. That's because we all spend small amounts of money here and there, and we don't really keep track of it. Movie tickets, coffee, sodas, fast food, gas, magazines, haircuts-all on top of bigger expenses such as tuition

and car payments. When you're creating a budget, you need to know where your money is going. The key is to track all your spending, both small and large amounts.

A tried-and-true method for tracking spending is the “spending notebook.” You can use an actual notebook, a spreadsheet, a notepad in your phone, or whatever you want-just be sure to account for every single penny you spend over the course of several weeks. You'll not only see where your money is going, but you can make decisions about whether all those purchases were wise or necessary. No doubt you may determine that buying a six-pack of soda at the gas station was not a good idea and that spending \$40 per week on lattes is unnecessary. If you frequently use your debit card, you can also review past bank statements to categorize your spending.

Pay major bills first, then budget

It's easier to plan a budget after first setting aside money for your tuition, books, student fees, meal tickets, and other large annual or semiannual costs. Once these are subtracted from your bank balance, you'll have a more accurate starting point from which to plan a budget for the rest of the semester.

Create a spending plan

Once you identify your spending habits through a spending notebook and knock out significant expenses such as tuition, you can get started on creating a budget, also known as a spending plan. Since "budget" can sound restrictive, you might prefer to use "spending plan" as a purposeful map for how to spend your money. You can either use the worksheets referenced below, or click the Interactive Budget Wizard on the tab above.

Identify income: Using the [Income Worksheet](#) , list the financial assistance paid directly to you each month, family help, anticipated job income, Work-Study income, child support payments, food stamps and any other sources of money you receive.

List your expenses: Using your spending notebook and any receipts you've saved, determine what your actual expenses are. Complete the [Expenses Worksheet](#) with this information. In the sections that have subcategories-such as Text Messaging under Cellphone-you can list the entire expense in the main category (Cellphone) or break it down into the individual related expenses. The subcategories are there to remind you of all the possible expenses. As you write down expenses, you will probably start to see areas of unnecessary spending and opportunities to cut back.

Compare income with expenses: Once you've identified your income and expenses, you need to compare them to see how you're doing. Use the [Income vs. Expenses Worksheet](#) to do the math

Make adjustments: If your income is higher than your expenses, great! Not only are you preventing financial stress, but you can set some money aside for your goals-a new laptop, a

spring break trip, emergency savings, and more. If your expenses are higher than your income, you have two options:

Cut expenses. See [Identifying needs vs. wants](#) and [Plugging spending links](#).

Increase income. Increasing income can be difficult in college with limited time on your hands, but you might think about what you can do. See [Earning spending money](#).

Your situation at school can change rapidly. You might decide to get a part-time job in the middle of the semester, or you might leave a job. Maybe your landlord increases the rent without notice or you have major car trouble. Or maybe, with changes in the economy, your parents can't afford to help you out as much. Any of these events will affect your financial condition.

How do you adjust your budget as your money situation changes?

Income increase

If you take on a part-time job or gain reliable new income through other sources, two healthy budget adjustment decisions to consider include:

Increase savings account deposits: Adding just \$100 to your savings account each month will build an additional reserve of about \$400 over the semester. If you do not have a savings account, now is the perfect time to open one. Visit [Banking Your Money](#) to learn more.

Make larger credit card payments: How much faster will your balance shrink if you double your payment? Set an account balance reduction target for the semester and call your credit card company. A representative can inform you what your lower monthly interest payment will be based on the reduced balance.

Income decrease

Losing a job or suffering any other loss in income forces you to control your spending—particularly the purchase of nonessential goods and services. Here's an approach that can help you adjust your budget so you don't have to cut out entire spending categories:

List the areas in your monthly spending plan that are not vital to your living situation, such as snacks, entertainment, and clothing.

Figure out how much money you need to decrease from your expenses.

Divide the amount of your monthly income reduction by the number of spending categories you selected. In this case, there are three. If, for example, your monthly income reduction is \$150, you would divide that amount by 3 for a spending reduction target of \$50 for each category.

Subtract your targeted reduction from the existing “budgeted amount” column in each spending category.

Find ways to decrease expenses in the categories you choose:

- Get an additional roommate to help share rent
- Downgrade or eliminate cable service
- Eat at home more often, and pack a lunch and snacks for class
- Instead of buying books, borrow them from a library or share with a friend
- Only buy essential clothes; shop sales and consignment shops
- Carpool

For more tips on decreasing unnecessary expenses, visit [Plugging spending leaks](#)

To save money and live on a budget, it helps to really understand the difference between needs and wants. And you probably do understand that, say, food is a need and a latte is a want. But some mornings, after cramming all night for a test or working late, a latte is sure to feel like a need. Maybe coffee is a need but gourmet coffee drinks are a want. Maybe a cell phone is a need for personal safety but custom ringtones are almost assuredly a want. When creating a spending plan and trying to live with limited funds, it's helpful to really consider what is a need and what is a want.

What you define as needs and wants does not have to remain static. For example, having an MP3 player could generally be defined as a want. But if you find that your roommates or noise in the library is too distracting for you to study, you might need background music to block out the other sounds

Use the [Wants Worksheet](#) .Needs vs to write down some of your needs and wants-and then look carefully at what you've written down. Are the needs really needs, or can they be moved to the wants category?

Now, review your list and think about what's really important to you and what has lasting value.

- Do you really need or want everything on your list? Put stars next to the items that are particularly important to you.
- Are some needs really wants? Cross off the least important wants.
- Decide if each item makes sense. If not, cross it off, or change it to something that is more reasonable.
- Did this help you identify ways to save money and meet your goals?

Sometimes money seems to leak out of your pockets and disappear. Perhaps you start out the week on a Sunday with \$40 in your wallet, and by Wednesday afternoon you realize it's gone-and you have nothing to show for it. Where does it go?

Watching yourself spend

One thing you can do is record your spending activities throughout the day. You can use a small notebook or save notes in your cellphone. This will help you pinpoint where those small expenditures are going. If you mark down small purchases as you make them, you'll learn to think of each one as a single, purposeful act. Disappearing cash will cease to feel like something that magically “happens” to you, and those convenience store sodas and movie tickets you pick up on impulse will be revealed for what they are: spending leaks.

Dealing with spending leaks

Spending leaks keep you from staying on budget and from saving. To plug them, try to adopt at least two of these five spending control techniques:

- Leave your credit card at home.
- Instead of attending movies, go to free campus concerts and plays.
- Use your bike instead of your car two or three days a week.
- Carry a refillable water bottle instead of purchasing soft drinks or coffee drinks.
- Limit the number of songs, ringtones, etc., you download.

You need a financial plan because there's more to money than next month's budget. College students can begin to plan their longer-term financial goals early on, but they should be prepared to practice a form of thinking that is more abstract than budget planning. Longer-term financial planning is abstract because it requires you to imagine your future not one semester at a time, but in whole years-or groups of years.

Smartaboutmoney.org provides guidance that can help you prepare for the bigger financial issues that await you in the years to come. Start planning for those events now by listing them and keep an eye out for classes, seminars, or information that can help you learn the basics.

As your life beyond college unfolds, try to think in terms of the following short-, medium-, and long-term goals.

Short term:

Debt Reduction. If you graduate from college with debt, paying down your student loans and/or credit card bills should be a top priority. Start with the debt with the highest interest rate first, as it will cost you the most money over time. For most students, that means paying down credit card balances first. Though it may take time to repay your debts, the good news is that by making timely payments to your lenders you'll build a solid credit rating for yourself for your future.

Emergency Fund. When you graduate, land that first job, and are out on your own, you'll be responsible for paying all of your living expenses. Most expenses are fairly predictable and recurring, like rent for an apartment, gas for your car, groceries, and utilities. But some expenses will catch you by surprise, like buying a new set of tires for your car or getting the transmission repaired. For these unexpected expenses, you can begin building an emergency fund. A general

rule of thumb is to have a minimum of three months worth of living expenses “in the bank,” so to speak. You can build your emergency fund a little at a time; start by building towards one month of living expenses, and go from there. Then when some unexpected expense occurs, you won't have to borrow money and go deeper into debt to weather the storm. Your emergency fund protects you.

Spend Less Than You Earn. As you begin a new job, you'll have to make choices on how you will spend your income. If you want to be successful in life and learn to manage your money well, develop the habit of spending less than you earn on your very first job. A second life-success habit is to learn to pay yourself first, which means put a little bit of every paycheck away into savings.

Employee Benefits. Many employers offer a variety of benefits to their employees, such as health insurance, retirement plans, life insurance, educational assistance, and other advantages. As a new employee, make time to learn about these benefits. Many of them will either save you money or help you make more money later in life. A great place to start is with your employer's human resources department.

Transportation. Many jobs require that you commute to work. Before you immediately go out and buy a new car, examine all your options. While public transportation may not be particularly glamorous or even convenient, the cost savings can be tremendous, especially if you live in a large metropolitan area like New York City or Chicago. Be sure to account for all the costs of owning a car, if you choose to go in that direction. Since you are no longer a college student, you will probably need to pay for your own insurance as an adult, and you won't be eligible to stay on your parent's policy as a student. Consider parking costs, tolls, gasoline, and normal maintenance. In many cases, buying a good used car is a smart way for college graduates to meet their transportation needs.

Work Attire and/or Equipment. As a new employee, you may need to purchase new clothing to fit your employer's standards. Your job may require that you purchase certain tools or equipment. If you go on to graduate school, you'll have tuition and text expenses along with all the normal living expenses of life.

Medium term:

Getting Married/Starting a Family. Weddings can range in cost from relatively little to literally tens of thousands of dollars. A nice benefit of getting married is that your individual living expenses generally go down, as you can share an apartment or home with your spouse, share the cost of utilities and groceries, etc.

Saving for a Home. To buy a home, you'll probably need a deposit, called earnest money, of at least \$500. Earnest money lets the seller know that you are serious ("earnest") about buying the home. If you changed your mind and decide not to buy the house, you will likely forfeit any

earnest money you've put down. Beyond the initial deposit, many lenders want to see a down payment of anywhere from 5 to 20% of the home's purchase price. For instance, on a \$100,000 home, you'd likely need to make a down payment of at least \$5,000.

Saving for Retirement. Though retirement may be decades away, putting away even small amounts of money now can lead to big savings later. The key is to take advantage of time by getting started now or as soon as you can. Consistently saving small amounts of money over time can add up to bigger overall savings in the future, because of compound interest. Compound interest means that in addition to your savings earning interest, the interest you earn also begins to earn interest. Remember that your company may offer a retirement plan that you can participate in; doing so usually means extra money contributed by your employer for your retirement.

Ongoing Education. While your first job is no doubt exciting and rewarding, many people end up changing companies and/or careers throughout their working years. To keep your options open, it's a good idea to be a lifetime learner. So plan for some educational expenses for online classes, graduate school, training seminars, and so forth.

Long term:

Saving for College. If you get married and have children, you will likely want to help pay for their college expenses. As you know from having just graduated, college is a significant expense. Get started now with investing even small dollar amounts for a newborn, and add to these college savings regularly (part of paying yourself first, as mentioned earlier).

Caring for Parents. As you age and your own family gets started, your parents will be aging also. Depending on their financial situation, they may need some help from you financially at some stage in their life, such as entering a nursing home or needing long-term care.

The first step in achieving goals is deciding what they are-and then writing them down so they are real. Once you write them down, post them on the wall or your refrigerator, so you are constantly reminded of what you are working for. Use the Goals Worksheet to write down three short-term financial goals, one medium-term goal, and one long-term goal. Then start planning for at least one short-term goal.

You can get started planning by using an expense worksheet. This helps you begin focusing in a structured way on how to use your money to begin achieving your goals immediately after graduation. If you think of your goals as your destination, an expense worksheet helps you identify and set aside the money you need to pay for your trip.

When planning more than a few years out into the future, use ballpark numbers. Your income and financial responsibilities will change over time. Do yourself a favor, though, and begin to gather more information now so you can gradually begin to form some safe assumptions and

develop some realistic numbers for your medium- and long-term goals. Initiating the learning process now will pay off later.

Suggested steps of the learning process include:

- Ask your parents for advice on making realistic financial assumptions for the longer term.
- Accompany a friend or relative when they finalize a loan on a house.

Discuss retirement planning with your grandparents. Ask them questions about what percentage of their paychecks they put aside for retirement, at what age they started saving for retirement, what would they have done differently during their working years, do they ever worry about running out of money, what changes in the cost of living have they perceived and how are they coping, and how they feel about their current lifestyle.

Make a list of educational resources, such as local consultants, seminars, books, or classes on long-term financial planning.

Learn more about investing by visiting sites such as the Investor's Clearinghouse and 360 Degrees of Financial Literacy.

Knowing where to find financial records is a basic skill for anyone-especially if you regularly communicate with credit card companies, lenders, and banks (and that means paying your bills!). Keeping records helps you track suspected mistakes and recall the dates of major events, such as loan approvals. When the financial aid office calls and you need something in a hurry, you'll be glad you brought a sense of order to your paperwork.

Establishing your approach to record keeping

To set up your financial records system:

- Plan to keep loan applications, promissory notes, lender correspondence, scholarships, grants, bank statements, income tax returns, receipts, and paid bills.
- Don't limit your recordkeeping to financial information. Hold on to insurance policies, insurance payment stubs, and warranties as well.
- Keep monthly budgets or spending notebooks from previous semesters so you can analyze how your spending habits have changed.
- Assign one file folder per category so you can subdivide each area as you see fit.
- Keep your important financial records locked in a fireproof strongbox.
- Consider giving backup copies in a sealed envelope to a trusted friend or relative.

Saving receipts

It's also good practice to save any receipts you gather in the event that your parents must help you out in a costly emergency. If they have to support you in any significant way, they probably

will want to claim you as a dependent on their income tax return. So keep receipts for any unexpected expenses they pay on your behalf, such as large emergency hospital expenses that aren't covered by insurance.

Are you looking for more tips on how to better manage your money? If so, check out [40 Money Management Tips Every College Student Should Know](#) which was written by the National Endowment for Financial Education (NEFE).

There are lots of reasons for overspending, but no good reasons. Overspending hurts us now and in the future. That's why it's important to consider why we overspend, the dangers of overspending, and ways to stretch the money we have.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

Whenever we spend more than our income, we are overspending. For some of us, overspending can be almost unconscious-you buy that latte and new sweatshirt and then go out to dinner without adding up the costs in your head, much less on paper. We're not even aware of the hole we've dug ourselves into until it's too late. But in order to meet our financial goals, we need to live within our means.

Following are five common reasons people overspend-if you recognize any of these, see if you can weed that behavior out of your financial life.

Peer pressure. Many students feel pressured by college friends to spend money they don't have. Perhaps your friends want to go grab dinner, see a movie, or buy tickets for a concert. You want to go, but you don't have the money. It's hard to say, "No, I can't afford to do that." Many students don't have much money, but sometimes they are unwilling to admit it. If you can be honest and live within your means, you'll not only prevent yourself from financial troubles, but you also may find that you've helped others have the courage to make better financial choices for themselves.

Want to feel good NOW. Your life is full of stress, obligations, demands, schedules, assignments, and papers that are due. Sometimes you just want a break. You want a reward, so you buy some new clothes or a new video game. You might feel better for a while-until you get the bill. Not having money when the bill comes is an even bigger stressor and the cycle starts again. Better to reward yourself with treats you can afford than to get on a treadmill of overspending.

Don't have, or ignore, financial goals. If you've never set financial goals for yourself, you may not have considered the benefits of saving or investing for tomorrow. That makes it easier to spend money now, even though every spending decision you make today will affect the quality

of your future financial health. If you want to see how to set financial goals, visit [Setting Financial Goals](#) on this Web site.

Keep up with neighbors and friends. Your buddy has a flat screen TV? Your friend has the latest designer clothes? We often think we should be able to have everything our friends have, but many times we can't. Some will always have more than others, so keeping up with the consumerism of your neighbors can be an empty path. Many new technologies get cheaper with time, and many new styles are fads that pass quickly. While we all need rewards and treats once in a while, you'll find a lot more joy in paying for what you can afford than stressing about your upcoming credit card bill.

Addictive spending. Just as people become addicted to gambling, alcohol, or the Internet, a person can become addicted to the emotional high of spending. If you find that you are having problems with spending and debt-if you feel like you can't control your spending, or how to spend money occupies a lot of your thinking-get help. Debtors Anonymous is a 12-step program for debtors trying to recover from money problems and compulsive debt. Your life is worth far more than anything you want to buy.

If you want to figure out how much you are spending, you can use the online financial calculator "[How Much Am I Spending?](#)"

Overspending can be very stressful when it comes time to pay your credit card bill. However, it's the added interest that makes overspending just that much more expensive.

Spending your future income

One survey of 21- to 35-year-old college graduates found that this group owes an average of \$30,000 in student loans. The several hundred dollars these graduates pay each month to pay off the loan is money that can't be saved or invested for the future. It can't be spent on other necessities, such as emergency car repairs or household expenses either. It's money that's tied up until the debt is repaid.

While debt for education is considered "good" debt because it's an investment in your future, all debt obligates your future income because of the payments that must be made. So make sure you use debt wisely-eliminate "bad" debt (debt for depreciating assets, such as car loans and credit card debt) and limit the "good" debt to reasonable amounts.

Paying the price of debt

Interest payments on debt work against you. New college graduates carry an average credit card balance of \$3,000. Let's say you're lucky-or better yet, careful-and you accumulate only \$2,200 in credit card debt. Your interest rate is 18% and you pay the minimum amount each month on your card (\$40) without any further purchases on your card. How long will it take to pay off your

balance? Did you guess five years? Try 10. It will take almost 10 years to pay off the debt. Your total cost will be \$4,680 (original balance of \$2,200 plus \$2,480 in interest).

Getting into debt is easy

It's easy to run up a credit card. How many times have you gone to dinner, put the whole bill on your credit card, collected money from friends for their portion of the bill, and then found that money gone by the time the bill arrives in the mail? How easy is it to buy another sweater on sale, not so much because you need it but because it was a good bargain? Pretty soon you've built up a large balance on your credit card. You could easily charge \$2,200 on your credit card in two months, but it will take 10 years to pay it off if you only pay the minimum balance each month. Two months versus 10 years. Now that's downright scary!

Don't let student loans and credit card debt weigh you down after graduation. The less you borrow during your college years, the less you have to pay back! Here are 25 quick tips to help you stretch your money and leave college with manageable debt.

Saving on food

To save money on food, try these tips:

- Learn to cook. You can eat a lot cheaper by learning to cook and eating at home. Make it fun by cooking with your roommate or friends. The section below, "Cheap Eats" contains recipes and ideas on how to save money on food.
- Buy food and supplies in bulk. Nuts, oatmeal, spices, dried fruits, and peanut butter can all be bought in bulk at much cheaper prices. So can household staples such as toilet paper, paper towels, tissues, shampoo, and cleaning supplies. Check out your local grocery stores and bulk retailers for the best buys.
- Use your freezer. Cook in large quantities and freeze your leftovers for another day. It's great to come home, grab a frozen leftover, and pop it in the microwave. Voilà! Hot food.
- Avoid buying sodas and snacks out of vending machines. Why pay more? Set a budget for snack items and then buy your snacks at the grocery store. When you need some munchies, they'll be stashed in your refrigerator or cupboard. Be sure to load up your backpack if you're heading out for a long day of classes or work.
- Buy generic. If you buy brand names, you'll likely pay more than buying generic, store brands or on-sale items.
- Order vegetarian. Vegetarian dishes generally cost less than meat-based dishes. Remember, you don't have to go to a totally meatless diet to enjoy vegetarian dishes now and again.

Cheap eats

If you're not the most experienced cook, don't worry! Resources abound to help you save money by preparing food yourself. Here are some Web sites and cookbooks to get you started.

- Good Eats Web Site: Includes a section on getting ready to cook; recipes for breakfast, lunch, and dinner; and information on nutrition, references, and additional resources.
- Minnesota State University Recipe Web Site: Provides easy, cheap, and tasty recipes for the busy college student.
- Arizona State University Nutrition Information Web Site: Includes nutrition information and related Web sites, easy recipes for college students, and cookbook recommendations.
- The College Student's Guide To Eating Well On Campus, by Ann Selkowitz Litt
- Fighting the Freshman Fifteen: How to Lose Weight in College-Or Better Yet, Never Put It On, by Caitlin Murphy
- The Healthy College Cookbook: Quick. Cheap. Easy, by Alexandra Nimetz
- Cooking Outside the Pizza Box: Easy Recipes for Today's College Student, by Jean Patterson
- For more food tips read the article ". "Eating healthy on a budget

Kicking a habit

If you've got pricey habits, work on kicking them.

At about \$3 a pack, smoking is expensive-not to mention the toll it takes on your lungs. If you can quit or reduce your smoking, you'll save money and your lungs. For helpful information about how to quit smoking, check out <http://www.smokefree.gov/>.

At \$3 or \$4 for a latte, specialty coffee drinks are pricey. If you're addicted to your daily joe, try to cut back to once a week, then twice a month. If this seems impossible, make your own coffee at home. You'll be surprised how fast it adds up: at \$4 a latte, you're spending \$28 a week. If you cut back to once a week, you're saving \$24 a week or \$1,248 a year!

Drink less, especially alcohol-beer, wine, or liquor. The average college student spends \$900 a year on alcohol. Cutting back on alcohol can save you tons of money-and help you feel better, too!

Saving on rent

Rent is a significant cost, but it's not necessarily a fixed cost:

- Add another roommate. If you're living off campus and you have extra space, consider adding another roommate to help share the costs. Read about roommates - the good and the bad.
- Negotiate rent increases. If you've been a good tenant, paying your rent on time, and taking care of the property, ask for a break when rent increases occur. Many property

owners will consider dropping an increase in exchange for knowing they have a good tenant who will be back next year.

- Turn down the heat. You can save on the heating bill by lowering the thermostat to 55 to 60 degrees at night and whenever you're gone during the day. If you have a roommate, talk about what temperature you can both live with while at home-wearing an extra layer in winter will help lower the heating bill.

Saving on expenses

Whether you're walking, talking, or shopping, you can save money by using these tips:

- Walk or bike when you can. Even if you have a car on campus, walk to class or bike to the store when you can. You'll stay fit, feel more energetic, and save on gas.
- Use public transportation. Whenever possible, hop a bus to get where you're going. It's cheaper than buying gas and maintaining a car. And, you can usually get a discount by using your student ID.
- If you have a car, charge your buddies for rides. Charging a modest fee for the rides you give your friends can help you pay for gas and regular car maintenance.
- Pick a cellphone or landline, not both. You probably don't need both a landline and a cellphone. Pick one. If you pick the cellphone, stay within your plan minutes and limit your text messaging so you don't have to pay extra.
- Use the Web for comparison shopping. If you're buying something large or small, you can do quick price checks using Web sites such as Google Product Search. These sites provide prices for your search item at both online and local stores, and searches are fast and free.

Money-saving tips

Nonessential items such as gifts and entertainment, have the potential to nickel and dime you out of money. To save:

- Use the library. You can save money on books, magazines, videos, and DVDs by checking them out from your library. And, if no one else is waiting to check out the book or DVD, you can often extend the due date by renewing it online.
- Shop around for clothes. Look for sales, off-season bargains, and overstock stores. Also, check out garage sales and thrift stores for gently used (and often vintage) items.
- Avoid clothes that require dry cleaning. Stick with cottons and machine-washable synthetics. Check labels before buying your clothes-if it's dry clean only, think again!
- Use your student discount. Simple things such as going to the movies, buying a pizza, or riding the bus may cost you less if you show your student ID. You've already paid for your ID, so don't forget to use it. It can save you money throughout the year.

- Consider cheaper entertainment. Lots of theaters, museums, and restaurants offer discounts on certain days or times. Go to the early movie and save two bucks. Hit the museum on the free Monday in October. Eat at the restaurant that sent the "buy one, get one free" coupon in the mail.
- Sponsor a game night. Instead of eating out or going to a movie, sponsor a game night with your friends. Play board games, card games, or video games-it's free and fun!
- Buy less-expensive gifts. If you find yourself spending more than you want on gifts, consider gifts of time rather than money. Cook dinner every month for a friend instead of giving her a store-bought present. Or, offer to help your grandfather with the yard work. Consider homemade gifts, which can be less costly to the giver and more meaningful to the receiver. A DVD of pictures of you and your friends or family members, for example, may be a cherished gift.
- Avoid credit card pushers. Credit card companies flock to college campuses and solicit students endlessly in an effort to get new customers. Don't give in! If you think you need a credit card, get only one and use it wisely. Pay off the total amount each month.

If you're not the most experienced cook, don't worry! Resources abound to help you save money by preparing food yourself. Here are some Web sites and cookbooks to get you started.

- Good Eats Web Site: Includes a section on getting ready to cook; recipes for breakfast, lunch, and dinner; and information on nutrition, references, and additional resources.
- Minnesota State University Recipe Web Site: Provides easy, cheap, and tasty recipes for the busy college student.
- The College Student's Guide To Eating Well On Campus, by Ann Selkowitz Litt
- Fighting the Freshman Fifteen: How to Lose Weight in College-Or Better Yet, Never Put It On, by Caitlin Murphy
- The Healthy College Cookbook: Quick. Cheap. Easy., by Alexandra Nimetz
- Cooking Outside the Pizza Box: Easy Recipes for Today's College Student, by Jean Patterson

Maybe it's a box you never unpacked because you don't want to deal with the junk inside. Or, it could be an overflowing closet. Useless stuff is all around you and everyone you know. Come laugh at other's spending mistakes at [./org.spendster.www//:http](http://org.spendster.www/) or create your own video or photos to highlight your hardly used junk.

We're looking for:

- Your ridiculous stuff
- What you could have done with the money spent on that stuff
- Content that is appropriate for a general public

If you're in financial trouble and you can't pay all of your bills, it's essential to prioritize. Being late on different kinds of bills will have different consequences. Here are nine things to consider.

- **Housing:** You can't risk losing your home, but that's exactly what could happen if you ignore your mortgage or rent payment. If you think you may be late, contact your lender or landlord immediately to work out a modified payment plan.
- **Car loans/leases:** If you don't make your car loan or lease payment, the lender could try to repossess your vehicle. Making this payment is especially important if you need your vehicle for transportation to work.
- **Utilities:** It will take a few months of unpaid bills before the utilities company shuts off service, but most companies will work with you if you call and explain that you're running into financial trouble. Ask for help before ignoring these bills.
- **Student loans:** If you have trouble making student loan payments, contact your loan servicer immediately to discuss different options. You may qualify for some form of payment relief. And it's important to take action before you incur late fees or your credit is affected!
- **Taxes:** Ignoring an unpaid tax bill will mean big fines, interest charges and other troubles. If you can't pay, contact the Internal Revenue Service and negotiate a payment plan.
- **Credit cards:** Paying less than the minimum on your credit cards, or not paying at all, will leave ugly marks on your credit report. If you're struggling, try to negotiate with your credit card company for more favorable terms.
- **Medical bills:** You should not skip out on these bills. Contact the provider and try to renegotiate a new payment plan before your debt is sent to a collection agency.
- **Child support/alimony:** These payments are legally binding, and you can face wage garnishment and legal action if you don't pay. First, contact your lawyer, then the court, social services, or your ex-spouse, as necessary.
- **Anything non-essential:** If you don't pay for gym memberships, clubs, and other non-essentials, you could hurt your credit report and those bills could end up with a collection agency. If you can't meet these payments you can try to cancel memberships or modify the payment plan.

In today's digital world, carrying cash is becoming less of a necessity. (You should, however, always keep a few \$5 and \$10 bills at the ready-what if the ATM breaks down?!) In this cashless society, it is tempting to seek out alternate methods of paying for the things you need. This is especially true when you see so many of your friends carrying debit cards and credit cards.

The convenience offered by debit cards and credit cards is a strong lure. Part of your initiation into real-world money matters has to do with the balance you strike between traditional cash spending and the sometimes risky use of these plastic forms of money.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

Credit cards can be a useful money management tool, but one mistake can blemish your credit record and haunt you for years. Here are 8 tips for managing your credit cards.

Pay on time: Don't be late on your credit card payments. If you're late, your account may be subject to higher interest rates and late charges, which will make your balance grow. Always mark your due dates on a calendar, and make sure to mail payments a week before they're due to ensure your payment arrives on time.

Pay as much as you can: At the very least, pay the minimum due on your credit card. If you have more available funds, pay as much as you can or even pay your bill in full. Any unpaid balance will accrue interest charges, making your overall debt rise.

Understand your interest rates and fees: Examine your credit card contract so you know what fees you can expect for late payments, over-the-limit charges and other charges. Also know your interest rate and how high that rate could go if you're late with payments. If you're not sure, contact your credit card company and ask for a copy of your contract.

Rip up convenience checks: Your lender may occasionally send blank checks that you can use to pay bills or pay off another credit card balance. The short-term low interest rates offered are tempting, but they don't last, and you'll usually be charged a fee equal to a percentage of the amount you borrow. Moving debt from one card to another won't get you any closer to paying it off. Make sure you shred them so no one else can use them without your knowledge.

Check your bills: Each time a bill comes in, read carefully to make sure the charges are correct and that any credits appear on your statement. You should save all your receipts so you can compare charges to your bill

Avoid promotional temptations: Don't fall for promotional offers. If you're shopping and the store offers a discount if you apply for its credit card, say no. Having too much credit available may tempt you to overcharge.

Only charge when necessary: Rather than whip out the plastic, pay cash or with a debit card whenever possible.

Check your credit report: To protect your credit identity, receive a free copy of your credit report once a year from each of the three major credit bureaus via www.annualcreditreport.com

That free T-shirt featuring your school logo in exchange for an effortless credit card application is about to become a thing of the past. The major provisions of the Credit Card Accountability, Responsibility and Disclosure (CARD) Act take effect in February, and the new rules include protections for college students and limit the way credit card companies market on campuses.

“Providing college students and young adults with easy access to credit can, in some circumstances, be a recipe for financial disaster in the future,” says Brent A. Neiser, a Certified Financial Planner (CFP®) and director with the National Endowment for Financial Education® (NEFE®).

A recent survey conducted by Sallie Mae finds 84 percent of undergraduates have at least one credit card and half of all college students have four or more credit cards. This access to credit is resulting in record-high balances among college students. Sallie Mae says seniors are graduating with credit card debt averaging \$4,100, up from \$2,900 when the survey was last completed in 2004.¹ Soon, however, credit will be tougher to access.

When the CARD Act legislation goes into effect February 22, 2010, lenders will be prohibited from issuing credit cards to individuals under the age of 21 unless they can demonstrate the ability to make payments on their own or have a parent or guardian co-sign the application.

So how else will credit card companies’ access to college students and young adults be impacted by the new legislation in February?

No more T-shirts. The CARD Act will prohibit offering giveaways at application sites on or near college campuses.

Fewer "preapproved" offers. Under the new law, credit reporting agencies such as Experian, Equifax and TransUnion cannot provide credit card lenders with details about any individual under the age of 21, unless that person has granted access for his or her information to be shared.

Less space on college campuses. The legislation will urge colleges and universities to restrict credit card marketing on their campuses, including requiring advance notice of when lenders will be on campus and limiting the locations of marketing activities. The law also encourages colleges to require credit and debt management sessions as a routine part of new student orientation programs.

For more information on the Credit Card Accountability, Responsibility and Disclosure (CARD) Act that President Barack Obama signed in May, visit http://www.whitehouse.gov/the_press_office/Fact-Sheet-Reforms-to-Protect-American-Credit-Card-Holders/

To read more about the University of Arizona APLUS study, visit aplus/org.nefe.www.

¹ How Undergraduate Students Use Credit Cards: Sallie Mae's National Study of Usage Rates and Trends, April 2009, <http://www.salliemae.com/>

You may be asking yourself "Should I get a credit card?" It depends. What are your needs? How would you grade yourself on self-discipline? While you may need one, it can get you into trouble.

The perils of credit

According to one major student loan provider, close to 25% of today's college students carry \$3,000 or more in credit card debt, and about 10% owe more than \$7,000!

You already may have resigned yourself to the fact that repaying school loans will put a damper on your post-graduation budget. Consider the consequences of adding credit card debt to that burden. Using a credit card is just like taking out a series of very small loans.

Credit card companies are not as forgiving as most student loan providers. In fact, their business models are based on the notion that many people will fall behind and develop the habit of sending in payments that cover little more than the interest on their balance. In this scenario, you're a monthly ATM for the lender because they are making money off the interest you pay.

Arguments in favor of credit cards

There are, however, certain reasons you might want to carry a credit card.

You hope to establish a good credit score early in life. If this is the case, you need to have the financial resources to pay credit card balances in full each month.

You are able to regard credit cards strictly as an emergency form of money, and have the self-discipline to avoid wavering from that point of view.

Paying monthly credit card balances in full is more than good budgeting practice. It's also a way of "building your case" as a responsible credit customer who one day will want to borrow more significant sums of money

Credit cards and debit cards are the two most popular forms of plastic money. Each has its own benefits and drawbacks. Many people carry both, but a review of pros and cons can help you decide if you want to limit yourself to one or the other.

Credit cards

Pros: A major advantage of credit cards is personal liability limitation. With identity theft now a serious issue, the federal Truth in Lending law limits to \$50 the amount a cardholder must pay if a credit card is stolen.

Credit cards also:

- Offer a convenient purchase method when you don't have cash.
- Help you build up a credit history.
- Provide a source of money for emergencies.
- Are accepted by most stores.
- Offer benefits such as frequent flier miles.

- Allow you to make purchases online.

Cons: A disadvantage to credit cards is they can be too convenient. You might appreciate that you can buy what you need without going to the bank to withdraw cash, but a credit card balance can get out of hand quickly. Credit card companies can also:

- Charge late payment fees of around \$30.
- Charge annual use fees on many cards.
- Increase your interest rate, often in excess of 22%, if you miss a payment.
- May require you to spend \$10,000 or \$15,000--often on a dollar-per-mile basis--to get to that magic "free trip" number.
- Charge transaction fees on cash advances.
- Use "floating" annual interest rates that can go up without a notice.

Debit cards

Pros: Debit cards offer a convenient way to buy things in a manner that is almost like writing a check, but faster. When you use your debit card, the purchase amount is subtracted from your bank balance almost immediately. Debit cards also:

- Can be used to obtain money from ATMs all over the world.
- Provide you with a receipt you can use to check your balance.
- Allow you to buy postage stamps at some ATMs.
- Allow you to make deposits or transfer funds between accounts.
- Allow you to make purchases online.

Cons: One danger of carrying a debit card is the trouble you can get into if it is stolen. You can be held accountable for \$500 worth of unauthorized purchases if a debit card theft is not reported within 48 hours. If you wait 60 days or more to report the loss, a thief can clean out your entire account. With debit cards you may also:

Pay a quarterly or annual use fee.

Pay a "point-of-sale" fee when swiping the card through a reader and entering your personal identification number.

Pay a fee for using it at an ATM not owned by your bank.

Most experienced credit card users would offer you the same advice: Carry a card that offers a grace period, and pay off the balance in full each month to avoid paying interest.

Grace periods

A grace period is a set amount of time that the credit card company grants you each month to pay off your balance completely free of interest. Credit card companies offering grace periods are required to send your bill at least 14 days before the due date so you'll have enough time to pay.

For instance, if you have a grace period of 20 days and the company credits your payment on day 17 of the monthly billing cycle, you won't be charged interest. If you pay the balance in full on day 25, however, you'll be charged five days of interest on the balance.

Smart credit card habits

Practice these five habits to prevent credit card use from getting out of control:

- When you approach preset budget milestones, stop carrying and using your credit card.
- Leave your card at home during mall visits.
- Keep your receipts and check them against your monthly statements.
- Don't use your credit card for expensive cash advances or to pay tuition.
- Limit yourself to one card.

Using a credit card responsibly will send a good message to other would-be creditors about you. If you try too hard to establish credit with credit cards, however, you're liable to spend yourself into a hole.

Not being able to pay off the entire balance is a big deal because interest is based on the entire account balance-not on each individual small purchase. Train yourself to pay off the balance each month before the card's grace period expires. Remember, the grace period is the preset amount of time in each monthly budget cycle that the credit card company will not charge you interest-as long as you pay the entire balance by the payment due date.

Interest adds up

Consider an example. Say you decide to buy a new computer. So you charge \$1,600 on a credit card with an 18% interest rate and a minimum payment of 2% or \$20, whichever is greater. If you don't pay that off the next month, you'll pay about \$24 in interest. That may not sound like much, but \$24 might be enough to pay for your monthly basic cable bill.

In one year your interest would have added about \$284 to your balance! Imagine if you had carried this balance through all four years of college and only paid the minimum payment due each month. After four years your balance would be about \$1,265 and you would have paid over \$1,000 in interest charges-on a \$1,600 purchase!

Note your regular monthly credit card payment date on your calendar. Then stick to it! Take your monthly credit card payment as seriously as you do your budgeted allotment for gasoline or entertainment.

If you have an outstanding balance, and would like to make additional monthly payments to pay it off, use the online financial calculator , "How Long Will It Take To Pay Off My Credit Card" and find out how quickly you can be debt free!

Read the fine print

Be sure to read the contracts that come with credit cards. They may tell you that the grace period applies only to new purchases, but not cash advances and balance transfers. They also indicate what happens if you miss payments-usually, you'll end up with a significantly higher interest rate.

At first, it may be easy to use your credit card sparingly. Maybe over the first few budget cycles you charged just a few dollars and paid the balance quickly. You were in control.

Self-control, however, can be a fleeting thing. Slowly, your balance may creep up as you buy more than you can afford in a month.

Credit card debt examples

The going credit card rate for students is usually more than 14%, but it can run as high as 18% or more. A \$3,000 credit card balance will set you back about \$60 per month for almost eight years (assuming an 18% interest rate and no new purchases). On top of that, you will end up spending about \$5,600 to pay off that \$3,000 balance-provided that you stop spending. That's practically paying back \$2 for every \$1 you spent in college, or double the original amount you spent.

What you can do

Here are four action steps you can take to help extract yourself from credit card debt:

- Create a debt recovery worksheet for each card to kick-start your plans for recovery.
- Visit a professional credit counselor.
- Look for part-time job opportunities-and use the money to pay more on your credit card bills.
- Free up more money for credit card payments by revisiting your monthly spending plan and setting spending reduction goals for one or two cost categories. Use the online financial calculator to figure out "How Long Will It Take To Pay Off My Credit Card?". This calculator allow you to put in a proposed additional monthly payment to show you how much sooner you would be able to pay the balance.

Be resourceful, but be sensible, too. Don't fall for pawnshop loan come-ons or payday loans. These merchants usually charge exorbitant fees and interest rates.

For more information and advice on how to get out of debt, visit the National Foundation for Credit Counseling Web site.

Many cards offer promotional airline miles just for signing up. After a preset number of months, you can accrue perhaps half the miles needed for a domestic flight. After that, you earn additional miles by using the card to spend, spend, spend.

You'll pay for "free" miles

These are not free miles! You're buying them. The company has baited you with the introductory promotion, and now wants you to spend \$10,000 or \$15,000-often on a dollar-per-mile basis-to get to that magic "free trip" number.

A credit card balance that large isn't manageable for the typical college student. It significantly increases the chances of missed payments, which can trigger late fees and new interest rates as high as 21%. Plus, if you look at the cost of an airline ticket vs. what you may pay in interest and late fees, it probably doesn't make sense.

A mileage card issued by an airline might be a good choice for someone who travels a lot using a company expense account. College students who fall for the free-travel pitch, often will find it just isn't the great deal it was advertised as.

If you're receiving credit card offers in the mail, shred them. Then, demand to be taken off the credit company mailing lists. You can halt unsolicited credit card offers for a full five years by calling the Consumer Credit Reporting Industry's "opt out" number at 888-567-8688 and following the voice prompts.

Credit cards are an easy trap

Companies that pre-approve you for credit cards aren't doing you a favor. Nor are they complimenting you. To them, you are a person who fits a certain risk profile category. They know you may or may not default on your agreement with them. If you do, it opens the door for late fees and default-level interest rates. At that point, you've become a cash cow for these creditors.

Acquiring five or six credit cards and using them frequently is like giving control of your financial future to strangers. The reason people fall into this trap is because the credit card companies make it so easy for them.

A better credit building plan

Financial counselors say that using three or four accounts responsibly is the way to build a credit history. You don't need to hurry the process, though. Even using just one or two credit cards sensibly for a couple years following graduation will send a positive message about you to mortgage lenders and others.

Several alternatives exist to using credit cards. Try some of the following options to reduce the likelihood that you'll get into money trouble.

ATM cards requiring a personal identification number (PIN): These remove cash directly from your bank account balance.

Debit cards without PINs: These too are tied directly to your bank balance. Using them in card swipe machines is almost like writing a check.

"Secured" credit cards: With these cards, you deposit your own money into the account but use it like a credit card. You will pay a monthly bill, just like a real credit card. Secured credit cards provide a means of establishing a credit record, but doing so within a predefined, safe set of boundaries.

Learning to save money is a basic skill. Your efforts to put a little cash aside will improve your ability to deal with money emergencies and help you develop solid goal-setting habits. Saving for a goal helps to continually remind you how much you really want whatever you are saving for. And oftentimes, saying "no" to impulsive spending habits can be incredibly rewarding.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

Learning to save money requires discipline and a frugal perspective toward spending. However, it is possible to teach yourself to save money in small increments. If you can learn to save a little bit at a time, you may soon realize you don't even miss the amounts you are saving.

Something to ponder: Enter a convenience store and look at the things you can buy with a single dollar. Other than sodas and candy, you won't see much on offer. Now, consider this: A dollar saved each day from your 18th birthday till your 65th would grow into more than \$69,232 if you deposited each one at an interest rate of 5%.

Saving techniques: Learn to stretch your dollars and pay yourself first. If you can divert money electronically—for example, if you can direct-deposit part of a paycheck into savings—you are much less likely to spend that money.

Saving vs. Investing: You want to save, but how and where? It's not easy to save as a college student. However, there are two basic sources of money in the world: money you work for and money that works for you. You can make your money work for you through saving and investments. Many people think saving and investing are the same thing, but there's actually a distinct difference. To learn how to make your money work hard for you, you'll need to know more about savings and investing. The following Web sites have information on savings and investments, too, so check them out when you're finished here:

- www.choosetosave.org
- www.mymoney.gov
- www.smartaboutmoney.org

Even small savings add up

If you don't think it's worth it to try to save a few dollars every week, take a look at how quickly it can add up.

Please view web site

You can do even better. The longer you save money, the more it can grow in value due to compound interest. Compound interest means you earn interest not only on the amount you deposit in a savings account, but also on all the interest you earned previously. (Provided you didn't take out any money, of course!)

Compound interest is one of the most powerful personal finance tools you can put to work for you throughout your life. Want proof? Check out the examples below.

The power of compound interest

What makes compound interest so fantastic? It's the way it grows while it's in your account-and the longer the better. Here are two examples.

Do you think you could earn more in a job that pays \$1,000 a day for 35 days or one that pays one penny the first day and then doubles the amount every day for 35 days? Let's look at the numbers.

Please view web site

Amazing, isn't it? This example is exaggerated because no one can earn 100% interest on their money (doubling your money every day equals a 100% return rate every day). But the next example illustrates how compounding can make small savers who start young into millionaires by retirement. That includes you!

Another example of the power of compound interest

You can be a millionaire by the time you retire-if you start young. Let's say two 21-year-olds decide to save for retirement. Luis puts \$3,000 per year in an IRA and earns 8% compound interest every year. Cheryl waits seven years longer and then begins to invest the same way. At age 65, Luis will be a millionaire-with almost twice as much money as Cheryl-even though he invested only \$21,000 more.

Please view web site

Total Invested \$132,000

(\$3,000 a year for 44 years) \$111,000

(\$3,000 a year for 37 years)

Total Earned in Compound Interest \$1,027,517

\$549,948

That's the magic of compounding and why it pays to get started saving early.

Why set savings goals? Because one of the most valuable financial skills you can learn is how to clearly identify your goals. By knowing precisely what you want to accomplish, you'll be more motivated to achieve it. Use a Savings Goal Worksheet to define your goals.

To learn more about goals, visit [Setting Financial Goals](#).

Should you save or invest your money? That depends on your goals, time frame, and what's called "risk tolerance." Risk means the possibility of losing some or all of your money. The higher the risk of a particular savings or investment choice, the higher is the potential reward (what you potentially can earn). Generally, investment products such as stocks and mutual funds can grow your money more than traditional savings options over the longer term, but they are riskier.

Another big difference between savings and investments is time. "Savings" is money you want to keep safe but available for emergencies and short-term goals. You also might save in order to accumulate money to invest later. "Investments" enable you to pay for longer-term goals such as going to graduate school, buying a better car, or retiring.

Here's a comparison of some savings and investments options:

Please view web site

If you've already started saving, you probably know a few options beyond tossing your change in a jar. Your options include savings accounts, money market accounts, U.S. savings bonds, and certificates of deposit.

Savings accounts: Offered by banks and credit unions, these offer low minimum balances, and are considered among the safest places to put money. They also earn a guaranteed rate of interest, can be government insured, and usually make it easy to withdraw money.

Money market accounts: Offered by many banks and credit unions, these work like checking accounts and pay higher interest than savings accounts. You can take money out any time, usually with no penalty, but they may require a high minimum monthly balance-\$1,000 to \$10,000-to avoid fees. Additionally, you may only be able to write a limited number of checks.

U.S. savings bonds: With U.S. savings bonds you loan your money to the government and the government agrees to pay you a specific interest rate over a set time period. While savings bonds typically pay higher rates than savings accounts, if they're cashed in within five years of purchase, they are subject to a penalty of about three months' interest.

Certificates of deposit (CDs): When you purchase a CD you loan your money to a bank or credit union for three months, six months, one year, two years, or longer. The bank pays a set interest rate on your money over that time and returns the full amount when the time is up. The rate can be higher than savings accounts. The longer the time, the higher the rate. If you take money out before maturity (the amount of time you agreed to leave the money in the bank), you may have to pay a penalty.

If you want to learn more, talk with a bank representative, or look at the information provided on your bank's Web site. Additionally, you can find information on a variety of savings options at <http://www.bankrate.com>.

You don't have to save a lot of money to have it add up substantially over time. The charts below show how your money can grow, depending on how much you save every month and what interest rate you earn on your savings.

How Savings Grow Over 5 Years

Please view web site

How Savings Grow Over 10 Years

Please view web site

Higher education is expensive, so it makes sense to save as much money as you can prior to college. It also makes sense to think of savings as something that will be a fact of life once you graduate and land a job. How happy will you be when you graduate if you have money stashed away for a car or the deposit on an apartment—rather than being in credit card debt?

What about trying to put a little money aside while attending school?

The benefits of saving

Learning how to save money while in college helps you build a cash cushion that you can draw on in an emergency. Solid savings habits also help you build confidence in knowing that you control your impulses, rather than letting them control you.

Here are some more tangible benefits. Saving money while attending college can help you:

Pay for holiday and spring breaks

Cover costs until you start your summer job or until you start your first job after graduation

Reduce loan or financial aid requirements for the upcoming semester or school year

Certainly college will be a stimulating learning adventure for you, and one that will require a certain amount of spending. Yet it's also wise to view the experience as a sort of boot camp for practicing productive financial habits. Saving money is one of them.

Paying for College

College is one of the biggest expenses you'll have in your lifetime, but it is an investment that will pay off in higher income, expanded career opportunities, and greater personal satisfaction throughout your life. Numerous sources of financial aid can help you and your family pay for college.

The process of locating aid and applying for it can be intimidating. Take it step-by-step and don't hesitate to ask for assistance from the knowledgeable people at your school's financial aid office. You should also check the online resources listed throughout this site for help, too.

To get started, you can head straight to the sections that answer your most pressing questions. But take some time later to read everything because you may find some more useful information.

The following sections were originally co-written by the National Association for Financial Aid Administrators. More information about this organization can be found at www.nasfaa.org.

Disclaimer:

Not all loan and scholarship programs described on CashCourse may be available at your college and university. We are providing an overview of national loan and scholarship programs. Talk to your financial aid office to find out what options are available at your college or university.

Understanding Financial Aid

Repaying Student Loans

Scholarship Information

Federal Aid Programs

Other Sources of Financial Assistance

Financing Graduate School

Now that you're in college, you have a better understanding of how much it costs. If you need financial aid for the first time-or you need more aid than you're getting now-don't worry. Financial aid isn't just for incoming freshman. You can apply for and receive aid all the way through college. Read on for a refresher course on your financial aid options.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

Several questions on the FAFSA are used to determine, according to federal law, whether you are a dependent or independent student for the purposes of calculating your expected family contribution (EFC) for financial aid purposes.

What changed and who it affects

The law changes the definition of independent student to include three new groups of students:

Orphans, foster youth, and wards of the court

Emancipated minors or youth in legal guardianship

Homeless, unaccompanied youth, or youth at risk for homelessness

Orphans, foster youth, and wards of the court

The new FAFSA question is: "At any time since you turned age 13, were both your parents deceased, were you in foster care, or were you a dependent/ward of the court?" Answer "yes" if:

You were in foster care at any time since you turned 13, even if you are no longer in foster care as of today, or

You were a dependent or ward of the court at any time since you turned 13, even if you are no longer a dependent or ward of the court as of today

Emancipated minors or youth in legal guardianship

The new FAFSA questions are: "Are you or were you an emancipated minor as determined by a court in your state of legal residence?" and "Are you or were you in legal guardianship as determine by a court in your state of legal residence?"

An emancipated minor is a youth who has gone through the legal process in court of attaining adulthood before reaching the age of majority. Once emancipated, a minor may be granted certain rights, including the ability to sign contracts, own property, and keep one's own earnings. Note that 19 states and the District of Columbia have no emancipation status.

A youth in legal guardianship has been placed with a caregiver by a court in the youth's state of residence. If a youth is living with a caregiver who has not been appointed by the court, that youth is not in legal guardianship

Answer "yes" to the FAFSA questions if you can provide a copy of a court's decision that:

As of today you are an emancipated minor, or

You were an emancipated minor immediately before you reached the age of being an adult in your state, or

As of today you are in legal guardianship, or

You were in a legal guardianship immediately before you reached the age of being an adult in your state

The court must be located in your state of legal residence at the time the court's decision was issued.

Homeless, unaccompanied youth, or youth at risk for homelessness

The legal status of "homeless, unaccompanied youth" is defined in the federal McKinney-Vento Homelessness Act and the Runaway and Homeless Youth Act. To qualify as homeless or at risk for homelessness, students should have a determination from a homeless liaison, HUD-funded emergency shelter, runaway or homeless shelter, or transitional living program.

Homeless means lacking fixed, regular, and adequate housing, which includes living in shelters, motels, or cars or temporarily living with other people because you had nowhere else to go.

Unaccompanied means you are not living in the physical custody of your parent or guardian.

Youth means you are 21 or younger (according to McKinney-Vento), or you are still enrolled in high school as of the day you sign the FAFSA.

There are three FAFSA questions about homelessness. Answer "yes" if you received a determination at any time on or after July 1, 2008, that you were an unaccompanied youth who was homeless, or in the case of a runaway/homeless shelter or transitional living program, self-supporting and at risk of being homeless.

You may be considered homeless or self-supporting and at risk for homelessness even if you are older than 21 and/or you don't have a determination from an official. Determinations are made only for high school students and students receiving services from homeless programs. Contact the financial aid office for assistance in either of these situations.

For detailed information on these changes and FAFSA completion in general, see the federal publication, 10-2009 Completing the FAFSA .

Free Money

These options provide money for your education that you don't have to pay back. Free money or gift aid consists of two types:

Grants: This type of gift aid are generally awarded based on a need assessment determined by the federal government or a state government and in some instances combined with academic performance or program of study.

Scholarships: This type of free money is generally made available to students who demonstrate or show potential for distinction, usually in a special talent or academic performance.

Scholarships are generally awarded by the school itself or private corporations, organizations, churches, and civic groups.

Employment

This financial aid option requires you to work while in college. The Federal Work-Study Program is a program of employment that provides jobs for students both on and off campus.

Loans

These sources require you to pay back the money you receive. Usually, you pay back the money when you're no longer in school.

Federally funded student loans: These educational loans include the Federal Perkins, The Federal Family Education Loan (FFEL) Program, and its counterpart, The Federal Direct Student Loan (Direct Loan) Program.

Private/alternative loans: These educational loans offered by private lending institutions are not based on the completion of a federal financial aid application. These loans tend to be more expensive and have limited repayment options, but may be used to supplement federal student borrowing.

You may use any combination of these financial aid resources based on the eligibility requirements. The best place to get help and information is your college's financial aid office. Talk with someone in that office as soon as you can. There are application deadlines for some financial aid programs and you'll want to give yourself time to complete your applications and submit them before any deadline passes.

Wondering if you can get financial aid next year, even if you aren't receiving aid now? Yes, you can! Students who thought they'd never qualify may be pleasantly surprised to receive a letter awarding them a scholarship, grant, or other form of financial assistance. Also, now that you're in college, there may be additional aid options available based on your academic performance or field of study.

Not all financial aid is based on need, or how much money you and your family can contribute towards your education. Check out financial aid options on the Federal Student Aid gateway or other trusted online resources like FinAid.org. As you'll see, you can be eligible for financial aid based on factors besides income or employment status, such as:

- Your academic performance
- Whether you're a full- or part-time student
- Your involvement in athletics or other extracurricular activities

- Your or a parent's previous military service
- Your career choice-scholarships are offered for nurses, teachers, and other professionals
- Your willingness to serve in the military or a service organization, such as AmeriCorps or the Peace Corps, following graduation
- Your religious, cultural, or ethnic background

The FAFSA4caster at <http://www.federalstudentaid.ed.gov/> can help you determine your eligibility for federal aid and how much your family will be expected to contribute. Additionally, if you use the FAFSA4caster, your information is automatically transferred to the FAFSA.

If you have questions or are unsure about any details, talk with a financial aid officer at your school.

A student must demonstrate “financial need” based on factors such as family income, number of family members, number of siblings in college, etc., for need-based federal assistance. A student’s financial need is calculated as:

Cost of attendance (or COA)

Minus Expected family contribution (or EFC)

Equals Need

When completing the FAFSA, you and your family report income, asset, and demographic information. This information serves as the basis for determining your eligibility for the federal student aid programs and calculating a figure known as the “expected family contribution” or EFC. In many cases, institutional, state, and private sources of financial aid elect to use FAFSA data to determine eligibility. In some instances, you may be required to submit additional supplemental information. Don’t forget to check with your school's financial aid office to see if anything else is needed.

You can estimate your EFC by using calculators such as the Expected Family Contribution (EFC) Calculator at FinAid.org or the FAFSA4caster at [/gov.ed.federalstudentaid.www://http](http://gov.ed.federalstudentaid.www://http) , or the CashCourse calculator.

Each school develops a cost of attendance or COA. The COA is the school’s determination of the annual educational costs to be incurred by you and your family. This figure varies from school to school. The COA at any school includes the following basic components:

- Tuition and fees
- Room and board
- Books and supplies
- Transportation
- Miscellaneous personal expenses

Schools also can include allowances for the following costs, as appropriate:

- Personal computer costs
- Dependent care costs
- Study abroad costs
- Cooperative education program costs
- Disability-related costs
- Educational loan fees
- First professional credential costs (such as exam fees), at the option of the school

To apply for federal financial aid, you must complete and submit the Free Application for Federal Student Aid, more commonly known as the FAFSA. The FAFSA form may be filed online at <http://www.fafsa.ed.gov/> . You are encouraged to apply online and if you choose to do so, you should also request a Personal Identification Number (PIN) at <http://www.pin.ed.gov/> . This PIN will serve as your electronic signature as well as your access code to various Department of Education Web sites. When you request a PIN, in most cases, you will receive it instantly and be able to sign your FAFSA immediately.

The FAFSA is also available in a paper format and may be obtained by calling 1-800-4FED-AID (1-800-433-3243) or by downloading the application at <http://www.fafsa.gov>.

Keep these tips in mind when completing the form.

Read the instructions carefully. Avoid common mistakes on financial aid forms-including missing deadlines and submitting incomplete information.

Apply early! The FAFSA is available after Jan. 1. The earlier you get started in your financial aid search, the better your chances of finding the money you need. You may use estimated income information when completing the FAFSA. If the numbers on your and/or your parents' tax returns end up being different from what you expected, you may always update your FAFSA later.

The FAFSA must be completed each academic year.

Most importantly-complete a FAFSA even if you don't think you qualify for financial aid, and even if you didn't qualify last year. Having a FAFSA on record with your school will help the financial aid office consider your eligibility for all types of assistance, even programs you may not realize you qualify for.

Understanding Financial Aid Award Letters

A “financial aid award letter” notifies you of your financial aid eligibility. You will get an award letter every year that you apply for and receive aid. You need to read and understand your award letter so you know how much and what kind of aid you’ve been awarded.

Award letters are not standardized, so the contents may vary. Here's what to look for.

Components of award letters

The total estimated cost of attendance should be included. Look here for a list of typical cost of attendance components.

Possible issues with the cost of attendance include:

- Definitions of components and cost categories are not standardized across schools.
- It may not include all costs.
- It may not be based on actual costs or may not be the most recent data.

It may appear somewhere other than on the award letter-on the financial aid Web site or in a brochure, for example. If you can't find it, ask the aid office.

The expected family contribution (EFC) is the amount you-and your parent(s) or guardian(s), if you're considered dependent-are expected to pay.

The EFC is calculated from information reported on the FAFSA

The EFC is generally consistent from school to school, though it may increase if your school uses CSS Profile. Contact the financial aid office for guidance.

The EFC may not be the total family contribution because loans and Work-Study earnings are also considered a contribution from the family.

Your financial aid award package lists all the aid you are being offered or are eligible for.

Financial aid can be divided into two major categories:

Gift aid is free money, including grants and scholarships, that doesn't have to be repaid as long as you meet the stated requirements. It may be awarded on the basis of:

- Need
- Merit
- Self-help aid includes:
 - Need-based and non-need-based federal loans
- Work-Study employment

Private ("alternative") loans; look here for precautions on this type of loan.

Loans must always be repaid, even if you don't complete your program of study. Work-Study must be earned through work on a part-time job. Check out "Understanding Financial Aid" for more information on the types of financial aid.

Any unmet need or "gap" may or may not be shown on the award letter. Unmet need is calculated by subtracting the EFC and all financial aid from the cost of attendance. If the result is a positive number, you have unmet need and will need to figure out how to make up for it. Look here for some tips on how to pay for college when you don't have enough aid.

Clear, prompt communication is the key to a successful relationship with your school's financial aid office. Remember, the aid office doesn't know anything that you haven't told them.

When to communicate

Contact the aid office when:

- You realize you forgot to report key information when you applied for aid.
- Your financial situation has changed.
- You have a question.
- You receive outside aid, such as a scholarship.

If something has changed, you might be eligible for more financial aid. See "Finding More Aid After a Change in Your Situation" for some tips.

Facts to remember before you contact the aid office

- Aid offices have many responsibilities:
- Counseling
- Calculating applicants' financial need
- Awarding aid
- Processing loans
- Monitoring students' eligibility
- Complying with rules imposed by different stakeholders

Be patient. Understand that your concern might not be resolved immediately, and you might not be 100% satisfied with the resolution. If you are not satisfied, consider filing an appeal.

Ways to communicate

How you communicate depends largely on what you need to share. Check with your financial aid office for guidance on how they prefer to communicate.

- E-mail is good for routine correspondence.
- Avoid sending sensitive information, such as your Social Security number, via e-mail.
- Telephone is better for confidential conversations and persuasion.

- It might be hard to get through to the aid office during peak calling times. E-mail or write instead.
- Written communication is "on-the-record" (as is e-mail).
- Check with the financial aid office if they encourage e-mail correspondence.
- Always request confirmation that your message has been received
- Always respond in writing when original documentation, such as a signed form, is required.
- Ask if you can scan signed documents and submit them as PDF files.
- Schedule an in-person visit if:
 - You want to cultivate a relationship with the aid office.
 - Your circumstances are complex.
 - You haven't been able to establish contact by other means.
 - The office has not responded to previous attempts to communicate.

Remember, your aid eligibility may change if your circumstances have changed. Communication is key, and it could increase your financial aid award!

Your family's financial situation may change while you are attending college. Whether or not you previously received a financial aid award, you should take immediate action if:

- A parent loses a job
- A parent's work hours are reduced
- An income-earning parent dies or is no longer able to work
- Any other income you reported on the FAFSA is reduced or eliminated
- You have left the workforce or reduced your hours to return to school
- You or a family member has a costly medical situation
- Your family's home has gone into foreclosure

If any of these affect your family's income, you may be eligible for more financial aid, including a Pell Grant, subsidized student loans, and other funds.

Step one: Don't panic. Call or write your school's financial aid office, tell them what happened, and ask for instructions on what you should do next. Typically, they will ask you to file a financial aid appeal.

Filing a financial aid appeal

A financial aid appeal is a request to the financial aid office to have your aid eligibility reconsidered because your family's financial situation has changed. Generally, you'll need to:

Gather relevant documentation. This could be a layoff notice, a death certificate, or notification from a social services agency that benefits have been discontinued. Ask the aid office what they require.

Write a letter explaining what happened.

Submit your letter and documentation according to the financial aid office's instructions. It might be a good idea to use registered mail or another delivery service that requires a signature so you have proof that the appeal was received. Be sure to keep copies of all documents.

Ask the aid office when you can expect a response to your appeal.

Keep track of whom you've talked to and when.

Try to be patient after you've filed your appeal. If you don't hear anything within the expected timeframe, call and ask for a status report.

Applying for Scholarships

Difficult financial times are just one more reason to apply for as many scholarships as you possibly can. There are several free scholarship databases to guide your search. Don't assume you've missed all the deadlines-they vary from program to program.

Stay on top of financial aid every year that you're in college. First, be sure you know what you need to do to keep the aid you already have! Then take these steps:

Research scholarship, grant, and employment options. Loans are an option, but focus first on finding "free" money.

Ask your school's financial aid office or your department of study about scholarships available to students in your major.

Apply for every form of aid you may qualify for regardless of the amount. Even a small grant will help pay for lab fees or books. Remember, small scholarships add up!

Reapply for aid you didn't receive last year if your personal situation has changed, such as a sibling starting college or a drop in family income due to a job loss. "Finding more aid after a change in your situation" will give you some tips on how to do that.

Circle the dates! The most common mistake students make when applying for financial aid is missing deadlines. Mark important dates on your calendar so you don't miss them.

Talk to your financial aid office. The professionals in the financial aid office are there to counsel and advise you! "Communicating with your financial aid office" offers tips on working with our financial aid office.

As mentioned earlier, loans must be repaid! After you graduate, leave school, or drop below half-time enrollment, you have six months before you must begin repaying your loans. The six-month period is called the "grace period." Once the grace period has ended, the repayment period begins. Your first payment will be due within 60 days after your repayment period begins. It is

important to begin repayment when you receive a bill from your lender. There are consequences for not making your monthly payment.

Keep track of what you owe and when repayment is due. Be aware that many students spend 10 to 20 years repaying college loans! For example, if you borrow \$23,000 in a 6.8 percent interest rate Stafford Loan, you'll have to pay \$265 every month for 120 months (10 years). By the time you pay back the \$23,000 plus interest, you will have paid \$31,800! Private loans may cost even more.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

Six repayment plans are available:

- Standard
- Extended
- Graduated
- Income Based Repayment
- Income Contingent (Direct Loan Program Only)
- Income-Sensitive (FFEL Program Only)

Standard repayment

With the Standard Plan, you'll pay a fixed amount each month until your loans are paid in full. You'll have up to 10 years to repay your loans. This plan is good if you can handle higher monthly payments because you'll repay your loans more quickly. Your monthly payment under the Standard Plan may be higher than it would be under the other plans, but you generally pay the least interest in the end.

Extended repayment

Under the Extended Plan, you'll still have minimum monthly payments, but you may take up to 25 years to repay your loans. The length of your repayment period will depend on the total amount you owe when your loans go into repayment, but you must have a minimum borrowed amount of \$30,000 to qualify for this program. Remember that the longer your loans are in repayment, the more interest you will pay.

Graduated repayment

With this plan, your payments start out low, then increase, generally every two years. The length of your repayment period will depend on the total amount you owe when your loans go into repayment. If you expect your income to increase steadily over time, this plan may be right for you.

Income Based Repayment (IBR)

Income Based Repayment is a new repayment plan under which required monthly payment is capped at an amount that is intended to be affordable based on income and family size. You are eligible for IBR if the monthly repayment amount under this plan will be less than your monthly payment calculated under the standard repayment plan. Under IBR, if you repay with this plan for 25 years and meet other requirements you will have any remaining balance of your loan(s) cancelled. There are also additional loan cancellation options if you work in public service with reduced loan payments under this plan. More information can be found [here](#).

Income Contingent Repayment (ICR)

This plan is for Direct Loan borrowers only. Each year, your monthly payments will be calculated on the basis of your Adjusted Gross Income (AGI), family size, and the total amount of your Direct Loans. To participate in the ICR Plan, you must sign a form that permits the Internal Revenue Service to provide information about your income to the U.S. Department of Education. This information will be used to recalculate your monthly payment, adjusted annually based on the updated information.

Income-Sensitive Repayment

This option is similar to Income Contingent Repayment, but is for the FFEL Program. Payments are based on a percentage of your monthly income

If you have trouble making your student loan payments, contact your loan servicer immediately. You may qualify for some form of payment relief. It's important to take action before you incur late fees or your credit is affected!

Types of relief

A deferment is a temporary suspension of loan payments for specific situations such as returning to school, unemployment, disability, or military service. You have a right to defer repayment for certain defined periods.

Forbearance is a temporary postponement or reduction of payments for a period of time, as you and the lender or holder of your loan may agree, because you are experiencing financial difficulty.

Graduated payment plans provide short-term relief through low, interest-only payments followed by standard principal and interest payments. If you are having difficulties making your loan payments, switching to this repayment plan may lower your monthly obligations.

Income Based, Income Contingent and Income-sensitive payment plans offer payment relief with payments that are a specific percentage of your gross monthly income. Switching to one of these repayment plans may lower your monthly payments.

The Federal Student Aid Web site has more information on loan deferrment.

Consequences of Defaulting On Your Loan

- Defaulting on your loan means that you have failed to make payments for 270 days consecutively.
- Below are some of the consequences of defaulting:
- A collection agency will take over your loans
- It will hurt your credit score
- A percentage of your income may be taken to pay your loans
- Social Security benefits could be withheld
- No longer eligible for future federal loans
- Deferments are no longer an option

Aside from severe cases, such as the death or total and permanent disability of a borrower, there are other conditions in which you may be eligible to cancel all or a portion of your federal student loans.

FFEL and Federal Direct Loan: Teacher Loan Forgiveness

The Teacher Loan Forgiveness (TLF) Program is intended to encourage individuals to enter and continue in the teaching profession. Eligible applicants can receive loan forgiveness for up to a combined total of \$17,500 in principle and interest of subsidized and unsubsidized FFEL or Federal Direct Loans.

This program is available if you:

- Did not have an outstanding balance on an FFEL or Direct Loan on Oct. 1, 1998, or on the date you obtained an FFEL or Direct Loan after Oct. 1, 1998;
- Teach full-time at least five consecutive, complete school years as a full-time teacher in an elementary or secondary school designated as a low-income school;
- Are not in default on the loan for which you are requesting forgiveness;
- Have not received a benefit for the same teaching service through the AmeriCorps Program;
- Completed one of your five years of qualifying teaching service after the 1997-1998 academic year; and
- Took the loan for which you are requesting forgiveness before the end of your fifth year of qualifying teaching.

For more detailed information about the eligibility requirements for teacher loan forgiveness, [click here](#).

Federal Perkins Loan: Teacher Loan Cancellation

To be eligible for up to 100 percent of a Federal Perkins Loan teacher cancellation, you must be teaching full-time at a low-income school as determined by your state's education agency. The

low-income designation is based on statistics gathered about the population of each elementary and secondary school in your state. You can find more information about this program on the Federal Student Aid Web site by clicking [here](#).

Federal Direct Loan Borrowers: Public Service Loan Forgiveness Program

Through the College Cost Reduction and Access Act of 2007, Congress created the Public Service Loan Forgiveness Program. This new program provides for the cancellation of the remaining balance due on eligible federal student loans after the borrower has made 120 monthly payments after Oct. 1, 2007, on those loans under certain repayment plans in the Direct Loan Program while employed in certain public service fields. For more information about the Loan Public Service Loan Forgiveness Program, click [here](#).

Income-Based Repayment Program (IBR)

On July 1, 2009, the federal government introduced a new way to repay student loans. Under the IBR program, monthly loan payments for eligible borrowers will be capped based on income and family size. After 25 years of “qualifying” to payments, all remaining debt will be forgiven.

IBR is meant to help borrowers who have difficulty making monthly payments under the Standard 10-year repayment plan.

Loans eligible for IBR

You can tap into the IBR program if you have loans issued under:

- The Federal Family Education Loan (FFEL) program
- The Direct Loan program
- The Perkins Loan program, but only if you consolidate your Perkins Loan with your FFEL or Direct Loan
- Eligible loans under both FFEL and Direct include Stafford, Grad Plus, and federal Consolidation loans.
- Loans not eligible for IBR
- Loans excluded from IBR eligibility include:
 - PLUS loans made to your parent(s)
 - Consolidation loans that include Parent PLUS loans
 - Private (alternative) loans
 - Loans not guaranteed by the federal government

How IBR can reduce your monthly payments

IBR uses a formula to compare your debt to your income. If your monthly payments would take more than 15% of your earnings above 150% of the poverty level for your household size, you may be eligible.

If your income is below 150% of the poverty level for your household size, you won't have to make any monthly payments.

If your income is above 150%, you will pay 15% of the amount that exceeds 150% of the poverty level.

For example:

- If your annual income is \$20,000 and you live alone, your monthly payment will be reduced from about \$230 per month under the Standard (10-year) payment plan to \$56 under IBR
- If your annual income is \$20,000 and you have two persons in your household, no monthly payment will be required.
- If your annual income is \$40,000 and you have two persons in your household, your monthly payment will be reduced from about \$460 per month under the Standard payment plan to \$272 under IBR.

Public Service Loan Forgiveness

This new program forgives all remaining debt in the Direct Loan program after 10 years of payments under the Standard (10-year) or alternative repayment plans, including IBR. The program is open to borrowers who take jobs in government and nonprofit 501(c)(3) organizations.

Only payments made after Oct. 1, 2007 count towards the 10 years. If your loans are in the FFEL program, you may be able to switch them to the Direct Loan program.

For more information on IBR and Public Service Loan Forgiveness, see:

- <http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRPlan.jsp>
- [/org.ibrinfo.www/](http://org.ibrinfo.www/)

There's one really important reason to focus your search for financial aid, at least at first, on scholarships. The money is free!

The downside is that it takes time and effort to locate grants and scholarships-and there's often a lot of paperwork to complete on the chance that you will get the money. Still, the free money you can get makes the time well spent.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

Be creative in your search for grants and scholarships. Use the Internet, the library, and your college's financial aid office. Find out if a parent's employer or labor union offers scholarships.

Check into aid offered by businesses, churches, or organizations such as Rotary or Kiwanis in your hometown. The largest Internet information sources are:

- College Board: [/com.collegeboard.www//:http](http://www.collegeboard.com)
- FastWeb: <http://www.fastweb.monster.com/>
- The Princeton Review: <http://www.princetonreview.com/>
- Good sites to find financial aid for minority students include:
- Gates Millennium Scholars: <http://www.gmsp.org/>
- Hispanic Scholarship Fund: <http://www.hsf.net/>
- Japanese American Citizens League: <http://www.jacl.org/>
- LULAC-League of United Latin American Citizens: <http://www.inesc.org/>
- American Indian College Fund: <http://www.collegefund.org/scholarships/main.html>
- United Negro College Fund: <http://www.uncf.org/>
- Minority On-Line Information Service: <http://www.molis.us/>
- Congressional Hispanic Caucus Institute:<http://www.chci.org/scholarships/>

Other good sites:

- Edupass (for international students): <http://www.edupass.org/>
- National Association of Student Financial Aid Administrators (this site contains a section on scholarships for specific majors or courses of study):
<http://www.ParentsStudents/redesign/org.nasfaa//:http>

Keep in mind that colleges themselves provide many of the scholarships and grants received by students. Check with the financial aid office at your school for scholarship opportunities. You also can visit College MatchMaker for more information on the average scholarships awarded by many schools.

It can be easy to get hooked by a scholarship scam. Follow these guidelines to help you separate scam scholarship sources from the real deal:

Never pay a fee for scholarship searches or application information.

Don't give out your credit card or bank account numbers. Scam services will tell you they need this to "hold" your scholarship. However, real sources will never ask you for that information.

Don't believe in "guarantees" or other promises. If it sounds too good to be true, it probably is!

If you receive notice that you've been selected for a scholarship from an organization you've never heard of, or that you've won a contest you never entered, don't respond.

Here's the truth: Real scholarships never charge fees and the information about applying for them is available to everyone. If you have any questions or doubts about a source of scholarship information, check it out with your school's financial aid office.

Some facts to keep in mind when applying for scholarships:

Complete a FAFSA. Although scholarships are awarded based on merit, some schools won't consider students for academic scholarships unless they have applied for financial aid.

Meet the deadlines. Most scholarship decisions are made early. Typically, applications are due in January for the following fall semester, although some can be submitted as late as May. Take the time to fill out any forms completely and accurately, and return the required paperwork before the deadline. The earlier the better. Schools tend to award financial aid on a first-come, first-served basis.

Apply, apply, apply! You can get more than one scholarship, so don't limit yourself. Apply for every scholarship that you may be eligible to receive!

Small scholarships add up. Don't ignore small dollar amount grants and scholarships. A \$500 grant may not seem like much, but think about how many hours you would have to work to earn \$500!

Talk to your financial aid office. If you are successful in winning one or more scholarships, check with your financial aid office to see how it will affect your total financial aid package.

The federal government is the largest source of need-based financial assistance. Title IV financial aid programs are the most common federal aid sources and are administered by the U.S. Department of Education. When you apply for financial aid, you are automatically considered for these programs.

Disclaimer:

Not all loan and scholarship programs described on CashCourse may be available at your college and university. We are providing an overview of national loan and scholarship programs. Talk to your financial aid office to find out what options are available at your college or university.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

The campus-based programs are need-based federal aid sources that are allocated to participating schools. The participating schools, in turn, award the funds to their eligible applicants. Unlike Federal Pell Grants, campus-based awards are not portable. Therefore, students must use the funds at the school that awards them. These programs are:

:(FSEOG) Federal Supplemental Educational Opportunity Grants FSEOGs are given exclusively to undergraduate students who have the greatest financial need. FSEOGs range from \$100 to \$4,000 per year. Like Federal Pell Grants, they do not have to be repaid. If you're eligible, your school will credit your account, pay you directly (usually by check), or combine these methods. To qualify, you must complete the FAFSA.

Federal Work-Study Program (FWS):The FWS Program provides part-time jobs (about 10 to 15 hours a week) on campus and in local nonprofit groups and public agencies. Students are considered for work-study when they indicate on the FAFSA form that they are interested in the program. To find out about FWS jobs at your school, talk with someone in your college's financial aid office.

Federal Perkins Loan Program:The Federal Perkins Loan Program provides low-interest loans to students with financial need. Perkins loans, which are distributed by the school, are available to undergraduate, graduate, and professional degree students. Interest does not accrue and loan payments are not required until the student enters “repayment” following a nine-month grace period after graduation or when the student ceases to be enrolled at least half time.

The Federal Family Education Loan Program is commonly referred to as the FFEL Program, and for convenience, the Federal Direct Student Loan Program is referred to as the Direct Loan Program. Both the FFEL and Direct Loan programs consist of what are generally known as Stafford Loans (for students) and PLUS Loans (for parents).

The main difference between the FFEL Program and the Direct Loan Program is the source of funding. If you borrow under the FFEL program, you'll need to choose a lender for your Stafford Loan. Schools that participate in the FFEL Program will usually have a list of preferred lenders. You may choose a lender from the school's list, or choose a lender you prefer such as the bank you do business with or perhaps a credit union. If you borrow from the Direct Loan program, the federal government provides funds for these loans.

Both the FFEL and Direct Loan Programs provide long-term, low-interest loans to students and parents. The FFEL and Direct Loan Programs are the broad program names for several distinct types of loans:

Subsidized Stafford Loans, which are made to undergraduate, graduate, or professional students who demonstrate need. The federal government pays the interest during periods when repayment is not required:

- While the student is still in school at least half time (as determined by the school)
- During the grace period before the loan enters repayment
- During periods when the loan is in a deferment status

Unsubsidized Stafford Loans, which are made to undergraduate, graduate, or professional students who do not demonstrate need. The student is responsible for payment of all interest that accrues from the date of the first disbursement throughout the life of the loan. Repayment of principal is not required while the borrower is enrolled at least half time in school or while the

loan is in a grace or deferment period. However, interest continues to accrue and may be either paid as it accrues or capitalized (that is, added to the loan's principal balance).

PLUS Loans, which are loans made to parents of dependent students and to graduate and professional students.

For information about interest rates, annual loan limits, and origination fees, either check with your financial aid office or visit the Federal Student Aid Web site.

The Federal Pell Grant Program: When you complete the FAFSA form, you are automatically considered for a Federal Pell Grant. Unlike a loan, Federal Pell Grants do not have to be repaid.

The Academic Competitiveness Grant (ACG) Program: To qualify for this grant, you must be enrolled in your first or second academic year in a degree program on a full-time basis at a two-year or four-year degree-granting institution, and be eligible for a Federal Pell Grant. You must have completed a rigorous secondary school program as identified by a state or local educational agency and recognized by the Department of Education.

The National Science and Mathematics Access to Retain Talent (SMART) Grant Program: The SMART Grant is available during the third and fourth years of undergraduate study to full-time students who are in a degree program at a four-year degree-granting institution and are eligible for the Federal Pell Grant. You must be majoring in physical, life, or computer sciences, mathematics, technology, engineering, or a foreign language determined critical to national security and meet minimum GPA requirements to maintain the award.

The Teacher Education Assistance for College and Higher Education (TEACH) Grant Program: The TEACH Grant Program provides grants of up to \$4,000 per year to students who intend to teach in a high-need field in a public or private elementary or secondary school that serves students from low-income families. To qualify, students must complete a FAFSA

Many sources of financial assistance are available when it comes to paying for college. Some of the more popular options are covered here.

Click on any of the tabs on left, to get started! You need to read through all of the material, before you can go on to the next slide.

The nationwide Robert C. Byrd Honors Scholarship award is based on merit rather than financial need. Byrd Scholarships are awarded to promote academic excellence and achievement and to recognize exceptional students who show promise of continued excellence. Awards are \$1,500 per year up to a maximum of four years. Funding for these scholarships is allocated to states based on the number of eligible students in those states. For more information contact your State's scholarship office

If serving your country in the military after college appeals to you, check out the availability of Reserve Officers Training Corps (ROTC) programs and scholarships on your college campus. While most of these scholarships are given to students just entering college, a limited number of three-, two-, and even one-year scholarships are available for students already in college.

ROTC scholarships:

- Are awarded separately by each branch of the military-Army, Navy, Air Force, Marines, Coast Guard-and vary by branch in length, value, and terms.
- Pay tuition and other education expenses.
- Provide a living allowance of about \$1,500 per year.

Scholarships are competitive and based on academic performance, physical fitness, extracurricular activities, and a personal interview.

In return for this financial aid, you agree to join the military for a set number of years after graduation, as an officer either on active duty or in the Reserves or National Guard. The length of service depends on the military branch you choose and your field of specialty, but four years is a common length. Some services offer health-related or Nurse ROTC programs.

Because of the service commitment required immediately following graduation, consider a ROTC scholarship carefully before you accept it. Learn more about ROTC scholarships at [/com.todaysmilitary.com](http://com.todaysmilitary.com)://:http

Segal Americorps Education Awards are post-service benefits received by Americorps members, including VISTA and the National Civilian Community Corps. Upon successful completion of a term of service, members are eligible to receive a Segal Americorps Education Award ranging in value from \$1,000 to \$4,725, which may be used to pay college costs or to repay student loans. For more information visit [/gov.americorps.com](http://gov.americorps.com)://:http

The U.S. Department of Veterans Affairs (VA) has a long history of providing educational assistance to qualified individuals. Information about the educational benefits administered by the VA for military service members can be found on their Web site htm.benefits/Info_Bill_GI/gov.va.gibill.com://:http

In addition to the Title IV student aid programs, there are student aid programs specifically for students enrolled in health and nursing profession programs. These programs, administered by the Bureau of Health Professions of the Department of Health and Human Services (HHS), include the:

- Nursing Student Loan Program
- Health Professions Student Loan Program
- Primary Care Loan Program
- Scholarships for Disadvantaged Students Program

- Loans for Disadvantaged Students Program
- National Health Service Corps Scholarship Program

For additional information on these programs, visit the Bureau of Health Professions at dsa.gov.hrsa.bhpr/

Paying for College When You Don't Have Enough Financial Aid

The moment you get your financial aid award letter, compare your award package to your cost of attendance. See "1 Aid Award Letters Understanding Financia" for tips. If your award covers your full need, great! If not, you'll need to figure how to make up the deficit.

File an appeal if your situation has changed If your family's financial situation has changed since you applied for aid, you should file an appeal. You may be eligible for more aid, including a Pell Grant, subsidized student loans, and other funds.

Apply for more scholarships Don't assume you've missed all the deadlines to apply for scholarships-they vary from program to program. Check out one of the free scholarship databases.

Get a job Getting a job while you're in school can provide valuable work experience and may even improve academic performance. Try to find work that has meaning for you, and limit your hours. Research shows that 10-15 hours per week is about right. Find more tips here on how to get a job.

Reduce expenses Creating a budget is a great way to discover ways to reduce expenses. Every dollar saved on rent, food, and other personal expenses is a dollar that can go toward tuition and fees. See "Budgeting and Financial Planning" for more information, and to you can create your own budget by using our worksheets, or the Budget Wizard. Check out these tips on cutting expenses and stretching your dollars.

Talk with your parents about how they might help Start a conversation with your parent(s) about how they might be able to come with additional funds to help you close the gap. They may have other assets or funding streams to tap into (i.e.. home equity loans, or Parent PLUS loans).

Take out a private ("alternative") loan Be very careful about private loans. They should not be considered financial aid but rather an alternative financing mechanism, like a credit card or home equity loan, and they usually have higher fees and interest rates than federal student loans. Check out information on the Project on Student Debt before you consider this option, and proceed with caution.

Signing up for the AmeriCorps program. AmeriCorps members provide community service through local and national nonprofit groups. Members serve full- or part-time over a 9- to 12-month period. After successfully completing their term of service, they receive an AmeriCorps

Education Award of up to \$4,725. This award can be used to pay off qualified student loans or to finance college, graduate school, or vocational training at eligible institutions. If you decide to take classes during non-AmeriCorps hours, check with the Financial Aid office first to find about any impact on your financial aid.

Signing up for the Reserve Officer Training Corps (ROTC). ROTC prepares young men and women for military service and offers generous education benefits in return. Check here for more information.

Find a job that offers employee education benefits. Many employers provide tuition reimbursement to their employees. To explore this option, you would need to undertake a full-blown job search with a focus on those employers that offer such benefits. You can search the Web (enter "job search" in your favorite search engine) to find a number of free, commercial job search services.

Having a budget can help you:

- Stay out of debt
- Know what is really important to stress about
- Run a marathon
- Get a job

To plug spending leaks, you may try this strategy.

- Leave your credit cards at home
- Call a plumber
- Move somewhere where it doesn't rain
- Don't spend money

To help guide decisions and focus on financial goals in a structured way, you can create a

- Spending plan
- Flow chart
- Excel spreadsheet
- PowerPoint presentation

One reason for overspending may be

- Peer Pressure
- Lack of will power
- Bad weather
- Need to express oneself

To stretch your food dollars, you may

- Learn to cook
- Stop eating
- Put them in a taffy-pulling machine
- Fly to the moon

One technique used to save money is to

- Pay yourself first
- Throw it a life preserver
- Stuff it into a mattress
- Donate it to charity

One way to manage credit and debt is to

- Only charge when absolutely necessary
- Don't use credit cards
- Build an excel spreadsheet
- Have someone tell you to stop spending money

One action step to extract yourself from credit card debt is to

- Create a debt recovery worksheet for each card
- Change your username and password
- Mentally distance yourself from the debt
- Move to a remote tropical island

One of the biggest expenses you'll have in your lifetime is

- College
- Furnishing your apartment
- Money spent on pets
- Hair and clothes

Grant funds and scholarships are free money or gift aid

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