

## Talking Money with Your New College Student

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Help your new college student identify income sources and expenses and develop a written cash flow plan for college. Get tips on where students can trim expenses.

As the parent of a new college student, you want the best college experience possible for your daughter or son. You have a good idea about how much tuition, fees, room and board, and books will cost and how you'll pay for them, but have you discussed who will pay for other expenses, such as entertainment, eating out, school supplies, clothing, personal care items, transportation, insurance, and that always necessary category, miscellaneous?

Encourage your new college student to develop a written plan for both income and spending for the coming school year. It doesn't matter if you call it a "budget" or a "cash flow plan," but do put it in writing so both you and your new college student understand the situation. List amounts of anticipated income and expenses and when each is expected. Then balance the plan.

If anticipated income totals more than planned spending, great. Encourage your student to put any extra income in savings for emergencies. However, if it looks like expenses will exceed income, take time to talk together about the plan and where adjustments need to be made. Try to find more income or trim expenses. Make trade-offs until the plan balances, at least for the first semester.

### Income Planning

Include only dependable income sources such as scholarships and grants, student loans, realistic transfers from savings, pay from college jobs, and ongoing financial support from parents or other people.

When you agree about how much income you'll provide for your student's living expenses, be clear about how you'll provide the money and when funds will be available. Will you write a check or transfer funds directly into your student's checking or savings account? Will you do this once at the beginning of each semester or monthly? If you provide funding once a semester, encourage your student to put the total amount in a savings account and then transfer into the

checking account only what's needed for a single month. Doing this will help prevent them from spending too much at the beginning of the semester.

Many college students have part-time jobs while attending college. Research shows that a job can actually help the student's academic performance if they work 15-20 hours a week. If they work more than that, academic performance tends to suffer. Include income from a part-time job only after the student actually has the job.

### Expense Planning

Think of expenses in terms of wants vs. needs. Needs are essentials; wants are what you would like to have. As a parent, you may consider something to be a want when the student considers it a need. Encourage them to think in terms of trade-offs. If they want to spend money on a want rather than a need, what are they willing to give up?

Encourage your new student to live on a proverbial shoestring — not like they hope to live once they've graduated and landed a professional job. In college, it's much more acceptable to tell friends you can't afford something. True friends will understand and probably are in the same situation.

### Tips for Trimming Expenses

**Organization Dues.** While it's a good idea to join a couple student organizations, most groups charge dues and other fees. A common mistake new students make is joining too many organizations, paying the required dues, and then finding they don't have the time to participate in all of them. Students should limit activities for the first semester or so until they decide where their interests are.

**Phone Plan.** Use a plan and a carrier that will not charge excessive fees for local calls. Carefully evaluate the plan to be sure it's what the student needs at the most economical price available.

**Food.** Encourage your student to use the meals you're paying for through the meal plan; otherwise, this expenditure will have been wasted. Your student will be eating out occasionally whether it's sharing pizza while studying or heading to a local restaurant on Sunday evenings when the cafeteria

is closed. Allow for this expense in the spending plan. Also include the cost of stocking the refrigerator with groceries; this will be cheaper than vending machines.

**Books.** Textbooks are expensive. If used books are not available, consider renting books the student doesn't plan to keep.

**Ink Cartridges for Printers.** If possible, refill cartridges instead of buying new or use campus printers when papers are not handed in electronically.

**School Supplies and Personal Care Items such as Medications and Snacks.** Ask returning students the most economical places to buy these things and encourage your student to avoid shopping at a convenience store unless it's an absolute emergency. Consider buying health and some personal supplies at the Student Health Center if the price is cheaper.

**Transportation.** Think about getting a bus pass or biking to classes. With a vehicle you'll pay for parking — not a small expense — as well as other associated expenses such as insurance, gas, and maintenance.

**Student Discounts.** Use local student discounts for entertainment including movies, eating out, and campus events. The student grapevine is a good source for what businesses give student discounts.

**Personal Allowance.** Include a weekly allowance in the spending plan for miscellaneous expenses, and encourage your student to use it wisely. Little expenses such as buying coffee at the local shop, smoking, or using vending machines for drinks and snacks add up quickly. For example, spending \$5 a day on miscellaneous items adds up to \$140 a month or \$560 for the semester.

**Insurance.** All college students need basic health insurance. A student may be covered by a parent's plan, but if not, consider getting a basic health plan to at least cover the potential for large medical expenses.

Consider separate renter's insurance coverage for personal items your student takes to college or add coverage to your homeowner's or renter's policy.

If your student is taking a vehicle to campus, notify the insurance company, especially where the vehicle will be parked.

### **Emergency Plan**

Agree on what's considered an emergency and how it will be paid for. A credit card co-signed by the parent just for emergencies is one way. Another is a savings account set up just for emergencies. Either way ensures that funds will be available when needed.

### **Be Smart About Credit Use**

Encourage your student to use loan money only for direct school expenses such as tuition, books, lab fees, and basic room and meal costs, never for lifestyle expenses such as entertainment, clothing, and miscellaneous. Scholarships and grants are used first for these basic expenses; if any money is left over, it can be used to fund an emergency fund or to help provide lifestyle expenses.

Laws applying to college students and credit cards have changed. There should be less solicitation on campus than there has been in the past. If your student already has a credit card, discuss the responsibility it requires. Ideally, restrict the student to two credit card accounts and limit use to what can be paid off entirely each month. Always pay before the due date and always review monthly bills. If you are providing a card and will continue to pay bills directly, be sure your student agrees to review the validity of charges with you each month.

How a credit card account is handled impacts credit scores both now and in the future. How students handle a credit card account in college will impact their credit score after graduation, and in turn, their ability to rent an apartment, buy a house, get a job, and pay the lowest insurance and loan rates.

### **Prevent Identity Theft**

Buy a small cross-cut shredder to destroy papers with identifying information such as name, address, account numbers, and Social Security number. Keep identification documents, credit and debit cards, checkbooks, blank checks, and financial records in a safe, locked place. Don't share PINs and passwords.

### **Choosing Financial Accounts**

For convenience, a new student will probably want checking and savings accounts from a local credit union or bank. Choose an institution with no penalty for low balance, no minimum, and no or low charges for ATM or debit card use. Compare all fees. Get the minimum number of checks if most bills are to be paid online. Check for convenience of ATM locations and online or telephone access.

Be sure your student knows how to balance a checkbook even if they're using online account services. Remind them that the balance shown online may not be completely accurate because of outstanding debit card transactions, ATM withdrawals, or checks.

### **Final Advice for Parents**

Keep any advice for your new college student to a few well chosen words. Rely on the 18 years you've had with your student and the example you've set with your own finances. Then remember that, like parents, students often fail to admit they're in trouble. Be sure they know they can come to you when they have a problem. Work to keep communication lines open.

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**Index: Financial Management  
Money Management**

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