



# Make a Smart Start Toward Financial Success

SUNY ORANGE  
STUDENTS







# A College Education is a Smart Investment

High School Graduate	\$25,000
Some College	\$30,000
Associate's Degree	\$32,000
Bachelor's Degree	\$41,000
Master's Degree	\$51,000
Doctorate Degree	\$67,000
Professional Degree	\$77,000



# Start Smart By Avoiding Pitfalls

- Too Much Credit Card Debt
- Little or No Savings
- No Short and Long Range Plan



# The Credit Card Debt Picture

- Among college students, 76% have credit cards and 43% have four cards or more
- 7% of college students carry a credit card balance of \$7,000 or more; 16% owe between \$3,000 and \$7,000
- The average credit card balance among college students is \$2,169

Source: Undergraduate Students and Credit Cards in 2004, Nellie Mae, May 2005



# It's Hard to Get Out From Under

## Credit Card Scenario #1

- You charge \$2,500
- You pay \$50 per month
- Yearly interest rate is 19.9%
  
- How long will it take to pay the balance?

**9 years 1 month**

## Credit Card Scenario #2

- You charge \$2,500
- You pay \$100 per month
- Yearly interest rate is 19.9%
  
- How long will it take to pay the balance?

**2 years 9 months**



# Six Steps For a Smart Start After College

1. Establish Financial Goals and a Plan for Getting There
2. Separate Needs from Wants
3. Create a Monthly Spending Plan
4. Start Saving and Bank Wisely
5. Stay on Top of Your Student Loan Obligations
6. Use Credit Wisely



# 1. Establish Financial Goals

- Short Term

- Buy a car
- Buy new furniture
- Be debt free
- Vacations

- Long Term

- Buy a home
- Start a business
- Start a family
- College tuition for children
- Pay off student loans
- Retirement





## 2. Separate Needs from Wants

- Needs are fixed expenses, such as rent or mortgage, utilities, food, clothing, transportation, taxes, health care, childcare and repairs.
- Wants are variable expenses: entertainment, cable, internet service, magazines, eating out, hobbies and cell phones.



# Needs vs. Wants

Item	Need	Want
Food	Groceries	Eating Out
Shelter	Dorm/Roommate	Apartment or House
Transportation	Public Transportation	Gas, Car Insurance, etc.
Clothes	The Basics	Trendy Styles & Brands
Telephone	Regular Phone Service	Cell Phone



## 3. Create a Monthly Spending Plan

- Start at the beginning of each month
- Pay yourself first (open a savings account)
- Keep track of everything you spend; coffee, newspaper, magazine etc.
- Record all of your income
- Pay your bills on time



# Spending Plan Worksheet



## FACTS Spending Plan Worksheet

This budget worksheet can help you get a better handle on your finances. Use it to manage your income and to more clearly understand where your needs end and your wants begin. By carefully planning your spending, you can take some of the anxiety out of your time in school.

INCOME	PLAN/BUDGET	ACTUAL	DIFFERENCE
Student income (week)			
Spouse income			
Financial aid			
Grants			
Scholarships			
Work (Study)			
Taxes			
Other			
Assistance from Parents			
Income tax refunds			
Gifts			
Other refunds			
<b>TOTAL INCOME</b>	\$0.00	\$0.00	\$0.00
NEEDS/EXPENSES	PLAN/BUDGET	ACTUAL	DIFFERENCE
Rent/housing			
Bus fares (gas parking fees)			
Phone Service			
Electricity			
Heating (gas electric oil)			
Food			
Health care			
Utilities			
Books			
Transportation			
Insurance			
Gas			
Cell Phone			
Registration			
Tuition			
<b>TOTAL NEEDS/EXPENSES</b>	\$0.00	\$0.00	\$0.00
WANTS	PLAN/BUDGET	ACTUAL	DIFFERENCE
Recreation/entertainment			
Utilities			
Internet service			
Printing cost			
Cell phone			
Student Union			
Student Union			
Student Union			
Transportation			
Insurance			
Medical/eye/dentist/vision			
<b>TOTAL WANTS</b>	\$0.00	\$0.00	\$0.00



# Three Sections

- **Section 1: Income**
  - Yours and your spouse's (if you have one)
  - Include financial aid
- **Section 2: Needs/Expenses**
  - Include items like books, tuition, and interest expense on unsubsidized loans
- **Section 3: Wants**
  - Things that are not necessities
  - Include items like cable TV, lattes, eating out, the latest cell phone



# Things to Consider

- Consider the unexpected
  - Car repairs, fuel price increases, health care costs
- Assess needs/expenses first
- Prioritize wants from whatever dollars are left over
- Track your actual expenses as compared with your budget. Are you on track?



## 4. Start Saving and Bank Wisely

- Start a savings account
- Sign up for your employer's retirement plan
- Borrow only what you need
- Sign up for automatic savings; what you don't see does make a difference

**Today's habits will pay off tomorrow!**



# Banking and Savings

- Due to the effects of compounding, routine saving adds up quickly ...

## The Effects of Compounding

\$50 a month = about **\$8,200** in 10 years

\$250 a month = about **\$41,200** in 10 years

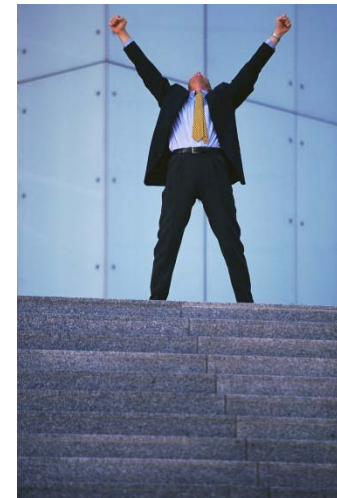
\$500 a month = about **\$82,300** in 10 years

Based on 6% interest.



# Choose the Right Bank

- When choosing a bank seek ...
  - Convenient Location and Hours
  - Needed Types of Accounts
  - Competitive Interest Rates
  - Low Service Charges
  - Available ATMs
  - Secure Online Services





# Use Banking Services Wisely

- Shop around for banks that offer incentives
- Avoid overdraft fees
- Record all purchases
- Balance your account monthly
- Take advantage of online banking
- Debit cards are not credit cards



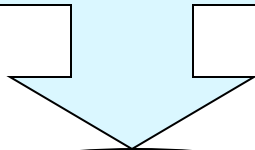
## 5. Stay on Top of Student Loan Obligations

- Subsidized Loans
  - Federal government pays the interest until the student enters repayment.
  - When the borrower has been granted a deferment, the government pays the interest during the deferment period.
- Unsubsidized loans
  - Student is responsible for paying the interest that accrues on the loan from the date of disbursement until the loan is paid in full, regardless of enrollment status.



# Pay Down Student Loans

**Student Loan**  
\$15,000 borrowed  
10 year term  
8.25% interest rate



**Monthly payment: \$184**  
**Total interest paid: \$7,077**

## Pay Extra and Save

- An extra \$50 a month
  - **Pay off loan 3 years faster**
  - **Save \$2,231 in interest**
- An extra \$250 a month
  - **Pay off loan 6 years faster**
  - **Save \$4,892 in interest**
- An extra \$500 a month
  - **Pay off loan 8 years faster**
  - **Save \$5,762 in interest**



## 6. Use Credit Wisely

- **Advantages**
  - Build credit
  - Rent a car
  - Available for emergencies
  - Frequent flyer miles
  - Online purchases
  - Immediate cash availability
- **Disadvantages**
  - Negatively affect credit
  - Debt accumulation
  - Years to repay debt
  - High interest rates
  - Repayment could be 3 to 5 times the original purchase price
  - Immediate cash availability



# Choose the Right Credit Card

- Interest Rate
- Adjustable Rate Credit Cards
- Fixed Rate Credit Cards
- Fees: late fees, over the limit fees, annual fees, and balance transfer fees
- Reward Programs
- Introductory Rates



# Manage Your Credit Cards

- Choose a credit card with no annual fee
- Use credit cards conservatively
- Charge only what you can pay off at the end of the month
- Make monthly payments on time
- Always pay more than the minimum requested
- Be wary of credit cards that offer free merchandise





# Manage Your Credit Cards

- Do not purchase on impulse
- Do not charge more than you can afford
- Know when your credit card payment is due
- Do not live a lifestyle you cannot afford
- Do not use credit cards for cash advances, unless it is an emergency





# Protect Your Credit

- Reduce access to your personal data
- Always take credit card receipts with you
- Never permit your credit card number to be written onto your checks
- Order your free credit report once a year
- Remove your name from the marketing lists of the three credit reporting bureaus
- Never allow anyone to use your credit card



# Protect Your Credit

- The three national credit bureaus are:
  - Equifax  
[www.equifax.com](http://www.equifax.com)  
(800) 997-2493
  - Trans Union  
[www.transunion.com](http://www.transunion.com)  
(800) 888-4213
  - Experian  
[www.experian.com](http://www.experian.com)  
(888) 397-3742



# Protect Your Credit

- [www.annualcreditreport.com](http://www.annualcreditreport.com)  
(877) 322-8228
- [www.optoutprescreen.com](http://www.optoutprescreen.com)  
(888) 5OPTOUT



# Feeling Overwhelmed?

- Ask for help
- Call at the first sign of trouble
  - Denial of credit
  - Credit cards that are maxed out
  - Borrowing money to pay bills
  - Paying only the minimum
- Contact your student loan provider
- Contact a Consumer Credit Counselor
- Work out a plan to repay





Follow these guidelines and you will have a successful future! You will be able to take that vacation, pay off bills, and buy your new car or home!





# QUESTIONS





**THANK YOU!**

