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Financial Fitness for Freshmen

As you get ready to go to college, now is a good time to expand your knowledge of day-to-day money management, including smart budgeting and debt management steps. The New Jersey Society of Certified Public Accountants (NJSCPA) offers these tips to students who want to get through college with the right financial footing.

Start on a Budget

You may be surprised at the high everyday costs of college, including books and supplies, daily living expenses, and travel to and from school. That's why it's a good idea to get a sense of what you will spend – outside of tuition costs – before you begin each semester. Include savings you plan to use, any money you may receive from your family and the income you can expect from any jobs. According to a Nationwide survey, the average student income is about \$1,400 a month from part-time jobs and parents. Semesters usually last about four months, so divide your projected total to determine how much you can spend each month, after deducting the amount you can expect to pay for books at the beginning of the semester. It's also a good idea to track your actual spending throughout the semester, so that you can more accurately project and adjust your budget for the years to come.

Get What You Need

Once you know your income, determine a list of expected expenditures each month. Understand the difference between wants and needs. Textbooks and supplies are clearly mandatory, but weekend trips, nights out and new clothes are not. Even a car can quickly drain your resources if you're cash-strapped. Feed the Pig, the American Institute of CPAs financial literacy site aimed at young people, recommends recording every time you make a purchase so that you get a good sense of where your money goes. Then categorize all the items to see if you're spending as much on morning coffee as you are on weekend entertainment. These steps allow you to understand where you might need to cut back or reconsider your spending choices. If you're honest about your real necessities, it will be easier to create a workable budget and find ways to save.

Avoid Credit Card Debt

College seniors with credit cards graduate with an average of \$4,100 in credit card debt, according to the Nationwide survey. The importance of budgeting is clear when you see the consequences of spending beyond your means. Many students use credit cards to stretch their spending money, but given the high interest rates involved that can be a costly choice. For example, if you have a \$4,100 credit card balance at an 18-percent

interest rate and you make a \$200 payment each month, it will take you 25 months to pay off that balance and it will cost you a whopping \$836.27 in interest, money you could have spent on other purchases or put aside in savings. That debt is a big burden to carry, especially since so many graduates also have significant outstanding student loan debts. Debt can make it much more difficult to find or afford your own place or to qualify for an auto or other loan. The best advice: If you're going to reach for the plastic, make sure it's a debit card. That way you will spend only what you have in your bank account now and avoid overextending yourself.

We Can Help

College is an exciting time that offers many new experiences, including managing your own money. If you or your family has questions about financial topics, be sure to consult with us. We can offer the insights and advice you need to make the best decisions.

Please call the Shapiro Financial Security Group at 732-739-8991 for more information on this topic or for assistance with any of your financial concerns.