

# Be young, cool and money wise

by

Sylvia Lim, CFP, CGA

College students are often young, cool and optimistic. They are living the best years of their lives, but sometimes to their own financial detriment.

Unrestrained spending, living beyond their means, and unwilling to delay immediate gratification often put them in the poor house by the time they graduate. A quagmire of debt is no way to start a career after graduation. So let's take a look at what can be done to minimize or even avoid this catastrophic scenario.

Many students will have debt on graduation. That is ok as long as the debt total is an amount that can be easily paid off within a few years after graduation. It is not a good idea to take on a sum so large that it will indebt the student for the next 20 years!

It is essential for post secondary students to map out their sources of income for the coming school year, and to know the timing of when they will be received. It is also important to do the same thing with their anticipated expenses for the corresponding period. If the plan shows that income does not match up to expenses, it's best for the student to think about alternatives available to make those numbers work.

First option is obvious. Take a closer look at the expenses and see which items can be cut out or reduced. For example, if it looks like funds are going to be short in October because of those textbook purchases made in September,

think about spending less on clothing in October. Better yet, refrain from buying those Nikes altogether. The savings can be used to minimize the debt impact.

Every dollar counts.

It's hard, but consider cutting back on the beer, pizzas, and candy bars. Just remember, it's short term pain for long term gain.

*Kelly knew her money will be tight in January, because of the holidays, by about \$500. She wisely started trimming back her spending in take out coffees, lunch outs, and candy bars. These savings added up to \$150 a month. By anticipating this short fall ahead of time, Kelly was able to make up this short fall with her new found savings in just over 3 months.*

Secondly, see if working part time is necessary and a rational option. It can be for a period as short as four 8-hour Saturday shifts in October, just to help get over the money crunch for that month. If working longer is necessary, plan the hours so that they don't impede on study time. School is priority, but going into huge debt because of it is also not a good long term solution. It's best to tackle it head on, one bit at a time.

*Like Kelly, Greg knows he'll be short on money after Christmas by \$500. He chose to work a few weekend shifts before the holidays to earn the extra money he needs. By January, instead of being stressed out about money after the holidays, Greg is well on track*

*financially and can pay full attention to his studies.*

Look to other financial aid options that are available especially to students. The first place to check is often the financial aids office at the school. Check also for affiliation scholarships and bursaries where they are offered to off springs of company workers and association members for the purpose of attending post secondary education.

If all else fails, consider asking your family for financial assistance where possible. Assistance can take different forms:

- Live at home, rent free, while attending school;
- Use the family car, for free, instead of owning your own;
- Check into health care coverage while living at home. Often the parents' extended health and dental plans can cover grown children attending post secondary schooling;
- Borrow clothing from your same size sibling, for free.

Here are some other ideas to help students cut back on expenses and be more financially savvy:

1) Cut out those credit cards that charge 18% or 20% in interest. Keep only one for emergency. Use credit wisely and pay off the balance every month by the due date. Those interest charges on unpaid balances are like weeds. They will spread and grow the debt, and can overwhelm anyone who's not paying attention for many years to come. Repeat - do not use credit unless there is money already available to pay off the purchases.

2) Watch those cellphone usage billings. Billings can become excessive if the student has outgrown an existing plan or overuse the service inappropriately.

3) Refrain from the need to have the latest gadget, toy or clothing item. Try hanging on to those iPods, cellphones, computers, cameras and other electronics for a few more years. A full time student has no business upgrading these gadgets on a regular basis. Most are still functional and good after 2 or 3 years. They're just not as trendy. Don't buy Gucci bags and Guess jeans. Fashionistas are not students, and students need not attempt to be fashionistas, unless they have very wealthy parents funding this indulgent lifestyle.

4) Walk, bike, take public transit and ditch the car. Owning a car means more than putting gas in the tank. Think maintenance, insurance, and depreciated value on the car. They often add up to thousands of dollars a year in extra expenses. Check with the school, they often provide subsidized transit passes or even include them in the school fees.

It's a good exercise for students to foray into the arena of money planning while they're in college or university. If they can juggle their dollars during their post secondary school years successfully, chances are they will be able to do it successfully for the rest of their lives.

So go back to school and learn something worthwhile. That includes learning the practical skills of managing money, for life!