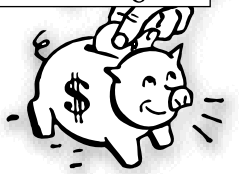


## Activity 1.



## TAKING CHARGE—

# Money Management 101

New people, new ideas and new freedom are part of college life. There are also new responsibilities. Besides making sure you get to class on time, you need to know how to manage your finances.

That involves more than knowing you can put gas in the car and buy drinks and pizza on Friday night. It means writing checks and balancing a checkbook; identifying your expenses, sources of income and

developing a budget; making choices about discretionary spending; developing good credit and planning for the future.

If it sounds complicated, it is. But knowing how to manage your money wisely is one of the most important skills you'll need to succeed. It's like learning to drive a car. Spending money without a plan can put you in danger of running yourself off your financial road.

*How safe is the road you're on right now? Take this quick true/false quiz to find out.*

- T F 1.** It's okay to write a check for more than I have in my account if I know when I'm going to make a deposit.
- T F 2.** It's okay to overspend in one budget category as long as I make sure the bottom line stays the same.
- T F 3.** A bad credit report can cause me to lose out on a job I really want.
- T F 4.** A good money management plan should cover my expenses during my college career.
- T F 5.** I have a meal ticket for the term but cafeteria food certainly isn't four-star. Therefore, eating out is a necessity.
- T F 6.** As a rule, it's a good idea to carry less cash since the cash machine is right down the street.
- T F 7.** It's important to start thinking about repaying my student loan by my junior year.
- T F 8.** If someone else (Mom, Dad, Uncle Charlie) is footing the bills, I can forget about money and concentrate on my classes.
- T F 9.** It doesn't matter if I don't pay my credit card minimum—it's not like they can repossess my groceries.
- T F 10.** If I need something today and I won't have the money until next week, it's better to exceed my credit card limit than it is to bounce a check.



### SCORING

Give yourself 5 points for each correct answer, then find out how you rate.

**45-50 POINTS.** You're on the right side of the road and obeying the speed limit—keep up the good work.

**35-40 POINTS.** You have the idea, but your road isn't well marked and you just ran a red light.

**30 POINTS OR LESS.** You're in the wrong lane on the Interstate and heading for disaster. Hit those brakes and stop your car immediately!

## ANSWERS

6. False. While it's generally not a good idea to walk around with a lot of cash in your pocket for safety reasons, you need to remember that some banks charge you a transaction fee each time you use a cash machine.
7. False. If you have student loans, start thinking about them now. You need to consider what you will owe later when you decide what you can afford to spend today.
8. False. Even if you're one of the lucky few for whom money isn't an issue, it's important to begin learning good money management skills and start building your credit record now. Remember that Mom, Dad or Uncle Charlie won't always support you financially!
9. False. Read that agreement you signed. Is it the "age of majority" meaning you're legally bound to a contract. Defaulting on your payments will damage your credit rating.
10. False. The first rule of money management is: If you don't have it, don't spend it. Exceeding your credit limit can be just as bad as bouncing a check, and both will look bad on your credit report.

1. False. If that check is presented for payment before you make your deposit, you'll pay at least one penalty fee (and probably two) and the bounced check will show up on your credit record. If the money isn't in your account, don't write the check.
2. False. A budget is a plan, and a plan is only useful if you follow it. While it may not hurt to spend more on entertainment if you cut back on food, certain items (like tuition and rent) are fixed. If you overspend in one area, you're probably going to come up short elsewhere.
3. True. Prospective employers use credit reports to decide if you will be a responsible employee. If you don't take your personal finances seriously, the employer may assume you won't think the job is such a big deal either.
4. True. A good money management plan looks at the future. What happens next term when you've got to cover a lab fee as well as books? How much will you earn—and spend—over spring break? When do your student loan payments begin?
5. False. Food is a necessity. Gross or not, your meals are covered. Eating out is a luxury.

Where does that money go? Tuition...books...rent...clothes...pizza... CDs...concert tickets... Does it seem like an impossible job to keep track of it all?

It doesn't have to be if you have a money management plan (A.K.A. a budget). Not only will you be able to keep track of where your money goes, you'll also know that you aren't about to spend more than you have. You'll be able to afford the essentials—like tuition, rent and spending money—when you need them. A budget also can help you identify future expenses (like spring break) and begin putting money aside to pay for them.

To begin developing your personal money management plan, fill in Section 1 and all applicable lines of Section 2 of the worksheet below. Follow the instructions to the right for Sections 3, 4 and 5.



Activity 2.

# FLOW AND GO— Balancing It All

## MONTHLY MONEY MANAGEMENT PLAN

**1** Monthly Income

- Salary from Job 1 \$ \_\_\_\_\_
- Salary from Job 2 \_\_\_\_\_
- Money from home \_\_\_\_\_
- Student loan \_\_\_\_\_
- Other \_\_\_\_\_

**TOTAL MONTHLY INCOME** \$ \_\_\_\_\_

<b>2</b> Monthly Expenses	Estimated Expenses	<b>4</b> Fixed Expenses?	Final Expenses
• Tuition	\$ _____	_____	\$ _____
• Books & supplies	_____	_____	_____
• Other school fees	_____	_____	_____
• Rent	_____	_____	_____
• Telephone	_____	_____	_____
• Utilities (gas, elec.)	_____	_____	_____
• Auto (gas, oil, insurance)	_____	_____	_____
• Parking fees	_____	_____	_____
• Other transportation	_____	_____	_____
• Food	_____	_____	_____
• Personal grooming	_____	_____	_____
• Clothes	_____	_____	_____
• Club/Membership Dues	_____	_____	_____
• Loan payments	_____	_____	_____
• Credit payments	_____	_____	_____
• Entertainment	_____	_____	_____
• Other _____	_____	_____	_____
_____	_____	_____	_____
<b>TOTAL</b>	<b>\$ _____</b>	<b>TOTAL</b>	<b>\$ _____</b>

<b>3</b> Total Income _____	<b>5</b> Total Income _____
- Estimated expenses _____	- Final expenses _____
= Estimated Savings \$ _____	= \$ _____

Total your monthly income in section 1. In section 2, fill in an estimate of your expenses. Enter your total monthly income and estimated monthly expenses in section 3. If you have more income than your expenses for the month, what's left over is money you can save.

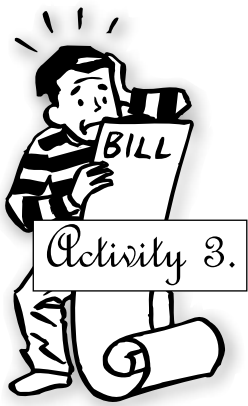
Find a deficit? If your expenses exceed your income, re-assess your budget. Go to section 4 to see which expenses are fixed and cannot be changed. Write an "F" next to the fixed expenses and enter them into the final expenses column. Include a fixed amount for savings, even if it's only \$10 or \$15.



Now take a look at the expenses you can control. Do you really need to see four movies a week or would three be okay? Identify expenses you can cut back on and re-allocate the funds that are left after you pay your fixed expenses.

Re-enter your total monthly income in section 5 and enter your final expenses from section 4.

Congratulations! You're on your way to a solid monthly spending plan. Give it a try and adjust it as you go.



# EARNING CREDIT— How To Get an A

## Activity 3.

Getting your first credit card and using it wisely is a great way to begin building a good credit history.

That's why taking credit seriously is important. Credit is a great convenience over other payment options such as cash and checks because it is easier and safer to use. But remember that credit isn't free; it's just like a loan and you're responsible for repaying everything you borrow, including possible interest and finance charges. Irresponsible use of credit can lead to serious consequences—it can prevent you from getting a job or renting an apartment.

So... you're ready to sign up and start building your credit history. But you want a good deal, don't you? Credit costs can vary widely, and if you want the best deal, you'll need to look at several factors:

- The finance charge. The finance charge is the total dollar amount you pay to use credit. It includes interest

fees, service charges and other costs.

- The annual percentage rate (APR). The APR shows what percentage you pay yearly to use your credit card if you do not pay your balance in full before the end of your grace period.

- Federal law requires that all creditors must disclose the cost of their credit in terms of finance charges and the APR, but there are additional factors to consider. Will you have to pay an annual fee? An application fee? Is there a charge for cash advances?

- Finally, how do you plan to use your credit card? Will you pay off your balance every month? If so, a card with a lower annual fee and a higher interest rate might be best. (The interest rate won't matter...if you pay off your balance each month, you won't pay interest.) If you think you'll be spreading your payments out over time, a card with a higher annual fee and a lower interest rate might be your best bet.

Compare the three credit card offers below. Then, fill in the same information for your credit card. Is your credit card best for your needs?

MY BEST CREDIT BET				
	Card #1	Card #2	Card #3	Your Card
Card Name/Issuer	Blue Bank	Red Bank	Green Bank	
Annual Fee	none	\$35	\$25	
Annual Percentage Rate (APR)	6.9% for first six months 18.9% thereafter	15.65%	12.9%	
Grace Period	30 days	25 days	30 days	
Reward Programs/ value-added features	cash rebate	frequent flyer miles	none	
Other Charges	cash advances subject to \$15 transaction fee and 18.9% interest rate	cash advances subject to 15.65% interest rate	cash advances subject to 18.9% interest rate	
Credit Limit	\$2,000	\$1,000	\$500	

**What's Next?** Get in the habit of asking yourself these questions every time you're tempted to exercise your new-found buying power. You'll find yourself on a successful money management track.

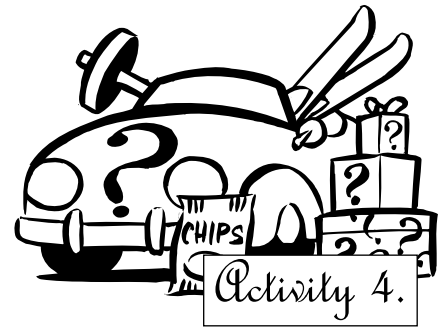
- What do I *want* to buy? And what do I really *need*?
- Would it be better to put off the purchase until I can save the money to pay for it?
- How long will it take and how much more will it cost me to pay for it on credit if I don't pay it off right away?
- Will I still have what I bought when I'm finished paying for it?



Okay. You say you've got money management down cold. You've got a checking account. You've got a credit card. You even made a budget. But wait...there's one final thing you need to consider. It's the key to making the whole thing work: it's *you*. Your spending habits can make or break your budget. Identify what you would like to spend money on in the following exercise.

## BUYING POWER—

# Do You Know Your Spending Pitfalls?



Activity 4.

Look at each pair of items below. If you had \$45 to spend, on which item in each pair would you use it? Circle each choice.

My car/travel **OR** clothes/personal appearance

CDs, tapes, books **OR** savings

School expenses **OR** clothes/personal appearance

My car/travel **OR** savings

School expenses **OR** food

CDs, tapes, books **OR** clothes/personal appearance

My car/travel **OR** entertainment/night life

School expenses **OR** savings

CDs, tapes, books **OR** school expenses

Food **OR** clothes/personal appearance

My car/travel **OR** school expenses

Food **OR** entertainment/night life

Food **OR** savings

CDs, tapes, books **OR** food

Entertainment/night life **OR** clothes/personal appearance

My car/travel **OR** food

CDs, tapes, books **OR** entertainment/night life

Entertainment/night life **OR** savings

Clothes/personal appearance **OR** savings

My car/travel **OR** CDs, tapes, books

School expenses **OR** entertainment/night life

### COUNT THE NUMBER

**OF TIMES** you circled each item. Write the total next to the item in column A. Then, in column B, list the items in the order you value them—from the most important to the least based on the number of times you circled it.

### A.

- \_\_\_\_\_ My car/travel
- \_\_\_\_\_ CDs, tapes, books
- \_\_\_\_\_ School expenses
- \_\_\_\_\_ Food
- \_\_\_\_\_ Savings
- \_\_\_\_\_ Entertainment/  
Night life
- \_\_\_\_\_ Clothes/  
Personal appearance

### B.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

The list in column B will give you an idea of where you are more likely to *want* to spend your money, and where you should think twice before you buy. Sure, you want it, but do you need it? Will you have to give up something else if you buy it? Are you willing and able to make that trade-off?

## Some Warning Signs of Credit Trouble

No one wants to get into financial trouble, but despite the best intentions, unexpected expenses or misused credit can push you into debt. Here are some warning signs that you're close to the edge:

- You work overtime just to cover your monthly expenses.
- You use money from savings to help make ends meet.
- You frequently ask your friends for loans.
- You have trouble paying all your bills each month.

What should you do if it happens to you? First, revisit your spending plan and identify where you can cut back.



You may need to contact your creditors to work out a payment plan.

Second, talk to your family or call the National Foundation for

Consumer Credit at 1-800-284-1458 for a referral to a local counselor.