

# Preparing Your College Student for Financial Responsibility

*Presented by Charles J Ferrari and Mark L Miller*

For many parents, the thought of a child heading off to college is both exciting and scary. Whether your child is going away to school for the first time or returning for another year, he or she may need help managing money and credit. This article outlines some tips you can use to prepare your child for the financial independence of the college years.

## **Get a handle on saving and spending**

Creating a budget together is a great way to start the financial conversation with your child.

- **Decide who's paying for what.** Discuss what you might cover (tuition, housing, meal plans, and so on) and the expenses you expect your child to pay for (entertainment, travel, and the like). Will he or she use savings to cover these expenses, or will you supply your student with an allowance?
- **Create a working budget.** After discussing income and expenses, figure out how much money your child will need while at school. Keep in mind that you may have to adjust this budget during the year.
- **Put it in writing.** Use a budget calculator to help you map out a plan, or create your own spreadsheet. As the year progresses, actively record income and expenses so your child can see the impact of saving and spending.
- **Follow up!** Staying on budget is easier said than done. Check in with your child periodically to see how he or she is doing.

## **Weigh the pros and cons of part-time work**

Before your child starts looking for a part-time job, be sure to consider all the factors involved.

### *Possible advantages*

- Your child will gain work experience that can help boost his or her résumé.
- An on-campus job may allow him or her to network with professors and peers.
- Taking a job may help your child develop time management and leadership skills.

### *Possible disadvantages*

- Your child may find it challenging to keep grades up while holding down a job.
- He or she may have less time for college experiences such as attending sporting events, participating in student activities, volunteering, and networking.

If you decide a job is the way to go, the first step is to check your child's financial aid package to see if he or she is eligible to participate in a work-study program. At the end of the semester, evaluate how the job is going and reconsider the decision if needed. And, of course, make any necessary changes to your student's budget based on his or her earnings.

## **Compare on-campus and off-campus housing**

Where your child lives will be an important part of his or her college experience. Keep in mind that some schools require students to live on campus. If it's an option, however, your child might be interested in off-campus housing. Here are some factors to consider:

- **Extra expenses.** If your child lives on campus, cable, Internet, electricity, and other expenses are usually lumped together in a single sum per semester. For an off-campus rental, these bills will most likely have to be paid separately each month. Do the math to see which option is cheaper.
- **Food.** Students can usually choose from several meal plan packages, but they can be expensive, especially when you break it down by cost per meal. If your child lives off campus, shopping at a local grocery store and cooking meals may be more cost effective.
- **Location.** On-campus housing is usually located within walking distance of academic buildings. With off-campus housing, you may need to factor in the costs of a car, gas, insurance, and parking.
- **Roommates.** In an off-campus rental, it's important that your child can rely on his or her roommates to pay their part of the rent and expenses each month. Additionally, if your child won't be at school for the whole year, he or she may need to find a subletter or pay for the months he or she won't be there.

If your child has a choice of where to live, the decision may come down to weighing the freedom of off-campus housing against the convenience of on-campus living.

### **Talk about ways to build credit**

College is an excellent time for your child to start building good credit. Here are some things you can do to help:

- **Explore your child's credit card options.** You might consider adding him or her as an authorized user on one of your cards. Or, your child may wish to apply for his or her own student credit card.
- **Stress the importance of being responsible.** Be sure your child knows that he or she needs to pay the credit card balance on time each month. Other things to stress: don't exceed the credit limit, don't carry a balance from month to month, and don't use cash advances.
- **Warn against risky credit card programs.** Companies often set up booths on college campuses promising free giveaways in exchange for filling out an application. This may seem convenient to a new student, but it can be dangerous. Filling out an application with personal information and handing it to a stranger could put your student at risk for identity theft.
- **Check out your child's credit report.** Request a free credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com) and review it carefully for mistakes or suspicious charges, which could be a sign of identity theft.

### **Setting your child up for success**

When it comes down to it, your child's major expenses at college will be tuition and housing. By taking steps to control other expenses and build credit responsibly, your student can lay a solid foundation for financial success later in life.

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