
51 TIPS ON MONEY & FINANCES

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WOODBURN PRESS

51 Tips on Money & Finances
ISBN 978-0-9975890-6-1
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Woodburn Press
405 Littell Ave.
Dayton, OH 45419
www.woodburnpress.com
888-285-1502

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Introduction

For better or worse, money plays an important role in our lives. How much money we have can determine where we live and what we are able to buy.

But more important than how much money you have is how well your money supports you on your life's journey.

To help you achieve your financial goals, whatever they may be, this book provides information and tips on earning, spending, and investing money—and much more.

Knowing how to manage your money and being financially literate will give you the ability and the confidence to make wise financial decisions now, and in the years to come.

51 TIPS ON MONEY & FINANCES

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*“It’s not really what you have,
but how you manage what you have.”*

Efren Cruz, personal finance author

TIP 1

**TAKE OWNERSHIP
OF YOUR
FINANCES**

How you manage, or don't manage, your money will have a big impact on your life.

You shouldn't depend on others to keep track of your money, or make financial decisions for you.

You will soon be earning your own money, and it will be important for you to know how to manage it. *Having good financial management skills will help you create the life you want to live.*

This book will help you become more financially savvy by providing information and tips on the following topics: paying for college, banking, budgeting, smart spending, using credit, protecting your assets, earning money, and investing. Learn all you can!

To be independent and make your own financial decisions, you need to educate yourself and take ownership of your finances.

TIP 2

KNOW YOUR COLLEGE COSTS

"Knowing how much college costs makes me less likely to blow off class. I feel like I'm throwing money away."

ALYSSA, SENIOR

Know exactly how much your college education costs and how your education is financed.

You, your parents, and/or other family members may be paying for your education. You may be taking out federal loans, or drawing money from scholarships, grants, or a 529 College Savings Plan. Most likely, you are paying for your education with a combination of the above.

Whatever your circumstances, you need to understand how much your education costs (tuition, room and board, etc.), how it's being paid for, and any debt you will be required to repay upon graduation.

Talk to your parents, discuss who pays for what, and be clear about what your financial responsibilities are—now and in the future.

TIP 3

**CUT
COLLEGE
COSTS**

Students with financial need are often eligible for Federal Work Study. If you have questions regarding your eligibility, go to the Financial Aid office.

College is expensive, but there are ways to cut costs.

For example, you can reduce college costs by doing the following:

- ▶ Shorten the time you spend in college by taking heavier loads during the school year, and by enrolling in classes during the summer and intersessions.
- ▶ Take summer classes at a community college, where classes often cost less than half what they do at a four-year college. Just make sure that the credits will transfer.
- ▶ If you're attending a college close to home, you can save a great deal of money by living at home and commuting.

Talk to a Financial Aid Counselor to see if there are any grants or scholarships for which you may be eligible.

TIP 4

**UNDERSTAND
FINANCIAL
AID**

There's a wealth of financial aid information available online at sites such as studentaid.gov.

Financial aid comes in four forms: grants, scholarships, work-study, and loans.

If you need help paying for college, it's important that you understand the types of financial aid that are available.

- ▶ **Grants:** money given, usually because of financial need. Grants do not need to be repaid.
- ▶ **Scholarships:** money awarded for outstanding academic achievement, talent, and/or financial need. Scholarships do not need to be repaid.
- ▶ **Work-study:** money earned by working at a part-time job, usually on campus.
- ▶ **Loans:** borrowed money that must be repaid.

Scholarship applications shouldn't end in high school. Visit your college's Financial Aid Office or visit sites such as scholarships.com and fastweb.com to find scholarships for which you are eligible.

TIP 5

**COMPLETE
A
FAFSA**

Millions of financial aid dollars are not awarded because eligible families did not submit a FAFSA.

If you need help paying for college, make sure you complete a FAFSA (Free Application for Federal Student Aid).

Because most financial aid awards are based on need, it's necessary to determine how much a family can afford to pay for college. The FAFSA is the federal form that's used to determine this amount. *You and your parents must complete a FAFSA in order to be eligible to receive any federal financial aid for the following year.*

The FAFSA is only good for one year, so you must complete a new FAFSA each year. If your family's financial circumstances change midyear (parent loses a job, parents divorce, etc.), contact your college's Financial Aid Office and request a re-evaluation of your aid.

You can complete a FAFSA for the following year as early as Oct. 1. For information and to complete a FAFSA online, visit fafsa.gov.

TIP 6

**MEET WITH A
FINANCIAL AID
COUNSELOR**

*“You are never strong enough that
you don’t need help.”* CÉSAR CHÁVEZ

Colleges employ financial aid counselors to help students and families figure out how to pay for college.

Make an appointment with a Financial Aid Counselor if you:

- ▶ think your family's financial situation may qualify you for need-based aid.
- ▶ have questions about loans or your eligibility for scholarships.
- ▶ want to explore ways to minimize your college debt.

Financial Aid Counselors are experts who can answer your questions and provide personalized advice. Take advantage of their knowledge and expertise.

TIP 7

**KNOW
YOUR
LOANS**

Families should exhaust their federal loan options before ever considering a private loan from a bank.

The majority of financial aid comes in the form of loans.

Be informed about your loan options and your repayment obligations.

- ▶ **Federal Direct Loans** are low interest student loans provided by the federal government. Direct Loans are available to any college student. Students must start repaying these loans six months after leaving college.
- ▶ **PLUS Loans** (Parent Loan for Undergraduate Students) are available to parents with good credit.

For information on federal loan programs, visit studentaid.gov.

Financially savvy students use their student loans strictly for education costs (tuition, fees, room and board), and they borrow as little as possible.

TIP 8

**UNDERSTAND
REPAYMENT
OPTIONS**

Loan forgiveness is available for certain career fields. Talk to a Financial Aid Counselor.

In most cases, you have six months after you leave college before you need to start repaying your student loans.

During these six months (also known as a "grace period"), you can (1) find a job that pays enough for you to afford your student loan payments; (2) attend graduate school and qualify for a school deferment; or (3) apply for a financial hardship deferment or forbearance.

A deferment is a pause button for your loans. It allows you to delay making payments, while also not accruing interest on your loans. You can qualify for a deferment if you're unemployed, or you don't make enough money yet to make loan payments. A forbearance is like a deferment, but interest keeps accruing while your loan payments are paused.

You'll likely be required to attend a virtual or in-person loan counseling session upon graduation, which will further explain these options.

TIP 9

**MINIMIZE
COLLEGE
DEBT**

Over 60% of college graduates have student loan debt. The average debt is over \$30,000.

Students today are borrowing more money to pay for their education than ever before.

Students who borrow money for college often underestimate the difficulty, and the length of time it takes, to repay their student loans.

Students who default on their loans soon find that being delinquent or defaulting on a loan has very serious consequences. Their wages may be garnished; they may face legal action, and their credit will be damaged—which can make it difficult to rent an apartment, buy a car, or even get a cell phone plan.

Financially savvy students explore their financial aid options, look for ways to cut college costs, and minimize their student loan debt.

TIP 10

**CHOOSE
YOUR
BANK**

When selecting a bank that's right for you, compare services, fees, and branch locations.

Although they may look alike, all financial institutions are not the same.

Some banks have service fees and charge for checks, withdrawals, and electronic banking, whereas others do not. Banks are for-profit businesses, whereas credit unions are owned by their members.

Consider these factors when choosing a bank:

- ▶ **Convenience:** Do they have locations near campus and in your hometown? Do they have free, convenient "in network" ATMs?
- ▶ **College-focus:** Do they have products and services designed specifically for college students?
- ▶ **Fees:** What kind of fees do they impose? Can you avoid or minimize fees?

Before choosing a bank, review bank websites and do a little comparison shopping.

TIP 11

**TAKE ADVANTAGE
OF BANK
SERVICES**

“My bank's app is super helpful when I'm out somewhere and need to know my balance.” ANDREW, SENIOR

The banking industry is very competitive, and banks offer all kinds of services to keep their customers happy.

Common bank services include:

- ▶ a debit card for making purchases and withdrawing cash at ATMs—or an ATM card for just obtaining cash.
- ▶ account balance updates via text message or app.
- ▶ balance transfer to and from savings and checking accounts at the same institution. (This can be useful if your parents have an account at the same bank.)
- ▶ online and mobile banking services, which may include depositing checks, paying bills, and reviewing your account activity.

Online banking is convenient and easy. Just be sure to keep your password confidential and change it regularly. Also check your account after making a transaction to ensure everything is correct.

TIP 12

**KNOW THE PROS
AND CONS OF
DEBIT CARDS**

Periodically check your debit account activity. Report any discrepancies to your card issuer immediately.

When you use a debit card, the money comes directly from your checking account.

Advantages

- ▶ Debit cards are accepted for purchases by most merchants, and they're easier to get than a credit card.
- ▶ You can use a debit card as an ATM card.
- ▶ Like a Campus Cash Card, a debit card keeps you within your budget because your spending is limited to the amount of money in your account. And unlike credit cards, you won't accumulate debt, or be charged interest and late fees.

Disadvantages

- ▶ Debit cards typically offer less protection than credit cards. You could potentially be responsible for \$500 or more on fraudulent debit card transactions. Check with your bank for details.
- ▶ Debit card use will not help you establish a credit record or credit score.

TIP 13

**AVOID
BANKING
FEES**

“Banks love to provide services that make our lives easier. Perhaps the only thing they love more is charging fees for these services.”

GLENN CURTIS, FINANCIAL WRITER

Banks make billions of dollars in fees and penalties.

Know what fees your bank charges and make every effort to avoid them.

Here are some of the most common fees:

- ▶ **Account Maintenance Fee:** a monthly fee simply for having an account
- ▶ **Insufficient Funds (Overdraft) Fee:** a fee that's charged when a transaction exceeds the amount of money you have in your checking account
- ▶ **Minimum Balance Fee:** a monthly charge on checking accounts with low balances
- ▶ **Returned Deposit Fee:** a fee that's charged when you deposit a check that "bounces" (the issuing account has insufficient funds)
- ▶ **ATM Fee:** a fee for withdrawals made from "out of network" ATMs

Fees are one way that banks make their money. If you play it smart, you can avoid all or most banking fees.

TIP 14

CREATE A BUDGET

A budget is a plan showing the amount of money that can be spent, and how it will be spent.

There is no single best way to create a budget.

You can use a simple pen and paper system, or you can use Google Sheets or Excel. You can also use an app, such as Mint, Monefy, Money Lover, or Good Budget.

To create a monthly budget:

1. Put your expenses into categories that make sense to you (e.g., Clothing, Food, School Supplies, Entertainment, Cell Phone).
2. Determine if each category is a fixed or flexible expense. Fixed expenses are the same every month (e.g., \$125 each month for car insurance). Flexible expenses are those that vary. \$30 for clothes one month; \$75 the next.
3. Decide how much money you're going to budget for each category for a specific time period (e.g., week, month). Put your fixed expenses into your budget first—this will help determine how much you have available for your flexible expenses.

The best budget system is the one that works for you!

TIP 15

**MAINTAIN
A
BUDGET**

“Don't tell me what you value. Show me your budget, and I'll tell you what you value.” JOE BIDEN

To maintain a budget, record the money coming in, and keep track of your spending in each category—even that \$1 bottle of water.

Here is a sample worksheet:

Estimated Monthly Income \$ _____			
Expenses		Budgeted	Spent
Fixed Expenses	Rent		
	Utilities		
	Insurance		
	Car loan		
	Internet / Cable		
Flexible Expenses	School supplies		
	Cell phone		
	Food		
	Entertainment		
	Clothes		
	Misc.		
Total Expenses			
Balance _____			

Students who record and track every transaction are much more likely to reign in their spending and live within their means.

TIP 16

**REVIEW AND
BALANCE
YOUR BUDGET**

“What gets measured, gets managed.”

PETER DRUCKER

At the end of your budget period, compare your income with your expenses.

If your monthly income exceeds your expenses, you have achieved a "positive balance." Good for you. Your savings can be set aside for the future.

A "negative balance" reveals that your expenses have exceeded your income. You are spending more money than you are taking in. How is this possible? You're either eating away at your savings or you're running up credit card debt. If you have a negative balance, think about how you can reduce your expenses and/or increase your income.

The goal of creating and maintaining a budget is to take charge of your finances.

TIP 17

**LIVE THE
FRUGAL
LIFE**

Living the frugal life is about cutting back on the things you don't need, and getting the most out of what you have.

The financial decisions you make today can have a major impact (positive or negative) on your future.

If you're like most college students, you have little or no income. And if you have a student loan, you may owe tens of thousands of dollars that you'll need to begin repaying after you graduate.

So, during your college years, it's essential that you be smart about your expenses and your spending habits. The alternative is to put yourself in a financial hole that can take decades to crawl out of.

Being frugal doesn't mean that you can't have fun—you just need to be smart about your spending.

TIP 18

TAKE ADVANTAGE OF DISCOUNTS AND FREEBIES

Use coupons and rewards cards at grocery stores and online discount sites such as Amazon Prime Student, Groupon, and LivingSocial.

Just being a student can save you money.

- ▶ Take advantage of free and discounted events on campus—athletic events, art exhibits, speakers, plays, and movies.
- ▶ Check bulletin board posts and your school's online events calendar.
- ▶ Participate in campus organizations, clubs, and intramural sports.
- ▶ Look for student discounts at museums, restaurants, entertainment venues, theaters, and transportation systems. Also, check for discount rates when purchasing items online. Sellers sometimes offer discounted rates for students with an “.edu” email address.

You are likely to never again have as many free and inexpensive activities and services available to you. Take advantage of them.

TIP 19

**DIFFERENTIATE
BETWEEN WANTS
AND NEEDS**

"It's not about having it all. It's about having what you value the most."

JEAN CHATZKY

Before you spend your hard earned dollars, ask yourself, "Is this something I need?"

Think about the things you spend your money on (e.g., clothes, entertainment, cell phone, transportation) and differentiate between *wants* and *needs*. When it comes to things you don't need, but just want, be selective. *Make sure you're spending your money on things that are truly important to you.*

To have more money for the things you want, find ways to reduce the costs of the things you need. For example:

- ▶ Don't pay extra for cell phone plans or streaming services you don't use.
- ▶ Rent rather than buy textbooks.
- ▶ Don't purchase extended warranties.

If you're not sure whether you should buy something, wait a day or two and see how you feel. Waiting helps eliminate bad decisions and impulse buying.

TIP 20

LEAVE YOUR CAR AT HOME

"Many insurance companies offer 'away at college' discounts that can greatly lower your car insurance premiums."

ALEX GLENN, INSURANCE WRITER

Between parking fees, tickets, maintenance, insurance, and gas, it costs thousands of dollars a year to own and operate a car.

Besides saving you money, not having a car on campus can prevent the temptation to drink and drive. *In addition to endangering lives, a DUI can cost anywhere from \$13,000 to \$27,000 in fines and legal fees.*

The money you save from not having a car on campus can go toward repaying student debt, getting your own place, or buying a new car (later, when you really need a car).

Do what most college students do—walk, bike, carpool, or use public transportation and ride sharing services such as Uber and Lyft.

TIP 21

**OPTIMIZE
YOUR
MEAL PLAN**

“I spent too much money on snacks and junk food my first year. I wasted a lot of money by not taking advantage of my meal plan.”

JORDAN, SOPHOMORE

If you pick a plan with too much food, you'll waste money. If you pick a plan with too little food, you'll be hungry—or spend extra money on food and snacks.

Colleges have various meal plans that typically costs thousands of dollars a year, so it's best to use them wisely.

Check out your dining services contract to determine if you're allowed to change meal plans each semester, and whether unused dining dollars can carry over to the following term.

Of course there will be times when you and your friends will want to eat out or order pizza, but be careful about dropping a lot of money on extra meals and snacks. Use your meal plan!

TIP **22**

**BE AWARE OF
APARTMENT
EXPENSES**

When signing an apartment contract, read the fine print so that you know exactly what you are responsible for.

The cost of living in an apartment involves more than just paying the rent.

For many apartments—especially off-campus apartments, your rent only covers the space you're living in. Everything else (i.e., water, gas, electricity) is a separate expense that you are responsible for.

Most apartments require a security deposit (usually one or two months' rent) before you move in—which you may or may not get back when you move out. And then there's the cost for furniture, kitchen supplies, and of course, food.

Purchase renters insurance to cover the cost of your belongings in case something (like a fire or theft) happens. Your landlord's insurance covers the property itself, not your stuff. That's on you.

TIP 23

BUILD GOOD CREDIT

Just like your GPA tells others how well you've done in school, your credit record and credit score let others know how well you manage your money.

A good credit record can help you qualify for an apartment, home mortgage, car loan—and even get a better cell phone plan.

Before a bank or business will loan you money or give you credit, they want to feel reasonably certain that you'll make the agreed upon payments—so they check your credit record and/or credit score.

Here is how you can build a good credit record.

- ▶ Make all bill payments on time. Being late with just one or two payments can adversely affect your credit report.
- ▶ If you have a credit card, pay off the entire balance each month, on time.
- ▶ Do not apply for numerous credit cards or loans. These “hard inquiries” to your credit record can impact your score.

If you have a roommate and the apartment and utilities are held jointly, his/her failure to make timely payments can affect your credit record.

TIP **24**

**UNDERSTAND
YOUR
CREDIT SCORE**

You can request a free credit report and credit score from annualcreditreport.com.

You get a credit score once you apply for a credit card, take out a loan, or open a bank account in your own name.

Credit bureaus get information on your financial performance from banks and credit card companies. They then use this information to create and maintain your credit record and your FICO credit score. (Equifax, Experian, and TransUnion are the "Big Three" credit bureaus.)

A FICO credit score is calculated using a mathematical formula. This score is used by lenders to determine a person's creditworthiness.

Credit scores range from 300 to 850 and typically break down in the following manner:

750 or more	Excellent
700 – 749	Good
650 – 699	Average/Fair
550 – 649	Poor
550 – 649	Bad

Most students and new graduates have low credit scores simply because they haven't yet established a strong credit history.

TIP 25

**KNOW THE PROS
AND CONS OF
CREDIT CARDS**

The average American has a credit card balance of \$6,375.

When you use a credit card, you are not spending your money. You are essentially taking out a loan that you must repay.

Advantages

- ▶ If you pay your bill in full and on time every month, you will start establishing a strong credit score.
- ▶ Most credit cards offer protection if something you purchase with your card is damaged, stolen, or lost in delivery.
- ▶ Some credit cards offer cash back, frequent flier miles, or other rewards.
- ▶ Credit cards offer the option of buying something today and paying the money back over time (with interest). But this “advantage” comes at a price. Read on....

Disadvantages

- ▶ The primary disadvantage to credit cards occurs when you miss payments, overspend, or make late payments. High rates of interest and late fees accrue, and your credit score will suffer. *A \$500 purchase can turn into an \$800 charge before you know it.*

TIP 26

AVOID CREDIT CARD DEBT

While using a credit card responsibly can help you build good credit, using credit cards irresponsibly can lead to financial disaster.

Credit card companies make billions of dollars off their customers through fees and interest payments.

Be smart when using credit cards!

- ▶ Pay your credit card balance in full and on time every month. You'll avoid paying interest and late fees—and you'll build good credit.
- ▶ Use just one card.
- ▶ Be wary of cards that offer no fees for the first year. You'll automatically be charged an annual fee every year thereafter.

The majority of people don't pay their entire credit card balance each month, allowing credit card companies to collect billions of dollars in interest charges. Credit card companies love these people.

TIP 27

**UNDERSTAND
COMPOUND
INTEREST**

“Compound interest is the 8th wonder of the world. He who understands it, earns it...he who doesn't...pays it.”

ALBERT EINSTEIN

If you use a credit card or take out a loan, it's critical that you understand compound interest.

How does a student pay \$8,500 on a \$3,000 credit card balance? Consider the following:

David and Shivani decide to pay off the \$3,000 balance on their respective credit cards (with a 15% Annual Percentage Rate). Shivani makes \$100 monthly payments. David makes \$40 monthly payments.

- ▶ Shivani's method takes 38 months. She will pay \$784 in interest, totaling \$3,784.
- ▶ David's method takes 224 months. He'll pay \$5,960 in interest, totaling \$8,960. That's almost double the initial balance in interest alone!

Compound interest is calculated on the principal amount and on the accumulated interest of previous periods. This means that you pay interest on interest.

To fully appreciate the impact compound interest can have on your credit card or student loan debt, use an online loan calculator and run some numbers.

TIP 28

KNOW THE LOAN LINGO

"When someone applies for a car loan, we check their credit report and credit score to determine if they're a good risk."

JAMES WILSON, SALES MANAGER

At some point, you will likely make a purchase (e.g., a car) that requires you to take out a loan.

Before you apply for a loan, here are a few terms you should know:

- ▶ **Co-signer:** additional person (typically someone with a good credit record) who signs the loan documents and agrees to be responsible for the loan if payments are not made
- ▶ **Default:** failure to repay a loan
- ▶ **Down payment:** the initial "out of pocket" amount you must pay (often a percentage of the total cost)
- ▶ **Installment loan:** a loan with a set number of payments
- ▶ **Interest:** the amount you're charged for borrowing the money
- ▶ **Title:** a document that shows ownership

Before you take out a loan, make sure that you're getting the best interest rate possible, and that you can afford to make the payments on time.

TIP 29

BE CAREFUL USING ALTERNATIVE PAYMENT METHODS

“Our college cash card is convenient, but I think students sometimes forget that it’s real money they’re spending.”

MARK, SENIOR

Technology has created a number of new ways for us to part with our money.

Campus Student Cards (often called “One Cards”) are available at most colleges. Colleges partner with a bank in order to turn student ID cards into debit cards. As with all plastic, be wary of overspending.

P2P Payment Systems such as Venmo, Zelle, PayPal, Apple Pay, and Google Wallet make it possible to transfer money and make payments to retailers and individuals online. Beware of fees.

Prepaid Cards are available for purchase in stores, banks, and online. You load a dollar amount and then use these cards like a debit card. There are often fees associated with these cards.

Alternate payment methods may be convenient; but the more methods you use to make payments, the harder it is to keep track of your spending.

TIP 30

**GUARD AGAINST
THEFT
AND LOSS**

As a rule, colleges do not replace stolen or damaged property. Students should, therefore, consider purchasing renters insurance to cover valuable items.

Theft is common on college campuses. In your dorm and throughout campus, exercise the same caution you would anywhere else.

Replacing lost and stolen items can be costly, and it's a hassle.

- ▶ Always lock your door and don't loan your key or entry card to anyone. Also lock first floor windows before leaving.
- ▶ Never leave personal items such as cell phones, laptops, textbooks, or backpacks unattended in a library, classroom, or dining hall. (You have a one in ten chance of having your laptop stolen this year—and 97% of stolen computers are never recovered.)

Place your name and email address on valuable items with a \$20 return offer if lost.

TIP **31**

**BE
SMART
ONLINE**

Consider choosing the first letters of a sentence for your password. "My best friend in 7th grade was Joe Smith" becomes "mbfi7gwJS."

As we increase the number of transactions we make online, security becomes a greater issue.

Here are few tips to keep your identity and assets safe:

- ▶ Use uncommon usernames and passwords, and choose an obscure 4-digit Personal Identification Number (PIN).
- ▶ Change usernames, passwords, and PINs regularly, and never share them with anyone other than a parent.
- ▶ Phishing is the fraudulent practice of trying to obtain personal information such as credit card numbers and passwords. Never click on links in emails from senders you don't recognize, and don't link to retail websites from other sites.
- ▶ Decline when asked if you want your “account” or payment information saved to your computer.

Your personal information is at risk whenever you use it electronically. Take precautions.

TIP 32

**UNDERSTAND
AUTO
INSURANCE**

Insurance policies are not created equal. Discuss your premiums and coverage with your insurance agent.

If you drive a car, you need to understand auto insurance.

Auto Liability Coverage is mandatory in most states. Drivers are required to purchase at least the minimum amount of liability coverage set by state law.

There are two components:

- ▶ Bodily Injury Liability helps pay for costs related to another person's injuries if you cause an accident.
- ▶ Property Damage Liability helps pay for the damage you cause to another person's car or property while driving.

Collision Insurance helps pay to repair or replace your car if it's damaged in an accident.

Comprehensive Coverage protects your car against damage not resulting from a collision, such as vandalism, fire, and theft.

1 in 7 drivers in the U.S. are uninsured. An accident with an uninsured driver can result in costs that aren't covered by basic liability insurance. Many states now require Uninsured Motorist Coverage.

TIP 33

**UNDERSTAND
YOUR INSURANCE
DEDUCTIBLE**

There are many types of insurance, but most people spend their insurance dollars on auto, health, and property insurance.

When you buy insurance, you share the risk of financial loss with an insurance company in exchange for a fee, known as a premium.

The amount you pay for your insurance often depends on what your deductible is. *A deductible is the amount you must pay before your insurance pays.*

The higher your deductible, the lower your premiums—and the more you must pay out of pocket if you have a claim. For example:

Brad and John were each in an accident and both did \$2,000 worth of damage to their cars. John's policy had a \$1,000 deductible so he paid \$1,000 and his insurance company paid \$1,000. Brad's policy (which was more expensive) had a \$250 deductible. Brad paid \$250 and his insurance company paid \$1,750.

Talk to your parents about what your auto and health insurance cover (and don't cover), and make sure you have up-to-date insurance cards with you at all times.

TIP **34**

**INSURE
YOUR
VALUABLES**

Your cell phone can be insured by your service provider or through a third party insurer such as SquareTrade.

Car owners are required to have insurance. Insuring other valuable items is a choice.

Determine if your parents' homeowners policy covers your valuables at college. If not, ask if a "rider" can be purchased for your items.

Keep receipts, submit warranty forms, and store photos of all your valuable items (e.g. electronics, jewelry) in a cloud service such as Google Drive. You'll need proof of their value if you need to file an insurance claim.

If you rent an apartment or house, purchase renters insurance. If you or your roommate leave your door unlocked and all of your stuff gets stolen, you'll be glad you're insured.

TIP 35

**KNOW THE DIFFERENCE
IN INSURANCE
AGENTS**

Independent agents are able to offer more choices than captive agents.

There are basically two types of insurance agents.

Independent insurance agents (also called “brokers”) do not work for a particular insurance company, but instead sell policies from multiple companies.

Captive agents only work for one company and sell only its policies (e.g., State Farm, Allstate, Progressive, Geico). Some have “brick and mortar” stores you can visit, whereas others sell policies predominantly online or by phone.

You don't want to pay for coverage you don't need, nor do you want cheap, cut-rate coverage. Do some comparison shopping to make informed choices regarding your insurance premiums and coverage.

TIP 36

EARN WHILE YOU LEARN

"I have a paid internship this summer. It will give me money for college, and I'm told the experience will help me get a job later."

ARI, JUNIOR

In addition to earning money, working provides real world work experience, job skills, and networking opportunities.

There are plenty of ways to earn money while in college.

- ▶ **On-campus jobs:** Students can work in libraries, dining services, tutoring centers, rec centers, and elsewhere across campus. Students generally work 10-20 hours a week. Apply everywhere, and apply early.
- ▶ **Off-campus jobs:** Popular jobs are at coffee shops, restaurants, and retail stores. You may make more money at an off-campus job, but your schedule will be less flexible, and transportation can be a hassle.

Academic success and career preparation are your priorities in college. Never let a work schedule interfere with your academics.

TIP **37**

**APPLY
FOR
INTERNSHIPS**

Students typically don't pursue internships until their sophomore year.

An internship is a formal program that allows students to gain “real world” work experience.

Internships are a win-win for both students and organizations. Everyone benefits.

Organizations use paid and unpaid internships to get projects completed, and to scope out potential hires. Students use internships to gain work experience that will enhance their future job prospects.

Not all internships are created equal, however. Try to find an internship that pertains to your future career goals, and avoid organizations that use their interns to get mundane tasks completed (cheap labor).

Visit Career Services for assistance with finding, applying, and interviewing for internships.

TIP 38

UNDERSTAND COMPENSATION AND BENEFITS

“My new job has great benefits, including medical and dental insurance. I even get a company car.” KRYSTEL, RECENT GRADUATE

When considering a job, look at more than just the “take home” pay. Factor in compensation and benefits.

Compensation

- ▶ Hourly employees are paid at least minimum wage for every hour they work, and overtime pay if they work more than 40 hours a week.
- ▶ Salaried employees are paid a fixed amount each pay period, regardless of the number of hours worked. This is the most typical compensation for college graduates.
- ▶ Employees working in sales are often paid a commission based on their sales volume.

Benefits

Full-time employees may receive benefits that include paid time off for vacations and sick leave; bonuses; health, dental and vision insurance; and 401(k) contributions.

Your primary consideration out of college is finding a position that provides financial reward, career satisfaction, and opportunities for advancement.

TIP 39

**REVIEW YOUR
PAYCHECK AND
PAY STUB**

*You work hard for your paycheck,
so you should know where your
hard-earned money is going.*

A printed pay stub is typically attached to your paycheck or sent to you electronically.

Entries on your pay stub include: your name and social security number; your employer's ID number and contact information; your gross and net pay for that pay period; your YTD (year to date) gross and net earnings; taxes and deductions.

Here is Sophia's pay stub for one week's work:

<i>Johnson's Diner</i>	EMPLOYEE	Sophia Adams	PAY PERIOD	1/6/20 - 1/12/20	
	SOC SEC #	XXX-XX-6789	PAY DATE	1/17/20	
	CHECK NO.	06501	NET PAY	\$296.05	
EARNINGS			TAXES & DEDUCTIONS		
Desc	Hrs	Amount	Desc	Current	YTD
Regular	40	\$400.00	Federal Tax	\$48.25	\$386.00
			State Tax	\$16.15	\$129.20
			Local Tax	\$8.75	\$70.00
			Social Sec	\$24.80	\$198.40
GROSS YTD		\$3,200.00	Medicare	\$6.00	\$48.00
NET YTD		\$2,368.40	Total	\$103.95	\$831.60

Gross YTD reflects the total amount Sophia has earned. Net YTD reveals the amount Sophia has received (after deductions).

The difference between gross and net pay can be cause for dismay for many wage earners!

TIP 40

**UNDERSTAND
PAYROLL
TAXES**

“You don't pay taxes – they take taxes.”

CHRIS ROCK

Tax deductions can significantly reduce the amount of pay you actually "take home."

FICA (Federal Insurance Contributions Act) is a law requiring that payroll tax deductions be made to fund Social Security and Medicare. You chip in 6.2% of your gross income. Your employer is also required to chip in 6.2%.

<i>Johnson's Diner</i>	EMPLOYEE	Sophia Adams	PAY PERIOD	1/6/20 - 1/12/20	
	SOC SEC #	XXX-XX-6789	PAY DATE	1/17/20	
	CHECK NO.	06501	NET PAY	\$296.05	
EARNINGS			TAXES & DEDUCTIONS		
Desc	Hrs	Amount	Desc	Current	YTD
Regular	40	\$400.00	Federal Tax	\$48.25	\$386.00
			State Tax	\$16.15	\$129.20
			Local Tax	\$8.75	\$70.00
			Social Sec	\$24.80	\$198.40
GROSS YTD		\$3,200.00	Medicare	\$6.00	\$48.00
NET YTD		\$2,368.40	Total	\$103.95	\$831.60

Federal, State, and Local taxes pay for government programs. Social Security and Medicare deductions fund retirement benefits.

Medicare will provide you with health care when you reach retirement age, and Social Security will provide you with retirement income.

TIP 41

**REVIEW
YOUR
DEDUCTIONS**

“I didn’t know how to fill out my W-4 at my first job. It was so embarrassing!”

LAUREN, SENIOR

Federal, state, and local taxes are used to pay for schools, roads, the military, and much more.

Your federal, state, and local payroll tax deductions tell you how much your employer has withheld for your tax liability (the amount you must pay to help fund government programs).

<i>Johnson's Diner</i>	EMPLOYEE	Sophia Adams	PAY PERIOD	1/6/20 - 1/12/20	
	SOC SEC #	XXX-XX-6789	PAY DATE	1/17/20	
	CHECK NO.	06501	NET PAY	\$296.05	
EARNINGS			TAXES & DEDUCTIONS		
Desc	Hrs	Amount	Desc	Current	YTD
Regular	40	\$400.00	Federal Tax	\$48.25	\$386.00
			State Tax	\$16.15	\$129.20
			Local Tax	\$8.75	\$70.00
			Social Sec	\$24.80	\$198.40
GROSS YTD		\$3,200.00	Medicare	\$6.00	\$48.00
NET YTD		\$2,368.40	Total	\$103.95	\$831.60

If your employer withholds more than you owe, you will receive a refund. If you owe additional money, you will need to include the money you owe with your tax return.

When you get a new job, you complete a W-4 form so your employer can withhold the correct federal income tax from your pay. Most students put a 0 or 1 on their W-4.

TIP 42

**UNDERSTAND
TAX
CREDITS**

To learn more about tax credits, go online, visit your college's Financial Aid Office, or talk to a tax professional.

Tax credits help reduce the amount of income tax you owe.

Tax payers are put into tax brackets that dictate what percent of their income they must pay in taxes. However, there are ways to reduce the amount of taxes you pay, regardless of the tax bracket you're in.

The American Opportunity Tax Credit and **The Lifetime Learning Tax Credit** are education tax credits for which you might qualify. Typically, you qualify for these credits if you paid for education-related expenses that year (e.g., tuition, room and board).

If you qualify for either of these credits, your college will send you a 1098-T form by mail or electronically. You need this form to claim these credits. If you don't receive a 1098-T but think you should have, contact your college.

Taxes can be confusing, but being knowledgeable about taxes (and tax credits) can save you a lot of money.

TIP 43

**FILE YOUR
TAXES
ON TIME**

“In this world, nothing can be said to be certain, except death and taxes.”

BENJAMIN FRANKLIN

Tax returns must be filed on or before April 15.

Here are some things to keep in mind when filing your taxes:

- ▶ You can have your taxes done by a professional accountant or by a tax preparation service, such as H&R Block. You can do them yourself using a program like TurboTax or TaxAct, or you can have a volunteer at VITA (Volunteer Income Tax Assistance) do your taxes (as long as you make less than \$56,000 a year).
- ▶ There are requirements detailing whether or not your parents can claim you on their taxes. Talk to them about their plans to claim you as a dependent.
- ▶ Save receipts for textbooks and charitable donations. These could qualify for tax credits.

Your employer will provide you with a W-2 form, typically in January. This IRS form reports the taxes that were withheld the previous year. You need your W-2 to complete and file your taxes.

TIP 44

**INVEST
IN YOUR
FUTURE**

“Risk comes from not knowing what you’re doing.” WARREN BUFFETT

Investing allows your money to earn money.

Wealthy people seldom get rich overnight. They work hard, spend less than they earn, and grow their money through investments. *When you have money invested, your investments can make money for you while you sleep!*

People who have a lot of money to invest generally work with an investment banker or financial advisor. But you don't need a lot of money or an expert at your side to begin investing. You just need a small sum of money, an interest in growing your money, and the willingness to do a little research.

Opening a tax deferred IRA (Individual Retirement Account) is a great way to learn about investing—and to start building money for your retirement.

E-Trade, Ameritrade, and T. Rowe Price are inexpensive online brokers, and can be a good place for a young investor to start.

TIP 45

**LEARN ABOUT
IRAS AND
401(k) PLANS**

*"To enjoy a long, comfortable retirement,
save more today."* SUZE ORMAN

The younger you start investing, the more time your money has to grow.

Investing in an IRA or 401(k) plan is an excellent way to grow your money.

401(k) Plans: These popular retirement plans are offered by many employers. Money is taken directly from your paycheck and put into your 401(k) account – or 403(b) if you work for a nonprofit. Some employers will match your contributions up to 6%.

IRAs: IRAs are retirement accounts with big tax breaks. The most common IRAs are Traditional and Roth. The biggest difference between a Roth and a Traditional IRA is how and when you get a tax break.

Olivia is 22 years old and invests \$50 a week. By the end of the year, she will have invested \$2,600. The money Olivia invests earns interest every day—and then her interest earns interest. If Olivia continues to invest \$50 a week, and her money earns 8% a year, in 45 years she will have over \$1,000,000.

TIP 46

UNDERSTAND STOCKS AND BONDS

*Do some research. Start with books like **The Only Investment Guide You'll Ever Need** and **The Money Book for the Young, Fabulous & Broke**.*

Two popular types of investments are stocks and bonds.

Stocks

Stocks are shares in a company that you can purchase. If the company does well, so does your stock. If it does not, you could lose some, or even all, of your investment.

Bonds

The federal government, companies, and cities sell bonds to raise money. When you purchase a bond, you're loaning money to the bond issuer for a period of time. At the end of the term (when the bond "matures"), you get your money back, with interest.

For a risk-free way to grow your money, purchase a CD (certificate of deposit). It's like a savings account—but it has a fixed term and a fixed rate. Just know that if you withdraw your money before the CD matures, you will likely have to pay a penalty.

TIP 47

**LEARN
ABOUT THE
STOCK MARKET**

Wall Street is a street in New York City. It's also a figure of speech that's used to describe an institution or activity related to finance and banking.

Understanding how the stock market works is key to being an informed investor.

The stock market is a system of buying and selling (**trading**) stocks—which are basically ownership shares in various companies.

Stocks are traded in **exchanges**. Two exchanges you have probably heard of are the New York Stock Exchange and NASDAQ.

Indexes like the Dow Jones Industrial Average and the S&P 500 help investors keep track of the market and their investment returns.

In a bull market, share prices are rising. In a bear market, share prices are falling. That's why there's a 7,000 lb. bronze bull (rather than a bear) outside the New York Stock Exchange.

TIP 48

DIVERSIFY YOUR PORTFOLIO

“The key to making money is to stay invested.” SUZE ORMAN

Purchasing stock and bond funds makes investing simpler and less expensive than buying individual stocks and bonds.

You hear stories of people who lose their life savings investing in a company that goes bankrupt. (Think **Enron**, whose revenue once exceeded \$100 billion). Investors in such companies often commit the cardinal sin of investing—they fail to diversify.

The most efficient way to diversify your investment portfolio is to purchase "baskets of equities" (i.e., stocks and bonds) in the form of mutual funds, index funds or ETFs (Exchange Traded Funds).

By owning shares of stocks in many different companies representing various "sectors" (e.g., Technology, Consumer Goods, Health-care, and Utilities) you won't "lose your shirt" if a small portion of your portfolio underperforms (or tanks like **Enron**).

Wise investors know that all funds are not created equal, and they avoid those with high fees and commissions.

TIP 49

**ENROLL IN A
PERSONAL
FINANCE COURSE**

“Knowledge is power.”

SIR FRANCIS BACON

The time to learn the basic principles of money management and debt is not after you graduate from college—it's now.

Check to see if your college offers a for-credit or Continuing Education course in personal finance. If they do, enroll in it.

You can also learn about personal finance by watching online tutorials on sites such as Khan Academy or Lynda.com. Or you can simply visit YouTube and type in “balance a checkbook,” “compound interest,” “monthly budget,” etc.

The more you know, the better you will be able to manage your personal finances now, and in the years to come.

TIP 50

**CHOOSE
A CAREER
YOU WILL LOVE**

"Choose a job you love, and you will never have to work a day in your life."

ANONYMOUS

There are many factors to consider when choosing your college major and your future career path.

When choosing a career, consider "the 3 Ps," Passion, Pay, and Practicality.

- ▶ **Passion:** What's important to you? What do you love? What would you do, even if you weren't paid for it?
- ▶ **Pay:** How much do you need to get paid to live how and where you want? How important is money to you?
- ▶ **Practicality:** How easy is it to get a job in your desired field? Are you willing and able to take the necessary steps to be successful in this career field?

To help you choose a career path that's going to be right for you, visit Career Services and talk to a career counselor. Take advantage of one of your college's most valuable resources.

TIP 51

**FINAL
WORDS**

*Money is a tool that, when used correctly,
can help you live your best life.*

A lot of topics have been covered in this book. Here are some of the big takeaways.

- ▶ **Have a budget.** Having a budget will help you take charge of your finances, be smart about your spending, and live within your means.
- ▶ **Build good credit.** Your credit record says a lot about how responsible and trustworthy you are—and having good credit pays off in lots of ways.
- ▶ **Start investing early.** Investing is how you really get ahead financially. When you invest, your money is working for you. And the earlier you start, the better.
- ▶ **Do what you love.** Pursue a career that will be both personally and financially rewarding. If you do, you are bound to be successful.

Use the information in this book to make choices and decisions that will enable you to achieve your goals, and live the life you want to live.

Preview

*“Success is not how many zeros your bank account has.
It's about making the most of the life you have.”*

Suze Orman, financial advisor

About the Authors

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