Checks and Balances:
Help Students Budget More and Borrow Less
“Gosh, I just got paid last week and now I’m broke.”
## Today We’ll Discuss

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How to Overcome Budgeting Objections
How to Overcome Budgeting Objections

Many students do not manage their money because they don’t:

- Feel they need to
- Have time
- Know how
- Like restrictions
"I don’t need to budget."

I don’t need to budget.
Motivate Students
Principle of Self-Interest

- People act in their own best interest
- Show students how creating and using a budget will benefit them now and later
What’s In It for Me?

What will budgeting do for students?

- Helps them avoid being broke
- Allows them to know where their money goes
- Helps them stay out of debt
- Readies them for the unexpected
- Relieves stress
Share Stories

• Stories can motivate people to act
• When used, people identify with the characters and apply to their own life
• Share stories of how current and former students had financial failures and successes
Use Self-Assessments

Ask questions to help students take an honest appraisal of their financial situation

• Are you able to make ends meet each month?
• Do you spend all of your money but don’t know where it goes?
• Do you often buy things spontaneously?
Use Self-Assessments

Ask questions to help students take an honest appraisal of their financial situation

- Do you rarely have money for the things you want?
- Do you miss bills or pay late?
- Are you paying the minimum payment on your credit card?
"I don’t have time to budget."
OBSTACLE #2

“I don’t have time to budget.”
Dispel the Time Myth

Budgeting doesn’t require tracking every expense to the penny

- If it’s too much work and takes too much time it won’t get done

Stress that setting up a budget only takes a few minutes and takes little time to maintain
Avoid Time Busters

Detailed spreadsheets

Processes and/or tools that don’t allow for adjustments

Instead, make it simple

• Use a process or tool that allows for changes
"I don’t like the restrictions of a budget."
“I don’t like the restrictions of a budget.”
Overcome the Fear of Restriction

Show how a budget

- Is a plan for what they can spend
- Can free up money to pay financial obligations, save more, or buy a wanted item
- Puts them in control of their finances; it doesn’t control them

Don’t recommend a budget that is unrealistic
Avoid the “B” Word

Don’t use the word “budget”
Use synonyms that imply less restriction

- Spending plan
- Money allocation
- Money plan
- Money agenda
- Spending checklist
"I don’t know how to budget."
"I don’t know how to budget."
Budgeting for Non-Mathematicians

Stress that you don’t have to be good in math to create and use a budget.

Share resources:

- Online tools
- Free apps
- Examples

Encourage them to be realistic.
Online Tools

Student budget calculator
Calculate your student budget and more
Use this student budget calculator to help analyze a budget as a full-time student. This student budget calculator is specifically designed to help students understand their expenses and income while attending a university, college or other full-time educational institution. This student budget calculator allows for input of expenses and income for an eight-month school year running from September through April.

At the end of the year your budget may be $0 short.

Your expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Expenses</td>
<td>$0</td>
</tr>
<tr>
<td>Food and Groceries</td>
<td>$0</td>
</tr>
<tr>
<td>Living Expenses</td>
<td>$0</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>$0</td>
</tr>
</tbody>
</table>

Source: Bankrate.com
Expense Tracking Apps
Additional Apps

Mint Personal Finance

My Student Budget Planner
“I don’t know what goes in a budget.”
What Students Should Include in their Budget
Introduce the Budgeting Steps

1-2-3 of budgeting

#1 Identify income

#2 Identify Expenses

#3 Evaluate and Adjust
Step 1: Identify Income

Make sure students understand

Gross pay - Taxes = Take home (net) pay

Can estimate 25% taxes
Step 1: Identify Income

Help them identify all sources of income

• Parents
• Employment
• Financial aid refund
Step 2: Identify Expenses

Monthly expenses
- Fixed – rent or car payment
- Flexible – food or gas

Periodic expenses
- Taxes
- Holiday gifts or travel
- Auto maintenance
Step 2: Identify Expenses

School expenses
- Tuition
- Fees
- Books

Living expenses
- Housing
- Food
- Transportation
- Insurance
- Entertainment
- Personal
- Travel
Step 3: Evaluate and Adjust

Income – expenses =

Positive
- Reduce debt
- Save more

Negative
- Reduce spending
- Increase income

Balanced budget
What if I spend more than I have?
Reduce Spending
Ways to Reduce Spending

Help students identify ways to reduce spending

• Differs depending on lifestyle and spending habits

Share examples of cost reductions from the students’ expense categories

Entertainment  Transportation  Food  Personal
Stop the Spending Leaks

Conveniences
- Take-out food
- ATM usage fees

Habits
- Bottled water consumption
- Specialty coffee drinks
Stop the Spending Leaks

Mistakes
- Cell phone minutes overage
- Overdraft expenses
- Late fees
## Costly Convenience

### ATM fees

<table>
<thead>
<tr>
<th>Transaction #</th>
<th>Date</th>
<th>Withdrawal</th>
<th>ATM Fee</th>
<th>Total Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3/1/2014</td>
<td>$10</td>
<td>$3</td>
<td>$13</td>
</tr>
<tr>
<td>2</td>
<td>3/10/2014</td>
<td>$20</td>
<td>$3</td>
<td>$23</td>
</tr>
<tr>
<td>3</td>
<td>3/13/2014</td>
<td>$10</td>
<td>$3</td>
<td>$13</td>
</tr>
<tr>
<td>4</td>
<td>3/20/2014</td>
<td>$20</td>
<td>$3</td>
<td>$23</td>
</tr>
<tr>
<td><strong>March total</strong></td>
<td></td>
<td><strong>$60</strong></td>
<td><strong>$12</strong></td>
<td><strong>$72</strong></td>
</tr>
</tbody>
</table>
ATM Finder App
Use Campus Resources

Suggest students make use of activities their fees already cover:

- Library
- Computer lab
- Recreation center
- On-campus events and activities
- Meal plan
How Students Can Keep Their Spending in Check

• Identify wants vs. needs
• Control impulses
• Set a limit on weekend spending
• Incorporate the scale back method
Scale Back Method

What are ways students can scale back?
How can I avoid owing so much?
Help Students Minimize Debt
Minimize Student Loan Debt

• Students often borrow without thinking about how they are going to repay

• Having unaffordable payments is the top reason many students become delinquent on their loans

• Encourage students to borrow lower cost federal loans first
Minimize Student Loan Debt

According to a recent study, borrowers do not fully understand loan terms, interest accrual, and required significant assistance in selecting a loan repayment plan.

Source: Institute for Higher Education Policy
True Cost of Borrowing

Interest accumulates quickly on an unsubsidized loan

- $2,000 @ 6.8% borrowed during the first year of college
- $136 accrued interest after the first year of college
True Cost of Borrowing

Each additional $2,000 borrowed adds
• $762 in interest
• $23 to their monthly payment
Salary vs. Debt

Share starting salaries and the average education debt at your school with students

- Borrowing guidelines

Students should borrow no more than HALF their starting salary

Student loan payment should not be more than 10–15% of a student’s income
Debt-to-Income Ratio

Teacher

- Average starting salary—$42,000
- Monthly income (after taxes)—$2,625

Borrowing limits

- 50% total amount rule—$21,000
- 10% debt-to-income—$264
  $23,000 total loan amount
- 15% debt-to-income—$393
  $34,000 total loan amount
Calculate Monthly Payment

Use repayment calculators to determine monthly payment under the different plans

- Studentloan.gov
Minimize Credit Card Debt

Share the cost of using credit

• Annual percentage rate
• Fees
• Finance charges
Minimize Credit Card Debt

Encourage your students to:

Pay bills on time
Not charge items they don’t need
Not open cards they don’t need
Keep their balance low
Pay more than the minimum
Pay More than the Minimum

Most minimum payments are 1.5%–2.5% of the balance

Pay all credit accounts on time to avoid interest rate increases and additional fees
Reduce Credit Card Debt

Choose a strategy

• Pay the higher rate card first
• Pay the lower balance card first

Stop making new charges

Make consistent payments
Where do I go if I need help?
Out of Control Expenses

• 21% of undergraduates have a credit card balance between $3,000 - $7,000

• Approximately 75 percent of college students gambled during the past year (whether legally or illegally) with about 18 percent gambling weekly or more frequently

• Problem gamblers ages 18 – 25 lose an average of $30,000 per year gambling
Self-Assessment

• Do you need more money than you make during the month to pay your bills?
• Do you have unopened or late bills sitting around?
• Have you been getting calls from collectors?
• Do you feel depressed about your financial situation?
Debt Assistance

National Foundation for Credit Counseling

- Ncff.org

Gamblers Anonymous

- Collegegambling.org
- Gamblersanonymous.org
Resources You Can Use
Resources

studentloans.gov

Payment calculators to determine the right repayment plan for borrowers
Resources
Cashcourse.org
Provides free, customizable financial education resources for colleges
Resources

Practicalmoneyskills.com
Interactive games that engages students while teaching them money management skills
Resources

**Mint.com**

Free online budgeting tool to include plan for reaching financial goals; personalization; and free mobile apps
Resources

Bankrate.com

Debt management; credit card comparisons; college financing; interest rates; taxes; saving and investing; and more
Help Students Help Themselves

Stress the importance of:

- Developing a simple and easy budget
- Practicing good spending habits
- Borrowing wisely
- Minimizing credit card debt
Questions?

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Thanks for Attending