


Money Management for Students



Why This Session?

- Many young adults admit they don't know as much about finances as they should.
 - In fact, young Americans are more likely to say they know more about their iPod (40 percent very knowledgeable) than about how to file their taxes (26 percent), buy a home (21 percent), invest outside of the workplace (15 percent), and save for retirement (15 percent).Source: American Savings Education Council and AARP, *A Look at the Financial State of Gen X and Gen Y*, 2008.
- Undergraduates are using easy credit more often:
 - In 2008, 84 percent of undergraduates had at least one credit card, up from 76 percent in 2004. The average number of cards has grown to 4.6, and half of college students had four or more cards.Source: Sallie Mae, *How Undergraduate Students Use Credit Cards*, 2009

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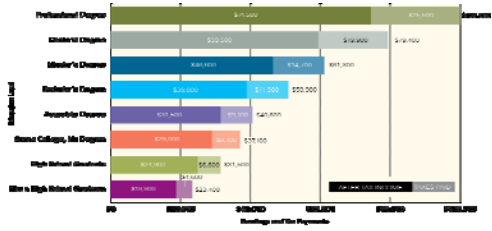
Why This Session?

- Students are borrowing more to pay for school:
 - The average debt level for students graduating in the class of 2007 was nearly \$21,900. This is up six percent from the amount students borrowed in the class of 2006.Source: The Project on Student Debt, *Student Debt and the Class of 2007*, October 2008

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Education Pays

An investment in college still makes plenty of sense.



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Session Objectives

This session should:

- Empower you to budget and save
- Offer credit reports and credit score basics
- Suggest ways to lower the cost of borrowing for school

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Budgeting

Quick Poll

Who considers budgeting important?
Who is currently on a budget?

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Budgeting

A budget in three easy steps:

1. Identify how you spend your money
2. Identify all income
3. Set goals with your true financial picture in mind

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Fixed vs. Discretionary Expenses

There is a difference between "needs" and "wants."

- Rent	- Cell phones
- Groceries	- Restaurants
- Utilities	- Cable TV
- Car insurance	- Spring break
- Haircuts	- Takeout
- Laundry	- Designer clothes

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Money Leakage

Small expenses add up over time.

- Dinner out every Saturday night:
\$1,664 per year
- One tall Starbucks® coffee per weekday:
\$910 per year
- Wendy's #2 Classic Double® with Cheese Combo + tax twice a week:
\$587 per year

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Budgeting Considerations

Borrowing less can have a BIG impact on your budget.

Loan balance:	\$21,900
Loan interest rate:	6.8 percent
Loan term:	20 years
Minimum monthly loan payment:	\$167.17
Number of payments:	240
Cumulative payments:	\$40,121.49
Total interest paid:	\$18,221.49

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Budgeting Considerations

Borrowing less can have a BIG impact on your budget.

Loan balance:	\$16,900
Loan interest rate:	6.8 percent
Loan term:	10 years
Minimum monthly loan payment:	\$194.49
Number of payments:	120
Cumulative payments:	\$23,338.07
Total interest paid:	\$6,438.07

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Budgeting Considerations

You will save:

\$16,783.42

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Your Tips on Saving Money

We all have simple strategies that help us save a little green.

- Housing
- Groceries
- Phone
- Transportation
- Banking and taxes

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Credit Management

Quick Poll

Who knows how to get a FREE copy of their credit report every 12 months?

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Credit Report Facts

There are some basic facts that everyone should know about credit reports.

- Is a record of your credit payment history
- Shows the amount you borrowed in credit cards and loans
- Illustrates the timeliness of payment
- Contains identifying information
- Used to determine creditworthiness

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Anatomy of a Credit Report

There are several parts of a credit report:

- Personal identification information
- Credit inquiries
- Trade lines
- Public Record and collection items

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How to Get a Credit Report

It is easy to get a copy of your credit report from a consumer-reporting agency.

- Equifax® www.equifax.com
- ExperianSM www.experian.com
- Trans Union® www.transunion.com

One free report from each agency every 12 months:
www.annualcreditreport.com

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Credit Score Facts

Knowledge is power.

- Reflection of the information on your credit report
- Formula developed by Fair and Isaac Corporation (FICO), but there are many different models today
- FICO scores remain the most popular
- Scores range from 300–850
- The lower the score, the greater the risk it is to lend you money

(Source: www.myfico.com, 2009)

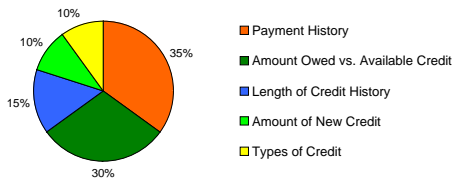
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Credit Score Factors

FICO scoring can be a useful model for all credit-scoring models.



(Source: www.myfico.com, 2009)

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Impact on Interest Rates

How much can your FICO score impact the interest you pay on a consumer loan?

A LOT!!

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Interest Rate Example—Credit Cards

<p>Jennifer</p> <p>Credit score: 750</p> <p>Interest rate: 9.90%</p> <p>Annual interest: \$792</p> <p>Lifetime interest: \$39,600</p>	<p>Joseph</p> <p>Credit score: 650</p> <p>Interest rate: 19.90%</p> <p>Annual interest: \$1,592</p> <p>Lifetime interest: \$79,600</p> <p>Joseph's penalty: \$40,000</p>
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Interest Rate Example—Car Loans

<p>Jennifer</p> <p>Credit score: 750</p> <p>Interest rate: 5.00%</p> <p>Monthly payment: \$377</p> <p>Interest cost/loan: \$2,646</p> <p>Lifetime interest: \$21,166</p>	<p>Joseph</p> <p>Credit score: 650</p> <p>Interest rate: 8.00%</p> <p>Monthly payment: \$406</p> <p>Interest cost/loan: \$4,332</p> <p>Lifetime interest: \$34,653</p> <p>Joseph's penalty: \$13,487</p>
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Interest Rate Example—Mortgage 1

Jennifer	Joseph
Credit score: 750	Credit score: 650
Interest rate: 5.50%	Interest rate: 7.375%
Monthly payment: \$1,987	Monthly payment: \$2,417
Total interest: \$174,760	Total interest: \$243,020
	Joseph's penalty: \$68,261

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Interest Rate Example—Mortgage 2

Jennifer	Joseph
Credit score: 750	Credit score: 650
Interest rate: 5.50%	Interest rate: 7.375%
Monthly payment: \$2,271	Monthly payment: \$2,763
Total interest: \$417,616	Total interest: \$594,572
	Joseph's penalty: \$176,956

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Lifetime Penalty for Joseph's Credit Score?

\$298,704

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Borrow Smart

Know What You Owe

It's easy to keep track of student loans.

- Subsidized Stafford loan
- Unsubsidized Stafford loan
- Private loans

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Loan Example—Minimize Borrowing

When you borrow less, you save money over the long term.

Loan balance: \$20,000.00	Loan balance: \$10,000.00
Monthly loan payment: \$230.16	Monthly loan payment: \$115.08
Cumulative payments: \$27,619.31	Cumulative payments: \$13,809.66
Total interest paid: \$7,619.31	Total interest paid: \$3,809.66

You will save \$13,809.65 and \$115.08 per month in payments.

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Loan Example—Early Repayment

Paying off debt is an investment in your future.

Loan balance: \$20,525.00	Loan balance: \$20,525.00
Loan interest rate: 6.80%	Loan interest rate: 6.80%
Loan term: 10 years	Loan term: 7 years
Monthly loan payment: \$236.20	Monthly loan payment: \$307.77
Number of payments: 120	Number of payments: 84
Cumulative payments: \$28,344.41	Cumulative payments: \$25,853.16
Total interest paid: \$7,879.41	Total interest paid: \$5,328.16

You saved nearly \$2,495.25 in interest charges.

This savings translates into a guaranteed, tax-free, average annual return of 40 percent.

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Thank You and Remember

There are three things to remember to manage your money wisely:

1. Track your expenses
2. Review your credit reports
3. Set financial goals

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