

Fact Sheet: Your Spending Decisions

Financial Health for Students

Ever tried to get in top physical shape? Then you know there's no magic formula for exercising and eating right: it takes discipline and knowledge to get in shape...even when it might be easier to grab a supersized burger and skip that trip to the gym.

Becoming financially healthy is not so different – there are just a few rules to follow, but mastering your own behavior, especially your daily spending decisions, can be the greatest challenge.

Being financially healthy means being free of crushing debts, especially from high interest credit cards. Imagine having to get an extra part-time job just to make the minimum payments on your credit card – it happens all too often.

Financial Decisions & Consequences

Getting in good financial shape can be a challenge. And this is true not just for college students.

Excessive debt can happen for a variety of reasons, from unexpected medical bills to the loss of a job. But a major source of debt is simple lack of planning - most people make uninformed and potentially wasteful spending decisions. In fact, marketers spend billions of dollars per year to convince us to part with our hard-earned money. And many students also feel peer pressure to keep up with the spending habits of their friends.

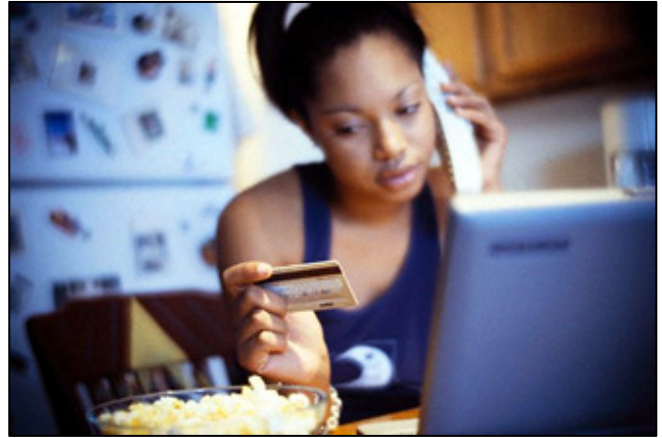
The first step towards financial health is creating a budget you can live with.

What is a Budget?

A budget is a spending and savings plan based on your expenses and income. For most people, one goal of making a budget is to avoid debt by cutting expenses. But for students, some debt may be unavoidable. Of course, most people expect college to be an expense, but have you ever thought about what expenses are really worth going into debt for?

College costs are definitely worth the investment – every dollar spent on these items will be returned many times over after graduation in the form of higher wages and increased job opportunities. To help pay for your education, look first for financial aid you don't have to pay back. And then, if you still need money to pay for college, compare your loan choices carefully and get only what you really need.

But, before you think any more about expenses, think about your income. You may have income not only from jobs, but from educational loans, help from your parents, or other sources. After you've thought about these general categories, it's time to start your budget.



Making Your Budget

Making a budget is easy - the goal is to have your income exceed your expenses.

Step 1 - Figure out approximately how much money you'll have over the next year. Estimate your income from student loans, scholarships, a part-time job, summer earnings, help you may receive from your parents, and your current savings. Once you have a figure, divide it by twelve to get your monthly income.

Step 2 - Determine expenses. Include tuition, food, lodging, phone bills, books and supplies, laundry, and transportation. You should add others such as clothes, haircuts, snacks, entertainment, and whatever else you expect to buy.

Step 3 - Subtract your expenses from your income. The figure you calculate is your cash flow – that is, the overall balance of your expenses and income.

If you come up with a negative number, that means you don't have enough money for your lifestyle and need to consider either reducing your expenses or earning additional income. If earning more is not possible, then cut down your expenses so that they are as close as possible to your income. The closer the two amounts are, the less debt you will have!

If you have a positive cash flow, consider how best to save that money or how to reduce your dependence on educational loans. Many students automatically accept all the loan aid they qualify for. If you can get by on less, you can easily reduce the total cost of your college education.

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