

## Top 10 Money Decisions for Today's Incoming College Freshman

The National Center for Public Policy and Higher Education reported last December that college tuition and fees increased 439 percent from 1982 to 2007 while median family income rose 147 percent. The report also noted that student borrowing has almost doubled since 1998.

The most worrisome statement to come from the report? That if current trends continue, our country might be without an affordable higher education system in 25 years.

This is why it's crucial to train incoming college freshmen in critical personal finance skills. Before you send your child off to school, make sure you cover the following lessons:

**It's never too early to plan:** It's never too early to deliver the message that how a child manages his money in college will set the stage for how well she manages it in adulthood. A parent can help a child focus on spending and debt issues in college, but it also makes sense to discuss how your student will save for a home and a car. That might force some smart spending, saving and investing decisions while she's still in school.

**Focus on credit:** It's one thing for a teenager to use their parents' credit card while they're still living at home. It's quite another when they get their first taste of freedom hundreds of miles away, often without the parents' knowledge. Parents should opt to co-sign the student's credit card but keep it in the student's name. That way, parents will know when financial missteps occur, which will be a strong incentive for the student to keep his credit rating clean for the next four years. *Most important: Parents should do whatever it takes to make sure the child doesn't sign up for any credit cards on campus where they'll be bombarded with offers.*

**Bank smart:** Students need to get some familiarity with the banking system before they head to college. Kids generally should set up a checking account on campus, but talk to them about debit options and fees, particularly for overdrafts, which are sky-high at many banks now. Also ask your child to ask the bank about direct-deposit options if you're planning to deposit money for their tuition or agreed-to spending needs.

**Work with them to set up their first emergency fund:** A young person should get used to the idea of savings and reserves for unforeseen events such as emergency trips home or related expenses. Make it clear that late-night pizza is not an emergency.

**Put the student in charge of maintaining her financial aid:** Each year, the FAFSA (Free Application for Federal Financial Aid) is due in June. State applications are due earlier. While parents need to run the financial aid process, students need to be equally aware of how their education is paid. Everyone should file the form whether or not you

think your child may be eligible, and your child should be searching for scholarships at all times. By the way, legitimate scholarships never charge fees and are typically open to all applicants for consideration. It might also make sense to take your child to your tax preparer to make sure you're taking advantage of any income tax opportunities.

**Make them budget:** If they're leaving for college with a new computer, consider giving them personal finance software to track their everyday expenses and make sure the computer has a security password. (Keeping track of spending by calculator is fine, too.) Work together to determine necessary realities about everyday expenses, tuition and financial aid. Then tell your kid that when he or she comes home at Thanksgiving, you will sit down again to review those figures and make reasonable adjustments. You obviously need to trust your kids, but you might want to do this for as long as it takes them to develop solid and consistent money habits.

**Schedule a holiday budget and credit check:** When the triumphant freshman returns home for the holidays, schedule some R&R, home cooking and the first reading ever of their fall budget figures and their first credit reports. Since credit reports can be ordered online, parents and student should sit down with each of the child's three credit reports from Experian, TransUnion and Equifax and review them for activity and errors. Since everyone is entitled to one free report from each of the agencies each year, go to [www.annualcreditreport.com](http://www.annualcreditreport.com) for theirs. It's best to order one report every four months so your child has recurring checks of their credit situation rather than a once a year snapshot.

**Help them open their first IRA:** If your 18-year-old child is earning wages by working part-time at school, at home during breaks or for your own company, have them open a Roth IRA in a growth fund. Make sure they understand this is essential to their future savings so they don't cash it in. The sooner they start saving for retirement, the better.

**Discuss identity theft.** Personal financial data left on laptop computers, cell phones and other electronic devices can be readily stolen on campus or in a dorm or roommate environment. Tell your kid to keep all paper records in a safe place and introduce passwords to keep all their digital information safe.

**Get them networking:** Internships and jobs in their chosen field during summer breaks can give your student a head start on their career path. Encourage them to research these opportunities freshman year so they'll be in the front of the line when it's time to apply.

**Handle mistakes carefully:** Most kids will make money mistakes in college. If they overdraw a checking account or overdo it with their credit card, make the criticism constructive but firm and always come up with a corrective plan you'll work on together.

*This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Dick Hewitt, a local member of FPA.*