

Never Buy \$70 Pizzas & Other Financial Tips for College Bound Students

FISC has been getting e mails from parents looking for financial tips for their college-bound children. Concerned parents have heard stories of other young adults getting sucked into credit card offers and making poor spending choices. Here are some core principles that young adults should know and apply.

1. The easy availability of credit can deceive us into spending more than what we make. Credit cards allow people to spend money even when they don't have any money.
2. Don't charge purchases on credit cards unless you have a realistic plan to pay that debt when the bill arrives.
3. Open your credit card bill and pay it immediately. This will develop the habit of paying bills on time. Many credit cards impose \$30-\$35 fees just for paying your bill late. Don't "throw away" money on late fees.
4. Most people only need **one** credit card.
5. Credit card companies will be sending you many credit card offers through the mail and may also be on campus when you arrive at college. Don't be sucked in by their "free" t shirts, coolers, Frisbees, or pizza.

Card companies know that some students will end up owing an average of between \$2,000 and \$2,500 on credit cards when they graduate. Credit card companies are not your friends. Get one good card and just ignore all the other offers.

6. To reduce impulse spending, plan ahead for when you will and will not use a credit card. Many parents recommend only using the credit card for emergencies or for very limited purchases.
7. Television programs and advertising present a fantasyland of impulse spending without limits. Some of your friends or classmates may be sucked into this mindless consumerism. Just because others are "living large" does not mean that they are doing well financially or emotionally.
8. Financially smart people live within their income. Have a simple plan for your spending, so you know what you can spend on things like snacks, eating out, clothes, and entertainment.
9. Discuss with your parents what they will pay and what you are responsible to pay. If you have a part-time job and you are paying for expenses like car maintenance and car insurance, put some money from each paycheck into a savings account until you need it for these bills.

10. Never buy \$70 pizzas!

Don't let this happen to you: Kimberly wanted to go out with her friends and treat them to pizza. She had not opened her bank statement or verified her account balance in several months. She wrote out a check for \$20 for the pizza. Unfortunately, she only had \$15 in her checking account, so the check bounced. She was charged twice for the bad check: \$25 by the pizza place and \$25 by her bank, plus she still owed \$20 for the pizza.

Pizza is good, but not that good! Always check your bank statements and know your available balance.

11. Know what fees are assessed. You may be charged transaction fees if you use a debit or ATM card. Minimize fees.

12. Always pay all bills on time, including your cell phone, telephone, car payments, etc. Timely payments help you build a positive credit rating.

13. Credit can be easy to get and easy to use. Just remember, each time you use a credit card this is a loan. If you are unable to pay that loan in full by the due date, you must pay interest on the unpaid balance.

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