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Back to School on a Budget

It's time to start thinking about back to school shopping, which can be an expense. It's important to plan for it as much as possible, but if you're behind on your savings, there are still ways to stay on budget while shopping for back to school items.

It's best to start as early as possible. Most supply lists are distributed to students the last day of school. Try to work on the list throughout the summer, buying items here and there. See if any expensive items are needed, like a special calculator, and plan ahead for the expense. If you haven't gotten a head start, watch the ads for back to school sales and compare prices. Consider purchasing supplies online. It may be cheaper as long as shipping is free.

Also, when purchasing school supplies, consider the durability of the item purchased. Cardboard folders are usually cheaper and have more design options, but also need to be replaced several times a year. Plastic, durable folders will last the entire year with little wear and tear. They might cost more, but they will save you time and money during the school year.

One of the larger expenses when doing back to school shopping is clothing. Consider holding off on these purchases for as long as possible. Buy some basic pieces that your student may need, but updating their wardrobe right now probably isn't necessary. In most places, the first two months of school features summer like weather, so not many clothing adjustments need to be made. Check out the clearance rack for some new summer pieces and wait for a few weeks until the new clothing arrivals come down in price.

Tips

With school lunches costing an average of \$3.00 a day, plus the extras that seem to find their way on the lunch tray, buying lunch at school can take a big bite out of your monthly budget. For two students, lunch five days a week could cost \$120 per month. Here are some tips for packing a lunch that's easy for you to keep up with –

- Pack the lunch the night before. Don't try to rush around before the bus arrives. Having it packed and ready to go keeps your child from buying lunch unexpectedly.
- Do some prep work in advance, so you just have to toss items into the lunch. For example, if you know a bag of grapes will be included in each lunch, bag the grapes up on Sunday night for the whole week.
- Look at the school cafeteria menu and specifically plan your child's buy days. Let them pick days when they're particularly fond of the menu choice or pick days when you know your schedule the night before is hectic. Limit buy days to one day per week.



Q: I'm considering cosigning a loan for my brother. What is my responsibility if he does not pay it?

A: As a co-signer on a loan, it is your responsibility to make the payments if your brother defaults. Before doing so you should consider the following.

When cosigning a loan, in most cases, it's the same as taking out the loan yourself. If the borrower does not pay the debt back, the creditor expects you to make the payment in their place. If you do not make the payment, you are subject to the same collection activities as the borrower is.

Before deciding to cosign a loan, ask the lender how much you would be responsible for to pay back. In some cases it may just be the principal on the loan and the not the added interest, late fees or attorney fees if the loan goes into default.

You also want to consider whether or not you could make the loan payments if the borrower defaults. As the cosigner, you must be prepared to take over the payments at any point in time.

In addition, cosigning a loan may prevent you from getting other credit. The loan will be considered as one of your obligations when evaluating your credit. If the borrower defaults and you can't make the payment, the loan will be reported as such on your credit report.

Remember, you are taking a risk on the borrower that the lender was not willing to take, so be sure that your relative or friend has the ability to pay back the debt in full.

Smart Spending at College

For most young adults, college is the first time he or she is handling their own finances. For some, it means a phone call to mom or dad when the checking account is getting low. For others, it means a part time job to help cover additional costs. Whatever the case may be, it's important for young adults to understand the reality of their financial situation and use good judgment when it comes to money matters.

It's important to have a frank discussion with a first year college student about their financial realities. For parents, it's important to determine how much are you willing to subsidize their income? Make sure they understand what your limit is and be honest with how much you're willing to help.

Now is the perfect time for a young adult to learn budgeting if they have not yet been exposed to it. Help them figure out what additional expenses they'll have while at school and figure out how much money will be needed to cover those costs. For most students living in a dormitory, food costs are already covered. However, some students may keep some groceries on hand in the room. Also, factor in entertainment costs, such as meals and activities off campus. Determine a reasonable amount for miscellaneous expenses. Estimate additional spending and if possible establish a weekly entertainment budget and live within the limit set.

Most college students access funds through a debit card connected to a checking account. It's important for college students to understand how to keep a checking account in balance. Track expenses and keep a real time accounting of what is in the checking account, not just what the balance says online. College students should understand the balance shown in online banking does not reflect the items that are still outstanding and that have not cleared the account yet. Keeping

track of expenses also helps parents and students understand whether or not a part time job is needed to supplement income.

If semester income is coming in the form of a refund check from student loans, consider not accepting the refund. While working part-time is not always ideal for a college student, passing on the semester refunds will save thousands in additional student loan debt and thousands in interest on that debt.

College is also typically when young adults are first exposed to credit cards. However, with the passage of the Credit Card Act in 2010, it's difficult for young adults under the age of 21 to obtain a credit card without a parent co-signing or without demonstrating he or she has significant income. Now is a good time, though, for young adults to begin building a positive credit history. The length of your credit history accounts for ten percent of your credit score and to build credit you have to use credit. It may be a good idea for parents to consider co-signing for a credit card for their college student. It's important to teach them how to use credit responsibly. Encourage them to charge a small amount monthly and pay the bill and pay it on time. Bill paying history has the greatest impact on your credit score. It accounts for 35% of your total score.

Another option for building credit is a secured card, which can be obtained through a bank or credit union. A secured card is tied directly to money held in a savings account, so if the bill is not paid, the money is withdrawn from the savings. The purpose of the card is to allow a consumer, who may be a high risk for an unsecured card, to build a positive credit history through their use of a secured credit card. Before signing up, make sure the bank or credit union does report the payment activity to the credit bureaus.

Resources

www.annualcreditreport.com

www.advantageccs.org

www.onlinebudgetadvisor.com

The Advantage Challenge

Advantage CCS challenges you to ...track your expenses from back to school shopping this year. Keep track of what you spend on school supplies, clothing and shoes and come up with a plan to save the money for next school year. Designating \$25 a month for next year's back to school budget will net you \$300 by the time August 2016 rolls around. Let us know how your back to school budget works. Email hmurray@advantageccs.org.

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