



Parent \$marts

Putting Your Student on the Road to Financial Independence

Many students come to college with an academic plan in mind. However, few come with a financial plan. One of the most important and practical discussions you, as parents, can have with your student is about how to manage their money and use credit wisely. Starting your student on the road to financial independence early can help them to become \$mart financial consumers for life! Here are some tips to help guide your student's transition to financial independence.

Budgeting 101

The most important information parents can share with their student is how to prepare a realistic spending plan.

Prepare a Spending Plan

Doing a budget for the first time can be confusing without guidance. Sit down with your college student and help them to think about all of the expenses they will have (i.e. groceries, eating out, gas, car payments, clothing, personal items, laundry, telephone bills, cell phone bills, cable TV, recreation/entertainment, rent payment, utility payment, and don't forget savings).

Help them to set priorities and to distinguish between those items that they will "need" versus those that they will "want."

Set Limits

This is a good time to talk with your student about the amount of financial support you will provide. You may decide on a monthly amount

or yearly figure. Whatever you decide, stick to it and be consistent. Inconsistency or mixed signals will hinder your student's development towards financial independence.

Give Your Student Some Practical Experience

Learning by doing is the best way for your student to become financially savvy. While they are at home, have your student keep a budget. Give them the same amount of spending money and other resources (i.e. calling card, cell phone, etc.) they will have at college. Then, let them put their budget to action! It is very common for students to run out of money in the first month and call home for more. If you stick to your limits, your student will learn very quickly how to become a \$mart money manager.

Credit 102

The majority of college students acquire their first credit card either in high school or during their first year on campus. The widespread access to credit cards is not so much a problem for college students as the lack of financial information on how to use the cards wisely. When used responsibly, credit cards can provide a convenient means of payment, a resource in case of emergencies, and a means to establishing a good credit history. If used irresponsibly, the financial consequences can be severe. Excessive credit card debt and late payments can damage a student's credit rating, making it difficult to obtain credit down the road and affecting one's ability to buy a car or get a job.



Be Involved in the Decision-Making Process

Before sending your student to college, help them evaluate some of the credit card offers that come in the mail and apply for their own card. Again, think about giving them some hands-on experience with using a credit card and paying the bills while they are still at home. Also, discuss who will pay the bills and how the credit card should be used. Is it for emergencies? For shopping?

Familiarize Your Student with Basic Terminology

When the monthly statement arrives in the mail, sit down with them and read the statement together. Be sure to discuss annual fees, grace periods, interest rates, including introductory rate offers, and cash advance fees. Explain to them the consequences if they do not pay their bill on time.

Talk with them about late payment fees, compounding interest, and the importance of establishing a good credit record.

Savings 103

Perhaps some of the best advice you can provide to your student is to encourage them to save at an early age. Making saving part of the monthly expenses creates a habit for life. You can encourage your student to invest in their future by helping them to open a savings account.

Helpful Resources

University of Illinois Extension offers a number of helpful resources that can be used to talk with your student about how to manage their money and become Smart credit consumers. Ten fact sheets on obtaining and using credit cards are available on the Internet at: <http://www.ace.uiuc.edu/cfe/ccs>.

Tips to Share with First-Time Credit Card Users

Here is some helpful advice to share with your college student, especially if they are a first-time credit card user:

1. Credit cards are loans that cost you if you don't pay them off every month.
2. If for some reason you are unable to pay off your monthly balance, try to pay more than the minimum amount due.
3. Don't apply for too many credit cards. Every time you apply for a card a credit check is run. The more credit checks you have the lower your credit score.
4. Watch out and don't believe everything you read! You will get tons of credit card offers and if it sounds too good to be true it probably is.
5. Don't select a credit card simply by the free gifts the issuer is giving away.
6. Find a card that doesn't charge an annual fee, and avoid credit cards with temporary low-introductory rates and transfer fees.

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