

Living Cheap

How to get through school on less, and still have a life.

Like most things in life, the way to get through school in good financial shape is easy to describe, but apparently difficult to do. All the experts agree that making and sticking to a realistic budget is the first step toward controlling your financial destiny. Yet so few people actually do it. Why? Again, according to the experts, Americans are too pampered, too naive about credit, and too focused on short-term gratification to make the effort to plan for the future. Do yourself and America's global competitiveness a favor – prove the experts wrong. Make a budget and live by it. You'll save yourself headaches, a lot of money, and, despite what Madison Avenue would have you believe, you can still have a life.

The Budget

Everything in a budget is either income or an expense. Any money you receive is income. Any money you spend is an expense. Try to fill out the attached budget sheet. If you actually know what your expenses are, you're ahead of most people. If you don't know, find out. Look at your check stubs from last year and classify them into the various categories. This will give you a general idea of your expenses for this year. The whole purpose of the exercise is to make sure your

expenses don't exceed your income. If they do, look for ways to trim your expenses, or to cut some expenses altogether.

If financial aid is part of your income, remember that these funds are disbursed periodically, usually at the beginning of each academic period based on your school's calendar. If you spend all of your financial aid at the beginning of the period, you may not have enough money later on.

If you think you might have trouble stretching your funds over long periods of time, consider paying some expenses, such as rent and meal tickets, in advance. Or you could keep funds for these expenses in a separate account, but be sure you don't succumb to the temptation to spend them on other things.

If you can't resist the urge to indulge yourself, budget a little so you can, but save the money ahead of time.

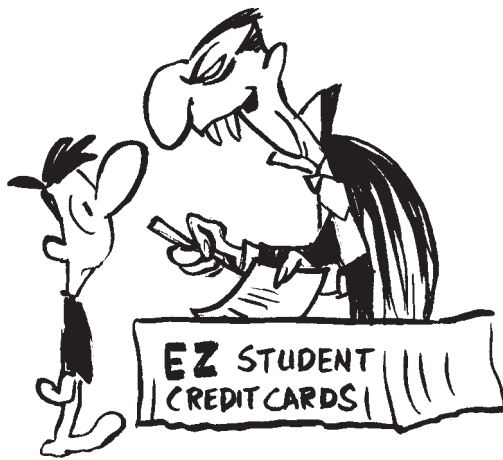
Understanding and Using Credit

Credit is relatively easy to secure nowadays. If you haven't already, you will probably soon receive an offer from a bank or department store for a credit card. Consider carefully before accepting. Basically a credit card is an unsecured loan (you don't need collateral to borrow). The card issuer assumes you will pay the loan off with future earnings, but from their perspective, preferably not all at once.



Now I've got enough for a date!

“It seemed like a logical career move. Why do you ask?”



Credit card companies are counting on your wants being larger than your ability to pay. You get instant (if short-lived) gratification and the issuer gets interest. The best way not to become caught up in an endless credit cycle is not to accept a credit card. The next best way is to not carry the card around with you. Use it only when absolutely necessary, for things you truly need (need, not want) and then pay off your balance before purchasing anything else.

Food

After housing, the next biggest item on your budget will be food.

Life as a student is not supposed to be a time of luxury. Eating at home is usually cheaper than eating out, unless you rely on frozen or pre-prepared meals, which are almost always more expensive than when you prepare “from scratch.” Do comparison shopping. Seemingly insignificant savings in this area can make a big difference over the course of a year. Consider improving your health and pocketbook by reducing your consumption of expensive, high-protein foods such as meat, poultry, and fish. And watch out for cold cereal – it can be as expensive as meat. Take a look at the new federal food guidelines (a pyramid which replaced the old basic four food groups). The foods you should eat the most of are generally the cheapest.

Plan meals ahead of time and buy food only for those meals. Don’t go shopping when you’re hungry – you’ll buy expensive foods on impulse.

When cooking, cook enough for several meals. Having leftovers available for reheating will save time and make you less likely to rely on frozen food and junk food.

If you spend a lot of time on campus, just hate to cook, or both, consider purchasing a meal ticket. It will be more expensive than doing it yourself, but it will at least guarantee you meals.

Housing

Deciding where to live is an important decision. You can rent an apartment, live in a residence hall, or stay with parents. Housing will probably be the largest single expense in your budget, so consider cost carefully.

Living with parents is usually the least expensive option unless you will have to commute over long distances. Moving and transportation costs should be included in your thinking as you decide where to live.

Clothing

It’s easy – but unnecessary – to spend a lot of money on clothes as a college student. When buying clothes, ask yourself, “Do I really need this or would it just be nice to have it?” If you do need it, is it the right size, fabric, and color? Will you get your money’s worth out of it in long-term use? Does it need to be dry-cleaned? If it needs pressing, and you don’t iron, how much will laundering and ironing cost? Can you get the same thing cheaper someplace else? Have you considered shopping at the Thrift Store?



“Maybe I’d better find out what ‘tsp.’ means!”

“Looking good at half
the price!”



Transportation

How much are your monthly car and insurance payments? How much does it cost to maintain your vehicle? It's hard to get by on a typical student budget with a \$300.00/month car payment. Consider the alternatives.

Do you really need a car? Can you walk or bicycle or take the bus to school and/or work? Can you carpool with someone? If you feel a car is a necessity, can you change that by living on or near campus? How about trading in your present car for something less expensive?

Books and Supplies

Books and supplies are unavoidable expenses for most students. Check for used books before buying new ones. Sell books back at the end of the semester. Buy cheaper notebooks and other supplies.

Adapted from *Managing Your Money: It's Common Sense, not Magic*, Student Financial Assistance Office, Arizona State University.

Health and Fitness

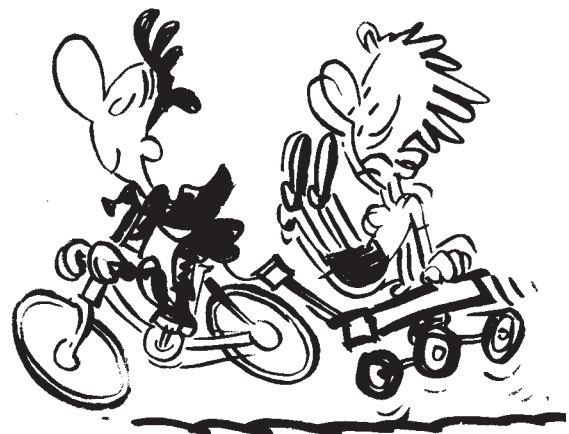
Hopefully your health costs will be low while you are a student. Eating a good diet and getting adequate sleep will help keep costs down. Exercise will help keep you fit not only by maintaining muscle tone, but also by relieving tension. Take a few minutes several times a day to thoroughly relax and prove to yourself that you don't need stimulants or depressants. If you feel yourself feeling overwhelmed academically or personally, make use of tutoring and counseling services that may be available through your school or community.

Entertainment

This is the easiest budget item to cut. It's easy, not because entertainment isn't necessary, but because there's so much free entertainment and so many good deals for students. Students get bargain prices on an incredible variety of campus events. Wait a few months and see the most popular movies at the dollar theaters. When choosing entertainment, remember you are investing not only your money, but also your time. Choose something worth both.

A Final Note

For more information about financial aid, saving money, and living cheap visit the UHEAA web site at www.uheaa.org.



“Who says you need a car to date?”

Borrowing is one means to help pay for college. Hopefully it will be a last resort — after you have exhausted every other possible source of funds. Here are ten important facts about repaying loans to keep in mind.

1. You are obligating some of your future income every time you borrow.

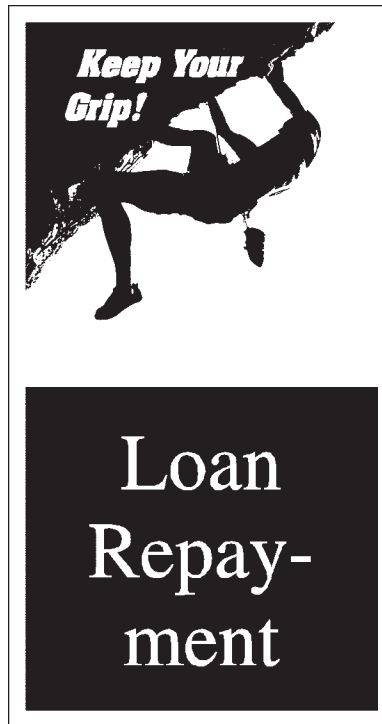
When you take out a loan, you are using someone else's money and promising that you will return that money from income you will be earning later. In other words, the more you borrow, the less future income you have to spend for other things, such as the purchase of a home, saving for your children's education, and saving for your own retirement.

2. You can end up paying back as much as \$3.00 for every dollar you borrow.

Interest payments can add up quickly. In some cases, over the life of a loan, you can end up paying two or three times what you initially borrowed.

3. You do not pay interest on the portions of a loan you have already repaid.

Interest accrues (adds up) on your loan's outstanding balance (the amount of money you still owe), but the amount you have already paid does not accrue interest. By paying a loan back more quickly, you pay less interest. You spend more in the short term to pay off a loan more quickly, but in the long term you can save a lot of money.



4. Repaying your loans can get complicated.

There are many organizations involved in your loan. These include: the financial aid office that processed your application, the lender that provided you with the loan, the loan servicing organization that collects your payments and processes other forms (such as deferment and forbearance forms), the secondary market that

buys loans from your lender so that you now owe money to another holder, the insurer that guarantees your loans, and the federal government which sponsors most of the loan programs. With so many players involved, it's vital that you keep good records of what you owe and to whom.

5. No matter what, the responsibility for repaying your loan is yours.

Despite the fact that there are many organizations involved with your student loan, the responsibility to repay is yours and only yours. Accurate records will help you keep abreast of your responsibilities, and will help you identify problems with your loan in case they occur. If any of the loan correspondence you receive is in error, do not delay in contacting the proper organization and correcting the error. The longer you wait, the harder the problem will be to resolve.

6. You are the best source of information about your loans.

No other organization has as much information about your loans as you do. No one else - not your lenders, not your servicing agencies, not even the financial aid office — receives a complete set of the papers associated with your loans.

At some point, you will receive application forms, promissory notes, loan disclosure statements, and correspondence that will tell you everything you need to know about what you owe, when you need to repay, and what your repayment options are.

7. Your loans will probably be sold.

You have borrowed a loan from one lender, but that lender may sell the loan to another organization or secondary market. The lender and the new holder of your loan have to inform you of the sale, but if you have not informed them of a change in your address, you may not be aware of the sale. You might then begin making payments, forwarding correspondence, or sending deferment forms to the wrong organization. Without this correct information, you may inadvertently default on your loan, even though you acted in good faith.

8. Expenses cannot exceed income forever.

People commonly use consumer debt such as credit cards to purchase items that they would not be able to afford out of pocket. Credit cards can provide the illusion of being an additional source of income. Instead they really are an additional source of high rate indebtedness. When income does not cover expenses, and a person begins to rely on credit cards or other consumer debt to meet costs, that person has lost control of his financial destiny.

9. If you are delinquent or in default on educational loans, expect the worst.

Delinquency and default on educational loans are reported to credit bureaus. A poor credit rating can prevent you from obtaining a mortgage to purchase a home, a business loan, or credit to purchase a car. Even when a defaulted loan is deleted from your credit report, you are still obligated to repay the loan. Defaulting can lead to law suits; garnishment of wages, tax refunds, and any assets you may have (such as home or car); and exclusion from Medicare and Medicaid reimbursements. Default also results in ineligibility for additional financial aid funds, loan deferments, and loan consolidation.

To avoid default, keep good records and understand the terms and conditions of your loans so you can legally orchestrate repayment to fit your financial circumstances. Budget carefully, and stay in touch with the lenders, holders or servicers of your loans.

10. With careful planning, odds are that you will successfully repay your loans.

Relatively few borrowers default on their loans. Borrowers who plan carefully and limit their indebtedness are able and willing to fulfill their obligations, and lenders and holders are equally willing to help borrowers to stay out of default. Statistics show that most persons who default on their loans do so within the first three years of repayment. Among the reasons:

- Borrowers have low income upon graduation.
- Borrowers have forgotten to file deferment forms with their lenders, or the forms did not reach them.
- Borrowers have lost touch with their lenders and holders because they did not file changes in name or address, or failed to keep up with correspondence from lenders and holders.

Remember that lenders are eager to help you stay out of default and have tools at their disposal to help. Before you get in serious trouble, give them a call.

Finally, several lenders, in particular those who participate in UHEAA's loan purchase program, offer incentives that reward on-time payments and direct withdrawal arrangements. Check out www.uheaa.org or call UHEAA at 1.877.336.7378 for further details.



Budget ?!

Step 1

The hard part of budgeting is thinking ahead. Most people don't know how much money they have (or can get), and they have even less of an idea of how much they need to meet their expenses. So, if you're one of "those people," (blush) you're not alone.

Start with what you do know and give your best estimate of the rest. It's a good idea to guess low on resources and guess high on expenses. You don't want to be too optimistic and have trouble later. However, if you start out pessimistic, you may be pleasantly surprised when you end up with more resources than you thought you had, and because you are so thrifty, your expenses are lower!

Step 2

Subtract Educational Expenses from Total Resources. Now you know how much you'll have left for "luxuries" like food and rent.

Total Resources

Your Contribution

| | |
|----|---------------------|
| \$ | Savings |
| | Family Contribution |
| | Gifts |

Financial Aid

| | |
|--|------------------------|
| | Pell Grant |
| | University Scholarship |
| | Outside Scholarship |
| | Tuition Waivers |
| | Supplemental Grants |
| | Stafford Loans |
| | PLUS Loans |
| | Perkins Loans |
| | Other |

Anticipated Income

| | |
|--|-------------------------------------|
| | Employment (net annual amount) |
| | Stipends |
| | Non-taxable Income (AFDC, VA, etc.) |
| | Other |

| | |
|----|---------|
| \$ | Total A |
|----|---------|

Educational Expenses

| | |
|----|-------------------|
| \$ | Tuition |
| | Fees |
| | Books |
| | Supplies |
| | Special Equipment |

| | |
|----|---------|
| \$ | Total B |
|----|---------|

| | |
|----|-----------------------------|
| \$ | Remaining Funds (A minus B) |
|----|-----------------------------|

Me?! HOW?!!

Step 3

Now do your best at estimating your other expenses. Some cannot be avoided; some truly are luxuries.

If your total on this page exceeds the funds left over after educational expenses, you're either going to have to live cheaper or get richer. Good luck.

(Adapted from a publication by the Massachusetts Higher Education Assistance Corporation, originally produced by the Office of Student Aid at the University of Maine.)

Other Expenses

per month per year

| | |
|----|----|
| \$ | \$ |
| | |
| | |
| | |

Housing

Rent/Mortgage or Room/Board
Utilities (electricity, gas, telephone)
Taxes
Furnishings

| | |
|--|--|
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Food

Groceries
Meals on Campus
Eating Out

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Transportation

Car Payment
License and Registration
Gas and Oil
Repairs

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| | |

Clothing

Clothing Purchases
Cleaning and Laundry

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| | |

Insurance

Life
Medical
Car
Other

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Entertainment

Movies, Plays, Concerts
Magazines
Membership Fees
Cable TV
Other

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|--|--|
| | |
| | |
| | |

Miscellaneous

Child Care
Alimony or Support
Installment Payments

| | |
|--|--|
| | |
| | |

Savings

Savings Plans
Emergency Fund

| | |
|----|----|
| \$ | \$ |
|----|----|

Total

Keeping Ends and Means in Balance



| Occupation | Typical Starting Salary |
|--|-------------------------|
| Accountant & Auditor | \$28,700 |
| Carpenter | \$22,880 |
| Chemist | \$32,900 |
| Computer Programmer | \$37,600 |
| Cosmetologist | \$15,200 |
| Dietician | \$29,120 |
| Electrical Engineer | \$46,200 |
| Human Resources Manager | \$35,360 |
| Librarian | \$23,500 |
| Pharmacist | \$60,800 |
| Physician | \$81,000 |
| Physician Assistant | \$45,100 |
| Public Relations | \$27,600 |
| Sales Representative, Non-Technical | \$26,000 |
| Social Worker | \$23,300 |
| Teacher, Elementary | \$26,500 |

Utah Department of Workforce Services, Economic Data Collection & Analysis Unit, April 2003

Higher education is a good investment in your future. But, you want to invest in that future, not mortgage it. Borrowing excessively can turn the dream of a comfortable life after graduation into a nightmare of seemingly endless, burdensome loan payments. So don't borrow too much. How much is too much? Most experts recommend that your student loan payments be no more than 8-10% of your starting salary. Some average starting salaries are on the left. More detailed projections about the job outlook in your major and projected salaries can be obtained from your school's career center or placement office. Then, before you borrow, visit the UHEAA website at www.uheaa.org

to get an idea if you will be able to comfortably handle your loan payments. If you don't have internet access, give UHEAA a call at 1.801.321.7294 or 1.877.336.7378 and we'll give you the figures. By keeping the end and means in balance, you can ensure a more secure future. Happy climbing!