TALKING POINTS
COLLEGE STUDENTS
PRESENTED BY JEAN CHATZKY AND PASS FROM AMERICAN EXPRESS℠

INTRODUCTION

Give your kids a heads-up that tonight you're going to make some time to talk about money. It won't take all night, but they should clear their schedule. If your kid is away at college, and you didn't have this kind of talk before he or she left, it's even more important to do it now — you can easily chat by phone. If they're living at home, haven't left yet, or their school is nearby, it makes sense to do this in person. And even if you had a similar conversation before they left for school, it's well worth checking in and offering reinforcement.

Say something like this: "You're on your own for the first time and we want to make sure you know what kind of money you have available and that you can make it last through the semester (or the year). We also want to make sure you know the best ways to pay for things, that you're building a good credit score and that no one is going to steal your identity. We're willing to answer all your questions. And even do some digging if we don't know the answers off the bat. That's how important this is. At this stage of your life, these aren't just important money skills, they're important life skills."

QUESTIONS TO ASK YOUR KIDS AND TIPS ON HOW TO ANSWER

START BY ASKING: "HAVE YOU THOUGHT ABOUT IDENTITY THEFT?"

ANSWER GUIDE: Let them know that as you get older and begin using more plastic and shopping online, the risks of identity theft increase. Having your identity stolen may not cost you a lot of money, but that's no reason to ignore the risk. It's a major hassle to clear up — and it can hurt your credit score which can make it tough to get a car, a job, and an apartment when you graduate. So how do you protect your identity? By keeping your personal information — Social Security Number, bank account numbers, and charge, credit, prepaid and debit cards — to yourself. Tell them to only give out their SSN as rarely as possible and leave the card at home rather than in their wallet. They should pick up their mail regularly, as personal information can be stolen off paper bank statements and paper bills. For that reason, banking online is a smart idea. And remind them to be careful of how they use the internet. Don't bank or pay bills from a public place or when using public Wi-Fi. And talk about their use of social media sites. Don't post identifying details (for example, if a hacker can figure out your mother's maiden name or the pet name you use as your regular password, he may be able to get credit in your name). Keep passwords a complex mix of random letters and numbers. Finally, explain to your kids that they should never respond to an email or a text message asking for passwords or personal information.

START BY ASKING: "YOU'RE ON A BUDGET FOR THE SEMESTER. WHAT DO YOU THINK WE SHOULD DO IF YOU RUN SHORT ON MONEY? AND HOW CAN YOU AVOID THAT HAPPENING?"

ANSWER GUIDE: You need to decide your position in advance, but I'd suggest not bailing your kids out if they run out of money early. If you do, I can pretty much guarantee that it will happen again the next semester, and the one after that. The exception? If together you discover that you didn't put aside enough money to begin with — in other words, they're not blowing it on unnecessary expenses, they simply don't have enough to make ends meet — you may need to sit down and go over their budget again. And then you'll need to strategize about how to pad it. Particularly in freshman year, the budget is a bit of a moving target because it's hard to anticipate every expense, so both you and your student should stay flexible.

That said, you should take some time here to talk about things that college students typically blow their money on — food outside of their meal plan, parking tickets, ATM fees, extra cell phone minutes — and how to avoid these traps. One suggestion I often make to college students (and anyone looking to stay within a budget) is to go to the ATM just once a week for cash. Then allocate the money you pull out by the day while telling yourself that once that money is gone, it's gone. That way, you're setting a very tangible limit for yourself. If your child is doing most of his or her spending on a debit card, tracking their spending by the day is also very helpful. Otherwise, a few random swipes of the card can throw a budget for the month completely out of whack. (We'll get more into budgeting in the exercise below.)

START BY ASKING: "HOW DO YOU THINK YOU MIGHT LOWER YOUR CELL PHONE BILL?"

ANSWER GUIDE: This is a really good exercise in negotiating — and something that all kids should consider trying. It not only teaches that pricing is flexible, but that if you don't ask the answer will always be no. Dial the toll-free number for customer service (it typically won't count against your minutes), put your child on the phone and have him say to the representative that his bill has gotten a little high and that he'd like to see if he can do better. (This is called "auditing your bill.") If your family is on a combined plan, have him make the call for your family plan. The customer service representative should look at his minutes to see if he can go to a plan with fewer, as well as seeing if any newer cheaper plans have rolled out since the contract was signed. Have your child ask if he's paying too much for texting or wireless and if there are any bundled plans that might make a difference. Finally, at the end, have him say that there are loads of other companies soliciting his business and that many of them seem cheaper. Then ask, "Is there anything else that can be done?"

THE LOWDOWN ON PAYMENTS

START BY ASKING: "WHAT'S THE DIFFERENCE BETWEEN A DEBIT CARD, A CREDIT CARD, A PREPAID CARD AND A CHARGE CARD? WHY WOULD YOU USE ONE RATHER THAN ANOTHER?"

ANSWER GUIDE: Explain that all of these are payment cards which can be used to pay for things, but with significant differences. A debit card is a payment card linked to their bank account. When they swipe a debit card, they are using money already in their account to make the payment. A prepaid card is a card that has been pre-loaded (often by parents) with a limited amount of money. When they swipe a prepaid card, they either spend the money until it is reloaded or runs out. When they swipe a credit card, they are not spending their own money. They are borrowing from whatever bank or credit union issued that credit card and the amount they can spend is capped at the amount they have agreed to lend, called a credit limit. There is usually a minimum payment due each month toward the balance owed. And a charge card is a credit card that must be paid off in full every month. Let your kid know that debit, credit, prepaid, and charge cards allow them to monitor charges online so they can keep an eye on their spending.

Make sure your child understands that all of these cards are tools. At your child's stage though, while a debit or prepaid card is still likely their primary mode of spending, they may be thinking about getting a credit or charge card. That's smart. But before they bite the bullet, they need an education. Explain that, "One reason the CARD Act imposed age limits on credit cards — you now can't get one under age 21 unless you have a co-signer or documentable income — is because you can get into hot water with credit cards. You can spend money you don't have and it can take years to pay it back. On the flip side, only a charge or credit card will allow you to build a credit history over time — and having a solid credit history is important when it comes to buying your first car or house." So if and when they do get a charge or credit card, have them follow these three rules:

- Charge only what you can repay each month except in a *real* emergency. (Note: Spring break is not an emergency. If you can't afford to go without the help of your credit card, then you can't afford to charge it.)
- Look for a card with the lowest interest rate possible. Interest rates don't matter if you pay off your card every month (because then you don't pay interest) but in case you do have to pay for something over time, the lower the interest rate, the better.
- Do not apply for more cards than you need. (One is sufficient to start.) Being offered 20% off in the mall is not a good reason to apply for a credit card.

TALK ABOUT: CREDIT SCORES

You can piggyback on your description of credit and charge cards, and the interest they accrue, to kick this off. Explain that the more of a risk you pose to a card issuer, the higher your interest rate on your card will be. Tell your kids that their credit score is like a report card of their activity as a borrower. If they always pay their bills on time and don't carry a lot of debt on their credit cards, and if they pay their bills on time and in full every month on their charge cards, they'll have a good credit score. If they pay late, run up debt on their credit cards, don't pay off their full charge card balances or open more accounts than they need, their score will suffer and they'll have a harder time getting loans for the things they may want to purchase in the future, like a car or home.

We used to see credit card issuers on college campuses all the time; now, it's harder for college students to get a credit card. The CARD Act, which passed earlier this year, included new rules for people under age 21. To open a credit card account, they now need a co-signer or evidence of enough income to make the monthly payments on their own. If you want to help your kids build a good credit history — and college is a fine time to start — you may be able to add them as an authorized user on your card and set their credit limits so you know they won't go overboard. Just make sure that your card company is reporting their payment history to their own credit files and that any late payments on the part of your kids won't blemish your good name.

EXERCISE: SETTING UP A COLLEGE BUDGET

This is really no different than setting up your own budget — together, you and your student need to look at how much money he or she has for the semester. Consider all sources — money coming from you, if applicable, as well as that coming from scholarships, a part-time job, or a work-study job. If you don't know exact amounts, use your best guess, but be a bit conservative (it's better to have too much money than too little, as we all know). Then take a look at expenses, both fixed and variable. Fixed expenses tend to be easier to plan for because they don't change month to month; the variable ones take a little research. To ballpark expenses like extra food and entertainment, start by calling the college's financial aid office or looking at the section for incoming students on the school website. They'll often give you a sample budget or at least a list of common expenses. You can also consult friends who are parents of sophomores or juniors — they'll be able to share their experiences. Then, you can allocate the amount of money available each semester among his or her fixed and variable expenses. Once you've done that, you can divide each category into monthly expenditures, as that's how bills are likely to get paid.

An Example:

Expenses will vary by school, by student, and by location. But here's a general budgeting worksheet to get you and your student started:

INCOME

Add up the amount your student expects to receive this semester from each source, then divide the total by the number of months in the semester:

Scholarships, grants or loans	$ ________
Part-time job or work-study earnings	$ ________
Parental contributions	$ ________
Additional money (from savings, etc.)	$ ________
Total per semester	$ ________
Total per month	$ ________

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FIXED EXPENSES
Add up the fixed expenses your student will be responsible for on a monthly basis:

Car insurance	$____________
Car payment	$____________
Rent and utilities	$____________
Cell phone	$____________
Other	$____________
Total per month	$____________

Subtract your monthly fixed expenses, $____________, from your monthly income, $____________, to get the amount that is left for your variable expenses, $____________.

VARIABLE EXPENSES
Divide the amount from above into the following categories. You may have to make a few hard decisions to stretch the dollars. Does your student need a $100 allowance for groceries if he or she has an unlimited meal plan? Keep in mind that this area is flexible.

Laundry	$____________
Groceries	$____________
Entertainment (includes dining out)	$____________
Gas and car maintenance	$____________
Other living expenses (clothing, room decorations, etc.)	$____________
Total per month	$____________

The total of fixed and variable expenses should now be equal to — or, in the best-case scenario — less than income. If it's not, go back over everything with a fine-tooth comb and figure out where he or she can either cut back or bring in more money.

FUN FACTS

Average Cost of Using An ATM Not Affiliated With Your Bank: **$3**

Cost of Two Transactions A Week For A Year: **$312**

(That's *a lot* of pizza!)

Source of Survey Results: PASS from American Express℠ and Money Night survey.