

Tips for High School and College Students

Create a budget. Think of a budget as a roadmap to reaching your financial goals. A realistic budget will show you exactly where your money is going and help identify “needs” and “wants” as you work to reach these goals.

Have a plan to pay off your debt. Ideally you have only one credit card and pay your balance in full each month. But we all know that this isn’t universally true. There are two things to keep in mind: 1) Have a plan to pay off your debt within six months; and, 2) If you do have more than one card with a balance, start by paying off the card with the highest interest rate.

Pay on time and as directed. This is the key to building up a solid credit history. Whether it is your cell phone bill, utility bills, student loans, or your credit card, be sure to mail or transmit your payment at least five days before the due date to allow for processing, and be sure to make at least double the minimum payment.

Use cash as much as you can. Here’s a good rule of thumb that will serve you well: if you can eat it or drink it, or if it costs less than \$20, use cash to pay for it. Small purchases like these can really add up and can send your budget reeling when your credit card bill arrives at the end of the month.

Open a checking and savings account. Managing these accounts may not help with your credit score, but lenders will often look to see if you have either of these accounts when considering offering you credit, which will ultimately count in your favor. More importantly, putting money into a savings account each month will ensure that you are ready for an emergency when it happens, because it will.

Look for ways to save money. Buy food and other items at shopping clubs and use coupons when and where you can. Take advantage of free entertainment opportunities in your town and on campus. And look for where you can gas up your car for less. Cutting back on expenses gives you the power to control your money before it controls you.

Avoid credit card debt. The best way to manage debt is to avoid it. Remember that between interest payments and the potential of over-limit and late fees, you will likely end up paying a great deal more for everything you do and buy. Credit cards are not new money, not free money, and not more money. A credit card is a loan that you will have to pay back.

Remember the consequences of abusing credit cards. If you demonstrate that you cannot responsibly handle credit (running up large debts, making late payments, being unable to pay off your debts), you may lose out on jobs or student loans, or be denied an apartment or car loan. More than at any other time in the past, your credit history is being used to make all sorts of decisions about your future.