One Focus: Higher Education
HIGHER ONE®

TALKING TO YOUR STUDENT ABOUT MONEY

You were very organized. You purchased a bed-in-the-bag, egg crates, a desk lamp, a laptop, a month's supply of socks and all the other essential provisions recommended by your child's college or university. You packed up the car, drove miles to get there, spent hours unloading and finally headed home—perhaps a little teary-eyed. But if you're like a lot of parents bewildered by the breakneck scramble, you may not have had time to have that other important talk—the one about money and how your new college freshman will manage it on their own for the first time.

Don't worry though, Higher One is here to help. After all, we're all about helping students (and parents, too!). To help you get started, we've compiled five topics that every parent should discuss with their student along with some suggested questions you may have overlooked.

1 CLARIFY EXPECTATIONS

- **Who is paying for what?**
- **What do you plan to do if you're short on money?**

While you may have already talked about this, it is a good idea to review how much college is going to cost each year and clarify what portion you are committed to paying for. Be sure to discuss all costs associated with going to school such as books, travel, cell phone charges, food and other miscellaneous living expenses. These are areas that students often overlook and you will want to be clear about how much of these costs, if any, you will be covering. If they are receiving Financial Aid, make sure they know the difference between grants and loans and who will be responsible for paying off those loans once they have graduated.

It's also a good idea to estimate what their student loan payments are likely to be and compare them to what they expect to earn as a starting salary when they graduate. Aim to keep those monthly payments to no more than 10 percent of their expected monthly salary.

If your student is a little low on funds and has a Higher One checking account, you can quickly and securely send money to them in a snap! Visit MyOneMoney.com/Parents and select the "Send Money Feature" link.

2 RECOMMEND SETTING UP A BUDGET

- **How much money do you have and how will you make sure you have enough to last the semester/academic year?**
- **How much will you need each month to pay your bills and other expenses?**
- **What is the difference between a need and a want?**

One of the major money pitfalls new college students fall into is spending too much on things like snacks and take-out. Creating a budget will help your student gain control and balance needs with wants. It doesn't have to be complicated, just something that sets out a realistic picture of how much money they will have and/or earn; and how they plan to spend those funds over the course of the semester or year.

You may want to suggest using a sample budget provided by the institution's Financial Aid office to get an idea of how to estimate some costs like travel and food. Including a small cushion for unexpected expenses isn't a bad idea either; it will help your student set priorities of what bills must be paid each month and what expenses may need to be reduced. If they are on a meal plan, for example, remind them to take full advantage of what they have already paid for instead of eating out. Also, warn them about the dangers of loaning money to other students or getting in the habit of treating friends when they go out.

3 EXPLAIN HOW TO USE A BANK ACCOUNT

- **How do you plan to keep track of your banking transactions?**
- **Do you know how to balance your bank account?**
- **What happens if you overdraw your bank account?**

Often, money management problems when starting college can be traced back to a student's initial banking experiences. Students may pay unnecessary fees for things like overdrafts because they don't keep track of debit purchases and ATM withdrawals. It is really important to help your student understand how to use a bank account and how to keep and reconcile their own records. It is also important to remind them to use their own financial institution's ATMs to avoid fees.

4 POINT OUT PAYMENT CARD DIFFERENCES

- **What's the difference between a debit card, prepaid card and credit card?**
- **What are your payment obligations when using a credit card?**
- **What is a credit score and how can being late on a payment affect it?**

There are a number of ways to pay for things without using cash or a check. However, they are very different. A debit card is linked directly to a bank account so when a purchase is made by swiping the card, the student is using funds he or she already has. A prepaid card is preloaded, usually by parents. It contains a limited amount of money which can be reloaded when the funds run out. Using a credit card, however, means the student is borrowing money from whatever financial institution issued the card. If the balance isn't paid off each month, interest charges will accrue and these can add up quickly.

Missing or being late with credit card payments and other bills will damage a student's credit score, something that may take years to repair. The federal CARD Act implemented in 2010, puts age limits on credit cards—you can't get one if you're under 21 unless you have a co-signer or can document that you have enough income to make the payments. If you do decide to co-sign, make sure the credit limit is set to an amount that allows the balance to be paid in full every month.

5 TALK ABOUT PROTECTING PERSONAL INFORMATION

- **Do you know what identity theft is?**
- **What should you do if your debit or credit card is lost or stolen?**

Identity theft is a fast-growing problem. Students should know how to safeguard payment cards and what to do if a card is lost. Most debit and credit card companies offer protection against fraudulent activity, however they must be notified right away. There are other ways that thieves can gain access to personal information such as using skimmers on card swiping machines, phishing via phone or email solicitations and computer hacking. Remind your student to carefully review bank and credit card statements, shred unwanted documents that contain personal information, lock-up personal records, use secure internet connections and never give out personal information unless the requesting source is truly legitimate.

THESE ARE JUST A FEW OF THE IMPORTANT FINANCIAL TOPICS YOU MAY WANT TO DISCUSS WITH YOUR STUDENT.

For more information on these and additional financial literacy tips, please visit Money Talk with Mary at HigherOne.com/OneForYourMoney

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