

Financial Fitness for Freshmen

As you get ready to go away to college for the first time, this is a good time to expand your knowledge of day-to-day money management, including smart budgeting and debt management steps. The Massachusetts Society of CPAs offers these tips to students who want to get through college with the right financial footing.

Start on a Budget

You may be surprised at the high everyday costs of college, including books and supplies, daily living expenses and travel to and from school. That's why it's a good idea to get a sense of what you will spend—outside of tuition costs—before you begin each semester. Include savings you plan to use, any money you may receive from your family and the income you can expect from any jobs. According to a Nationwide survey, the average student income is about \$1,400 a month from part-time jobs and parents. Semesters usually last about four months, so divide your projected total to determine how much you can spend each month, after deducting the amount you can expect to pay for books at the beginning of the semester. It's also a good idea to track your actual spending throughout the semester, so that you can more accurately project and adjust your budget for the years to come.

Get What You Need

Once you know your income, determine a list of expected expenditures each month. Be sure to remember the difference between wants and needs. Textbooks and supplies are clearly mandatory, but weekend trips, nights out and new clothes are not. Even a car can quickly drain your resources if you're cash strapped. [Feed the Pig](#), the AICPA's financial literacy site aimed at young people, recommends recording every time you make a purchase so that you get a good sense of where your money goes. Then categorize all the items, to see if you're spending as much on morning coffee as you are on weekend entertainment. These steps allow you to understand where you might need to cut back or reconsider your spending choices. If you're honest about your real necessities, it will be easier to [create a workable budget](#), and find ways to save.

Avoid Credit Card Debt

College seniors with credit cards graduate with an average of \$4,100 in credit card debt, according to the Nationwide survey. The importance of budgeting is clear when you see the consequences of spending beyond your means. Many students use credit cards to stretch their spending money, but given the high interest rates involved that can be a costly choice. For example, if you have a \$4,100 credit card balance, at an 18% interest rate and you make a \$200 payment each month, it will take you 25 months to pay off that balance and it will cost you a whopping \$836.27 in interest, money you could have spent on other purchases or put aside in savings. That debt is a big burden to carry, especially since so many graduates also have significant outstanding student loan debts. Debt can make it more difficult to find or afford your own place or to qualify for an auto or other loan. The best advice: If you're going to reach for the plastic, make sure it's a debit card. That way you will spend only what you have in your bank account now and avoid overextending yourself.

Your Local CPA Can Help

College is an exciting time that offers many new experiences, including managing your own money. If you or your family has questions about financial topics, be sure to consult your local CPA. He or she can help you address all your important financial concerns.

To find a CPA in your area, contact the MSCPA at 617.556.4000 or

www.msccaonline.org/findcpa.

About the Massachusetts Society of CPAs:

The Massachusetts Society of Certified Public Accountants, Inc. is the state professional association of certified public accountants, representing over 11,000 members in public accounting practice, industry and business, government and education. The Society works to develop and maintain high professional standards and offers a wide array of legislative, technical and referral services to its members.