Buck Financial Advisors, LLC

"Helping you Determine your Financial Future"

Money Moves for College Students

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With average college tuition up 6.6 percent this past school year, money management is a bigger issue than ever on college campuses. That's why it's good to send your freshman off to school with a few tips on how to best manage their money:

Watch out for credit cards: Parents should do whatever it takes to make sure the child doesn't sign up for any credit cards on campus. It's one thing for a teenager to use their parents' credit card while they're still living at home. It's quite another when they get their first taste of freedom hundreds of miles away. Parents may add a child as an authorized user; that way, parents will know when financial missteps occur, which will be a strong incentive for the student to keep his credit rating clean for the next four years. Credit cards should be used only for emergencies, not living expenses.

Bank smart: Students need to get some familiarity with the banking system before they head to college. Kids generally should set up a checking account on campus, but talk to them about debit options and how banking fees (particularly for overdrafts) can eat away at their money. With "free checking" the banks make their money on the fees. You want your child to be independent, but if necessary, make it a joint account and check those balances online.

Establish an emergency fund: A young person should get used to the idea of savings and reserves for unforeseen events such as car repairs, emergency trips home or related expenses. Make it clear that late-night pizza and mochas are not an emergency.

Make a budget: Consider giving them personal finance software to track their expenses and make sure the computer has a security password. Work together to determine necessary realities about everyday expenses, tuition, and financial aid. Then tell them, when they come home you will sit down to review their figures and make adjustments. You obviously need to trust your kids, but you might want to do this for as long as it takes them to develop solid and consistent money habits.

Since credit reports can be ordered online, parents should sit down with their student to review their report for activity and errors. Everyone is entitled to one free report from each of three agencies each year, they are available at www.annualcreditreport.com; review now, then review another every four months.

Handle mistakes the right way: Most kids will make money mistakes in college. If they overdraw a checking account or overdo it with their credit card, make the criticism constructive but firm and always come up with a corrective plan you'll work on together.

Buck Financial Advisors provides independent, commission-free financial advice for people from all walks of life. When you or someone you know needs help, Buck Financial Advisors is there. See www.buckfinancial.com for more information.

Charles Buck CFP®

"Money is like manure, it's not worth a thing unless it's spread around encouraging young things to grow."

Thornton Wilder

Ask a CFP® Professional!

Should I max out my 401K or open an IRA?

If your employer matches your 401K contribution, it is probably best to contribute up to the amount to get the entire match. I don't like to pass up free money. This is pre-tax money and both your contribution and the employers will grow tax deferred until you withdraw the money.

Next it is best to fund a Roth IRA. Everyone can contribute up to $5,000 of earned income to this account. The advantage to the Roth is that its withdrawals are tax free, the disadvantage is that your contributions are after tax. Personally, I think it is good to have both tax deferred and tax free income. There is also more flexibility regarding withdrawals from a Roth IRA than either a 401K or traditional IRA.

After that if you need to save more for retirement, add to your 401K until you have either saved enough or have contributed the maximum.

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