HIGHTOWER
Westchester

guidebook

Off to College Guide

Tips for Managing Your Personal Finances

College is an exciting time full of new adventures and newly discovered freedom. However, with freedom comes the responsibility of making your own decisions socially, academically, and financially.

And this can be a big adjustment. To help set you up for financial success, we put together this guide in the hopes that it will prepare you for what lies ahead.

BUDGETING

While at college, you will be spending money on a variety of things, some of which are more necessary than others, and it may be easy to get carried away with expenses. Understanding what a budget is and how to create one and stick to it is a crucial skill that will help you and, ideally, set you on the path to financial responsibility.

So, what exactly is a budget? A budget is a written plan that helps you keep track of how much you earn (your income) and how much you spend (your expenses). It's perhaps the single most important tool for understanding how to manage your money because it explains where your money is going.

STEP 1 PLAN

Planning a budget involves identifying your income and figuring out spending priorities and trade-offs. Basically, you're establishing a cash flow plan that lets you know how much you can spend each month and how much you can save.

First, divide your expenses into two categories:

A simple but effective way to look at your expenses is to divide them into nondiscretionary (your needs) and discretionary (your wants) categories. Go through your bank statements and/or credit card statements to sort your expenses into these two categories. If you haven't started college yet and don't have bank or credit card statements, you can either create a list of what you think your expenditures will be or you could create your budget after you've been in college for a month so you can use actual spending.

> **NONDISCRETIONARY EXPENSES** are the "must-haves," such as your tuition, rent, utilities, food (meal plan and groceries), textbooks, transportation, cell phone, etc. You should include any debt payments (such as credit card debt or loans). Setting aside money for an emergency fund or savings account would also fall into this category.

> **DISCRETIONARY EXPENSES** are the "nice to haves," the extras such as eating out or ordering in, entertainment, travel, and even clothing.

Don't forget to set aside money for any upcoming big-ticket items that come a few times a year, such as flying home or taking a Spring Break trip—they can be easy to forget when creating a monthly budget.

Then list your sources of income.

Where is your money coming from? Include money from family members, scholarships, loans, and money you've earned working.

If your parents or guardian are going to give you money to spend during the year, have a conversation before the year begins to establish how much you will receive and what the expectations are for how the money will be used.

STEP 2 CREATE

Now add up each category individually (income, nondiscretionary expenses, discretionary expenses) and subtract your nondiscretionary expenses from your income. The amount you're left with is what you can use for your discretionary expenses. Anything left over after deducting your discretionary expenses can be put into your emergency fund or savings account to help you attain your goals more quickly.

Coming up short?

This is where you may have to prioritize in order to stay on budget. Look through all your discretionary expenses to see where you can rein things in. Can you, for instance, eat out less and make your meals instead? Are you taking advantage of as many student discounts as you can? These might be able to help you cut costs. If you're still spending more than you can afford each month, it might be time to start looking for ways to earn more money.

STEP 3 KEEP TRACK

Keeping your budget up-to-date and sticking to it are often the hardest parts—but they're also essential to success. So once your budget is complete, monitor it regularly. Make it a habit to log your spending so you know how much money you have left for the month. You can also set up spending limit alerts through your bank, so you know when you have to cut back on your spending.

If you're having trouble staying on track, use spending trackers or budgeting tools to record your spending every day for a week. You will be able to see exactly where your money is going on a daily basis, which can help you identify areas for improvement. Some budgeting tools allow you to set up alerts when you're nearing your limit for a certain expense category.

Helpful Budgeting Tips:

- Understand the difference between "needs" vs. "wants" (i.e., food is a necessity, but buying groceries is a "need" and eating out is a "want").
- Understand the importance of not spending too much too soon to ensure you have enough money to cover your monthly expenses.
- Understand that you can't say yes to everything, so choose to spend your money on things you value.
- When shopping for something, do your research and try to find comparable items at a lower cost.

Cost-Saving Tricks:

- Research the cost of buying your books online, as it may be less expensive than buying them on campus.
- For introductory courses, most textbooks can be found in your school's library, and you can borrow them for a few hours while doing the reading without having to purchase the book.
- Meal plans can be expensive, and it's hard to know which option will be the best fit. See if you can start with the cheapest meal plan and then alter the plan if it's not meeting your needs.
- Once you get your school email or student ID, sign up for student discount apps such as *Student Universe*, *Student Beans*, and *Unidays*. They are full of discount codes to use online or in-store at tons of retailers and can save a lot of money when eating out and shopping. Some discounts might not be listed on these, so don't be afraid to ask about discounts in person or look on a company's website.

According to Nerdwallet.com, these are the best budgeting apps:

MINT
for saving more and spending less

YNAB AND EVERYDOLLAR
for zero-based budgeting

POCKETGUARD
for a simplified budgeting snapshot

GOODBUDGET
for shared envelope-budgeting

EMPOWER PERSONAL WEALTH
for tracking wealth and spending

https://www.nerdwallet.com/article/finance/best-budget-apps - 07/31/2023

BANK ACCOUNTS

A bank account is an account you open at a bank or a credit union that allows you to deposit and withdraw funds, make payments, pay bills electronically, transfer money to another person, etc. The two basic types of bank accounts are a checking account to manage day-to-day expenses and a savings account for short-term savings.

Checking accounts are used to store money in the short term until it is needed—like for gas or groceries—or to pay bills. You can easily deposit or withdraw money through checks and/or debit cards.

Savings accounts are used to set money aside for use in the future—like for an emergency or a vacation—and allow the money to collect interest. While you can contribute money at any time to a savings account, unlike checking accounts, there may be limits on how often you can withdraw money.

Look for a student-oriented checking account that may offer benefits such as no fees, no minimum balance, a debit card, access to ATMs, and a mobile app.

Electronic transfers, like directly depositing your paycheck and linking your savings and checking accounts, can help you better manage your finances and may make it easier for you to save.

Checking Account

WHAT TO LOOK FOR:

- A checking account that pays interest
- Low initial deposit
- No or low minimum balance requirements
- Unlimited free checking
- Free ATM withdrawals and accessible ATMs
- 0% Overdraft
- Cash or rewards for opening or regularly paying into an account

WHAT TO AVOID:

- Monthly account servicing fees
- High fees for insufficient funds
- High account minimums

To avoid any additional fees, it makes sense to open this account at a bank that is close to campus or that has an ATM on or near campus. Set up a low-balance alert as soon as your account is open to prevent paying overdraft penalties. And of course, save receipts and monitor your accounts online weekly to ensure all charges are correct.

Savings Account

WHAT TO LOOK FOR:

- High interest rate
- Access your money from anywhere
- No or low minimum deposit
- No monthly maintenance fees
- FDIC-insured or NCUA-insured

WHAT TO AVOID:

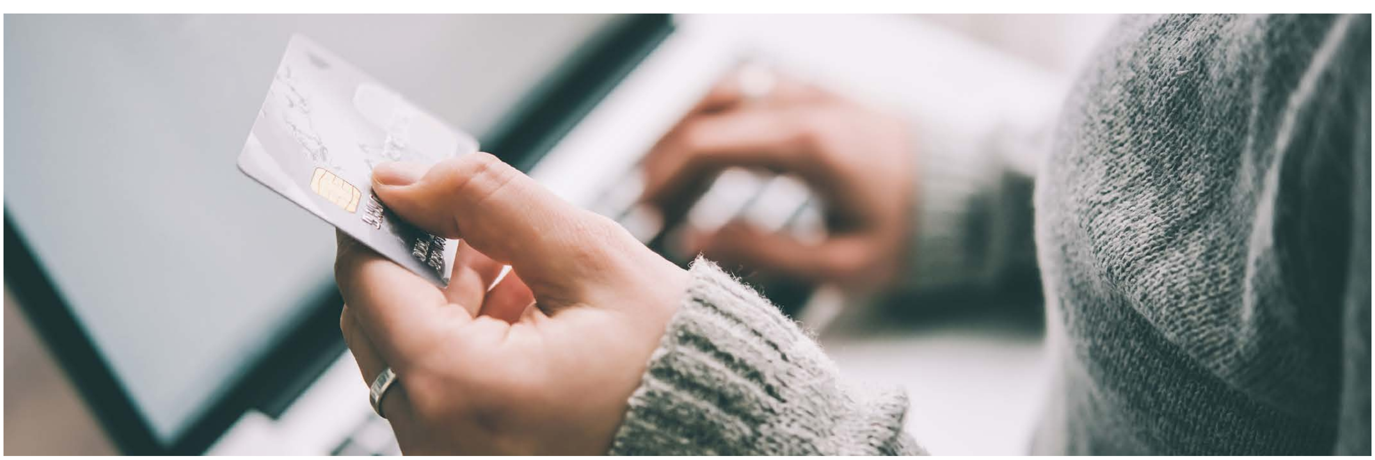
- Fees for transferring money out of the account
- Fees for inactivity, stopped payment, or returned item
- Minimum balance
- The best interest rate only applies to deposits up to a certain amount; remaining savings accrue at a lower rate of interest.

Debit Cards

A debit card, also known as a bank card, is a card linked to your checking or savings account and can be used to withdraw cash from your account (via an ATM) or pay for products and services. It's the same as paying with cash, but you don't have to carry any cash with you. It differs from a credit card in that when you use it, the money is taken out of your account immediately, and you can't spend more than what's available.

Because debit cards work like cash, your spending is limited to the amount you have in your account. Using a debit card does not help you build your credit score because you aren't borrowing money from a financial institution; however, it does help you develop financial responsibility because you learn how to control your spending. You know what you can and cannot afford based on the funds available in your account.

So, when do you use a debit card vs. a credit card? To help you stick to your budget, consider using your debit card for everyday purchases because you'll see the money deducted from your account in real time. Use your credit card for recurring charges such as your cell phone bill and utilities, as well as larger purchases like a flight or a trip. You'll have more time to adjust your monthly spending to pay your credit card bill on time.



One thing to keep in mind with debit cards is that they do not have the same level of fraud protection as credit cards, which means you could be held accountable for unauthorized debit card transactions. The Electronic Fund Transfer Act (EFTA) offers the following protections:[1]

- A consumer is not responsible for any charges made on an ATM or debit card if he or she reports it stolen *before* it is used.
- If the consumer reports the loss or theft after someone uses it the maximum liability is as follows:
  - If the report is within two days of learning of the loss or theft, the consumer's maximum liability is $40.
  - If the report is received after two days but within 60 days of the date of the next bank statement, the maximum amount is $500.
  - Beyond that time period, the consumer is liable for all losses.

Some tips to help protect yourself:

- Avoid using your debit card for online purchases, as your debit card links directly to your checking account.
- Double-check your transactions every day to ensure they are all correct. If you use the bank's app, this should only take a few minutes per day.
- If you notice a transaction that you did not initiate, contact your bank right away so they can cancel your debit card and issue you a new one. The sooner you report the fraudulent transaction, the less you will have to pay.

CREDIT SCORES AND CREDIT CARDS

Let's start with what a credit score is. A credit score is a three-digit number ranging from 300 to 850 that represents your creditworthiness, or, in layman's terms, how likely you are to pay your bills on time. Your credit score is calculated from information in your credit accounts, such as payment history (missed payments, late payments, and how late the payments were), how much you owe in relation to your available credit, the length of your credit history (how long accounts have been open as well as how long it's been since you've used an account), and what types of credit you have.

Establishing a good credit history as a young adult will benefit you down the road, not only for potential employer background checks but also when you want to rent an apartment, buy or lease a car, buy a house, get insurance for that car or house, and so on.

So, how do you do that? The first step is to open a credit card, which you can only do if you're 18 or older. The simple definition of a credit card is that it allows you to borrow money to pay for things. It's essentially like taking out a loan that needs to be paid back in full and on time in order to avoid paying additional fees. If you do not pay off the balance at the end of the month, you will still be able to use your credit card for purchases, but you will have to pay interest on the amount you haven't paid off yet. This outstanding balance is called credit card debt. And credit card debt can be challenging to overcome if you're not mindful of your expenditures. Try to stick to your budget so you can afford to pay off your credit card bill each month.

Now that we've covered the basics of what a credit card is, here are two credit card options to consider.

Standard Credit Card

There are an overwhelming number of credit cards out there, so to help narrow things down, why not choose one that will benefit you? We recommend researching Rewards cards to see what's available and figuring out which one would be most beneficial to you, such as miles to use for your flights back home or cash back that you can apply towards your statement. Be sure to look for ones with no annual fee.

There are credit cards that are geared specifically towards students (either full-time or part-time students), which are called Student credit cards.

PROS	CONS
Using a student credit card can help you build your credit.	Student credit cards may have high annual percentage rates (APR), so if you don't pay your full balance each month, you'll have to pay interest on that balance.
After you graduate, you may be able to transfer your account to a standard credit card, which would likely have a higher credit limit.	Missing a payment or having a high credit utilization rate will negatively impact your credit score.

Authorized user on your parent's credit card

This can be set up prior to turning 18. Some parents choose this option if they want to start teaching their children financial responsibility before they turn 18.

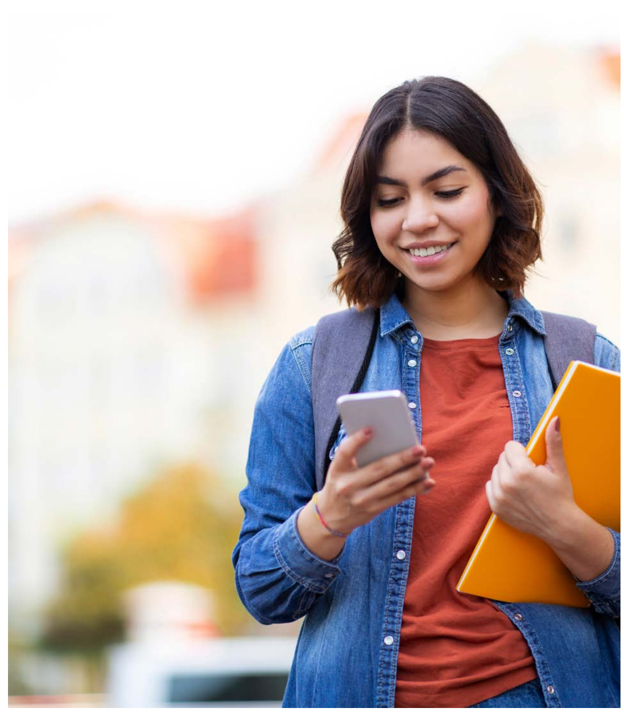
PROS	CONS
Being an authorized user means your parents are responsible for paying all of the charges made on the card.	Your parents pay the bills, so you may not have learned good financial habits just yet, like spending only what you can afford to pay for and paying your bill off each month.
Your parents can set a credit limit to ensure you don't charge more than they can pay.	Having a safety net may adversely affect your ability to learn how to manage your spending responsibly.
Any activity on the credit card becomes part of your credit report, so every on-time payment made helps to build the child's credit.	

Now that you have a means to build your credit, here are some tips for how to do that effectively:

- You should only spend up to about 30% of your credit limit, which demonstrates financial responsibility.
- Pay off your entire balance every month (even just one missed payment negatively affects your credit score).
  - Set up auto-pay or alerts to remind you to pay your bill each month.
- Every time you apply for credit, a lender will run a "hard" credit check, which appears on your credit report and lowers your credit score a bit. Keep this in mind when you receive tempting offers for additional credit cards, such as from stores you buy clothes at.
- Track your credit! You can do this by signing up for a free credit monitoring service, such as Experian. You can also get a free credit report each year through www.annualcreditreport.com.
- Given the rise in credit card theft, we recommend locking your credit report so someone can't open credit cards or take loans out in your name. You can always unlock it if you need to apply for something that requires a credit check but remember to lock it again once that's completed.
- If you have a cell phone, pay rent, or pay for utilities, make sure you pay those on time, as late payments will negatively affect your credit.
- Look into Experian Boost, which is a free service offered by Experian that will help you build your credit. When you link your bank or credit card account that you use to pay bills to Experian Boost, you can choose to add positive payment histories to your credit file, which will increase your credit score.[2]

Some things to keep in mind:

- Since you only receive your credit card bill once a month, it's easy to lose track of how much you're spending. Checking your balance will help you stay on top of your spending.
- Get the credit card app and check your spending daily; this not only keeps your spending in check but also ensures that all the charges are legitimate and that your card has not been stolen or hacked. The sooner you report errors, the better.
- Not paying your bill on time not only results in late fees and interest on the unpaid balance but will also negatively affect your credit score.
- Think of a credit card as a loan; if you don't pay that money back by the due date, you will be charged interest on that loan.
- Do not use your credit card at an ATM to withdraw money, as you may incur additional fees such as a cash advance fee.
- It's important to understand that credit cards usually affect credit scores more than other types of debt since they demonstrate how a person makes financial decisions. For this reason, it's important to use credit cards responsibly. A good rule of thumb is to only use the credit card if you can pay the balance off in full.



MOBILE PAYMENT APPS

There are various kinds of mobile payment apps. Banks may provide a mobile payment app through which you can pay bills, transfer funds, and view transactions. E-wallets allow you save your bank account information, debit card information, or credit card information on your phone so you can use it to make purchases either in-store or online. Peer-to-peer payment apps enable you to send payments to friends and family as well as pay for goods and services.

Venmo

Venmo is an app that allows you to split bills or pay someone back instantaneously via the mobile app. When you create a Venmo account, you link it to your bank account, credit card (a fee is charged when using this option), or debit card in order to fund your Venmo account. You can then use Venmo to transfer money between your Venmo account and your intended recipients' account, and vice versa. You can also submit a request for payment from someone you know. It's critical to recognize that Venmo is not a bank account and is not FDIC insured. So, while it's tempting to let your cash balance accumulate so you always have money in your Venmo account, we recommend keeping a low balance in case something goes wrong. After you receive a payment, transfer it back into your bank account for safekeeping. In order to transfer money out of your Venmo account, you must link your bank account to your Venmo account. Venmo also provides the following services:

- Pay for online purchases by connecting your Venmo account to your apps and mobile websites.
- Venmo credit card, which offers cash back on purchases and no annual fee. You must apply for this card, but if you're not approved, there will not be an impact on your credit bureau score.
- Venmo debit card, which you can use for purchases and offers cashback.

When you're making payments to someone, you should be mindful of the type of payment you choose (friends and family, goods and services, etc.), as there are tax implications for certain types of payments over a particular dollar amount. Currently, Venmo is only available to U.S. residents and can only be used in the U.S.

Zelle

Zelle is a money transfer app that allows you to transfer money to a friend or family member via your bank account using either an email address or a phone number. It's usually available within your bank's app, but if not, it can be used via the Zelle app. Because Zelle transfers money from your account, you know the funds are protected. As with anything, there are some downsides. Payments are made instantly, so you cannot cancel a payment. What that also means is that if something goes wrong and you send the money to the wrong phone number or email address, there's nothing you can do about it.

Apple Pay and Apple Cash

Apple Pay is a mobile payment system that allows you to make purchases in-store or online. It works by adding your credit or debit card information to the Wallet app on your iPhone. When you use Apple Pay, your credit/debit card information is replaced by a token that hides your credit or debit card information. Because Apple Pay is set up on your iPhone, iPad, Mac, or Apple Watch, you have to be careful not to use public Wi-Fi networks, which are targeted by hackers. You can change your Wi-Fi settings to avoid this. One downside to using Apple Pay is that it allows Apple to collect a lot of personal data, which can be used for marketing purposes.

Apple Cash is a digital card in your Wallet that lets you send and receive money via messaging or your Wallet app on your Apple device. In order to use this, you have to add your debit card information to your Wallet. Apple Cash is serviced by a bank, so it is FDIC insured. One of the downsides of Apple Cash is that it can only be used by Apple device users and is only available in the U.S. Lastly, you can only cancel a payment if it hasn't been accepted by the recipient yet.

PayPal

PayPal Is a payment platform that allows you to send money to others as well as make payments online or in person. You must provide credit card, debit card, or bank account information after signing up for an account. PayPal provides the following services:

- Pay for online purchases by selecting the PayPal option at checkout (if the vendor offers it).
- Pay invoices or transfer money (cash can be transferred to any email address or phone number, whether they have PayPal or not).
    - PayPal charges a fee to send money using a linked credit card or debit card but does not charge a fee to send money from your PayPal balance, your linked bank account, or via your Amex Send account.
- PayPal Credit allows you to make purchases without incurring interest fees if you pay the balance in full within 6 months. You must apply for this option.
- PayPal credit card, which offers cashback on PayPal purchases. You must apply for this option.
- PayPal debit card, which allows you to spend your PayPal balance in-store and offers rewards. You must apply for this option.

There are many PayPal account options to choose from, and some charge a fee, so be sure to do your research to see which option is the best fit for your needs.

When selecting a mobile payment app, you want to first focus on those that employ robust security measures like two-factor authentication, encryption, fraud monitoring, and secure data storage. Once you've compiled a list of the most secure mobile payment apps then you should see which one is best suited for your needs. Some mobile payment apps offer a number of account options, some of which charge a fee, so do your homework before making any decisions.

Above all, make sure you download the app from the official app store. By downloading an imposter app, you are giving your financial account information to someone whose only goal is to steal your money.

Because using a mobile payment app effectively converts your phone into a wallet, here are some useful hints for keeping your accounts secure:

- Avoid using public wireless networks.
- To unlock your phone, use Face ID or a fingerprint.
- Change your phone settings so that it automatically locks after less than a minute of inactivity.
- Configure your phone to automatically update your phone and your apps. This increases the security of your smartphone and your apps, making it more difficult for hackers to steal your critical data.

The mobile payment apps aforementioned were chosen solely based upon their recognizability at the time of publication and are mentioned for informational purposes only. Any product or service listed in this publication does not constitute or imply the endorsement, recommendation, or favoring of Hightower Westchester.

HIPAA AUTHORIZATION, HEALTH CARE PROXY, AND DURABLE POWER OF ATTORNEY

Now that you're 18 your health information is protected by the Health Insurance Portability and Accountability Act, also known as HIPAA. This prevents anyone from receiving medical information about another adult, unless they have a signed release. What does that mean, practically speaking? It means medical professionals are no longer allowed to disclose personal health or medical information (think test results, diagnoses, and treatments) about you to your parents, even if you're on their health insurance.

You may feel like an independent adult now that you're in college, but the reality is, if you experience a health emergency, you want your doctors to be able to speak with a family member to share necessary information with them. You can sign a HIPAA Release Form, which will allow healthcare providers to disclose health information to anyone specified on the form. You can choose what information is shared, who it can be shared with, and the method by which it can be shared.

Once you sign this form, you should give a copy of this signed authorization to your family member(s) so they can provide it to a medical professional or hospital when necessary. You should also provide copies of this to the student health services.

Terms to know

HIPAA

Health Insurance Portability and Accountability Act

HEALTH CARE PROXY/ DECLARATION

Appoints an agent to act on your behalf should you become incapacitated or unable to make your own medical decisions.

DPOA

Stands for a "durable power of attorney," a legal document that appoints a third party to act on your behalf, with respect to financial, business or legal matters, even if you become incapacitated.

In addition to the HIPAA release form, you should also sign a health care proxy or declaration. A health care proxy or declaration appoints an agent to act on your behalf should you become incapacitated or unable to make your own medical decisions. It's best practice to execute both the HIPAA release form and the health care proxy, so the person entrusted to make health decisions on your behalf will also have access to the medical information they need to make such decisions. You should also send the signed HIPAA and Healthcare Proxy document to the university you're attending so they have it on file.

A durable power of attorney ("DPOA") is another important document that, like a health care proxy, appoints a third party to act on your behalf in financial matters. The DPOA enables the designated agent to access bank accounts, pay bills, resolve tuition issues, sign tax returns, etc. The primary purpose of the durable power of attorney is to prevent the court from appointing a conservator to manage your finances should you be unable to make your own conscious decisions. An attorney-in-fact can sign anything from financial aid to federal and state tax returns, even if you have not been employed or accumulated any assets.

College is a wonderful time in your life when you may discover who you are and what you're interested in, develop new life skills, have exciting new experiences, and figure out how to balance fun and work. You will make mistakes, but hopefully this guide will help you understand the fundamentals of financial responsibility so that any missteps along the way won't negatively impact your future.

HIGHTOWER

Westchester

440 MAMARONECK AVENUE, SUITE 506
HARRISON, NY 10528

(914) 825-8630

HIGHTOWERWESTCHESTER.COM

[1] *https://www.justia.com/consumer/deceptive-practices-and-fraud/credit-card-fraud/#:~:text=The%20FCBA%20limits%20a%20 consumer's,stolen%20before%20it%20is%20used.*

[2] *https://www.experian.com/consumer-products/score-boost.html*