

## Key Money Strategies for New College Students (and their parents)

By Karen Gross, President, Southern Vermont College

Headed off to college this spring? If the answer is yes, here are some money strategies that, as a new college student, you can employ to stay on the right financial track down the road.

These quick tips will help you understand and build good credit so you are ready to manage your finances when you embark on your careers.

Two things to keep in mind:

First, a credit score matters -- not just to determine the price you will pay for the money you may want to borrow someday but for insurability and employability after graduation; and second, avoid the 'debt without a diploma' curse! At the end of the day, your capacity to repay the debt incurred for an unfinished education is severely limited because of diminished prospective earning capacity.

With these two ideas in mind, here are **THREE** solid tips to assist you in handling your money while living away from home:

**Tip One:** Get a credit card (Mastercard or Visa) with a credit limit of no more than \$600. Get it in your own name if possible (under the new credit card laws, you may need a qualified co-signer, however), and make sure you pay your bill on time each month. Even if you cannot pay the bill in full each month (that is optimal of course), pay at least half (as opposed to the minimum payment). And, never use more than 33 – 40% of the available credit line (so

if the credit limit is \$600 on your card, never have an outstanding balance of more than \$250).

**Tip Two:** Get an ATM card (debit card) **without** a Mastercard or Visa logo on it. The point is to use this card for cash only, not as an alternative to a credit card (see above). There are several reasons for this: a debt card does not build one's credit score, and the legal protections for purchases made with credit cards are more consumer friendly, most especially for damaged goods, a lost or stolen card and billing errors.

**Tip Three:** Check your credit report from each of the three major credit reporting agencies once a year. This service is free by law (visit: [www.annualcreditreport.com](http://www.annualcreditreport.com)), despite websites with other names that offer free credit reports in exchange for costly monitoring services. A credit report is a quick way to see if there is identity theft and to work on curing any errors that appear on the reports, all of which can work to improve your credit score.

Enjoy the start of your college experience, and for further information, see:

<http://www.collegescholarships.org/blog/2009/05/31/a-credit-card-designed-with-the-college-student-in-mind/>

<http://www.insidehighered.com/views/2010/02/19/gross>