

Financial Health

If you've ever tried to get in shape, you know that there's no magic formula for exercising and eating right.

You need discipline to put your knowledge to work in the real world – even when it would be so easy to grab a supersized burger and skip that trip to the gym. Becoming a financially healthy student is not so different – there are just a few things to know, but finding the motivation to make informed decisions every day can be the greatest challenge. Luckily, you usually see benefits of effective financial management right away – in the form of extra cash.

For working adults, the first step to financial health is earning more money than they spend. But for students, being financially healthy is a bit different. After all, the whole idea of being a student is to spend time studying and *not* working (or at least working less) in order to prepare for better opportunities in the future. And part of this trade-off often involves taking on debt in order to pay for school.

A financially healthy student works to *minimize* educational debt while successfully pursuing their career goals in college. He or she looks for the best deals on loans, makes informed decisions about whether or not to work while in school, and understands the tradeoffs between spending now and repaying later.

Financially healthy students share these traits:

- ▶ **They are organized.** Most of us think we are pretty good at keeping track of our money, even without creating a spending plan. The only problem is that we are often wrong. If you've ever been surprised by your checking account balance or credit card bill, you know what we mean.

To avoid wasteful spending, financially healthy students track their income, monthly bills, and daily expenses. They also use the internet to keep their finances organized, making sure they don't miss payments by accident. Being organized doesn't take much time, and it will help to ensure that you are spending money on what matters the most to you.

- ▶ **They are informed.** Financially healthy students understand any fees associated with their bank or credit card accounts, and they know how much these fees add up to each month. They check their



credit reports at least once per year to spot errors and to check for the warning signs of identity theft. They know the interest rates on all of their debt, and understand what could possibly cause those rates to change. By being informed, financially healthy students can create a plan for minimizing expensive debt while in school – possibly saving thousands of dollars.

- ▶ **They think about the future.** They may not have all the answers, but financially healthy students have a good idea about where they would like to be – financially – after graduation. They have thought about their career and what their financial situation may be like as far as five years into their career. These are the big questions that too few students consider when making decisions about careers and debt.

Getting in good financial shape could be a challenge. In fact, Americans are in more debt today than at any other time in history*, and college students are no exception. In addition to a student loan debt of over \$25,000, the average student graduates with credit card debt of around \$4,000. And up to 1 in 3 students graduate with \$10,000 or more in credit card debt. Financial problems are also one of the main reasons students drop out of school – a truly worst-case scenario.

High levels of debt can happen for a variety of reasons, but one of main problems students have is controlling their everyday spending. For a student completely supported by parents, a daily latte at Starbucks has no financial consequences whatsoever. For everyone else, however, that habit could result in an extra \$5,110 of debt over four years – that's 25% of the average undergraduate student loan debt.

What if you could cut 25% of your overall debt while in college by making a few small changes?

* Federal Reserve, *Mortgage Debt Outstanding*, 2011