

Financial Prep for College Bound Teens

As parents prepare college-bound kids for all the perils in life, don't forget money management. As young people pack for college, the last thing you may be worrying about is whether your child can balance a checkbook. However, for many students, the combination of leaving the nest, managing one's own money, making new friends and having an exciting social life is a formula for financial disaster.

Do not assume your child learned about money in high school. According to a survey by the Jump\$tart Coalition for Personal Financial Literacy, only 15 percent of high school seniors reported receiving some sort of personal finance education in high school. On average, the students surveyed received a score of 50.2 percent on finance-related questions. Louisiana students fared even worse, answering, on average 47.3 percent, correctly.

This is not the time to confuse your student by rushing into explanations of complicated financial procedures. It is more important to make certain your teen understands the basics of how to stick to a budget, pay bills on time, handle credit responsibly and balance a checkbook.

College can be a real wake-up call for teens accustomed to obtaining money on an as-needed basis from their parents. So, begin by helping your student devise a budget before he or she leaves home. Total the amount of money, if any, that your child will receive each month from you, earnings from work or other sources such as scholarships and savings. Then list the expenses they will be responsible for each month, and

determine the best way to make their income cover their obligations. Help the student make certain the budget is realistic and manageable.

If students need to open a new bank account, involve them in searching for the best type of account for the balance they will be keeping. Shopping for an account can also help them understand the costs associated with bounced checks, ATM fees and other financial services.

Make certain your child can manage cash flow by keeping track of transactions. The convenience of debit cards and ATM machines often overshadows the importance of tracking expenses and balancing a check register.

According to Nellie Mae, a student loan financing and service company, the average credit card balance for undergraduate students is \$2,748, and many schools are reporting that they lose more students to credit card debt than to academic failure.

Your best defense may be to see that your child has a credit card before he leaves for school. By being involved in the process, you can help select an appropriate card with a reasonable credit limit. Receiving a monthly statement and seeing how fast charges add up can be an educational experience as valuable as freshman math.

Be sure to talk to your children about when it is and is not appropriate to use a credit card. Let them know there is a difference between charging car repairs and a frozen cappuccino.

It is also helpful to discuss the repercussions of not paying a credit card bill in full each month. Discovering that \$1,000 in credit card debt at 18 percent will cost \$2,352 and take more than 12 years to pay if they make only minimum payments each month can be a real eye opener.

Discuss the importance of paying bills on time each month. Overdue payments not only face late-payment fees, they can cause serious damage to credit reports, often making it tough to rent an apartment, buy a new car or even get a job after graduation.