

Manage Your Money

You earned it. Now take control. Even little paychecks can lead to big money.

So you just got your first paycheck and you're in shock. It looks like half has been siphoned off for taxes and insurance. Chill. Forget about that "big" splurge at the mall and start thinking about some long-term goals. Practice sound money management and you'll be able to afford some of the things you really want and need in life—an education, a car... okay, and maybe some cool clothes and a ski trip, too.

The first major money-management step is to define some realistic goals. That will definitely help motivate you to be a better money manager. What are your education plans? Do you need wheels—will that take a car loan? How about an apartment, that place of your own? Keep in mind that most properties require two to three months' rent as security. Getting a clear picture of how much your dreams will cost will help you chart an achievable course for earning and saving.

Face the Numbers.

Most financial planners agree that to make the most of your money, you have to look at your cash flow—how much is coming in and how much is going out. Creating a simple budget chart will help you visualize and plan ahead. (You can download a free one at www.betterbudgeting.com.) On your chart, write down your total income for the month—not only from your paycheck, but any scholarships, loans, or parental contributions. Then list all your monthly expenses—food, clothes, lattes, movies, CDs, books, car payments, loan payments, etc.

Just about everybody has more expenses than they first think. To get the real numbers on what you're spending, track your expenditures for several weeks. Keep a little notepad in your pocket, ask for receipts on every little thing, and at the end of the day, write it down. You may be surprised at how those expenses add up. Once you've got the real scoop on your spending, compare it to your actual earnings.

"A budget is really the starting point in managing your personal finances," says Greg McBride, senior financial analyst with Bankrate.com. "A budget gets you in the habit of saving because it puts a limit on spending."

Balancing your budget means making your income equal your expenses. If you're overspending, take a knife to your budget and start cutting those things you can live without. Do you really need mocha lattes, light on the cream, no chocolate shavings, every day of the week? And how about those DVD rentals?

Pay Yourself First.

Can you save? Absolutely. You've heard this advice before, but you have to set aside a certain amount of cash

The Incredible Shrinking Paycheck

You just got your first weekly paycheck for \$452. But wait. You only deposited \$319. Where did that \$133 go? Take a look at estimated deductions below:

Federal income tax	\$37
Social Security	\$25
Medicare	\$6
State and local tax	\$14
Company retirement plan	\$27
Life Insurance	\$2
Dental insurance	\$2
Health Insurance	\$20

every month, even if it's a couple of bucks. It gets you in the habit of saving and sets you up to get the things you want in the future.

"You have to do your saving first before you do your spending," says McBride. "A little savings now on a regular basis means a lot of flexibility later."

If you're earning a check every week or two, ask your employer about direct deposit. Under this system, your entire check can be electronically dropped into your bank account before you have a chance to cash and spend. And ask about 401K plans. Based on the number of hours you work, you may be eligible to participate. Your bank may also have automatic savings deductions as well, so check out your options.

Don't have a bank account? Now's the time to consider opening one. Many financial advisors recommend that you have two types of accounts—savings (for the big goals) and checking (for immediate expenses).

In reference to savings accounts, there's usually no minimum deposit required to open one, and it's still possible to take out money from an ATM if you desperately need it. Watch out for those ATM fees. Plus, in a savings account, your money is insured by the federal government (FDIC), and it earns interest, which ultimately means more money for you. The current average interest on savings accounts is 0.53%. Some electronic accounts, such as those from EmigrantDirect.com, can earn you up to 4%.

A checking account may be a necessity. They allow you to withdraw cash from ATMs, and you can also write checks to pay your bills. Plus, many of today's checking accounts earn an average interest of 0.31%. Some institutions offer special deals for students, so ask around. For example, U.S. Bank (www.usbank.com) provides student checking with no minimum balance, no monthly fee, free first order of checks, and free online bill paying.

Did You Know?

ATM screens warn you when they charge a fee for making a withdrawal. But they do not tell you about any fees your own bank may charge, so \$1.50 can turn into \$3. Be informed. After all, it's your money.

A money market account is another option offered by some financial institutions. These accounts earn higher interest than checking accounts, but you have to maintain a higher balance, and there are restrictions on the number of checks you can write.

As with your budget, use that checkbook register and write down deposits and withdrawals. You don't want to bounce a check and get hit with big fees.

Other savings options include CDs and mutual funds. If you're ready to let some money work for you over a long period of time, it will grow larger through CDs, stocks, bonds, and other investments. It's never too soon to learn about money, so do some homework on your own.

Credit Cards Can Cut Both Ways.

Credit cards can be a useful financial tool if used wisely. You can pay for most store and restaurant purchases with credit cards as well as your monthly bills and online purchases. That itemized monthly statement comes in handy because it lists exactly where your money went. Here's a tip: make timely payments or else! You risk your future "credit rating." Without a good credit rating, it will be difficult for you to buy a car, rent an apartment, buy a property,

and upgrade your cell phone. Without a good credit history, you'll be asked to make larger deposits than usual to rent your apartment or to get power and cable plugged in to your place.

"But don't feel like you have to have a credit card the day you turn 18. It's a serious responsibility," warns McBride. "You'll have plenty of time to establish your credit."

Here's the caveat. If you can't keep up your payments, credit cards have a big downside. Your goal should be to pay off your balance each month, but if you can't, you will be charged interest (the current average is 13.29%). These interest payments can really mess up a budget. Also, keeping up with minimum payments is critical. Failure to do so will definitely come back to haunt you. Employers and landlords usually run a background check that includes your credit history. You could end up being charged higher rates for car and student loans.

A Word on Loans

Just about everybody takes out loans. The rules on paying them back are really strict. When you qualify for a loan, ask a lot of questions. Make sure you understand your responsibilities. Think ahead, and don't forget to factor in student loan payments in your budget plan. Some loan payments have to be made while in college and some are deferred until after you graduate, but either way, if you fall way behind on your payments that will be another blot on your credit history.

In most cases, if you miss student loan payments for 270 days or more, you have officially defaulted on your loan. Defaulted loans often are handed over to collection agencies that may charge costly late fees and even take money from your wages.

"Plus, if you default on a student loan you will not be eligible for federal aid if you decide to return to school until the defaulted loan is resolved," says Lori Bloomberg, assistant vice president for U.S. Bank, Student Banking Division.

Monique Vescia, a recent New York University graduate, makes sure that her student loan payment of \$101 per month gets to Sallie Mae on time. "I don't want them taking back my degree," she says, laughing. "If I stick to my monthly spending plan, I really don't have to worry about it."

Data on interest rates is provided by Bankrate.com.

<http://www.careersandcolleges.com/cnc/articles/view.do?cat=cnc.fa.financial-aid-overview&article=manage-your-money&r=news&utm>