Money Tips for Graduating High School Seniors

Students on their own for the first time may lack financial wisdom

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FILE PHOTO

A Minnesota State University student carts dorm supplies during move-in day. Although they probably won't be able to save much during college, recent high-school graduates can set up plans for budgeting, credit use and saving that will last throughout their life.

CHICAGO — Time's running short for parents of graduating high-school students to impart financial wisdom as their kids prepare to head out the door for college or the real world.

Most students won't make enough from part-time jobs in college to do more than help pay down tuition debt or pocket a little spending money. Serious saving and investing will come later.

What teenagers venturing out on their own really need to master first are money skills that might not have been fully tested under Mom and Dad's financial protectorate.

Some basic financial tips for high-school grads to follow:

• **Draw up a budget and stick to it** .

A budget is the best way to ensure financial discipline.

Start by estimating monthly expenses for major categories such as school fees and supplies, transportation, food, clothing and entertainment.

"Don't worry that it's going to be like filling out your taxes," said Laura Levine, executive director of the nonprofit JumpStart Coalition for Personal Financial Literacy, based in Washington, D.C. "It can really be done on just a piece of paper."

Keep tabs on spending on a spreadsheet, or through a personal-finance management site such as Mint.com, which can send text-message alerts of bills due, credit limits and bank fees. Or just jot it down in a small notebook. Compare your records with any bank and credit-card statements to make sure they're correct. Keep the budget current.

Find more budgeting tips and resources at FinAid.org or JumpStart.org.

• Use caution with credit.

Credit-card companies are no longer permitted to issue cards to applicants younger than 21 without an adult co-signer or proof of adequate income.

Teens can get by for now on a debit card or a prepaid card that parents can put money on and track spending. And with a credit card, teens risk starting bad habits that can sink their credit score, making it harder to borrow money for a home.

"If you can't pay for it with cash, you don't need it," said John Chladek, a certified financial planner in Overland Park, Kan. "Everyone makes the mistake of thinking they will just pay it off when they graduate and have a job, but the reality is that very rarely happens."

• Be aware of costs and fees.

Debit cards are a handy way to manage money. Parents can put money in the account periodically, and the cards function almost like credit cards, with less risk.

But the cards have their pitfalls. Users can incur penalty fees by overdrawing a debit card, just as with a checking account, so keep track of the balance.

• Start saving.

Even a college student with a part-time job can save a small fraction of his or her pay. It's called paying yourself first.

Consider setting aside 10percent of every check in a Roth Individual Retirement Account. The earnings will grow tax-free, and the money can be used toward a first-time home purchase in the years ahead.