

Real-life money lessons await college students

Leaving home for college gives students an opportunity to build credit and learn budgeting skills - or become mired in debt and bad spending habits.

“The budgeting, spending and saving habits that a student forms in college are going to stick around a long time after graduation,” said Donna Skeels Cygan, an Albuquerque, N.M.-based certified financial planner and author of “The Joy of Financial Security.”

Money tends to be a hush-hush topic, but Cygan said it’s important for parents to openly discuss money with their kids.

For starters, she said, parents should talk about the cost of college and how that’s being paid for. They should tell their children if they can’t afford an expensive school and if loans are needed. Being open about this decision-making process, she said, fosters good habits.

Another conversation should focus on whether students want to work through college. In Cygan’s opinion, and if it’s financially possible, students should take a full load of classes and not work during the school year. During summer vacation, she said, they should hold jobs. And it’s a good idea to start contributing to a Roth IRA as soon as they start earning income.

She also warned students to beware of credit cards. She recommended they work with parents to get cards with lower spending limits.

Julie Myhre, senior manager of content at NextAdvisor.com, said credit cards are a good opportunity for students, but it’s important that parents explain the proper use of these cards and the consequences if used incorrectly.

“I think credit cards for college students are a good thing,” she said, “mostly because it’s important for students to build some kind of credit.”

NextAdvisor.com, a consumer website that reviews online services, created a list of what it considers the best credit cards for students.

It rated the Citi Dividend Platinum Select Visa Card for College Students best overall. This card allows students to earn 5 percent cash back on rotating categories - ranging from movie tickets to groceries to gas - and 1 percent cash back on all other purchases, up to \$300 annually.

It’s a hammer

Joe Burke, executive vice president of development for Junior Achievement of Southeast Texas, equates a credit card to a hammer. He said it's a tool that, if used correctly, can build things. However, it can also cause destruction if used improperly.

Financial literacy is one of Junior Achievement's three key content areas, he said, and it is involved in many of the organization's K-12 programs.

One in particular, designed for students in eighth through 12th grades, is JA Finance Park. This program provides teachers with a curriculum that discusses topics like saving, investing, budgeting, using credit effectively and abating risk through insurance. Students then attend an event where they're provided with a life scenario - if they're single or married, if they have kids, how much they make - and are challenged to balance their wants and needs with their means.

Making cutbacks

"It's a really interesting thing to watch high school kids try to decide where they're going to make their cutbacks," he said.

Bank of America also has Houston-area programs with a strong financial literacy emphasis.

Patti Abshire, community relations manager for the Houston market, said both the Bank of America Student Leaders and the Summer Youth Employment Initiative programs use grants, provided by Bank of America, for students to have paid summer internships.

"We're giving young people jobs and integrating financial education into the programs," Abshire said, "to make sure our young people have practical tools and resources to better manage their financial lives."

Delaine Tubbs, an 18-year-old from northern Houston, participated in the Student Leaders program this summer and worked at the Children's Museum of Houston. She's about to start studying policy studies and political science as a freshman at Rice University.

Keeping track

Before this summer, Tubbs didn't really track her spending. She had a general idea of her finances but didn't keep a ledger. Now, she tracks what's made after taxes and records her purchases and expenses. The program enforced what her parents and teachers taught her, Tubbs said.

"On the whole, I think it's prepared me to manage my finances and just my life as an adult," she said.

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