

THE MOST IMPORTANT FINANCIAL LESSON BEFORE COLLEGE

Written by: Ryan Besch | Transamerica Oct. 02, 2018



Why It Matters:

- The financial habits we form in college (good or bad) can stick with us.
- With tuition rising, the importance of budgeting has never been more important.
- College courses cover many subjects, but financial literacy starts at home.

College: Much like the adult world, but with training wheels.

For many, this first taste of financial freedom will encompass the good, the bad, and the ugly. And while no two college experiences are the same, learning to navigate life's harsh financial realities is universal. This can be a challenge at any age, let alone 18.

Many parents fume over the cost of tuition in 2018, but those with younger children may want to sit down. In 2036, just 18 years from now, four years at a private university will cost around \$303,000 — up from \$167,000 today. Ivy League price tags like Harvard will clock in at around \$474,500.

No matter the cost of higher education your children may face, the college years are the first true opportunity for young adults to put their financial know-how to work. This is where you come in. Here are a few key topics worth discussing with your soon-to-be freshmen before the fall semester kicks off.

Start with The Big Question

Who is paying for college and how? Considering the biggest college expense is tuition itself, it helps to have this conversation first to set clear expectations for everything else. Every family is different. How much can you afford to help out, if at all? Do you have a 529 plan? Will your kids need to work through college? How about meeting somewhere in the middle? Have they applied for financial aid? A combination of these options may best fit the bill.

Creating the Budget

First-year students will learn plenty on campus, but the life-long financial lessons start with you. We've prepared a college budgeting worksheet just for this purpose, but here's a quick preview:

- **Books and school supplies:** For in-state students living on campus at public four-year institutions during the 2017–2018 school year, the average estimated cost of books and supplies was \$1,250. Yes, this is high, but it can be combated. Today’s students are finding savvy workarounds to overpriced college texts, finding free versions online, like from Gutenberg or Book Guru. On campus, see what kind of student discounts are available at the campus store to save on other school supplies.
- **Dorm or apartment:** On campus or off? The dorm experience can be a great introduction to campus life, but may not be as liberating as an apartment. While this is a highly personal decision, the costs can vary immensely. Consider the price of food (on-campus meal plan versus groceries for the apartment), room and board versus rent, and transportation (on-campus walking/buses/bike versus a car).
- **Discretionary spending:** College isn’t all studying and cramming for exams. It’s a formative stage of life, the last stop on the road to adulthood. All students deserve a break now and again. It’s important to leave room in the budget for entertainment, travel, clubs, and social activities.

Staying on Track

After creating the college budget, it’s important to stick with it. There are plenty of great (and free) budgeting apps designed just for the younger crowd. These help reinforce positive spending habits from the get-go, hopefully engraining them for a lifetime. Look into apps like Mint, Wally, or PocketGuard.

While a good college budget serves as the bedrock of financial responsibility, students are still likely to face temptation along the way. I’ll never forget the first week of my freshmen year. Wandering the quad, I encountered a group of a dozen or so classmates gathered tightly around a foldout table. They were feverishly filling out applications. For what? A high-interest credit card. The incentive? A free pizza, right there on the spot.

Things to Consider:

- Give your college-bound children a leg-up by helping them create a school budget.
- Discuss potential temptations that could lead to financial troubles down the road.
- There’s plenty to learn on campus, but financial literacy starts at home.