

Using a Budget to Manage College Expenses

College-bound HS students and parents are making final decisions about starting college in the Fall. These decisions include selecting the college to attend, finalizing admission requirements, and getting the financial aid assistance arranged.

Another important task that should be considered is establishing a school budget. Both student and parent need consensus on how much to spend for tuition, room and board, entertainment, and the like. The budget will facilitate how much aid will be needed to support the student for the academic year.

What Goes Into the Budget

The budget is comprised of two important line items. First, it estimates the amount of aid that will be available for the academic year; and second, it allocates the expense for each month. Total aid minus expenses should net to \$0 or greater. Anything less than \$0 requires you to budget more financial aid or reduce expenses.

I: The type of financial aid that goes into the budget includes the following:

Grants and Scholarships

includes government and college grants, college awards and private scholarships. These are generally 1-time awards that are given to students before the start of the academic year.

Link to www.SayStudent.com/undergrad for information about applying for and finding grants and scholarships

Perkin Loans

a federal loan program that is available to undergraduate students with exceptional financial need. Maximum award limit: \$4,000.

Link to www.SayStudent.com/undergrad for information about the Perkin Loan

Stafford Student Loans

federal student loan program available to all students regardless of financial need. Loan amounts may vary depending on student status and grade level.

Link to www.SayStudent.com/undergrad for information about Stafford loans

Parent PLUS Loans

parents of undergraduate students can borrow up to the cost of attendance minus any financial aid received by the student. PLUS loans are subject to credit approval.

Link to www.SayStudent.com/parent for information about the PLUS loan

Home Equity Financing

parents can use the equity value in their home to finance college education. Loan amounts subject to your LTV and credit approval:

Link to www.SayStudent.com/parent for information about home equity financing

Private Student Loans

students can borrow up to \$30,000 each academic year and defer payments until six months after graduation or ceasing to be enrolled at least half-time. Loan amounts subject to credit approval (parents can act as co-signer):

Link to www.SayStudent.com/parent for information about private student loans

Pre-Paid Tuition Plans

amounts from pre-paid 529 plans and other education IRAs

Personal Savings

amounts from personal savings and family gifts

Wages

amounts from working wages and tips.

Other Aid

all other aid amounts from local governments, military programs, and other community-related service programs.

II: The expenses that should be planned and budgeted for include the following:

School Tuition and Fees

the cost to attend class instruction and the use of facilities, labs, libraries, and all related services and events for each enrolled student. Your college should provide cost information upon acceptance of your admission application.

Room and Board

the cost for housing and food for each month. Don't forget to include lunch and other

snacks while studying on campus.

Books and Supplies

the cost for books and supplies needed for classroom instruction.

Computer and Other Electronics

this cost may not be required since most colleges offer computer labs and other shared facilities. However, given the electronic push made by colleges in most classrooms, it will be the student's advantage to have their own personal computer along with a printer and other necessary electronics.

Transportation

the cost for 2-3 round trips from home to school; plus the cost of transportation (fuel, insurance, maintenance) if you have an own automobile or the cost of public transportation (bus, subway, taxi, etc.) if you are on foot.

Personal Living Expenses

costs for clothing, grooming supplies, laundry, and entertainment.

Link to www.SayStudent.com/tools for our college moving checklist to help plan college needs

Other Personal Costs

personal expenses that are specific to the student such as disability care, dependent care, loan fees, etc.

Miscellaneous

any other costs that the student can identify with the school's financial aid office.

How to Setup a Budget

First Step:

download our college budgeting worksheet. Everything is setup so that you can input your numbers. Go to: www.SayStudent.com/tools

You will need MS Excel or other spreadsheet application to open and use the worksheet. If you don't have Excel, you can use the FREE MS Viewer listed on the site to open and print the budget for use by hand.

The worksheet has 3 major sections:

Sect 1. Budgeting Worksheet:

input cells for entering your financial aid and cost budgets for the academic year

Sect 2. School Years 1-4

monthly budgeting plan and net cash position for the academic year

Sect 3. Tracking sheets

recording sheets for keeping track of scholarships, loans and other aid.

This is valuable information to have available when you apply for financial aid in the next academic year.

Step 2: Budget Financial Aid

Open file: college-budget.xls

(MS Excel file should be downloaded to your desktop)

Move to the tab "Budget Worksheet"

and enter the budgeted financial aid that you will receive for the academic year

(use column Year 1 for first-year students, Year 2 for second-year students, etc.)

Understand that your **fixed** aid includes:

- grants and scholarships
- stafford student loans
- PLUS loans
- other one-time aid

These aid positions are usually fixed amounts and awarded once each academic year. So if you find that you need additional financial aid to meet expenses, you won't be able to use these sources to extract more aid.

Understand that your **variable** aid sources include:

- private student loans
- work wages
- other flexible aid

These aid positions are "variable sources" — meaning that you can turn to these aid sources if needed when your cash position runs low.

This is important information to know as you manage your budget throughout the year. You may find yourself running low on cash and need additional aid to stay in school. Your variable aid sources are options that you can consider if you need additional financial aid.

Step 2: Budget Spending Costs

Open file: college-budget.xls

(MS Excel file should be downloaded to your desktop)

Move to the tab "Budget Worksheet"

and scroll down the worksheet to: "Enter Estimated Cost of College"

Enter the expected costs for the academic year

(use column Year 1 for first-year students, Year 2 for second-year students, etc.)

Your college is required to send you costs upon acceptance of your application. Use this college cost sheet to make a best estimate on what you expect to spend.

Understand that your expenses, such as:

- tuition and fees
- monthly housing
- monthly insurance payments
- books

are **fixed** expenses — meaning, that there is nothing you can do to cut or reduce these expenses. Your financial aid at minimum must cover these expenses if you expect to go to school.

Understand that flexible expenses, such as:

- food and home living supplies
- clothing
- transportation (fuel, repairs)
- recreation and entertainment
- travel home

are **variable** expenses. These expenses can be reduced and in some cases eliminated in months where your cash position is low.

Step 3: Check the Financing Gap

Open file: college-budget.xls

(MS Excel file should be downloaded to your desktop)

Move to the tab "Budget Worksheet"
and scroll down the worksheet to "Financing Gap"

This calculation shows any financing gap that you may have by subtracting the cost of education from total financial aid. If it shows a negative number, you need to either find additional "variable" financial aid or reduce "variable" expenses. You need to show a positive cash position before you start the academic year or you won't have enough funds to finish school.

Step 4: Managing Your Budget While in School

Open file: college-budget.xls

(MS Excel file should be downloaded to your desktop)

Move to the tab "School Year 1 "

(use tab School Year-1 for first-year students, School Year-2 for second-year students, etc.)

Now it's time to view and manage your budget for the year. The worksheet has allocated the financial aid and expense budget by month. Your net cash position at the start of your academic year should equal your total financial aid (since no money has been spent).

You should watch this net cash position closely. As you spend money (by entering your spend amounts in the worksheet), your net cash position will decrease. If it decreases too fast, you may need to re-work your budget or start looking for additional aid.

As you scroll down the worksheet, you will note rows where you can input your monthly spend for tuition, books, housing, food, entertainment, etc. A key calculation that you should watch is the number in the light blue cell named (in column D): **your annual net spend position**.

This cell analyzes your academic year's budgeted expense for each category. If your "net spend position" falls below zero, you need to reduce spending for this category to stay on budget or increase aid amounts.

For example, let's say your tuition bill budgeted for the year is \$5,000 and was paid in full in September. You will enter \$5,000 in the "yellow" input cell under September for the category: Tuition and Fees.

Since you budgeted \$5,000 for tuition, the net annual spend position should be \$0 (Cell D57). This means that your annual spend equals your budgeted expense. Any additional spend for tuition will put you in a negative spend position for tuition and fees.

Step 5: Record Your Monthly Spend

You must enter "actual spends" each month for each category under the tab: School Year-1 (use school Year-2 for 2nd year students, etc.). Your actual spend includes credit card charges, cash payments, checks, and other. You need to keep tabs on everything you expense to make sure you stay within budget.

We have suggestions on how to manage and record your daily spend:

- **Tip 1:**
use our budgeting tally sheets to record your daily spend. Carry these sheets in your notebook to record daily spend. You can download them at our web site: www.SayStudent.com/sf/tool-set.html
- **TIP 2:**
if you have a electronic hand-held, record your daily spend in the expense area. You can download these expenses to an Excel worksheet to link over to your budgeting sheet.
- **TIP 3:**
use a pre-paid credit card to load monthly budget amounts. Your card charges can be tracked online to give you a daily spend for each category.

Information about using pre-paid can be found at:
www.SayStudent.com/college-money-manage.html

You need to watch the "your annual net spend position" for each category. It must remain at \$0 or more. Anything less than \$0 puts you in a negative cash position (based on your budget). Unless you find additional aid or reduce other expenses, you will run out of money before your school year is over.

The SayStudent College Financing Network offers a comprehensive suite of college aid products and services for both students and parents planning and financing college. Our services include college planning, college search, college financial aid review, student aid, and money management. You are invited to download our 1-page aid map at: www.SayStudent.com