Helping Your Student Become More Credit Savvy
By Maria Pippidis

I’ve had parents share stories with me about their student’s misadventures with credit. How they had to bail out or pay off a card because the student really didn’t understand how it worked or that the offers to skip months increased balances exponentially. There are some basics that students can understand before they sign up for a card. If you are feeling your student needs a little helpful education on credit, there are basic concepts to teach and resources you can turn to.

You need to demonstrate how debt and interest works, and how quickly one can get buried under a mountain of debt; a good way to do this is by using a credit card calculator. If someone sees that a $100 purchase can end up costing more than double and taking months to pay off, he or she may think more seriously before spending money. You also need to demonstrate the importance of the credit score and how it can affect purchases for years to come. (See sidebar on page 2.)

Helping your student organize their income and expenses for each semester and over the summer can really help, too. Most students have some summer savings, school year earnings, scholarship, or financial aid money they need to “budget” over the school year. Helping them see what their monthly and semester-based expenses are, and comparing them to the income they have to use over the year, can be invaluable.

If you need some additional assistance, the Institute of Consumer Financial Education (ICFE) has a comprehensive online portal, StudentDebtHelp.org (SDH). This site is designed to improve financial literacy among college, university and other post-secondary students, and was developed by a consortium of educators and non-profits in California before being turned over to ICFE. At the web site, parents and students can access a rich trove of money management resources.

Logging on, you’ll find a wealth of useful information on budgeting, credit, financing an education, insurance, housing and transportation. It provides important insights about the challenges of money management and great advice if students find themselves in financial trouble. Parents may use the website to assist in plans for financing their children’s higher education, in addition to helping students tackle budgeting and building a good credit history. The approach throughout the web site is practical, the writing straightforward and to the point.

There are many other resources out there. Googling “student credit” will bring you not only advertisements for credit offers, but educational resources as well. The key is to find something you like and to visit with your student about the concepts you know they need to know before they get to school.
Helping College Students Before and After they Acquire Debt

By Maria Pippidis

Undergraduates are carrying record-high credit card balances. The average credit card balance grew to $3,173, and twenty-one percent of undergraduates had balances between $3,000 and $7,000, also up from the last study. (Source: Sallie Mae, "How Undergraduate Students Use Credit Cards," April 2009). It’s no wonder students are feeling overwhelmed with debt before they graduate and even more so when they can’t find the ideal job. Parents can do much to help their young adults avoid getting into trouble.

Your student does need to begin to establish credit, but you need to discern if they can use credit wisely. If you think they may not be able to manage it yet, a debit card tied to an account that you both can monitor may work best. You can make the agreement that a certain amount of money is deposited into this account and discuss for what purposes the money should be used; for example, living expenses, fees, books, fun activities. This method will help your student manage finances within a budget you agree on, but does not really establish a credit record for your student.

Some parents have moved to a prepaid card. They are similar to debit cards, except they are not linked to a bank checking account. Instead, money is transferred to the card (via direct deposit, online, at certain stores, etc.) and then the card can be used anywhere that accepts Visa or MasterCard. While these cards are sometimes referred to as prepaid credit cards or prepaid debit cards, they are really just prepaid cards. Because you can only spend the money you have already added to the card, prepaid cards do not represent a loan like a credit card. As a result, prepaid cards generally do not help build a credit history for a credit report. Though there are a few exceptions, read the fine print before you buy.

To help establish credit but minimize the potential financial damages, the next alternative would be to open a credit card with a low limit. Often cards that target students or no-credit-history consumers come with introductory low rates, rewards programs, or cash back programs. However, these cards may eventually move to high interest rates and high fees for late payment/over-the-limit balances, so it will be important to work with your student to develop a budget so they learn good credit habits and pay the card in full each month.

How do you choose which card? Shop around at credit.com, bankrate.com, and creditcardguide.com. All provide a search protocol for student or no-credit-history consumers. Looking locally at the credit union associated with the college or university, or a local credit union at home, will also provide competitive rates.

Parents need to stay involved in helping their students learn the ins and outs of the financial industry. By helping them learn how to use credit wisely, budget their resources, and track their use of money, you are helping them develop strong financial habits that will help them establish a firm foundation once they leave school.
AARP announced the launch of its Social Security Benefits Calculator, a unique interactive tool designed to help people make the complex, but critical, decision of what is the best age to claim Social Security benefits to meet their financial goals.

The calculator is part of AARP’s new “Ready for Retirement?” effort, a ten-step approach to envisioning and planning for a secure retirement, which includes creating a budget and preparing for the unexpected.

Read about it here: AARP Press Release AARP Launches Social Security Benefits Calculator

Try the calculator here: http://www.aarp.org/socialsecuritybenefits

Help with Student Loan Problems
By Maria Pippidis

If you or your child is having difficulty repaying education loans, read these articles before you decide to skip a payment. These articles offer you several alternatives for repayment relief.

- Solutions for Borrowers Who are Having Trouble Repaying Student Loans http://www.finaid.org/loans/troublerepayingdebt.phtml
- Defaulting on Student Loans http://www.finaid.org/loans/default.phtml

See also loan repayment protection for repayment assistance you can arrange for in advance when your loan is disbursed. http://www.finaid.org/loans/repaymentprotection.phtml

If you are having a problem with your federal student loan, contact the FSA Ombudsman (http://www.ombudsman.ed.gov/) at the US Department of Education. The FSA Ombudsman is dedicated to helping students resolve disputes and other problems with federal student loans. They will research the problem in an impartial and objective manner and try to develop a fair solution. The FSA Ombudsman does not have the authority to impose a solution. Nevertheless, many students have found the FSA Ombudsman to be helpful in resolving disputes with lenders. You can contact the FSA Ombudsman by phone at 1-877-557-2575, by mail at U.S. Department of Education, FSA Ombudsman, 830 First Street, NE, Fourth Floor, Washington, DC 20202-5144, by visiting fsahelp.ed.gov, or by email at fsaombudsmanoffice@ed.gov.

Another source of assistance is the Student Loan Borrower Assistance Project (http://www.studentloanborrowerassistance.org/) run by the National Consumer Law Center. This site includes a detailed loan FAQ, a guide to resolving loan problems, and a list of lender and guarantor ombudsmen. The National Consumer Law Center does not, however, provide legal advice about individual cases. They also publish Student Loan Law, a detailed legal guide to remedies for borrowers who are having trouble repaying their student loans.
Save on Back-to-School Shopping
By Margo McDonough

The average family spends almost $600 annually on back-to-school clothes and supplies, according to the National Retail Federation.

If you look at the spending breakdown, roughly $230 of that amount is spent on clothes, $100 on shoes, $100 on supplies and $150 on electronics. There are a lot of ways to cut costs in each of these areas.

Often parents grab supply lists provided by many schools and head out shopping on auto-pilot. But there are ways to cut back without compromising your child’s education, starting with that supply list.

The school supply list might say “four yellow highlighters,” but one or two might suffice. Buy two now; you can always buy more at a later date if four are really needed.

When it comes to clothes and accessories, an attitude adjustment about “wants” versus “needs” might be the first step. Are those new jeans really a necessity or can your children get by with what they already own?

If the jeans in the closet truly need to be replaced, waiting a few weeks to purchase new ones can mean big savings. The best prices could be the ones after the stores have taken down their back-to-school signs.

Here are more suggestions to keep down the costs of back-to-school shopping:

- Go to secondhand clothing stores. Nice, nearly-new fashions can be found at a variety of secondhand shops; several new consignment shops have opened up in Delaware in recent years. Good deals on trendy, used clothes also can be found online.

- While you’re at it, sell last year’s school clothes, either online or at a consignment shop, to make some extra cash for this year’s purchases.

- Team up with friends and buy items in bulk at discount clubs and super centers. supplies, or from an older sibling or cousin.

- Don’t overspend on technology. There is no need for a student to have his or her own laptop if the family already owns a home computer.