

College Students should learn financial responsibility, too

A lot of things are making me feel my age these days.

I'm approaching a milestone birthday, I'm no longer the youngest person at industry conferences and I recently discovered that I can wear my oldest son's shoes (seriously – how is that possible?). But perhaps the hardest thing for me to face is watching the beautiful little flower girl from my wedding go off to college.

I've had several conversations with both her and her parent's recently and I have no doubt that she will excel. She is bright, mature and motivated – all of the ingredients of a successful student. But I hope she learns more while in school than just what is taught in the classroom.

Going away to college is often the first official step into adulthood. For many students it is the first time that they are on their own without a parent there telling them what to do and when to do it. Some students really struggle with the new found freedom while others flourish as they decide when to go to bed, how much time to study and when (or if, in some cases) to go to class.

For many, it will also be the first time that they will be handling some of their own finances.

Regardless of who is going to be paying for college costs it is important that parents and students sit down and talk about what they are and who is responsible for paying them. Parents should be clear about what they might cover and also what the student is responsible for on their own.

If the student will be responsible for any of their own expenses, whether it be room and board or just entertainment, they need to have a plan for how they will do so. Talk with them about the pros and cons of using savings, taking out student loans or working part time and let them be involved in the decisions. It gives the student a sense of ownership in the process and hopefully an appreciation for where the money comes from.

As part of this process help the student develop a budget. Even if the budget is just for a spending money allowance it is a great life lesson to have to save up for a bigger goal or to learn what happens if you spend too much, too soon and don't have any money left for the rest of the week. Want to go somewhere for spring break? You have \$50 a week available for spending money so you better start setting some aside now if you want to go somewhere in March.

Students will also have to learn to be responsible for keeping track of bills and making sure that they get paid on time. It comes as a shock to many parents but most colleges only send the bills to the student – not directly to the parents. So the student will need to take responsibility for making sure that everything from the tuition bill to their books get paid for in a timely manner.

Eventually, many students decide to move into apartments off campus which leads to all kinds of new lessons. Things like paying for utilities (you mean there was a reason mom always kept the heat at 67 in the winter??) are often a foreign concept for students but something that everyone needs to learn. Adding a roommate(s) to the mix and having to work out shared expenses can add a whole other layer of life lessons.

One of the biggest pitfalls that students can face is the whole concept of credit. I still remember getting pre-approved credit card applications in my dorm mail box as a freshman in college. I had no assets and little income but I was going to college so banks apparently considered me a good risk.

Once a student reaches 18 years of age they can legally sign a contract and that includes filling out an application and getting a credit card. Having a credit card isn't necessarily a bad thing. In fact, if used responsibly, a credit card can be an excellent way for a young person to begin building a good credit history. Unfortunately, credit cards can also be an easy way for people of any age to get themselves into trouble.

The best thing that parents can do is have an open, honest and on-going dialog with their child about finances.

Help guide them in developing a budget and periodically check in to see how it is going. Keep track of upcoming due dates but try to let the student be the one to take the lead in making sure that the bill is handled and payment processed. Work with your child to start building credit and think carefully before trying to forbid them from having a credit card (we all know what teenagers tend to do when told no). Consider either taking out a joint credit card with them (which can allow you access to information about it) or helping them to take out their own, preferably with a fairly modest credit limit.

College is a time of transition and learning in many ways. With some help hopefully your student won't have to learn all their lessons the hard way.

Trisha Arndt, CFP®, is President of Wealth Strategies of Wisconsin Ltd, 901 Kimball Lane, Suite 1400, Verona, WI 53593, 608-848-2400. Securities and Advisory Services offered through Commonwealth Financial Network, member FINRA/SIPC, a Registered Investment Adviser.