

Budget Planning

Managing Costs During School



Implementing an Effective Financial Plan

The cost of obtaining a degree represents a substantial financial commitment. The majority of students rely on education loans as their primary source of financial aid. Whenever you borrow money, you're obligating your future income to repay those loan funds. By taking a proactive approach and exercising prudent borrowing strategies, you can help ensure success in meeting your personal and professional objectives affordably.

Taking Your Financial Pulse

Before you determine your borrowing needs, it is important to have a clear understanding of your current financial status and the financial commitments you have made before entering school. If you have outstanding undergraduate debt, it is important to understand the nature of those loans, the total dollar amount owed, and the amount of any interest which has accrued. If you have other consumer loans (such as car loans, credit cards, etc.), you need to understand what your repayment obligations are in relation to those loans, and how they will affect your ability to handle additional debt.

Identifying Your Financial Resources

The first step in budget planning is to identify available resources. The following chart may be useful in determining what will be available.

Figure 1

Yearly Resources Available While Attending School

Anticipated Income	Employment (net annual amount)	
	Other income (spouse's income)	
Other Resources	Savings	
	Parent Contribution	
	Gifts and Other Sources	
Financial Aid	Scholarships, Grants, Tuition Waivers	
	Work Study	
	Federal Loans (Perkins, Stafford, etc.)	
	Other Loans (private, institutional)	
	Total Yearly Resources	

This topic is one of several in Access Group's Personal Finance and Debt Management Series.

Identifying Your Educational Expenses

It's best to take a very conservative approach in evaluating your financial needs while attending school, especially if you are relying on loans as a primary source of financial aid. Be as thrifty as possible. This will help you to have more disposable income in the future and allow you the freedom to achieve your professional goals. Most education loan programs limit borrowing to cover the cost of attendance, which is determined by the financial aid administrator at your institution. Cost of attendance typically includes allowances for tuition, books, fees, room and board, transportation, miscellaneous personal expenses, and child care (if applicable). Figure 2 will help you determine approximately how much money you will need to meet your educational expenses for each academic year.

Figure 2

Directions: Complete the following chart with the appropriate amounts. You should be able to obtain all of the required information from your school's financial aid office.

Education Expenses Per Year

Tuition	
Fees	
Book, Supplies, etc.	
Total Education Expense Per Year	(2)

Figure 3

Living Expenses per Month

Basic Personal Living Expense (per month)	Mortgage or Rent		
	Utilities	Electric/Gas/Oil/Water/Sewer	
		Telephone	
		Cable	
	Food	Groceries, Dining	
	Transportation	Car Payment	
		Maintenance and Repair	
		Gas	
		Parking/Public Transportation	
	Insurance	Auto	
		Medical and Dental	
		Home/Apartment	
		Life	
Other			
Other Personal Living Expenses (per month)	All Other Loan Payments (student, personal, etc.)		
	Dependent Care Expenses		
	Clothing		
	Household Goods and Furnishings		
	Miscellaneous Personal Living Expenses		
Miscellaneous Expenses (per month)	Recreation/Entertainment		
	Interview Expenses (suits, travel, resume, etc.)		
	Other Miscellaneous Expenses		
Total Monthly Living Expenses			
Total Yearly Living Expense (multiply above total by 12)		(3)	

Identifying Living Expenses

You can use the budget work sheet to the left (Figure 3) to estimate your living expenses while you are in school and after you graduate. You may wish to personalize the budget to more accurately reflect your personal expenses. *Lifestyle requirements should be realistic.*

Putting the Numbers Together

Once you have calculated your yearly resources and expenses, insert the numbers into the table below.

Figure 4

Total Yearly Resources (1)		(1)
Total Yearly Educational Expenses (2)		(2)
Total Yearly Living Expenses (3)		(3)
Yearly Discretionary Income <i>subtract lines 2 & 3 from line 1</i>		(4)
Number of Years in School		(5)
Total Discretionary Income <i>multiply line 4 by line 5</i>		(6)

How to Use This Projection

If your discretionary income figures are negative, you probably need to make some changes in your lifestyle choices in order to balance your budget. Here are some suggestions to cut your expenses:

- *Find a roommate to share housing and other living expenses.*
- *Consider reducing entertainment expenses, such as dining out.*
- *Consider public transportation, which may be cheaper than owning a car.*
- *Refrain from taking on further consumer debt, such as credit cards or consumer loans.*

If your discretionary income calculation is a positive amount, then you should consider making changes to eliminate that surplus. For example:

- *Reduce the amount you are borrowing.*
- *Start a savings plan.*

Living on a Budget

In order to make your money stretch, you may find that it is helpful to place your financial aid refund from the school you're attending into a savings account. At the beginning of each month, move the amount of money you have established for your monthly budget (see Figure 3) from your savings account to your checking account, and then pay all monthly expenses from your checking account. The objective is to make the money last throughout the month and not tap reserves in savings. By following this approach, you can avoid taking out additional loans to meet annual expenses. Occasionally, you may even be able to treat yourself to a "bonus!"

Establishing a Prudent Borrowing Strategy

If you must borrow money to fund your education, you should implement prudent borrowing techniques. The following suggestions may be helpful in reducing the level of debt you incur during school:

- *Limit the number of consumer debts you acquire while in school.*
- *Save money by working during school and vacation periods, if possible.*
- *Budget your income and expenses.*
- *Maintain realistic expectations about the amount of debt you can afford to repay when you graduate.*