

New Year Budget Basics While In School

Ensure there is more money coming in than going out!

Step 1: Identify your earnings

The goal of budgeting is to avoid overspending. If you spend more than what you earn, you are living beyond your means. To create a budget, you will need to identify the amount of money you have available each month. The first step is to identify all sources of income. We've listed a sample worksheet below.

	Monthly Amount
Job income (after taxes)	\$
Savings	\$
Student loan disbursements	\$
Scholarships/grants	\$
Money from parents and/or spouse	\$
Miscellaneous income	\$

TOTAL INCOME: \$ _____

Step 2: Identify your mandatory expenses

There are certain items you need that you must incur a cost for each month, such as your tuition or utilities. Identify these items using the worksheet below.

	Monthly Amount
Tuition	\$
Rent/room & board	\$
Electricity	\$
Telephone/Cell Phone	\$
Internet Access	\$
Gas (Cooking & Heating)	\$
Insurance (health and auto)	\$
Transportation/commuting	\$
Groceries	\$
Miscellaneous fixed expense	\$

TOTAL FIXED Expenses: \$ _____



For more calculators to help you navigate your college experience, visit www.finaid.org/calculators/

Step 3: Identify your discretionary expenses

The items in this list are also important, but are not considered a necessity and more of a "nice-to-have". Depending on your budget, they also could be the items you target first when trying to cut costs.

	Monthly Amount
Car payment	\$
Cable TV	\$
Eating Out (including coffee)	\$
Travel – Spring Break, Holidays	\$
Reading - books/newspapers/magazines	\$
Movies/music	\$
Clothes/laundry	\$
Entertainment	\$
Child Care	\$
Miscellaneous variable expense	\$

TOTAL VARIABLE EXPENSES: \$ _____

Step 4: What's your balance?

To figure out your balance, use the formula below:

Total Income – Total Expenses (Fixed + Variable) = Balance

BALANCE (Income minus expenses)	\$
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If your balance is less than zero, you'll want to rethink your budgeting strategies.

Cut the Fat: How Can You Trim Expenses?

- Don't solve financial shortcomings with credit cards. Debt can wreck your budget and future credit, including your ability to purchase a car or home later in life.
- Resist going out when you can eat in your school's cafeteria or prepare your own meals.
- Consider renting books or used books and supplies for school. Check out thrift stores for personal items such as clothes. Discount websites may have deals for other entertainment expenses.
- When shopping, avoid impulse purchases by making a list and sticking to it.
- Limit how often you drive or eliminate your car completely. Use public transportation or a bicycle.

Quick Guide to Financial Aid Terms

A few weeks after submitting your Free Application for Federal Student Aid (FAFSA), you will receive a copy of your Student Aid Report (SAR), and your college will receive FAFSA information as well. Using information taken from your SAR, your school will send you a Financial Aid Award Letter, breaking down your eligibility for each type of financial aid. The aid offered in the letter will be based on your demonstrated financial need, which is equal to the Cost of Attendance (COA) minus your Expected Family Contribution (EFC).

This may get confusing. To understand the financial aid process better, here are the key terms you need to know:

Free Application for Federal Student Aid (FAFSA): This is the form used by the government to determine the amount your family can afford to pay for one year.

Student Aid Report (SAR): This is the official notification sent to you that confirms your FAFSA has been processed. This document will include your Expected Family Contribution (EFC).

Expected Family Contribution (EFC): This is a measure of your family's financial strength based on income, assets, family size and number of children in college, which you submitted on the FAFSA. Your EFC represents the amount of money the federal government believes your family can contribute toward one academic year of college. The actual amount your family ends up paying could differ from the EFC figure, depending on the sources of aid available to you.

Eligibility for Each Type of Financial Aid: This is the total aid you are eligible to receive. It can include scholarships, grants, work-study and loans. Any aid that is offered is typically summarized in an award letter and sent to you by your college.

Financial Aid Award Letter: This is the list of aid that you are eligible to receive from your college, including terms and conditions. You should be aware that you are not required to accept all the aid found in the letter. For example, you could turn down loans. Turning down loans, however, will not increase the amount of grants you receive.

Cost of Attendance (COA): This figure includes the total price of tuition, fees, room, board, books, supplies, transportation and personal expenses for one year of college. This is also known at some colleges as the "Student Budget." There may be separate student budgets for students who live off campus.

Now that you know these key terms, re-read the top paragraph of this bulletin. It should be much clearer to you! Please visit www.finaid.org for more information on the financial aid process.

Types of Aid

Federal Aid is financial aid that comes from the government and is usually awarded through your college. It can include:

Grants: Awards typically based on financial need that do not need to be paid back. An example is the Federal Pell Grant. Eligibility often depends on your EFC.

Scholarships: Awards usually based on achievement or talent that also do not to be paid back. You can search for scholarships at www.fastweb.com. FastWeb adds and updates scholarships every single day. Also, your college may offer scholarships based on academic merit and/or financial need. Call the financial aid office to find out which scholarships are available to you and how you can apply.

Federal Work-Study/Campus Employment: This program provides part-time jobs for students with financial need. Jobs are usually available on- and off-campus and listed with your school's financial aid or student employment office.

Loans: These funds must be paid back, usually with interest. There are federal student loans, federal parent loans, and private or alternative loans. The good news is that interest rates for federal student loans and parent loans are currently at historic lows. However, you must demonstrate financial need for some loans, like the Federal Perkins Loan or the subsidized Stafford Loan. To find out more about loans, visit www.finaid.org/loans.

Education Tax Benefits: You and your parents can get some money back when you file your federal income tax returns based on amounts you paid for college. The most popular education tax benefits are the Hope Scholarship tax credit, Lifetime Learning tax credit and the student loan interest deduction.

Loans Terms

Federally-guaranteed student loans can come from a private lender (like a bank) or direct from the federal government and are administered by your college. Some private or alternative loans (not federal loans) have terms and interest rates set by the lender and not the government. Here are loan terms you need know:

Interest: An annual charge for borrowing money, expressed as a percentage of the loan balance. Interest rates are either variable (the rate can change) or fixed (the rate will not change).

Annual Percentage Rate (APR): The overall cost of borrowing money, expressed as an annual percentage of the loan balance. The APR combines the interest rate with loan fees, the addition of interest to the principal, which is called compounding, and the loan repayment terms.

Default: Failure to repay your loan according to the terms; it may lead to legal action to recover the money and can negatively affect your credit rating. Private student loans are considered to be in default after 120 days of nonpayment, while federal education loans are considered to be in default after 360 days of nonpayment.

Principal: The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

Loan Fees: One-time charges to originate or guarantee a loan, expressed as a percentage of the loan balance.

Promissory Note: A binding legal document you sign when you get a student loan. It contains the loan terms and conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include deferment and cancellation provisions available to the borrower.

Forbearance: A period during which your monthly loan payments are temporarily suspended or reduced. You may qualify for a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships.

Consolidation: The process of combining one or more eligible federal educational loans into a single new loan.

Deferment: A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue for subsidized loans.

Secondary Market: An organization that purchases student loans from originating lenders so these lenders can make additional student loans. If an organization buys the loans, that organization becomes the "loan holder." Only loans under the FFEL program are sold in the secondary market.

For more information on Financial Aid,
Loans and Scholarships, visit:

