

## Freshman Finance 101

### Tips and tricks for avoiding debt during the college years

By STUART HUTSON  
The Battalion

When Alex Ly received his new credit card his freshman year, he never imagined that he would be \$4,500 in debt by the time he was a senior.

"It is really easy to spend more money than what you have when you don't actually see the money changing hands," said Ly, a Texas A&M senior aerospace engineering major. "This is especially true when you are buying things online where you only have to enter the card number and expiration date."

The fall semester is quickly approaching, and as students prepare themselves for trials of college courses, one examination is commonly failed by freshmen who are new to the concept of independence — the test of financial responsibilities.

Activities that seem to take care of themselves when students are home with their parents can quickly add up to unexpected debts for those who never realized how much grocery shopping or even doing laundry costs. In compensation, many students misuse financial tools of-

fered by lending and credit institutions to cover the spending gap.

The result can be a debt that adds to the money pit students dig with student and emergency loans; however, there are some simple ways to avoid the road to financial ruin.

**Choose your accounts wisely**

In any college town, banks are as ubiquitous as gas stations, and choosing the right bank can be an ordeal matched only by a visit to the local DPS.

"Everyone needs to look at the requirements imposed and services offered by numerous lending institutions before deciding on the one that they use," said Jeremy Roark, a customer service representative with Wells Fargo Bank. "All financial institutions are different in some way. While one checking account may be perfect for one person, another person may not be able to keep up with some requirements that may come along with the checking account. Don't just assume that every place is the same."

Roark said students should examine the minimum

balance requirements and service charges (such as ATM fees and overdraft charges) of numerous banks before choosing one.

"For some people, a minimum balance is a good thing because it can come along with benefits, and it may provide some level of insurance," he said. "For others, it just may not be possible to keep that amount in the bank."

**Practice safe banking**

At some point in time, everyone has lost a dollar bill or some spare change in the cushions of a friend's couch or through a hole in the pocket of their favorite broken-in jeans. However, losing a check or credit card may be a much more costly experience.

"Never leave your checks or cards laying around where someone else — even your roommate — can find them," Roark said. "I'm not saying that everyone can't be trusted, but it just provides too easy of a chance for someone to misuse your credit account or pass a check in your name."

Roark also said that everyone should be cautious when using an ATM.

"Never use an ATM in a dark or suspicious area, and when you are using a machine guard your PIN number from others' view," he said. "Also, if you do any transaction online, be sure you initiated that transaction — in other words don't respond to a solicitation like you would get via email — and make sure that you log off properly so that someone can't follow you and use your credit account or see your bank files."

**One word: Budget**

If there is one word that freshmen tire of (besides "class" or "test"), it is "budget." Parents, professors and counselors all seem to say nothing else other than, "You should learn to budget your money better," or "You should learn to budget your money better."

In the case of money, the advice should be well received.

"Establishing a proper budget and sticking to it is crucial to financial survival," said Deborah Rabinowitz, a counselor for A&M's Student Counseling Service. "Most college students have this finite amount of money they can spend, and you have to be able to know where to spend it on the necessary things before you can spend it on the enjoyable things."

Rabinowitz said making a budget too strict is often one of the largest mistakes made.

"When you sit down to make up a budget, you should consider your income, and then where you have to necessarily spend that income," she said. "But, if you don't allow some extra for a little free-spending or entertainment, the budget will usually end up a failure."

"It is a lot like being on a diet that only lets you eat five things. Eventually you are going to break down and eat something else, and when you do, you are most likely going to go on an eating binge and develop a real problem."

Rabinowitz also suggests that students keep close tabs on where and when they spend their money so that they can determine whether the budget is working.

**Remember to phone home**

For many freshmen, income from parents is essential to financial survival, but freshmen usually have enough problems communicating with their folks without bringing money into the mix.

"College is a time when students are gaining independence while parents are learning to let go. This can bring in a lot of control issues, and unfortunately, these usually involve parents controlling the student through use of money," Rabinowitz said. "It may be a form of bribery such as, 'I'll pay you a little more if you are a specific major,' or it may be something as severe as 'You don't get anything if you aren't in the Corps of Cadets.'"

She said the best way for parents and students to resolve the issue is to plan the stu-

"Freshmen don't really need credit cards, especially if you live on-campus, because most haven't learned to balance money and what they want. There is plenty of time later to get one."

—Frankie Kalbow, senior elementary education major

"Make up a shopping list and stick to it when you go to the store so that you only buy what you need. You will probably buy a few extra things, but at least it won't be as bad."

—Cari Eggenberger, senior animal science major

"Always budget the amount that you want to spend for fun for the weekend. A lot of times, people will spend most of their cash while they are just having fun and not thinking about what they are spending."

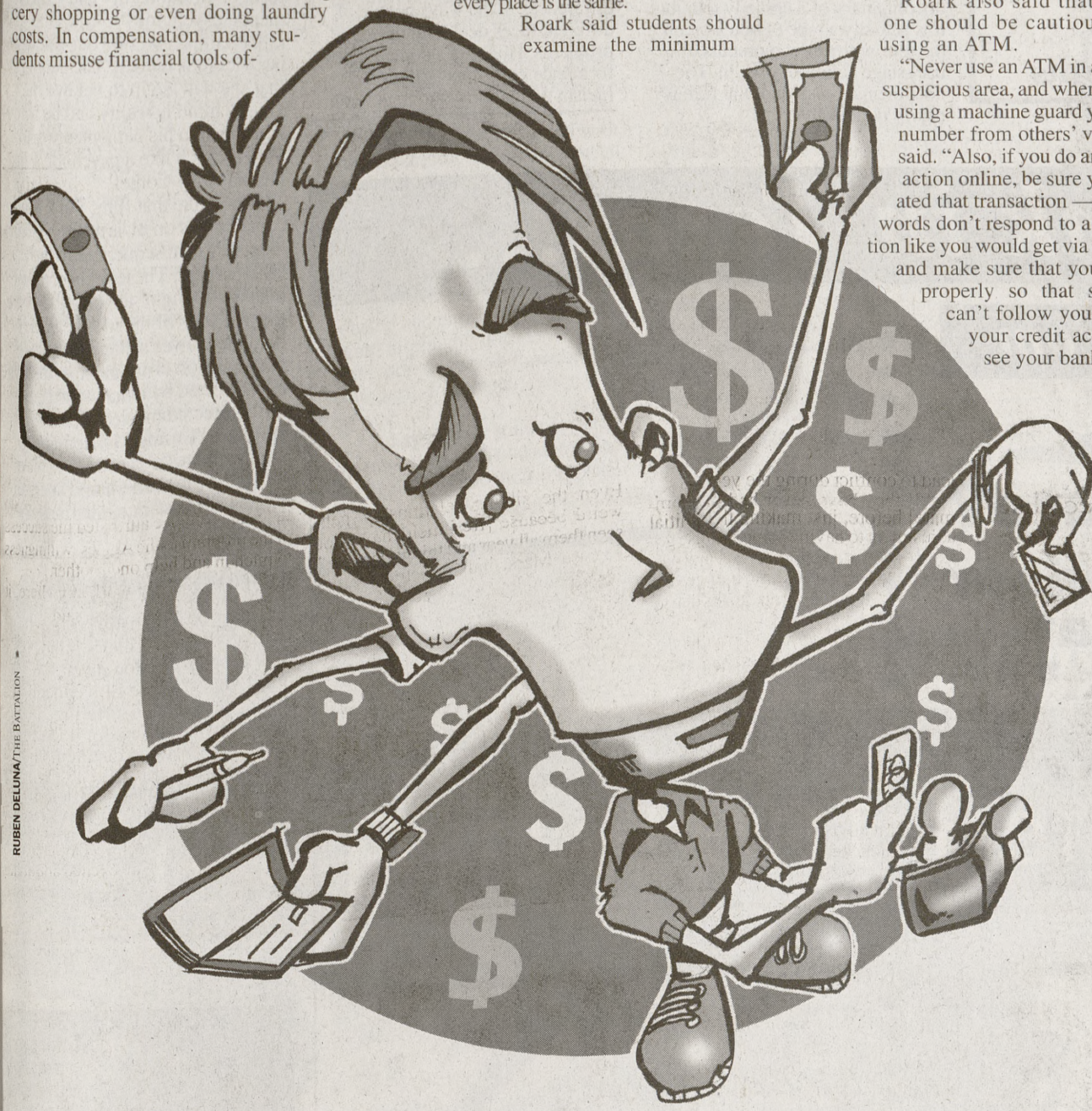
—Ben Burt, senior theatre major

"Credit cards are evil tools if you don't watch how you use them. They are great in an emergency, but can be addictive if you constantly use them for online buys and traveling."

—Alex Ly, senior aerospace engineering major



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dent's income on the basis of an estimated budget that is revised as the student learns more about how much college costs.

"After the budgeting, the student should keep track of exactly what they spend money on and then share that information with their parents," Rabinowitz said. "That way, the parents have a better understanding of what is going on with the student."

**Credit cards: necessary evils?**

"Credit cards are evil tools that will suck your money away," Ly said.

But, if used properly, credit cards can offer vital assistance in times of emergency or when traveling and can help establish a credit history.

"The trick is knowing when you can use them and when you shouldn't," Rabinowitz said. "I see a lot of students who have gone into debt because, for some reason or other, they just didn't control their use."

To keep a lid on the charges students rack up on the monthly bills, Rabinowitz suggests that students use only one credit card and ignore incentives offered by companies and department stores.

"[Credit card companies and stores] dangle these incentives like '20 percent off electronics' in front of the faces of students and end up convincing students that the cards will offer some big benefit that they never deliver," she said.

Rabinowitz also suggests that students should not get cards until they know they can financially handle them.

"They are great in the emergency, but, in the meanwhile, they are just extra stress," she said. "As for developing good credit, there are other ways — like paying bills on time."

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