

Managing Your Money

WHY DO YOU NEED TO BUDGET?

Students can no longer expect a full maintenance grant, plus housing benefit and income support to help them through the long summer holidays. Life is now economically much harder for undergraduates. This means that it's a good idea to have a rough budget worked out soon after you arrive at college.

Once you know how much you have to live on and the costs of food, drink, entertainment and books, you can make a guess at how quickly your money is likely to disappear, and think about ways to economise.

Firstly, you will be able to set aside any spare cash to do the things you really want to do (such as travel during the holidays) and secondly, it will prove very handy if you ever have to go to the bank manager seeking an extended overdraft.

The National Union of Students website www.nusonline.co.uk contains a wealth of information on student welfare and finance which could come in useful.

PLANNING YOUR BUDGET

WHAT IS A BUDGET PLANNER?

A budget planner is designed to give you a better idea of your income and expenditure, and therefore help you to see whether you have a shortfall or surplus.

Once you have an idea of typical costs, you can begin to work out how you are going to pay for your essentials, e.g. rent, food, course costs. Once you have done this, you will then be able to see how much you have left to spend on non-essential items.

It is important that you are honest and realistic about your costs and your spending patterns, and that you do not underestimate them. If you are not sure what you are or will be spending your money on, it may be helpful to keep a spending diary first for a couple of weeks so that you can see exactly where your money is going.

Accommodation will be your largest expenditure. If you are living in Halls, it is important that you pay your termly rent at the beginning of each term as soon as you receive your student loan/grant. If you are living in private accommodation you are likely to be paying your rent on a monthly basis. Again, you may wish to consider actually paying your rent termly in advance right at the beginning, or putting the amount for the term away somewhere, e.g. in another bank account or savings account so that you know you cannot spend it.

Although an individual's priorities may vary, it is essential that you have enough money for accommodation, food, heating and light. As a student it is also essential you have enough money

to cover your course costs. You must therefore always make sure you have enough money put away for these items.

Once you have completed your budget planner and know how much money you have available each month for non-essential items, it is a good idea to take out your weekly available money at the beginning of the week, and make sure that you don't overspend on this.

It is important that you review your budget planner on a monthly basis and adapt it as necessary.

WAYS TO REDUCE SPENDING

- Can you share books and equipment?
- Reduce your food budget by buying with others in your household
- Use your mobile less and consider changing your supplier
- Investigate alternative bank and credit card offers
- Check with shops to see if your NUS card gets you a student discount
- You may be able to buy second hand course books from second and final year students on your course
- Make sure you have adequate insurance for your belongings
- Look out for discount travel schemes
- Apply for help with your prescription, optical and dental costs by filling in an HC1 form available from the Advice Centre
- Ask other students about the cheapest local shops and markets
- Try and buy clothes and presents in end of season sales

IDEAS FOR RAISING INCOME

Most students find they need a part-time job and work full-time over the holiday breaks. It is important not to over commit yourself, but at the same time a Saturday job or working a couple of evenings a week is unlikely to have a detrimental effect on your studies. The Advice Centres have details of local part-time jobs.

You may also wish to consider whether there may be any funding available to you from a charity or trust. Remember though this is not a quick source of funding and requires some effort to search out the information. Further information is available in the leaflet “Alternative Sources of Funding” and “Business Sponsorship” – pick up a copy from the Advice Centre.

MONITORING YOUR SPENDING

A budget should be flexible as it is your personal way of making sure that your overall finances are in control. Circumstances do change, and your estimated expenditure may prove to be unrealistically low. On the other hand you could find there is a windfall, e.g. a supply of groceries from home, and you do not have to spend as much as planned.

Make adjustments to your budget as circumstances change.

Unless your finances are extremely tight, do not let a budget entirely rule your life. It is however essential to monitor your progress to make sure you are on the right track, and if not then action needs to be taken to correct the situation. If you overspend on one night out then economise on the next one.

By monitoring your progress you will know whether you are on track.

On-line access to your account makes monitoring even easier and provides an immediate overview.

It is also a good idea to **keep bank statements**. They give you an idea of total spending from year to year, and you can see where most of your money goes. Also they are necessary evidence for any help from the Access to Learning Fund. *You may also find it helpful to keep receipts where you have purchased high value items for materials, etc in case you need to apply to the Fund.*

Finally keep your student account active by putting money into it and taking money out.

OPENING A STUDENT BANK ACCOUNT

1. You'll need some ID when you open an account in order to prove that you are a genuine student who deserves the freebies and that special student account, plus two recent documents showing proof of your address. These are usually a bank statement or a bill.
2. To prove you are a prospective undergraduate, banks need a letter of acceptance from the university, correspondence from the local education authority or a National Union of Students card. If you have applied for a Student Loan, your first and subsequent instalments will automatically be transferred into your account after you have registered with the Advice Centre at enrolment.
3. If it turns out you decide to switch to another bank, the banks will not ask for their gift vouchers to be returned but they can cause extra admin hassles. Theoretically you can hold a number of student accounts, but don't get tempted by the idea of picking up freebies and gift vouchers from a range of banks.

You should only take out one account - juggling with more could prove disastrous when money starts running out and the debts start piling up.

TAKING OUT AN OVERDRAFT

For students an overdraft should be an interest and fee-free way of borrowing money. **However, treat this facility with care as breaking your agreed limit will mean you incur penalty charges.** You will need to discuss your need for extra cash with the bank, which then authorises the overdraft facility.

Breaking the agreement turns the authorised overdraft into an unauthorised one. You would then be liable to pay a hefty interest on the additional amount.

After university the bank will start charging for authorised overdrafts. This will be pretty steep - up to 20% a year, with a monthly fee of £5.

Unauthorised overdrafts carry a much higher penalty, typically £20 a month plus a 30% a year interest charge - that's even worse than credit cards! Rather than getting into this situation in the first place, it might be better to talk to your bank about increasing your limit.

Once you have exceeded an agreed overdraft limit your bank could also charge you for any cheques, direct debits and standing orders that they are unable to pay. This can be as much as £30 per item. Check with your bank what they charge for their various services including the return of unpaid items

To try and avoid this keep track of your account and contact the bank if you are getting close to your limit. They may agree to a short-term increase in your limit.

DO YOU REALLY NEED A CREDIT CARD?

Do you really need one? Depending on how disciplined you are, credit cards can be useful for emergencies, big purchases, buying tickets over the phone or the Internet and when travelling abroad.

But if you know you are impulsive when it comes to financial matters, then give them to someone you trust to look after.

The card providers are aware of the potential for over use and try to keep a lid on things by imposing credit limits for students, typically £500.

If you transfer your balance to a new card, you should get a discounted interest rate usually for the first six months but be warned: this rapidly rises after the first six months. **Do your homework, check out the net for the best offers.**

Credit cards work best if you pay off the balance each month and you don't use them to draw out cash.

Switch/Maestro cards are good for everyday purchases and for withdrawing money from cash machines, but check with your bank about charges for using rival bank ATMs. Some will charge £1.75 per withdrawal.

Store Cards – Avoid them!

Stores often offer 10% off your first purchase if you take out one of their store cards, but if you leave your balance unpaid at the end of each month you will pay a high penalty for the privilege, ca: 20-30% APR. By and large, it is best to not get them at all.