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Your Guide to Budgeting for College

Budgeting for college? Here's what to know about expenses, financing, and the 60-20-20 rule.

Going to college is full of expenses beyond tuition, from between-class coffee runs to weekends with your friends to printing 40 copies of your 10-page art history presentation. Budgeting for all possible expenses can give you a firm understanding of your current situation and what you can and can't afford, allowing you to become the master of your finances.

When you're able to anticipate your expenses and income, you can create a budget that keeps your financial goals on track. Here's how that works:

Income

To start budgeting, write down the income you'll have during college. If you aren't sure of the exact amounts, estimate as closely as possible, erring on the conservative side.

Employment, when balanced with your academics, can help you develop positive skills – like time management, leadership, and teamwork – while providing a steady source of income as you attain your degree. Many students work part time to keep a healthy balance with their schoolwork. Some students may work full time, but it requires excellent stress- and time-management skills. When calculating your expected employment income, don't forget to account for federal, state, and local taxes, as well as any health insurance premiums or other deductions taken from your checks.

Student loans that are offered by the state and federal governments are distributed by your university to help cover college-related expenses. You'll need to complete the Free Application for Federal Student Aid (FAFSA) form to apply. There are caps on the amount you can borrow, which vary depending on the situation, and you'll repay them after you leave college. You can also get student loans from private lenders, like your financial institution, but they may have less favorable rates.

Financial aid like scholarships, grants, and work-study programs are other aid options. They may be awarded by the federal or state government, your college, a nonprofit organization, or a private entity. You do not have to repay them, and they are awarded based on need or merit. You must fill out a FAFSA form to be considered for them.

Expenses

The real cost of college goes beyond tuition and textbooks. You will need to account for several expense categories on your budget sheet.

Tuition and fees vary by institution and may be billed by credit hours or semester, depending on your enrollment and university. Fees include new student fees, housing deposits, and orientation fees. New student fees, which confirm and reserve your place at the college, may be refundable, but the others are often not.

Room and board includes housing, food, and related expenses, like cleaning supplies, décor, bedding, and toiletries. These expenses account for a significant portion of your college costs. Dorms can seem pricey, but living off-campus can cost just as much or more when you factor in furnishings, utilities, and rent. Taking advantage of school meal plans – which typically provide discounts for on-campus food establishments – can help you reduce food costs.

Books and supplies like textbooks, notebooks, writing utensils, a calculator, and a backpack are other expenses. Renting, buying secondhand, or buying online can minimize your textbook expenses. Many supplies will need to be replaced each semester, but taking advantage of sales and investing in quality products can reduce costs over the course of your degree.

Electronic equipment and software to write papers and complete coursework add another few hundred dollars. You'll want a laptop and printer, because the college's computers and printers won't always be available when you need them – or free. Accessories for these to incorporate in your budget include screen protectors, printer ink and paper, cleaning supplies, and possibly a bag or carrying case. Software products, like Microsoft Office or design software, may be necessary, too, but student discounts may be available.

Transportation costs are another key expense to account for. If you have a vehicle, you'll need to pay for parking, insurance, fuel, maintenance, and repairs. Without a vehicle, fares for rideshares, buses, or taxis will be your primary transportation expenses.

School activity fees and personal expenses may be another cost. Sorority and fraternity dues, club membership fees, and extra-credit events (like trips to a museum) are options you should budget for, if you're interested in them. Personal expenses include haircuts, music or video streaming services, and healthcare costs. These expenses may not be consistent from month to month, but analyzing what your current personal costs are can help you anticipate how much to budget for them in college.

The 60-20-20 Rule

Because many expenses fluctuate each month, it may be difficult to adhere to a strict budget for your student finances. Following the 60-20-20 rule can help you manage your finances responsibly and approach varying costs with confidence.

For living expenses, set aside 60% of your income. Set this amount aside first, and make sure it covers all of your mandatory expenses, like housing, laundry, food, transportation, and phone and internet bills.

For savings, set aside 20% of your income. Your savings should include an emergency fund (more about that below) and money to put toward large purchases, such as if you're saving for a car.

For leisure and fun, allocate 20% of your income. It's easy to spend more than you realize on movies, concerts, spring break trips, and spontaneous adventures with your friends. Knowing how much you can comfortably spend will make you more mindful of where your money is going and help you prioritize things you really want to do or buy.

Following the 60-20-20 rule is flexible and easily scalable. If you ever need more than 60% of your income for bills, take it out of the amount reserved for fun, and try to find ways to reduce your bills, such as eliminating unused streaming services or carpooling with friends instead of driving.

Emergency Fund

Incorporate an emergency fund into your budgeting sheet, too. Emergency funds are essential ways to protect against financial crises when the unexpected happens. For college students, emergency savings could make the difference between attaining a degree and being forced to drop out for financial reasons.

Aim to save at least \$250 for your emergency savings account, but try to grow it to \$500 or \$1,000 if possible. These amounts can help cover the costs of:

- Rushing a pet to an emergency veterinarian
- Towing and repairing your car after a breakdown
- Replacing a broken appliance or laptop

Emergencies like these are relatively commonplace and having a financial safety net to cover them can help ensure that you stay focused on your degree. Prioritize your emergency fund when allocating money to save.

Strategies

Following other strategies for wise money management can help optimize your student finances and inform your spending.

Be frugal and goal-oriented. Consider the financial situation you'd like to have in the near and far future – such as having \$1,000 in savings by the end of the year or graduating without credit card debt – and what spending habits can help you get there. Create goals for yourself and set new ones as you reach them. Cut costs to reach your goals faster by:

- Canceling unused subscriptions and memberships
- Taking advantage of student discounts at local establishments
- Clipping coupons

Prioritize savings. Cutting costs will also give you more money to set aside in savings. Take advantage of interest-earning accounts, or consider investing a portion of your savings to get a higher return. Only dip into your savings if you absolutely need to, and consider putting extra funds into your savings, like:

- Cash prizes from games or drawings
- Holiday bonuses
- Birthday gifts

Revisit your budget. It's wise to revisit your budget each month until you've nailed down a system that works. Track expenses by saving your receipts, pay stubs, and account statements, then go over them at the end of each month. Compare how much you earned to how much you spent (and on what). You may find that you're spending more on food than you realized or that you could be putting more in savings. If your budget is concerning, consider:

- Tutoring, dog walking, or selling your textbooks back to the bookstore for extra cash
- Walking, biking, or catching rides to places instead of driving
- Being a rideshare or delivery driver on the side

Don't be afraid to ask for help. Managing your finances takes time to master, and it can be challenging. If you need assistance, consider:

- Reaching out to your college for information on student resources and programs
- Speaking with your financial institution for guidance or solutions for your situation
- Asking financially savvy adults close to you, like your parents or older sibling, for advice

Taking It Home

Use your budget to create a financial plan. When opening new accounts, choose financial services and products that best suit your lifestyle. (For instance, if you travel a lot, you may get more from a credit card with a rewarding miles program, instead of one with a conservative cash-back program.) Keep learning about financial strategies that could optimize your savings and disposable income.

As you prepare for your college years, remember that your education is an investment in yourself, providing unforgettable experiences and opening up opportunities for the future. The budgeting skills and life lessons you'll learn along the way can help you succeed for the rest of your life.

