BUDGET BUILDERS

Five money mistakes students should avoid

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Financial management is something that the majority of postsecondary students will have to tackle from the first day they step foot on campus, but few know how to handle. However, with a little bit of research and time, current and prospective students can avoid some of the money mistakes these experts says are so common that even they have fallen prey to some of them. Here are five of the most common money mishaps:

Going to the expensive school

"I should have done more research into how much the different universities were going to cost," says Jordann Brown, personal finance blogger at My Alternate Life, who paid for her university experience almost entirely with student loans. "I ended up going to one of the most expensive schools in Atlantic Canada."

It's true that certain universities and colleges have specific programs and that might be exactly what you need. But if you have a choice of schools, then researching the tuition, as well as the cost of living for that area (for instance, small town versus urban centre), could save your wallet. "If I had done that, I might have ended up with a lot less student-loan debt," says Ms. Brown. "In my case, there were schools nearby that also had good programs and reputations, but I just discounted them because I wasn't familiar with them."

Spending all of your loans

"No one says you have to spend all of your loan money," says Ms. Brown. "I always spent it all because I looked at it like a zero-sum game." The 27-year-old recalls how she used to take the total amount of her student loan money and divide the funds up by the months until the next loan came in, "and that's how much I would spend."

But if you don't need to spend all of your loan money, it can potentially save you a lot of money when you graduate and have to pay it all back – with interest. Instead, make a budget and see if you can live on less. "It's good practice and a good habit for the rest of your life if you can manage to live within, or even below, your means," says Steve Bridge, a money coach at Money Coaches Canada.

A preplanned budget is the best way to manage your money and your expectations in order to avoid running out of money before the school year is up.

Krystal Yee, personal finance blogger at Give Me Back My Five Bucks, says she wishes she had budgeted her loan money better and suggests students don't look at the lump sum as a windfall, rather as money that should be managed for months.

"I always tell people to take the lump sum, say it's $10,000, and divide it by the months you're in school [usually eight]," she explains. "If you have a shortfall, you have to figure out a way to supplement your income to make up that shortfall or scale back your budget expectations."

Assuming you don't qualify for grants and scholarships

"I found this one out the hard way," recounts Ms. Brown. It involved a conversation in her last year at university when she found out a friend had applied for and received hundreds of dollars from many different types of scholarships, "and they only had to write an essay," she recalls. "I assumed you needed top marks, but that's not the case at all." There are even some scholarships, grants and bursaries are that are awarded simply on a first-come, first-served basis.

"There are tons of scholarships and grants out there," agrees Mr. Bridge, "you just have to do a little digging." Talk to your student advisor, call the bursary office of your current or prospective school and look online at website like Yconic.com to review your options.

"I once read about [a scholarship] for tall people," recalls Mr. Bridge, proving there's something out there for everyone.

Not having an emergency fund

It may sound frivolous to set money aside when most students are already living on a tight budget, but having an emergency fund can help you avoid going into debt when life's unexpected events happen.
"It can be anything from a credit card bill to a family emergency," says Ms. Yee. "To avoid going into debt when these things happen, set aside some money for emergencies and this will help avoid racking up credit-card debt."

Having an emergency can be stressful in itself, "but it just adds to the stress to know you have to fall back on a credit card and you may not even know how you're going to pay it back."

Getting too many credits cards

College and university campuses are awash with booths from credit-card companies offering to set you up with a card. These are not to be avoided completely, but it's best to approach with caution, according to the experts.

"Having too many cards can get you into trouble, especially if you're not paying them off every month," says Mr. Bridge. "And they're to be treated like cash, not like free money." So make sure you have enough budgeted funds to pay off your credit card every month to avoid interest and black marks on your credit in the future. Also, research and compare different credit cards to try to get one with a lower interest rate and avoid one with annual fees.

But there is another side to these cards, he explains. "If you have one credit card and you use it regularly and pay it off monthly, then it can build up your credit in a positive way."

What some people may not know is that you have to have credit to build credit. Having no credit is almost the same as having bad credit, so using a credit card wisely can actually help rather than hinder.