

## FINANCIAL FRAMEWORK: MONEY MANAGEMENT FOR YOUNG ADULTS

You can prepare for the rigors of managing a budget by discussing monetary issues openly with a trusted adult and learning the basics of personal finance.

### FOCUS ON BUDGETING

The world is full of opportunities to spend. By developing a budget, you can control your money and limit your spending. A good starting point for creating a budget is to list all your sources of monthly income—job earnings, savings and parental support—and then list your estimated expenses for the same time.

Realistically identifying your living expenses in advance can be tricky. For starters, consider any cost that would coincide with education—whether you take just a course or two at the junior college or are attending a four-year school. Also consider expenses such as meals; entertainment; personal care items; laundry; telephone and Internet service; cab rides or car expenses; and clothes. Remember, budgets need to be flexible and can be revised after the first month or two.

Next, total your income and expenses. If your expenses are greater than your income, you need to find ways to increase your income stream, perhaps by taking on a part-time job or by reducing spending.

### CREDIT CARDS CAN SPELL DANGER

With credit card companies aggressively targeting young adults, credit cards can be a major pitfall. Consider the pros and cons of using a credit card. For example, having a credit card for emergencies and for building a credit history is a good idea. But for some, access to credit is an invitation to overspend.

If you decide to get a credit card, be sure you understand how credit works and the importance of charging no more than the amount you can comfortably afford to pay each month.

Want to be on the safe side? Use a debit card for everyday expenses and reserve the credit card for true emergencies. Debit cards can give you all the convenience you need but are limited to the amount of money in your bank account.

### CHECKING ACCOUNTS PROVIDE CONVENIENCE AND TEACH SKILLS

It's usually a good idea to open a checking account in an area convenient to where you will be spending most of your time.

Try to locate a bank that offers free or low-fee checking and has several convenient ATM locations to reduce out-of-network ATM fees.

Everyone should know how to balance a checkbook. It's a tedious job, but it's cheaper than bouncing checks. Find someone you know who can show you how they manage their checkbook so that the process will be familiar. For students who are attending college out-of-state, it is important to understand that out-of-state check deposits take a few days to clear.

### SMART SPENDING SAVES DOLLARS

You can keep spending under control by looking for low-cost entertainment. Also, joining clubs and organizations ensures that you will have something to do and someone to do it with, and the expenses are far less than what could be incurred on a weekend shopping spree.

It's also a good idea to learn to comparison shop and economize. Clipping coupons, purchasing used goods, sharing cab rides, buying generic brands and renting videos instead of going to the movies are just some of the ways a savvy spender can save money.

Learning to manage money is an important part of adulthood. Budgeting, smart spending and limiting credit card use are excellent lessons that will help lead you toward a healthy financial future. ⑤