

# Finance 101: Making the transition to undergrad life



Wealth  
Management

Your first year at college is an exciting time filled with new experiences and maybe a little apprehension. Like all of life's firsts, there are some parts you can prepare for—like choosing your courses and planning how you'll budget your money—and some you can't—like sharing a dorm room and experiencing those first few weeks on campus.

The good news is that when it comes to your finances, having a plan in place before you leave for college will help you focus on settling in and enjoying everything that undergrad life has to offer. Your family's RBC Wealth Management financial advisor can help you review your first-year financial needs, create a budget and set up flexible banking solutions. It's also possible to arrange an introduction to branch staff near your campus, for those times when you'll need in-person advice. For other times, your financial advisor is just a phone call or email away.

## Building your budget

The prospect of managing your expenses when you're living away from home for the first time can seem overwhelming.

A realistic budget will give you a bird's-eye view of your finances and help you stay on track throughout each term. Follow these steps to create your first undergrad budget:

**1. Track your spending.** Keep a diary for a month of every penny you spend, from cell phone bills to \$4 lattes to new shoes.

Prioritize your expenses into "needs" (transportation expenses, school supplies) and "wants" (the lattes and probably the shoes).

- 2. Research your upcoming school costs.** Will you live on or off campus? If living off campus, will you be buying groceries and paying utilities and phone bills in addition to rent? How will you get to and from school? How much will your textbooks cost? Your college or university's website can be a great resource for some of this information, helping to estimate tuition, books and living expenses. And be sure to talk with other students who've recently completed their first year.
- 3. List your income and all projected expenses.** Be conservative, under-estimating income and over-estimating expenses.
- 4. Add it up.** Determine whether you'll run short or have a surplus of cash.
- 5. Adjust where necessary.** If you'll be running a deficit, start by looking hard at your "wants" column and by determining ways of increasing your income. If you'll have extra money, terrific—this is a

great opportunity to contribute to an IRA or a high-interest savings account.

Putting away even a little cash now can pay big dividends later because of compound interest. For more on investing, ask your family's financial advisor for more information.

## Using credit wisely

Part of being away from home for the first time can mean being presented with companies offering tempting "deals" and easy access to credit cards. Beware of anything that sounds too good to be true, stick to your budget and spend only what you can afford to repay.

When used thoughtfully, a credit card can be a good resource in case of emergency (say, your car breaking down) and to help you build a positive credit rating. Your financial advisor can discuss specific student credit options with you that will suit your needs and confirm you have access to credit when you need it.

## Your key priorities

At this stage of life, you may be focused on a number of financial priorities. Your financial advisor can provide personal assistance and resource materials to help in any or all of the following areas:

- Creating and understanding your budget or “balance sheet” (assets/liabilities)
- Managing your bills and accounts through online banking
- Investing any additional funds (an IRA, for example)
- Funding the campus lifestyle you want, for this year and the remainder of your post-secondary education

## How a RBC Wealth Management financial advisor can help

When you’re leaving home for the first time, having great support behind you can make all the difference. Meeting with your financial advisor before you leave for campus will see that you’re covered on the financial front. Your financial advisor can work with you to create a wealth management plan you can live with, and can help you manage most of your financial needs online or over the phone while you’re away.

## Surviving the first year: Tips for families on easing the transition

### For students:

- Meet with your parents and their financial advisor to create a first-year budget and set up online banking and access to financial accounts.
- Get involved in campus life. The changes that come with this new phase will be exciting at times and overwhelming at others. Sharing your experiences with new friends who are in the same boat will help to decrease your stress and increase your enjoyment.

- Squeeze in an occasional text or phone call to Mom and Dad—remember this is new for them too!
- Plan a family visit. Whether you’re heading home or your family visits you on campus, knowing it’s just a few weeks until you’ll see each other will help you and your parents adjust to your new life.

### For parents:

- Before your child leaves for school, discuss how they will handle their increased freedom and responsibilities. Talk about time management and help them to create a budget. Your financial advisor can meet with you and your child to review his financial needs, open any necessary accounts and determine that your child is comfortable with online banking and bill payments.
- Many parents establish a joint credit card with their child for the first year of school, so they can keep an eye on how well their child manages in terms of charges and timely payments. If all goes well, your child can shift to a solo card in second year. You assess credit card options and then set up the right card and limits for your child.

## Going to school outside the United States?

If you’ll be attending college or university in Canada, Mexico or overseas, consider these tips:

1. Most foreign schools will require a letter of financial support from your parents before you arrive on campus. Your financial advisor can help you determine what is required and assist with the appropriate financial documentation.
2. Meet with your bank to confirm your credit and debit cards will work in the country where you will be living, and to learn more about banking fees and exchange rates.

3. Check out the United States Department of State site, USA Study Abroad ([studyabroad.state.gov](http://studyabroad.state.gov)) for info on studying opportunities abroad, managing culture shock and re-entry to the United States.
4. If you plan to return to the United States to pursue your career, look into the factors that may determine if the credentials you’ll be earning will be recognized here. Visit the U.S. Department of Education Recognition of Foreign Qualifications website for more information.

## Living off-campus

Before you sign a rental agreement, make sure you and your roommates read it and understand it. Be crystal clear about what’s included in your rent and what isn’t (utilities for example).

It’s also smart to sit down with your roommates and draw up a few rules for living together. Who will clean the bathroom? Are you sharing food or will each of you have a shelf in the fridge? Are overnight guests allowed? Sorting this out ahead of time will help all of you adjust to—and enjoy—being roomies.

## Seven easy steps to mastering your student finances

Nobody wants to spend too much time thinking about banking. That’s why it’s worth making sure you’ve got these student finance basics covered. It doesn’t take long, it’s not that hard or painful and once it’s done you’ll know that you’re set up to manage any situation that comes up.

### 1. If you don’t have one—open a checking account

It’s the best way to keep track of your cash flow. Make sure you choose an account that allows you access to your cash when you need it. There are usually student

accounts with a fixed number of free debit transactions, or unlimited accounts for a nominal monthly fee. Make sure you pick the option that best matches your needs. If you like to use debit regularly, that “free” account could cost you more than one with a fixed monthly fee.

## **2. Open a separate savings account**

When it comes to bank accounts, two is better than one. A no-fee online savings account lets you separate your savings from your spending. It’s a great place to keep your money for things you don’t need to pay for right away, and earn interest as well. So when you need to pay for those second semester books or that trip home for the holidays, the money is there.

## **3. Consider getting a credit card**

Used wisely, credit cards can be very handy for helping to manage unexpected purchases and emergencies, as well as a convenience for online purchases. And, since your credit card statement keeps track of all your purchases, you can check it against your budget at the end of the month. This can be a big help when

you are trying to see how much money you actually spend each month. You can apply for a credit card online but you must be 21 years or older. In some cases, you can obtain a credit card with a co-signer. It is important to carefully consider the potential benefits and pitfalls to your credit history with the use of a credit card. If you aren’t yet old enough or choose to wait on using credit cards, a debit card can be a great option for making purchases online using your bank account.

## **4. Take advantage of online and mobile banking**

Make sure you enroll for online banking and download your bank’s mobile app to get access to your account balances from home, at school or on the go. It’s an easy way to pay bills or transfer funds from anywhere, anytime. You can also set up alerts that will keep you up to date on when things are due and when you have a deposit or withdrawal.

## **5. Sign up for electronic statements**

As a student it’s very possible that you’ll move from year to year, so who needs the hassle of paper statements or bills piling up or

getting sent to the wrong address? With electronic statements, you can have access to your bank account and credit card statements at any time, and you can sign up for email alerts to let you know when your latest statement is available.

## **6. Make yourself familiar with your bank’s ATM locations**

Many banks charge a fee when you use another bank’s ATM to withdraw funds. This can quickly add up in a month. Take the time to find out where your bank’s ATMs are in your area and try to use them whenever possible.

## **7. Take the time to make a budget**

The word “budget” can sound ominous, but it’s really just keeping an eye on what you bring in and what you spend every month. By doing this you can see areas where you might be able to spend less or ways to manage your spending more effectively.

Once you have these basics in place, you will feel much more in control of your finances, and will avoid unnecessary stress so you can focus on having a better student life.



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