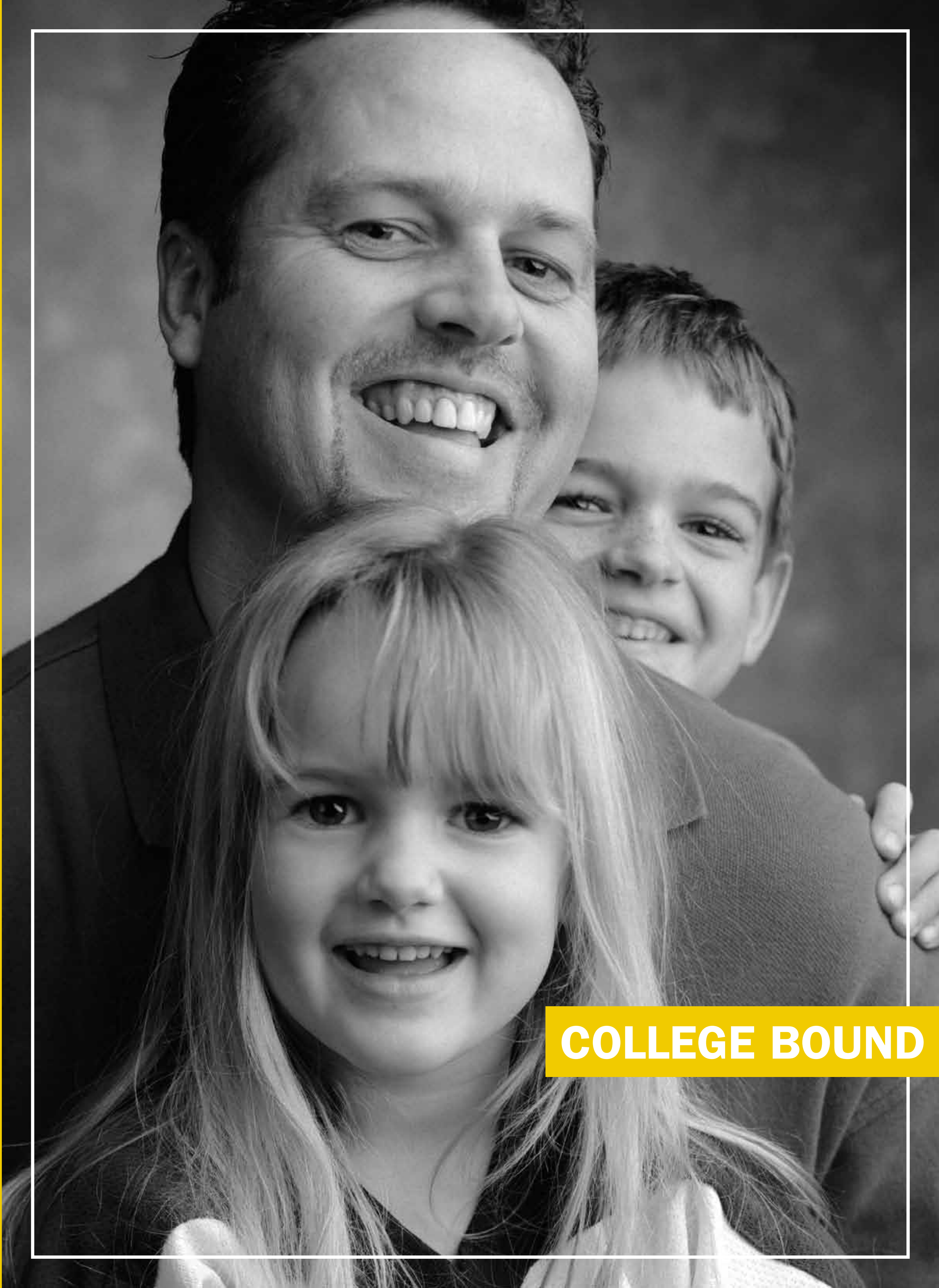

COLLEGE BOUND

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Personal financial success is a lifelong endeavor with many goals to achieve along the way. One of the most expensive financial goals a family has is financing a college education. In economics, it is called an investment in human capital because a return in future income is expected from the investment today in a college education. Most people would agree that a college education is an endeavor worthy of pursuit, and even though paying for it appears as an everest-like mountain to climb, taken step by step you can reach the summit.

INTRODUCTION

College Bound starts with fundamental financial planning tools, including taking stock of where you are starting from, setting goals and budgeting. The core of College Bound reviews choices that impact college, explores the options to pay for college and presents ways to reduce the costs of college. Finally, once your collegian gets to campus, he/she will receive many chances to apply for credit. College Bound closes with a review of important credit topics that will benefit your child for life.

Planning to finance a college education will be an ever-changing and continually evolving project that will require ongoing analysis and attention. Regardless of your starting point, there are ways to finance that all-important college education, and College Bound will provide the tools as you embark on your journey. Along the way, you will not only gain knowledge to finance a college education, but as important, you will provide your next college graduate personal finance tools that can be used for a lifetime.

TAKE STOCK

Whenever you are offered a new opportunity – whether at work or at home – an important first step is to take stock. A thorough evaluation of your current financial picture and an understanding of your money personality are major steps in going forward.

Ask the following questions to understand where you are starting from:

1. What is our current financial situation?
2. What family members are involved with the family finances?
3. How much money have we saved for college?
4. What is the current plan for our children's education?
5. What available resources do we have?
6. Who will pay for college – parents, children, grandparents?
7. Will we manage this project on our own or will we seek professional guidance?
8. What is our current knowledge about financing a college education?
9. Do we want to plan to send our children to a public or private college?

Answers to these questions will provide a framework from which you can begin to set some goals and create a budget to achieve these goals.

Net Worth Statement

One tool that will help you evaluate your current financial condition is the net worth statement. In its simplest form, a net worth statement is what you own minus what you owe. Take some time to calculate your net worth and update it at least once each year to monitor your financial progress. A blank net worth statement can be found in Appendix A.

Your Money Personality

Have you ever wondered why you use money in a particular way? Many forces impact the development of your money personality. You make purchases to fulfill desires and to make yourself feel a certain way. Some spending influences include advertising, media, society, friends, family, and easy credit. In addition, shopping has become an "experience" to enjoy, and there are so many goods that are so affordable.

One way to evaluate your approach to money is to identify your attitudes about money. Where do you fit?

- **Hoarder** – The hoarder likes to save, budget, and prioritize
- **Spender** – The spender likes to spend
- **Planner** – The planner is the nitty-gritty, take-it-one-step-at-a-time type
- **Dreamer** – The dreamer hatches passionate schemes, but has no idea how to make them come true
- **Merger** – The merger wants to pull all of the couple's money together
- **Separatist** – The separatist wants at least some of his/her own money
- **Risk-taker** – The risk-taker loves adventurous investing
- **Risk-avoider** – The risk-avoider goes for the sure thing

You might find that your approach to money includes more than one profile. Take some time to know yourself better.

When you understand your money personality and attitudes toward money, you can make adjustments and changes as needed to help you achieve your goals. Personality, psychology and habits can be as important as the numbers when it comes to evaluating your personal finances.

SET GOALS

As part of creating a plan for financing a college education, financial goals must be set. Goals reflect your values and provide direction. Setting goals will help you balance your needs and wants.

Characteristics of Goals

Understanding the difference between a dream and a goal is important. If you say that you want to live a comfortable retirement, then you have a dream. But, if you say that you will retire at x age, will need to save y dollars and it will need to last until age z, then you have a goal. What is the difference between the two?

Specific

Goals should be specific. How much do you need to save? How long of a time frame do you have before you need the money? How many pay periods are available to save the money? For example, you might need to save $5,000 in 2 years for a down payment to buy a house. Since you get paid once each month, you would have to save $208.33 each pay period to achieve your goal.

Measurable

You will have to measure and monitor your progress. How will you do this? Do it in a way that makes sense to you. As you save money each week or each month you can track it on a computer, or write it down, or even see it logged on your pay stub as money is moved from your paycheck to a savings account. In any event, measure your progress as you move toward achieving your goal.

Reasonable and Realistic

Set goals that are reasonable and realistic. Don't try to save too much each period and end up sacrificing other parts of the budget. You might have to lengthen your time frame to achieve a goal and decrease the amount you save each time. Remember, saving is a lifelong process and a consistent, systematic approach will pay off.

Here's an example of the sequence of taking a dream to reality:

1. DREAM – "Pay for my child's education."
2. GOAL – "I need 'x' dollars by 20_ _ to pay for Johnny's Harvard degree."
3. REALITY – "I now have saved 'x' dollars in a savings account for Johnny's Harvard degree."

Set Your Goals

Each member of the family has his/her own ideas about which goals are important. Everyone should sit down together to identify goals. Open communication among all family members helps prioritize the goals that are acceptable to everyone.

Take some time to set your financial goals. Use the worksheet in Appendix B – Setting Goals as a guide. Short-, mid- and long-term goals are important. Although the time frame that you put on your goals may vary, here are some rules of thumb:

- **Short-term** goals are those that can be achieved in a year or two
- **Mid-term** goals are those that can be achieved in two to five years
- **Long-term** goals are those that can be achieved in greater than five years

Your goals for financing a college education can be developed directly from the answers to the questions you asked in taking stock of your current situation.

EXAMPLE: Earlier you asked the question, "How much money have we saved for college?" Let's assume that you have $10,000 saved already, and you determine that you need another $12,000 in 10 years. Your goal might look like this:

GOAL: We will save $100 per month for the next 10 years to save $12,000.

Other goals that you and your child might develop include:

1. By (date), we will determine how much money we need to save for Jane's college degree
2. We need to save "x" dollars per month at 8% interest for 15 years
3. Compare investment options and make a decision by (date)
4. Get good grades
5. Take college credits during high school
6. Take AP tests
7. Study for SATs
8. Apply for scholarships
    a. Write essay by (date)
    b. Fill out application by (date)
9. Fill out college applications
    a. Get references by (date)
    b. Write essays by (date)
    c. Get "$x" check from mom/dad by (date)
10. Complete application for financial aid by (date)
    a. Get tax return finished early in January
11. Save $3,000 to pay tuition and expenses
12. Get a summer job to save $1,000 for spending money next semester
13. Apply for Stafford loan by (date)
14. Apply for PLUS loan by (date)
15. Apply for grants by (date)
16. Get a 10 hour-per-week part-time job this semester
17. Find out about work-study by (date)
18. Pay off credit cards in full every month
19. Show constraint when using credit cards
20. Manage money each week – on Saturday mornings
21. Consolidate loans to reduce monthly payment

Goals change continuously over a lifetime. As goals are reached, new ones should be established.

CREATE A BUDGET

Whether you are planning for your child's education or your student is preparing for college, a budget is an essential tool to manage your money. Once you set your goals, use the budget to achieve those goals. A budget is the cornerstone of your financial plan.

A Lifelong Must

In its most basic form the budget includes income, expenses, and debts. Income and debts are usually fairly straightforward categories and are easy to identify and list. You might have a few income sources depending on how many wage earners you have in the family. And with debts you might have a car loan, a personal loan or a credit card for example. It's the expense side of the budget that always seems to be the most challenging for people. When preparing your budget, include as many expense categories as possible in order to see where your money is really going. Do you know where *your* money goes? Spending too much can sabotage your goals. It's not how much you earn in your life, but how much you spend that keeps you from achieving your goals.

As you add college financing goals to your plan, analyze your budget to determine how you will incorporate your new goal(s) into it. You can have a beautifully written goal, but if it is not reasonable and realistic as it relates to your budget, then it may be difficult to accomplish.

Review your budget and goals at least once each year. The annual budget will take into account a number of items, including family goals, expected income, what you spent this year and expected expenses for the upcoming year.

Choose a time when the entire family can sit down and discuss the budget. Leave enough time to discuss all issues and give everyone an opportunity to express his/her ideas and concerns. If you need additional family sessions, schedule more. Set a time limit for the meetings so they are productive.

Use the Annual Budget worksheet in Appendix C as a guide. If the budget does not balance, discuss which areas of the budget can be adjusted. Will you increase income or decrease expenses? Whose income will increase? What expenses will be reduced? Will goal time frames be adjusted? If it's time for your child to prepare the teen budget, use the budget in Appendix D as your guide.

Keeping track of your income, expenses and debts will allow you to continually monitor your budget as you move toward accomplishing your goals. Remember, your budget is like a muscle. If it is not worked and exercised, it will get weak. So, exercise your budget every week to keep your finances strong.

CHOICES THAT IMPACT COLLEGE COSTS

One of the unfortunate things about setting goals and maintaining a budget is that they don't stay fixed. They are always changing. Planning for college is not a one time event. It can be a 25 year process in some cases. These negatives are also positives, however, because when you take the time to evaluate, plan, budget, re-evaluate, re-plan and so on, you will come up with the best result. There are many choices that impact college costs, and when you do your research and communicate as a family, you will make wise and informed decisions.

Explore the options that are available to you that can lead to significant savings in college costs. In-state schools can be much more affordable than out-of-state schools. There is a huge difference between resident and non-resident tuition at both private and public institutions. Whether you live on or off campus will impact the cost of college. Living off campus is usually much less expensive than living on campus. The meal plan provided with on-campus living is sometimes not used by students who eat out. This leads to higher overall costs. If your child attends a community college for two years, tuition costs can be cut significantly. In addition, freshman and sophomore years can be times when a student is deciding his/her major and additional classes may need to be taken. If these classes are taken at a community college, costs can be lower. While the so-called "college experience" at a four-year college is something to consider, so is 15 more years of paying student loans. Other choices that can be discussed include whether to attend school part-time or full-time and whether a dependent or independent status is appropriate.

A personal assessment and evaluation of your child's needs and wants will be beneficial to making decisions. The worksheet in Appendix E will be helpful to you and your child in making the right choice.

FREE APPLICATION FOR FEDERAL STUDENT AID

To get any type of aid, you will need to start by filling out the Free Application for Federal Student Aid (FAFSA). So make sure you do this first thing. The FAFSA is required for any federal aid, including special loans that are not based on financial need.

The FAFSA allows you to estimate the amount of funds college financial aid officers will expect you to provide. Fill out the FAFSA as early as possible after January 1st of your child's senior year of high school. Some aid runs out and later applicants who are eligible may be denied funds due to lack of availability. Eligibility is good for one academic year, which runs from July 1st through June 30th. A renewal FAFSA can be submitted in following years.

Consider completing a FAFSA on your own for practice a year before it is required. Early self-evaluation gives you the opportunity to adjust your finances to maximize the aid that you receive. Colleges determine financial aid eligibility based on your finances a year or two before your child enters college. So, for example, minimize your income and avoid large capital gains or gifts from grand-parents in the year or two before your child enters college.

To fill out the FAFSA, go to www.fafsa.ed.gov. You may also get a paper form if you prefer by calling 1-800-4-FED-AID, but it will take longer to process the paper form. When you fill out the FAFSA, you will need a Personal Identification Number (PIN) for your child. To get a PIN, go to www.pin.ed.gov. You will need your child's social security number to receive a PIN.

Once the FAFSA has been processed, your child will receive a Student Aid Report (SAR). The SAR verifies that the information that you provided on the FAFSA is complete. The SAR also lists an Expected Family Contribution (EFC). When the officials evaluate your finances, they take into account a number of factors including parental and student income and assets, the number of family members in college and how far parents are away from retirement age. This data is used to determine how much the parents are expected to contribute – the EFC. The "need" is calculated as the difference between the expected contribution and the costs of the college your child is considering. This number is critical because it is used to determine your child's eligibility for many grants, scholarships, loans and other financial aid.

Once the FAFSA is sent to a school, the financial aid office determines what type of aid package they can put together for your son or daughter. The financial aid officer at your school of choice can discuss with you all of the details associated with their aid evaluation. Each of the schools that your child applies to may offer a different package based on its costs and the availability of school funds. Your child may qualify for substantial aid based on need at an expensive private college, but may not qualify for any aid at a less costly state university.

To get more information on how aid packages are calculated, call the Federal Student Aid Information Center at 1-800-4-FED-AID or www.ed.gov/finaid.html.

NOTE ABOUT DEADLINES: Be sure to find out and meet all application and submission deadlines for all forms. If a deadline is missed for a given year, your child will be ineligible for the entire year.

OPTIONS TO PAY FOR COLLEGE

There are many options to pay for college. Most financial resources can be classified as either loans that need to be repaid or grants and scholarships that are awarded and don't have to be repaid.

Federal Pell Grant

Federal Pell grants are funded by the government and don't have to be repaid. They're awarded primarily to undergraduates. The amount of money that the government makes available for Pell grants depends on available funding and may vary each year. An application for a Pell grant is a prerequisite to determine eligibility for many other types of federal, state and private financial aid. All eligible students will receive the Pell grant amounts for which they qualify.

Pell grants range from $400 to more than $5,350 per academic year and are based on a students' enrollment status and expected family contribution. The award amounts are adjusted based on the number of credits per semester the student is enrolled to take. A student can be awarded a Pell grant once each year and can only have a grant through one school at a time. Students receive the Pell grant money from their college once each term in any of the following ways: 1) funds are credited to the student's account, 2) a check is written to the student or 3) a combination of each method.

Federal Stafford Loans

The federal Stafford Loan program offers two options to borrow funds to pay for college. Stafford loans are for students who are ultimately responsible for paying back the money.

Subsidized Stafford Loans

The federally subsidized Stafford loan is available to students who demonstrate financial need. The U.S Department of Education pays interest while the borrower is in school and during grace and deferment periods. A six-month grace period is available after graduation before the student begins payments of principal and interest. Students must be enrolled at least half-time to be eligible for this loan. The available amount each year depends upon the student's grade level and ranges from approximately $3,500 to $8,500.

Unsubsidized Stafford Loans

The unsubsidized Stafford loan is available to all students regardless of family income. Interest on the loan begins to accrue immediately. The student borrower can choose to pay the interest on the loan while he/she is in school or defer payments until after graduation. A six-month grace period is available after graduation, before the student begins payments of principal and interest, but interest continues to accrue during that period as well. Students must be enrolled at least half-time to be eligible for this loan. The available amount each year depends upon the student's grade level and ranges from approximately $5,500 to $20,500. This amount includes any subsidized amounts received for the same period.

Parent Loans to Undergraduate Students (PLUS)

Under the Parent Loans to Undergraduate Students, or PLUS, a parent may borrow money for a dependent undergraduate student enrolled at least half-time. A creditworthy parent may borrow up to the total cost of college attendance, minus any other aid your student receives. The program is available to parents at all income levels regardless of need. Unlike the Stafford loan program, payments on PLUS loans begin 60 days after the loan is disbursed.

Campus-Based Aid Programs

Federal Supplemental Educational Opportunity Grants

The Federal Supplemental Educational Opportunity Grant is available for undergraduate students with exceptional financial need. Priority is given to Federal Pell grant recipients. Awards are based not only on need, but also on the availability of funds at the school your student attends. Grants range from $100 to $4,000, and they do not have to be repaid.

Federal Work-Study
The Federal Work-Study program provides funding to schools for students to earn money while attending school to pay for educational expenses. The program is available for undergraduates and graduate students and encourages community service work and work related to course work. Part-time jobs can be on campus or off campus and students are paid at least minimum wage. There are no annual minimum or maximum award amounts.

Federal Perkins Loans
The Federal Perkins Loan program is administered by the school your student attends. The program provides $5,500 per year for eligible undergraduates and $8,000 per year for eligible graduate students. Loans are at 5% interest for both undergraduate and graduate borrowers and payments are owed to the school that made the loan. Repayment begins nine months after the student is no longer attending full time.

Scholarships

There are thousands of scholarships available to assist with college. The competition is sometimes fierce, so get a jump start on the process. Scholarships are awarded every year, and students are often eligible even if they don't qualify for need-based financial aid. Start with the high school guidance department, the library or a local bookstore for sources of private funding for college. Scholarships come in many forms. In addition to the most commonly known – academic and athletic – there are scholarships for particular areas of scholastic achievement or study, arts-based, community-based, religious- or ethnicity-based, and the list goes on. Also check with local civic and fraternal groups your student belongs to because many of them offer scholarship assistance.

Beware of scholarship search firm scams. Go to www.ftc.gov/scholarshipscams to ensure you are dealing with a reputable firm.

529 College Savings Plans

Section 529 College Savings Plans are state-sponsored plans named after the section of the tax code that governs them. These tax-advantaged plans offer a way to invest for college tuition and other expenses. They can be opened by anyone – a parent, grandparent or any other relative or friend – on behalf of a beneficiary. There are no age restrictions, no state or residency restrictions or income restrictions. All states offer a 529 savings plan, and some allow residents to deduct some or all of their contributions from state taxes. Contributions aren't deductible from your federal taxes. However, as long as the money is used for college, withdrawals are tax-free. Contribution limits are high – up to $300,000 per beneficiary for some state plans. You don't need a lot of money to get started because minimum investment requirements are small for most plans. Money invested in a 529 savings plan is not considered the child's assets when the federal financial aid formula is calculated. There are many 529 savings plans available with various investment options and fee structures, so shop around for the best plan. For more information about 529 plans, go to www.morningstar.com or www.savingforcollege.com.

Pre-Paid Tuition Plans

Pre-paid Tuition Plans are a second option under section 529 of the tax code. With a pre-paid tuition plan, you can purchase a contract that locks in tuition rates at state colleges or universities. The size of the payment you must make is set by state officials, depending on current tuition levels and the estimated year of enrollment for your child. The state invests the money hoping that they will realize a return that will equal what your child would have paid for the tuition when he/she arrived on campus. You don't have to worry about taking a loss if the stock market takes a dive. Some states even let you deduct your contributions to the plan on your state taxes. Not all states offer pre-paid plans and your contributions are limited to state schools. If your child chooses a private school or out-of-state college, the money can generally be transferred, but you will have to make up the difference in cost. To find out if your state offers pre-paid plans, go to www.collegesavings.org.

Coverdell Education Savings Account

If you want to design your own college savings plan, consider a Coverdell Education Savings Account. You can contribute $2,000 a year per beneficiary in mutual funds, exchange-traded funds or other investments for your child's education. The nondeductible contribution can be made in addition to contributions made to a traditional IRA or Roth IRA. The fund grows tax free and is controlled by the parent or guardian. Adults other than parents may also contribute. Withdrawals are tax-free as long as the money is used for educational expenses. You can use the money for primary or secondary private school tuition, along with college expenses. The funds must be used by the time your child reaches 30 years old. Income restrictions do apply so some high-income families may not be able to contribute.

Roth IRA

Using a Roth IRA is an excellent way to save for a college education. The Roth IRA is a very flexible investment vehicle because you can use it for a number of goals including a down payment for a home, saving for retirement and also financing a college education. Earnings in a Roth IRA grow tax-free, but contributions are not deductible. The 10% IRS penalty for withdrawing money before age 59 1⁄2 does not apply if the money is used for post-secondary educational expenses. You also will not be taxed if you withdraw the amount of your contributions.

Military Options

Branches of the military have a number of options for college education, including Reserved Officer Training Corps (ROTC) scholarships, the Montgomery GI Bill and funding for veterans and their children. For more specifics on each option, go to www.defenselink.mil.

REDUCE THE COSTS OF COLLEGE

In addition to understanding the process of financing a college education and the many options available, you'll want to create a strategy to get the most aid possible and to reduce the costs of your child's education. Here are some ideas:

Strategies for Getting More Financial Aid

1. Limit the amount of savings in your child's name. Financial aid officials will consider that 35% of your child's assets are available to use for college funding, while only 6% of your assets will be earmarked.

2. Avoid lump sum distributions during the junior year of high school. Financial aid officials review your tax returns for the year when your child is a junior/senior. Large distributions from the sale of a house or sale of stock will increase the amount of assets that appear to be available to pay for college, thereby reducing possible aid.

3. Shift assets like IRAs, retirement plans, home equity and the like to maximize possible aid.

4. Take advantage of tax credits. Visit www.irs.ustreas.gov to learn about the HOPE Scholarship Credit, Lifetime Learning Credit, Student Loan Interest Deduction and the Deduction for Higher Education Expenses.

5. Attend a Community College for two years.

6. Choose an in-state school instead of an out-of-state school.

7. Live at home during college. A large amount of money can be saved on room and board when your child lives at home during his/her college years.

8. Get involved in the AmeriCorps program. Your child can earn education awards in exchange for national service. There are also some loan forgiveness programs in fields such as teaching, medical service and some police and firefighting fields.

9. Explore the many military options that are available.

10. Tuition remission programs offer great benefits. Many schools offer employees and their dependents a program where tuition is free or reduced and you pay the tax on the actual amount that the class would have cost, similar to a forgiven debt.

11. Resident Assistant positions pay the cost of room and board for each academic year that your child is hired into that position. If your student wants to live on campus, he/she can become involved with leadership activities on campus, be a model citizen in the resident hall and obtain financial reward at the same time.

When you're looking at costs, use the following chart to compare the total costs of your top choices.

EXPENSES	College 1	College 2	College 3
Tuition and Fees			
Books and Supplies			
Room and Board			
Personal Expenses (clothes, laundry, entertainment, medical)			
Transportation (to/from school)			
TOTAL			

BE CREDIT WISE

When your child reaches the college campus, he/she will receive credit offers from companies that want to establish a customer for life. Arm your student with important knowledge about the wise use of credit, so he/she can make good decisions.

How to Establish Credit

Many people want to know how they can establish or re-establish their credit history. This is an important issue because credit records are essential to obtain credit. The information in your credit report is used by potential creditors to determine if you are a good risk.

Credit is a way of having something now and paying for it later. Many of us want to take advantage of flexibility in our spending plans by using credit. Credit isn't free; it's paid for by interest.

You can help yourself establish a good credit history by doing the following:

1. Open a checking and savings account at a local financial institution to establish a relationship with them. Make sure you show a savings habit and do not overdraft your checking account.

2. Apply for a loan that has collateral. For example, a car loan is many times easier to obtain because it is a secured loan. In the event you can't pay, the creditor can take the security (car). Unsecured loans, for example credit cards, are of more risk to creditors because there is rarely merchandise to take back in the event you can no longer make the payments.

3. Obtain a co-signer for your first loan or charge card. This will help establish your credit history.

4. Apply for a secured credit card. Make sure you have investigated the institution before you send any money. Be cautious of anyone who guarantees a card but requires up-front money to process your application.

5. If you are offered a pre-approved credit card through the mail, go ahead and send for it.

6. Open a charge account at a local department store with a small credit limit.

The "C's" of Credit

Qualifying for credit and proving that you are credit worthy will involve your ability to repay, your assets that serve as security and your attitude toward responsibility. In reviewing your application for credit, a creditor may use a point system called credit scoring or more commonly will look for what is called the 4 C's – capacity, capital, character and conditions. The items help creditors analyze their risk for approving the application for credit.

Capacity
Capacity looks at whether you have the financial capacity to take on the credit you are seeking. Creditors look at your income and your financial obligations to determine if you can handle the additional debt.

Capital
Creditors will look for what assets and resources you have. Do you have equity in a home? What is the value of your car? When evaluating capital, creditors will not only look at means of payment, they will also seek assurance that a debt could be paid from your assets if needed.

Character
Character is the most important aspect to the majority for creditors. What has been your

responsibility in paying your other debts according to the term of the contract? Creditors rely on credit bureau reports to determine your character. They also verify information provided by you on your application to determine if you have given accurate information.

Conditions

Creditors analyze current economic trends to determine if your ability to pay is at risk. If statistics show that your occupation is subject to high unemployment, strikes, layoffs, and seasonal work, it may affect the credit granting decision or change the terms of the loan.

The Cost of Credit

Credit can be expensive if it is not used wisely. As the illustrations below show, if you make a large purchase on credit and you make only minimum payments each month, the actual cost of the item you purchase will be significantly higher than the original purchase price. In order to minimize the cost of credit, save before making a purchase to put a larger down payment on the item and/or make larger than minimum payments each month after the purchase.

Item	Price	APR	Interest Paid	How Much You Really Pay for the Item	Total Years to Pay Off
TV	$500	18%	$439	$939	8
Computer	$1,000	18%	$1,899	$2,899	19
Furniture	$2,500	18%	$6,281	$8,781	34

Original Balance	APR	Monthly Payments	Total Number of Monthly Payments	Total Years to Pay Off	Total of Payments
$2,500	18%	Min Pmt	404	34	$8,781
$2,500	18%	Min Pmt + $50	94	8	$4,698
$2,500	18%	Min Pmt + $100	32	3	$3,163

Here is another way to look at the cost of credit. The following chart shows the interest you will pay each year at specific rates if your average daily balance is:

Annual Percentage Rate (APR)	Average Daily Balance		
	$1,000	$3,000	$5,000
12.0%	$120	$360	$600
13.0%	$130	$390	$650
14.0%	$140	$420	$700
15.0%	$150	$450	$750
16.0%	$160	$480	$800
17.0%	$170	$510	$850
18.0%	$180	$540	$900
19.0%	$190	$570	$950
20.0%	$200	$600	$1,000
21.0%	$210	$630	$1,050

Your Credit Report

A credit report is a record of data or information regarding the credit history of an individual. Credit Reporting Agencies keep and organize this information as a service to their clients.

A credit bureau is essentially a clearinghouse of consumer credit information. Credit bureaus compile information from many sources including:

- You when you apply for credit
- Creditors with whom you do business
- Public records such as judgments, bankruptcy, etc.

Subscribers, or users, of the information in your credit report include creditors, banks, department stores, leasing and financing companies, insurance companies, landlords and employers. Credit bureaus provide a very clear way for users of credit information to obtain information on how you've paid your bills in the past.

In the United States, there are three major credit bureaus. They are:

Experian
PO Box 2002
Allen, TX 75013
1-888-397-3742
www.experian.com

Equifax
PO Box 740241
Atlanta, GA 30374-0241
1-800-685-1111
www.equifax.com

TransUnion
PO Box 1000
Chester, PA 19022
1-800-916-8800
www.transunion.com

Keep in mind that providers of information to credit bureaus don't always report to all three major bureaus. So, when you review your credit report, you may want to review all three.

From SAT to Credit Score

Your student will work hard in high school to attain good grades and to do well on the SATs – a score that's critical to getting into their college of choice. As important as this score is, there's another score that will impact your child's life for a far longer time. It's their credit score, and the credit choices they make will impact that score the rest of their life.

A credit score is a number lenders use to help them decide – "If I give this person a loan or credit card, will I get paid back on time?" It is one of several pieces of information that auto, mortgage, credit card and other lenders use when evaluating an application for credit.

There are different types of credit scores. Credit bureau scores are based solely on information in consumer credit reports. Other types of scores may also include information from credit applications or bank files. A credit score is provided by the credit bureaus to your lender.

A credit score is a snapshot of your credit risk picture at a particular point in time. It changes as new information is added to your credit bureau report. Only information that is proven to be predictive of future credit performance is used.

Your credit score is based on information in your credit report such as:

- Payment history — current and historical delinquencies
- Level of indebtedness — outstanding debt balances, both in terms of dollars owed and as a percent of available credit
- Age of credit history
- Pursuit of new credit — generally called inquiries
- Variety of credit in use

Your credit score is **not** based on factors prohibited under the Equal Credit Opportunity Act (ECOA) including:

- Race
- Age
- Gender
- Religion
- National origin
- Marital status

Other factors excluded are income, employment and where you live.

The most common model for credit scoring is the FICO score. FICO scores range from 300 to 850 with the higher the score, the lower the risk of default. Each of the major credit bureaus can produce a FICO score based on credit information in its files.

There is no legal requirement for a lender to reveal a credit score to an applicant. But if an application is denied, the lender must reveal the reason(s) for the denial.

People often wonder what a good score is. A "good" score is a number that matches the level of risk a lender is willing to accept for a particular loan or credit card. For example, a score of 750 may qualify you for a gold credit card, whereas a score of 675 may indicate you're a better match for a standard card. Scoring systems have varying numeric scales. A score of 725 could indicate high risk in one system and low risk in another. It's hard to say what a good score is – it varies from lender to lender.

While you can improve your future score, it is unlikely that any single action you take will have a large impact on your score immediately. That's because your score reflects your credit patterns over time.

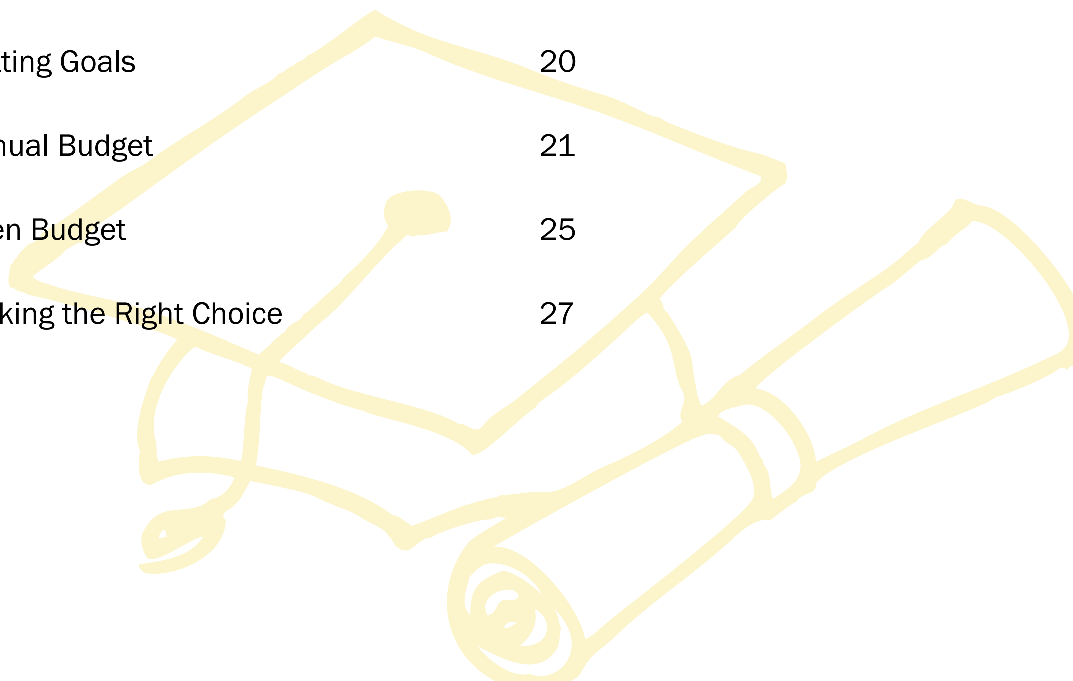
CONCLUSION

The "college years" life stage is not just about financing a college education. It's also another opportunity to learn and teach a way of life of personal financial success.

A common misconception among parents is that they are financially responsible for the entire college education. The reality is that a small percentage of parents actually pay the entire bill. More typical is that financing a college education is a team effort between parents and children. Explore all the options, communicate and work together to create an enjoyable – and yes, a sometimes stressful – experience.

Paying for college is a challenging puzzle that can be put together with a plan and perseverance.

Appendices



NET WORTH STATEMENT

In its simplest form, a net worth statement is what you own minus what you owe. Take some time to calculate your net worth and update it once each year.

ASSETS	**YEAR**	**YEAR**
Cash on hand	$	$
Cash in checking accounts	$	$
Cash in savings accounts	$	$
Current value of US savings bonds	$	$
Cash value of insurance policies	$	$
Equity in pensions	$	$
Current value of annuities	$	$
Retirement Funds (IRA, 401(k), 403(b), etc.)	$	$
Market value of securities	$	$
Stocks	$	$
Bonds	$	$
Mutual Funds	$	$
Market value of home and other real estate	$	$
Cash value of personal property	$	$
Automobile	$	$
Furniture	$	$
Appliances	$	$
Other (antiques, furs, jewelry, art, etc.)	$	$
Other assets	$	$
TOTAL ASSETS	**$**	**$**
LIABILITIES		
Balance on mortgages	$	$
Balance due on installment debts, i.e. auto loan	$	$
Balance due on charge cards	$	$
Personal loans	$	$
Current bills outstanding	$	$
Taxes due	$	$
Other liabilities	$	$
TOTAL LIABILITIES	**$**	**$**
NET WORTH (TOTAL ASSETS – TOTAL LIABILITIES)	**$**	**$**

SETTING GOALS

Goal	Short-, Mid- or Long-term	Total Amount Needed	No. of Months until Goal is Reached	Amount to Save Each Month

ANNUAL BUDGET

Per Month

SOURCES OF INCOME	AMOUNT (NET)
Employment (Primary)	$
Employment (Spouse)	$
Social Security	$
Pension	$
Alimony or Child Support	$
Commissions	$
Other	$
Other	$
TOTAL MONTHLY INCOME	**$**

SUMMARY OF EXPENSES	AMOUNT
Housing	
Mortgage	$
2nd Mortgage	$
Home Equity Loan/Line	$
Rent	$
Property Taxes	$
Condominium Fee	$
Homeowners/Renters Insurance	$
House Repairs/Maintenance	$
Gardening/Pool Service	$
Other	$
Other	$
TOTAL HOUSING	**$**

Utilities	
Gas	$
Oil	$
Propane	$
Electricity	$
Water/Sewer	$
Trash Removal	$
Telephone	$
Cell Phone	$
Other	$
TOTAL UTILITIES	**$**

Food	
Groceries	$
Eating Out Lunch	$
Dining Out	$
Coffee/Snacks	$
Kids Lunch Money	$
Other	$
TOTAL FOOD	**$**

Transportation	
Auto Payment 1	$
Auto Payment 2	$
Auto Payment 3	$
Gasoline	$
Insurance	$
Parking Fees/Tolls	$
Auto Registration/Plates	$
Public Transportation	$
Car Repairs/Maintenance	$
Other	$
TOTAL TRANSPORTATION	**$**

Health Care	
Health Insurance	$
Prescriptions	$
Co-pay/Deductibles	$
Other	$
TOTAL HEALTH CARE	**$**

Education	
Tuition	$
Books	$
Student Loans	$
Room/Board	$
Day Care	$
Newspapers/Magazines	$
Other	$
TOTAL EDUCATION	**$**

Clothing	
Purchases	$
Laundry	$
Dry Cleaning	$
Repairs	$
Other	$
TOTAL CLOTHING	**$**

Personal Care	
Beauty Salon/Haircuts	$
Cosmetics	$
Manicure/Pedicure	$
Toiletries	$
Other	$
TOTAL PERSONAL CARE	**$**

Entertainment	
Cable	$
Movies	$
Music	$
Sports	$
Hobbies	$
Internet	$
Other	$
Other	$
TOTAL ENTERTAINMENT	**$**

Pets	
Food	$
Vet	$
Insurance	$
Grooming	$
Other	$
TOTAL PETS	**$**

Other	
Tobacco	$
Alcohol	$
Religion	$
Charity	$
Lottery	$
Vacation	$
Gifts	$
Other	$
Other	$
Other	$
Other	$
TOTAL OTHER	**$**

Credit Cards	
#1	$
#2	$
#3	$
#4	$
#5	$
TOTAL CREDIT CARDS	**$**

Savings	
Emergency Savings Account	$
Other	$
Other	$
TOTAL SAVINGS	$
TOTAL MONTHLY EXPENSES	**$**

SUMMARY	
Total Monthly Income	$
Less - Total Monthly Expenses	$
Monthly Surplus (Deficit)	**$**

TEEN BUDGET

Per Month

SOURCES OF INCOME	AMOUNT (NET)
Allowance	$
Odd Jobs	$
My Job or Business	$
Gifts	$
Other	$
Other	$
Other	$
Other	$
TOTAL MONTHLY INCOME	**$**

SUMMARY OF EXPENSES	AMOUNT
Money I owe	$
Savings	$
College savings	$
Church or other charity	$
Gifts for family and friends	$
Car payments and/or insurance	$
Gas, oil, repairs, and taxes	$
Public transportation (bus, subway)	$
Lunch money	$
Eating out and snacks	$
Clothing and accessories	$
Personal care	$
School supplies and fees	$
Telephone bills (that I pay for)	$
Recreation and hobbies	$
Sporting equipment and fees	$
Entrance fees (skating rink, rec center, etc.)	$
Club dues, uniforms, etc.	$
Arts and crafts supplies	$
Things I collect	$
Things for my room (posters and such)	$
Books, magazines and library fees	$
Electronic equipment	$
CDs, DVDs	$

Video and computer games and software	$
Movies	$
Concerts	$
Other outings	$
Prom (dances or parties)	$
Vacations, special trips	$
Odds and ends	$
Other	$
Other	$
Other	$
Other	$
TOTAL EXPENSES	**$**

SUMMARY	
Total Monthly Income	**$**
Less - Total Monthly Expenses	**$**
Monthly Surplus (Deficit)	**$**

MAKING THE RIGHT CHOICE

Questions to Ask	Considerations
Who am I?	• What do I want out of college and life? • What are my strengths and weaknesses? • What do I like and dislike? • What kind of people do I like to be around? • How do my scores (SAT, ACT, grade point average) compare to the averages at schools I like?
What is the academic reputation of the school?	• How does the school I like rank among others in the field I am interested in?
Who teaches at the school?	• What's the quality of the professors? • Will I be taught by professors or teaching assistants? • What percentage of faculty members have doctoral degrees?
What facilities are important to me?	• How many quality majors are available? • Do I want sports facilities, nice dorms, music halls, state of the art labs, etc?
What size school is important?	• Do I want a small or large school? • Do I want a lot of interaction with professors? • Do I want small or large class sizes?
Where is the school located?	• Do I prefer an urban or rural setting? • Do I want to be close to home? • What kind of weather do I like? • What's the cost of living in the area? • What cultural activities are available?
Is there a type of student body that I would prefer?	• Would I fit in? • Does it offer the racial, ethnic and cultural mix that I want?
How much does it cost?	• Am I in demand by the school? • How does the cost compare to my other choices?
Do I really want to go to this school?	• Is this the best school for me?

COLLEGE BOUND

Preparing for lifelong financial success before starting college can be an overwhelming task for both parents and students. In fact, upon graduating from college, parents and students sometimes face mortgage-size debts. With a bit of planning, you can have peace of mind when it comes to those necessary college expenses. Become knowledgeable in topics such as: setting goals and creating a budget for use on and off campus, calculating college funds needs, identifying sources of college funding, choosing a funding option, and the importance of building and maintaining good credit history.

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