Financial Tips for College-bound Children

It's "college drop-off" time again, and your child may be returning to a familiar campus or anxiously awaiting new adventures that lie ahead. As a parent, you are no doubt excited as well, though it's also likely you're feeling a little concerned. Although your parental safety net will remain intact, it will be at a distance, and your children will begin to act more independently. With independence comes responsibility, as well as a great opportunity for children to take important steps toward financial adulthood with the benefit of *some* parental supervision. Consider focusing on the following areas as your kids prepare for their college experience:

- **Set a budget.** You may be providing your child with a monthly allowance, or your children may have savings, a job, be the recipient of a scholarship, or perhaps have a combined income source. When creating a budget, a good place to start is helping your children identify these different sources of funds as well as potential expenses, including necessities and "luxuries," such as entertainment, clothing, room decor, and other expenditures. This will help them build an understanding of priorities and set expectations regarding budgeting for necessities before splurging on a "fun" purchase.

- **Open a bank account.** If your college-bound children do not already have a bank account, they should open one now for daily living. Major national banks offer special student banking accounts, with lower minimum requirements and no fees, and may even have branches on campus. An accompanying credit card (with a low spending limit) will also help to establish a strong credit history for the future, but we recommend sitting down with your children to explain the importance of paying balances promptly to build and maintain good credit while avoiding late fees and high interest rates.

- **Save for emergencies.** This may be a tough one to instill in a college student, but it goes hand-in-hand with budgeting. Putting money aside for a "rainy day" is always a good idea, even at a young age. While it may be ambitious to follow the 50/30/20 rule (50% toward necessities, 30% for unnecessary items, and 20% toward an emergency fund), mutually agreeing on a monthly amount to be put aside for emergencies can serve as the foundation for sound future financial habits (and help to begin weaning your children from considering parents as their "emergency fund"). Of course, disagreements may arise regarding what constitutes an "emergency", so be prepared to explain that a weekend beach trip with friends is not an absolute necessity.

- **Be budget conscious.** From major companies like Apple to smaller local retailers and restaurants around campus, student discounts are often the norm, especially in the beginning of the school year. Encourage your children to take advantage of these deals and show how the savings can add up to a substantial amount, which may help them afford that beach trip without eating into emergency funds!

Watching your children set off on their journey to adulthood can be thrilling but also stressful. Instilling solid financial habits is a key part of developing successful independence. Palisade can work with you to help educate your children and make the journey easier. Please reach out to us with any questions you may have.
