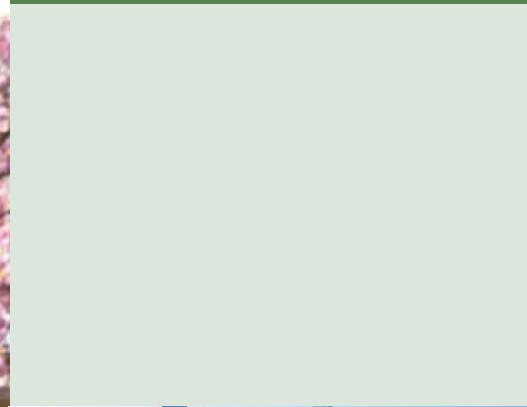


Money 101



A Financial Guidebook for MIT Students

Welcome to Money 101

By choosing to educate yourself about money matters, you are already on the path to independence and financial success. Although you may not realize it now, managing your money effectively from day one is crucial. The decisions you make as a young adult are likely to affect your financial future.

As an MIT student, you are among the best and brightest of students anywhere. However, some or most of the information in this guide may be new to you. If you've never lived on your own before, paying rent and utilities, buying groceries, balancing a checkbook, and building good credit can seem like overwhelming tasks.

This booklet is a resource that can point you in the right direction. Forming smart financial habits now will help you during your years at MIT and throughout your life.

Don't hesitate to call us if you have any questions! The experts at MIT Federal Credit Union can be reached weekdays from 8:00am to 5:00pm at 617.253.2845.

What's Inside:

Checks and Checking Accounts

Credit Cards

Student Loans

Credit History and Establishing Good Credit

Budgeting and Controlling Expenses

Conclusion

Checking Accounts

A checking account is one of the most important accounts you can have, since it is the account you will probably use the most often. Students typically use this account to pay bills and make purchases. You should open your own checking account ASAP if you haven't done so already.

There are many types of checking accounts, each with different features. Here are some things to consider when selecting a checking account. *The answers in italics explain the features of MITFCU's basic checking account.*

- **Will I have to pay a monthly fee?**
There is no monthly service or per-check fee!
- **Is there a minimum balance required?**
There is absolutely no minimum balance requirement!
- **Will I be charged a fee for teller transactions?**
No way!
- **Will I get an ATM or debit card?**
You will receive a Debit MasterCard[®] which allows ATM access and point-of-sale purchases.
- **Is there a fee if I use my debit card at another bank?**
Each month, you receive eight surcharge-free withdrawals and eight surcharge-free balance inquiries. To avoid receiving a surcharge from the bank who operates the ATM you choose, look for the SUM, InterCept Switch, MoneyPass, or CO-OP logos on over 35,000 ATMs across the country. TIP: Use your Debit Card to make a purchase at a store that offers cashback and you won't be charged to withdraw money from your checking account.
- **Will I earn dividends on my checking account balance?**
No, our basic checking account does not earn dividends. We do offer dividend bearing Plus and Select checking accounts.
- **Is there a limit on how many checks I can write each month?**
No!
- **What overdraft protection options do you offer?**
We offer an optional Share-to-Share Overdraft Protection feature that transfers funds from your savings account to your checking account for just \$5 per use. We also offer an optional Overdraft Protection Line of Credit.
- **Can I access my account and perform transactions online or on the phone?** *Yes! We offer FREE banking online (e-Branch), from your mobile device (MITFCU Mobile), & on the phone (MIT TouchTone Teller).*




Write the payee's name as far to the left as possible. Write the current date. Do NOT postdate checks. Checks are usually pre-numbered. Use consecutively for easy record keeping.

Sally S. Student
555 Memorial Drive, Apt. 3624
Cambridge, MA 02139
(617) 555-5000

Date May 26, 2010 **500**
00-000/000

PAY TO THE ORDER OF MIT Coop **\$56.67**

Fifty-Six and 67/100----- Dollars

 **MIT**
FEDERAL CREDIT UNION

MEMO _____ Sally S. Student

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Bank Identification Numbers (including your account number), written in Magnetic Ink Character Recognition. Sign your name exactly as it appears on your Debit/ATM card. Write the same check amount in both numbers and words. The written amount is legally binding.

To use funds in your checking account, you write a “check” (also called a “draft”) to the person or company you want to receive the payment. That individual endorses the check by signing it and depositing it in to his or her account. Your financial institution then processes the check and the funds are withdrawn from your account. It may take a few days before money is withdrawn from your account. And remember, until the check is cashed, an ATM receipt will not reflect the upcoming deduction.

Due to the lag between when you write a check and when the funds are withdrawn, you need to record what you spend. If your account holds sufficient funds to pay the recipient the amount you’ve indicated, the check “clears.”

It’s illegal to write checks without available funds in your account. If a check does bounce, you will be charged a nonsufficient funds fee of \$25 or more. To protect against overdraft fees, it is extremely important to maintain a sufficient account balance to cover each and every check you write.

Today, debit cards are almost always available with checking accounts. Debit cards allow you to withdraw or deposit funds at Automated Teller Machines (ATMs). You can also make purchases with your debit card virtually anyplace credit cards are accepted.

Unlike credit cards, however, debit cards instantly withdraw funds from your checking account (so you don’t have to pay interest). Think of a debit card as an electronic check. MIT Federal Credit Union provides a FREE Debit MasterCard with each checking account.

There are also ways to pay from your checking account online. MIT Federal Credit Union offers e-Bills, so you can pay your bills online via e-Branch, our online account access. This allows you to pay bills securely, with just the click of a button. You can make one-time payments or set up recurring payments towards your electric bill, cable bill, credit card, or other regular expenses.

Another convenient electronic option is called Funds Transfer. After logging in to e-Branch, you can move money between your various MITFCU accounts or transfer funds to and from your MITFCU accounts and your accounts at another financial institution. You can even set up transfers to pay people.

You can also set up direct deposit of your net pay into your checking account, which eliminates the need to cash a paycheck every time you’re paid! If you meet or exceed \$100 per deposit and maintain an active MITFCU checking account, you will qualify for all the benefits associated with Smart Money Rewards membership. Check out www.mitfcu.org/special/smart.

HOW TO BALANCE YOUR CHECKBOOK

1. Decide whether to balance your checkbook on paper (in a transaction register) or electronically (in a Word document or Excel spreadsheet).
2. Immediately after you make a deposit, write a check, use your debit card to make a purchase, or withdraw money from your account, note this activity. Document the type of transaction, monetary amount, and date.
3. When you receive your monthly statement or view your monthly online e-Statement, compare it against your transaction register. Put a check mark next to each transaction that appears correctly on your statement.
4. Note the ending balance on your monthly statement.
5. Your anticipated balance and the balance printed on the statement should match. If they don't, ask yourself...
 - Did you conduct a transaction after the statement date?
 - Did all checks clear, or are they still being processed?Adjust your statement balance by adding or subtracting accordingly.
6. If you cannot reconcile your balances or if you find a suspicious transaction, call us at 617.253.2845 or stop by as soon as possible.

TIPS FOR MANAGING YOUR CHECKBOOK

- Don't sign a check until you're sure all the information is correct and complete. If a check isn't usable, write "VOID" across it. A check with information crossed out or rewritten looks suspicious and may not be cashed.
- If you mail a check for deposit into your account, write "For Deposit Only" and your account number above your signature on the back of the check.
- If your checks have been lost or stolen, notify your bank or credit union as soon as possible to minimize the risk of forgery.
- Always make out a check with a pen or print using a typewriter, computer, or check writing machine. NEVER use a pencil!
- Cash checks you receive immediately, since checks held too long may be refused for payment.
- When you receive your monthly statement, make sure the check amount listed matches what you wrote in your transaction register. Don't forget to double check that you've been given full credit for all your deposits.

TIP: MIT Federal Credit Union offers FinanceWorks, a free service that allows you to easily manage your checking account and balance your budget.

Glossary of Checking Account Terms

ATM: Automated Teller Machine. A convenient computer terminal where you use an ATM card and your personal identification number (PIN) to withdraw, deposit, or transfer money from your account.

Balance: The amount of money in your account.

Check: A negotiable instrument directing your financial institution to pay another person, company, or organization with funds from your checking account.

Credit: A sum of money deposited into an account. Or, the ability to charge merchandise to borrow money.

Deposit: Money you put into your account.

E-Statement: An electronic version of your monthly statement.

Endorse: Sign the back of a check made out to you so it can be cashed or deposited.

Interest: A fee paid to you for keeping money in your account without spending it. Or, the fee you pay for money you have borrowed.

Joint Account: An account which more than one person can use.

Overdraw: To write a check for more than the available balance.

Overdraft Protection: A safeguard that automatically uses money from your savings account in the event that your checking account holds nonsufficient funds.

Reconcile: "Balance" your checking account with your monthly statement to make sure they match.

Statement: The monthly record of your account transactions sent to you by your bank or credit union.

Transaction: An activity you conduct on your account (such as a deposit, withdrawal, or transfer).

Transaction Register: A booklet that allows you to keep track of checks you've written as well as ATM deposits and withdrawals.

Voided Check: A check with "VOID" written across it so it cannot be cashed. You should keep a record of voided checks.

Credit Cards

Did you know that the average amount of credit card debt for an undergraduate student is \$2,700? That's pretty pricey, especially considering many students don't work while in school. While credit cards can be a useful tool, if you're not careful, they can very quickly become problematic. Many students become overwhelmed with debt they cannot pay off.

Each credit card contains unique terms and conditions. Be sure to carefully read the credit card contract before you sign it. Once you sign the dotted line, you've agreed to all the terms and conditions outlined in the contract. Know what you're getting into!

Get a number of different credit card applications and compare the contracts. Pay particular attention to the following criteria. *The answers in italics explain the features of MITFCU's Visa® Classic credit card.*

- **Does it cost anything to simply own the card, even if you don't use it? (This is called an annual or monthly fee.)** *MITFCU's credit cards have NO annual or monthly fees!*
- **What is the card's current interest rate? How is it calculated? Is this an introductory rate that will increase after a specified period of time or if the terms are not met?** *The Annual Percentage Rate is 10.99% as of April 11, 2010. It is indexed to the Prime Rate published in *The Wall Street Journal's* "Money Rates" table, plus 7.74%. The interest rate will never be greater than 18%. The rate is calculated using the average daily balance, including new purchases. This is NOT an introductory rate.*
- **Is the interest rate fixed or variable?** *The rate may vary each quarter, but it will always be indexed as the Prime Rate plus 7.74%.*
- **Is there an interest-free grace period before payment is due? How it is applied?** *The grace period is 25 days from the date of purchase. There is no grace period for cash advances or balance transfers.*
- **Are there fees or penalties for late or not making minimum payments?** *Late or reduced payments carry a \$25 charge.*

Look for a card with little or no annual or monthly fee and the lowest interest rate you can find. If you pay your bills on time and never exceed your credit limit, you don't have to worry about additional fees. There are thousands of different credit cards in the United States, so shop around and get the best deal you can!

INTEREST CALCULATIONS

Of course, you want to choose the credit card with the lowest interest rate you can find. However, to find the best deal, you have to do more than look for the lowest annual percentage rate (APR). Some credit card companies offer a low introductory rate, called a teaser rate. This gets your attention, but it only applies for the first few months you have the card. A careful reading of the contract will reveal if the introductory rate is only valid for a short time or if it will increase if you make a late payment.

You should also consider the method creditors use to calculate the interest you owe. The following example shows two different methods of interest calculation — average daily balance excluding new purchases versus average daily balance including new purchases. In this example, you charged \$1,000 and paid the minimum amount due during month one. Your account has an APR of 19.8%.

Excluding New Purchases

Average daily balance.....	\$16.50
Two-cycle.....	\$32.80

Including New Purchases

Average daily balance.....	\$33.00
Two-cycle.....	\$49.05

The most common method of interest calculation seems to be the second method — average daily balance including new purchases. Take note that the APR is the same in both examples, but the method of calculation and the actual cost are quite different.

**Do your homework — don't get stuck with a mean credit card.
Check out MITFCU's Friendly Visa.**

We offer MIT students a Visa Classic credit card with a low rate, NO annual or hidden fees, simple terms and conditions, and a credit limit of \$1,000. This lets you build a credit history without the danger of amassing huge debt, and falling into a potentially bad situation with other credit cards that often come along with high rates, complicated terms and hidden or annual fees.

To get an MITFCU Visa, students need to either show proof of income or have a co-applicant that is joint on their card.



GRACE PERIOD

It's also smart to pick the card with the longest grace period (the interest-free time a lender allows between the transaction date and the billing date). Most grace periods last from 20 to 30 days. If there is no grace period, finance charges accrue the moment a purchase is made with the credit card.

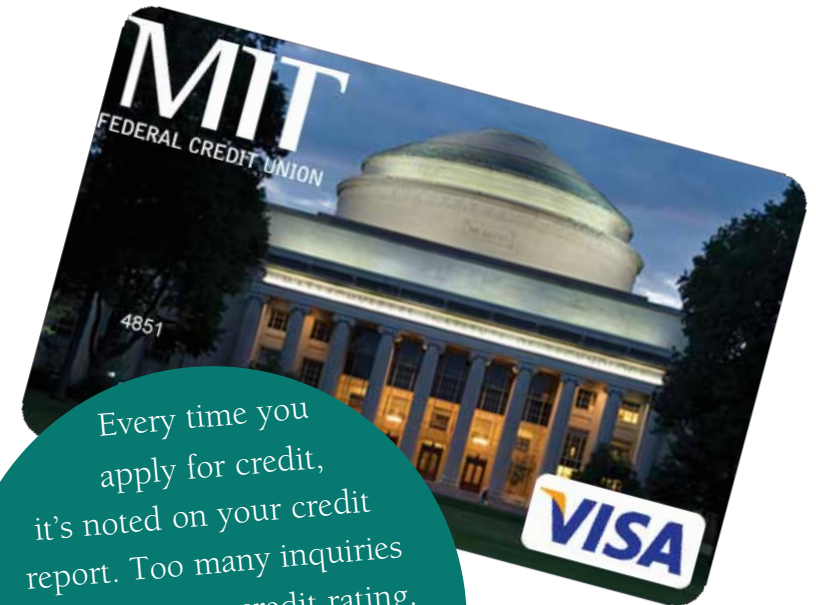
Also, find out if the grace period applies to new purchases if you carry a balance. Most creditors only offer a grace period if YOU have a zero balance. If even a penny is still owed from a previous statement, the grace period is no longer valid. Therefore, you're charged interest from the moment you make the purchase.

MANAGE YOUR CREDIT CARDS

Once you have your credit card, think carefully about when you want to use it. It's advisable to use a credit card in an emergency or if you know you can pay off the balance each month. But be forewarned — credit card debt can quickly sneak up on you! Here are some helpful hints to avoid this sticky situation.

- **Pay off your monthly balance!** Some credit cards charge 20% or more in interest. If you pay off your monthly balance, you'll avoid these pricey finance charges.
- If you are unable to pay off the entire monthly balance, at least **pay more than the minimum amount required**. Increasing your payments by just a few dollars a month can significantly reduce the total interest you owe and the time it will take you to pay off the balance.
- **Try to use less than 40% of your credit limit.** If you charge up to the maximum amount allowed by your credit card, creditors may classify you as a high risk borrower. You'll be offered less-favorable terms once you're considered a high risk.
- **Pay when the bill arrives, not when it's due.** Interest is calculated based on the average daily balance. Reducing your balance early in the billing cycle will reduce the interest. If you do this consistently, the savings are significant.
- **Recognize introductory offers.** Most introductory offers will increase to a much higher interest rate after the specified time.

- **Be aware of annual or monthly fees.** Some companies may charge fees of up to \$100 per year. Look for no fee credit cards.
- **Avoid cash advances.** Typically, if you use your credit card to get cash, an additional fee is charged to your account and interest begins accruing immediately.
- **Be aware of punitive fees.** Late payment, overlimit spending, and returned check fees vary by company, and may reach \$40 per incident.
- **Check your statements.** Read your statements carefully and call the credit card company immediately if you have questions about any of the charged items.
- If you have more than one credit card, **pay off higher interest rate cards first.** You'll save money in the long run.
- If you can, **transfer balances from high rate cards to low rate cards.** Make sure that the new card does not charge a fee or consider the balance transfer as a cash advance, which normally carries a higher interest rate than straightforward purchases.



Every time you apply for credit, it's noted on your credit report. Too many inquiries may lower your credit rating. Think twice before applying for credit cards that you don't need or won't use (like store cards).

Student Loans

As college tuition continues to rise each year, many students rely on loans, grants, scholarships, work study, and employer assistance programs. Because they reflect an investment in your future, Student loans are considered “good debt”. There are several student loan options to consider.

FEDERAL LOAN OPTIONS

A federal student loan allows students and their parents to borrow money to help pay for college through loan programs supported by the federal government. They usually have low interest rates because they are capped by the government. The most common type of federal student loans are Stafford and PLUS loans.

Subsidized Stafford loans provide low interest rates and are available for students demonstrating financial need based on income and information provided on the Free Application for Federal Student Aid (FAFSA). A credit check is not required. The federal government pays the interest until six months after the student is no longer enrolled in school at least part time.

Unsubsidized Stafford loans provide low interest rates and are available to all students regardless of financial need. A credit check is not required, but the FAFSA must still be filed. The student is responsible for the interest, which may be paid while the student is in school or accrued and added to the principal balance when the student enters repayment, which occurs six months after the student is no longer enrolled in school at least part time.

PLUS Loans can be obtained by parents to help pay for the education for their children. (Graduate students may obtain PLUS loans to help pay for their own education.) PLUS loans require a credit check and, in some instances, an eligible cosigner. Repayment of PLUS loans begins following the final disbursement for the year. Graduate students may be able to defer repayment until they are no longer enrolled in school at least part time, but interest will continue to accrue.

PRIVATE STUDENT LOANS

Private student loans help students fill the funding gaps that federal aid can leave behind. Private loans should be used when all other federal aid and low-cost sources of funding have been exhausted. Student loans are held in the name of the student and, unlike Stafford loans, they often require a co-signer. They are issued by private lenders and are not guaranteed or subsidized by the government. Instead, the interest rate is based on the student’s credit and/or the credit of any co-signers they have on the loan.

WHEN CHOOSING A LENDER

Most banks and credit unions offer student loans with varying interest rates, grace periods, and repayment terms. All lenders are not alike, so it is important to research potential lenders to ensure their financial stability and the credibility of the loan offer. Look for a lender that will give you the best deal, as well as excellent customer service. Ask about rebates and other money saving incentives.

MITFCU offers private student loans

We offer a certified private student loan through our partnership with Credit Union Student Choice. Providing incredible convenience, a line of credit allows you to apply just once and then make multiple draws over the course of your college career. An annual credit review will be performed in order to authorize future draw requests.

Unlike for-profit lenders, MITFCU exists only to serve the best interests of our members. This allows us to offer lower loan rates and fees than other, more traditional “private” lenders. The most important differences for you are: zero origination fees, more flexible repayment terms and lower overall loan rates. In addition, co-signers may be released from the loan after 48 months of on-time payments.



To learn more
about MIT Financial Aid,
call 617.253.4971 or
visit web.mit.edu/sfs

To learn more about MITFCU
Credit Union Student Choice
student loans, visit
www.mitfcu.studentchoice.org



TIPS FOR BORROWING STUDENT LOANS

- **Borrow only what you need.** Don't forget, you have to repay the money you borrow plus interest. Investigate all your other options. Scholarships and grants don't need to be repaid. (MITFCU offers scholarships each spring! Visit our website www.mitfcu.org in March for more information.)
- If you do decide to take out a loan, **borrow the minimum amount** you need to pay for your education.
- **Calculate your approximate monthly payment.** Will you be able to make your student loan payments when they're due? Once you enter repayment, multiply your aggregate loan amount (the total amount you will borrow) by 0.0121328 if the interest rate is 8%; by 0.0126676 if the interest rate is 9%; or by 0.0106066 if the interest rate is 5%. This will give you an idea of the approximate monthly payment you'll owe.
- **Pay interest on your unsubsidized Stafford Loan while you're still in school.** If you choose to have the loan capitalized, the interest during your school years is added onto the amount you borrowed — you'll be paying interest on top of interest! By paying the interest while you're in school, you will lower the monthly repayment amount and reduce the overall cost of the loan. We've provided an example below.

Each student borrowed \$4,000 with an 8.25% interest rate and a 10 year repayment period. Student A paid the interest on the loan while in school. Student B didn't, so the interest was capitalized at repayment. There's quite a difference in the monthly payment and the total cost of the loan!

STUDENT A		STUDENT B	
Amount Borrowed	\$4,000.00	Amount Borrowed	\$4,000.00
Monthly Payment (while in school)	\$27.50	Monthly Payment (while in school)	\$0.00
Monthly Payment (after graduation)	\$49.07	Monthly Payment (after graduation)	\$65.25
Total Cost of Loan	\$5,888.00	Total Cost of Loan	\$7,830.00

Credit History and Establishing Good Credit

Your credit history is carefully examined when you apply for a credit card or cell phone plan, sign up for a loan, buy or lease a car, purchase a house, rent an apartment, or apply for a job. Credit history reflects whether or not you've been successful in managing your finances to date. Establishing a good credit history is extremely important, since information on your credit report remains there for seven years. Financial mistakes made in college can be costly, even after graduation.

Your credit report is maintained by credit reporting agencies. Potential creditors use this information to decide whether or not to grant you a credit card or a loan. In addition, your credit report often determines your interest rate. The better your credit report, the lower the interest rate. Credit reports reflecting late payments and delinquent accounts often increase the interest rates charged by financial institutions. Creditors are also unlikely to grant credit to someone who has erratic employment, changes residence frequently, or who represents a significant risk. A consumer with a poor payment history or with an unfavorable debt-to-income ratio represents a risky investment.

Landlords look at your credit report to see payment history and note how often you move. If a prospective tenant moves around a lot and doesn't always pay rent, his or her application may be denied. Employers may also reject applicants based on credit reports. Employees with unstable financial situations may pose a risk.

You should review your credit report annually. Errors can and do appear on your credit report and, if not corrected, can adversely influence your credit history.

Once a year, you can order a free copy of your credit report by telephone, online at annualcreditreport.com, or mail. In addition, you are entitled to another free copy if you've been denied credit within the last 60 days. The creditor who rejected your application must inform you of why you were rejected and provide the name and address of the credit reporting agency he/she used.

The Three Major Credit Reporting Agencies

Equifax

PO Box 740241
Atlanta, GA 30374

www.equifax.com/fcra

TransUnion

PO Box 6790
Fullerton, CA 92834

www.transunion.com

Experian

PO Box 9554
Allen, Texas 75013

www.experian.com

CREDIT REPORT: What to Look For

- **Check your personal information.** If you notice mistakes in your name, current or prior addresses, date of birth, or Social Security Number, your records might have been confused with someone else's.
- **Look for credit information that does not belong to you.** Sometimes, someone else's information ends up on your report. There might have been a data entry error, or perhaps your name or address is similar to someone else's. Accounts and creditors that you don't recognize should be addressed immediately. Extraneous information can indicate an error that will likely be repeated, or fraudulent activity could be taking place.
- **Check for missing credit information.** You might have established a good payment history with a creditor, but there's a chance the history hasn't been reported. You can request that missing information be added to your report.
- **Check the accuracy of reported information.** Compare your own records with the activity reported by the creditor (particularly if the creditor is reporting a derogatory statement). If the creditor reports the account went into past due, but you were never more than 30 days late with a payment, you can dispute the notation. You should also verify the creditor's notations of 30, 60, 90, and 120 days past due. If you were 30 days past due and somehow the information is recorded as 60 or 90 days past due instead, your credit is negatively affected. The error needs to be corrected promptly.
- **Investigate unpaid obligations.** If you discover information that suggests that a prior obligation has not been met, this information will have to be addressed. If the notation is an error, you will need to have it investigated by the credit reporting agency.
- **Check negative public information.** Of course, make sure this information pertains to you and not someone else. If you do not recognize the public information noted on your credit report, it could be a mistake or perhaps a default judgement because you failed to appear in court. If this information is inaccurate or false, you may need to consult a lawyer to have it corrected by the courts.
- **Make sure that no negative information remains on the report longer than is legally permissible.** In general, the maximum number of years for negative notation to remain is seven years. In the case of bankruptcy, the maximum is ten years.

IMPROVING YOUR CREDIT REPORT

First and foremost, make sure that you make all your payments on time. If you move or your bills get lost in the mail, you are still responsible for making your scheduled payments. If you have difficulty making a payment, contact the creditor and inform them of your situation. Most likely, they will work with you to assist you in meeting your obligations.

Here are some additional tips to improve your credit report:

- **Get current and stay that way.** Start by getting all accounts current (i.e., paid up-to-date). Then, pay on time every month. Every month that goes by that is reported as "current" improves your credit. Keep in mind, a delinquency this month is weighed more heavily than a delinquency that occurred eleven months ago.
- **Close unused accounts.** If there are accounts on your credit report that you don't use, contact the creditors and close the account. When creditors calculate your debt-to-income ratio, they use your total credit limit rather than the amount of credit you have actually used. Contact your creditors and close lines of credit that you do not use. Do so in a written letter sent by certified mail with return receipt correspondence (so you can be sure that the creditor received your letter). Also, keep copies of all your correspondence with creditors for your records. Make sure the credit reporting agencies note on your report that the consumer, not the creditor, closed the account.
- **Reduce your debt.** Again, by improving your debt-to-income ratio, potential creditors are more likely to offer you credit. Recent responsible use of credit is considered especially favorable.
- **Add statements.** The Fair Credit Reporting Act allows you to include a 100-word statement to explain any derogatory notation on your credit report. If there was a legitimate, unavoidable reason for the delinquency, you would be well-advised to make that information available to potential creditors. Consumer statements are more effective when a previous record of responsible credit backs up your claim.

Budgeting and Controlling Expenses

Effective planning and budgeting are essential activities you must master in order to remain financially healthy. As with any activity, it will require discipline and commitment to excel... but dedicating the time and effort will pay off in the long run. The remaining portion of this booklet will focus on the steps you must take to create an effective financial plan of action.

KNOW YOUR FINANCIAL SITUATION

The first step is to determine where you stand right now financially. **Gross income** is what you earn before taxes and deductions. **Net income** is what you actually have in your pocket after taxes and deductions. Use net income when calculating your budget and allotting your spending money. Check with your employer to ensure the proper amount is deducted for taxes. If you have any student loans, be sure to deduct the cost of their fees when determining your available resources.

Calculate your monthly net income from all regular, recurring sources. Don't include unreliable sources, such as bonuses and future raises. Remember that student loans are not disbursed monthly, but rather once at the beginning of each school term. Other sources of income may include commissions, military benefits, welfare, interest/dividends, family contributions, etc.

CREATE A SPENDING PLAN

Developing a spending plan is not very complicated; sticking to it is the hard part. Determine your monthly expenses, such as rent, car insurance, groceries, personal expenses, and other costs. Then, subtract your monthly expenses from your monthly income to determine if you have money left over. If you're in a deficit, you'll need to either reduce your expenses or increase your income.

There are three common kinds of expenses:

- **Fixed expenses** cost the same from month to month. Things like mortgage, rent, and car payments are usually fixed expenses.
- **Variable expenses** are items that change in cost from month to month, like groceries, entertainment, and gas. It is easy to lose track of variable expenses and spend money without thinking about it.
- **Non-monthly expenses** include items such as car registration, taxes, and insurance. Plan ahead for non-monthly expenses by calculating the monthly cost and setting aside that amount of money each month. Therefore, if your car registration is \$120 a year, you should set aside \$10 a month for this expense.

KEEP A RECORD OF DAILY EXPENSES

As you create your budget, you will be estimating many of your monthly expenses. You can be certain of fixed expenses, such as rent, but your variable expenses will fluctuate from month to month. Expenses such as entertainment and dining out can add up very quickly. Keeping track of these variable expenses for a month can help you determine where you're really spending your money.

To track these expenses, jot down what you spend in a small notebook you keep in your pocket or purse. Or, you may prefer to always ask for (and keep) receipts for everything you buy. Another useful method is to write down purchases on the back of your ATM receipts.

After a month, total your receipts and compare them with your estimates for each category. You may be surprised at how much you spend on certain things. This process may reveal areas where you can save money. Eliminate unnecessary spending and reallocate funds to where you really need them.

DISTINGUISH BETWEEN A WANT AND A NEED

For most people, this is by far the most difficult part of learning to properly manage their finances. A **need** is something that is important for survival, such as food, shelter, or clothing. A **want** is something we desire beyond our needs. While our needs can be concretely met, our wants can be limitless.

You must determine the distinction between your needs and wants. Something that is a necessity to one person may be a luxury to another. You certainly need to eat, but do you need to dine out? If you need to dine out, do you need to eat in expensive restaurants?

After a month has gone by and you have compared your actual expenses with your monthly estimates, determine which expenses are real needs and which represent wants.

There may be places where you need to make cuts. Where can you make reductions in your spending so that your money can be redirected for better use? Is it possible to save some money each month? It's smart to develop this habit now.

You should be living like a student now, or you'll end up living like one later. That means that you should limit your expenses as much as you can now to limit the amount of debt you accumulate.

Don't borrow needlessly! If you can reduce your student loan debt by cutting expenses, you will be much better off once you graduate and have to repay your student loans in a timely fashion. Many students graduate with both student loan and credit card debt. Even after graduation, they have to live frugally because they overextended themselves while in school.

If your income exceeds your expenses, you have room to manipulate your budget and design a savings plan to make the best use of your money. Consider cutting expenses in order to reduce your student loan debt. Also, make sure you make interest payments on your unsubsidized Stafford Loan. As we mentioned earlier, this will reduce the overall cost of your loan and lower your monthly payments.

If your expenses exceed your income, you will need to increase your income, cut expenses, or both. You may be using credit to augment your income. Operating at a deficit will only make the future even more difficult, especially if you're buying time with credit. If you have been operating at a deficit, you need to make changes now. Remember, live like a student now, or you will have to live like a student later. Reduce expenses as much as possible to live within your means right now.

MAINTAINING A BUDGET

Once you've developed a budget, you can maintain it and fine tune it for accuracy. Although it can be a pain to track every penny, it's worth it in the long run. After all, the more precise your budget is, the better an indicator of your financial situation. In the beginning, you should review, evaluate, and revise your budget on a monthly basis. Later on, monthly review is no longer needed because your expenses and income are more constant.

There are several common methods for reviewing and revising your budget. Some people use daily, weekly, or monthly ledgers, while others keep receipts in labeled envelopes. You can also use computer software to assist you as you track your expenses.

It is important that the method you choose yields an accurate picture of your earning and spending habits. Your budgeting method must also be comfortable and relatively painless, so you'll continue using it. If you make a system too cumbersome or demanding, you may end up not maintaining a budget at all. On the other hand, if your method is easy but inaccurate, it won't be much use in making plans for the future.

Budget Worksheet													
<i>Your Monthly Earnings</i>													
Paychecks	_____	Student Loans	_____										
Financial Aid	_____	Other	_____										
TOTAL		_____											
<i>Your Monthly Spendings</i>													
Rent	_____	Insurance	_____										
Food	_____	Entertainment	_____										
Car / Transport	_____	Savings	_____										
Gas	_____	Phone	_____										
School Supplies	_____	Personal Care	_____										
Clothes	_____	Other	_____										
Laundry	_____	Other	_____										
Student Loan	_____	Credit Card	_____										
Interest Payments	_____	Payments	_____										
TOTAL		_____											
<table border="0" style="width: 100%; border: none;"> <tr> <td style="width: 33%; border: none;">_____</td> <td style="width: 3%; border: none;">-</td> <td style="width: 33%; border: none;">_____</td> <td style="width: 3%; border: none;">=</td> <td style="width: 28%; border: none;">_____</td> </tr> <tr> <td style="border: none; text-align: center; font-size: small;">total monthly earnings</td> <td style="border: none;"></td> <td style="border: none; text-align: center; font-size: small;">total monthly spendings</td> <td style="border: none;"></td> <td style="border: none; text-align: center; font-size: small;">surplus or deficit</td> </tr> </table>				_____	-	_____	=	_____	total monthly earnings		total monthly spendings		surplus or deficit
_____	-	_____	=	_____									
total monthly earnings		total monthly spendings		surplus or deficit									

START SAVING

You may not think you have the financial resources to start saving now, but it's a good idea to get in the habit of setting aside a portion of your income (regardless of its size) for savings. Once you start doing so, you'll develop discipline and can gradually increase the amount you save over time. If you put \$5 a week in a savings account that earns 2% interest, in five years you will have saved over \$1,300.

USE CREDIT WISELY

As mentioned earlier, credit should be carefully maintained and used only for emergencies and planned purchases. Examine your own attitude toward credit. Are you more likely to make a purchase if you use credit? Would you make that same purchase if you had to go to the bank and get cash? Does using credit artificially raise your standard of living?

The proper way to raise your standard of living is to increase your income. Increasing your debt will only lower your standard of living in the long run. So, develop self-discipline and avoid impulse buying!

FinanceWorks
powered by Quicken



MITFCU offers FinanceWorks, a free service that allows you to see your complete financial picture all in one place.

***Manage your finances in one place**

View your complete financial picture across 16,000+ financial institutions and creditors

***See where you're spending your money....**

So you can stay on budget and find ways to save

***Ensure bills are paid on time**

Track all your bills in one place, no matter how you pay them

***Know how much money you really have to spend**

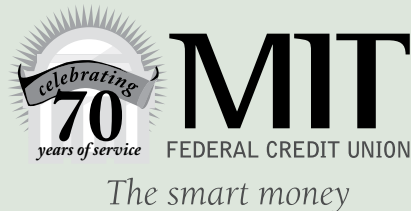
View your projected balance based on upcoming transactions and paycheck deposits

Conclusion

Now that you understand how to manage your money, it's up to you to put this knowledge to use. Take the time each month to review your budget and examine your monthly expenses. Wherever possible, reduce your expenses and increase your savings.

This is an ongoing process; it will take effort on your part to budget successfully. Living within your means might require sacrifices now, but you will be much better off in the long run.

Join or get
to know us better...



CALL

Give us a call
and we'll discuss if
student membership
is a good fit for you
(and your family)...
and answer all
your questions.

VISIT

Stop in at a branch:

Tech Square Branch

Bldg NE48 - 700 Technology Sq
Monday-Friday, 8:30am-4:00pm

Student Center Branch

Bldg W20 - 84 Massachusetts Ave
Mon-Wed & Fri, 9:00am-4:30pm
Thurs, 9:00am-5:30pm

The value of Student Membership.

Savings Account

A \$5 deposit opens and maintains your membership. Your savings account is ATM accessible, has NO monthly fee, and earns dividends with just \$100.

Checking Account

Our FREE checking account has NO minimum balance, NO monthly fee, offers overdraft protection options, unlimited check writing, free check images, free online banking and bill payment, free monthly e-Statements or paper statements, and your first order of basic checks is free.

Electronic Services

Technology has changed money management to simple keystrokes at a personal computer.

e-Branch: View up-to-the-minute account activity, transfer money, and export your data.

MITFCU Mobile & MITFCU Texting: On-the-go account access, anytime, anywhere from your internet-enabled mobile device to get account balances, transfer funds, and make payments.

e-Statements: FREE electronic versions of your monthly statement. Secure and environmentally friendly.

e-Bills: View and pay your bills for FREE. Stay on top of your finances with e-mail alerts for bill arrivals, due dates, and upcoming payments.

e-Deposits: Deposit checks into your account with just a computer and an image scanner.

FinanceWorks: See your complete financial picture all in one place, including MITFCU accounts plus over 16,000 financial institutions and creditors.

Debit MasterCard®, which also serves as an ATM card, makes shopping with your checking account hassle-free.

Visa® Credit Card

Students can apply for a credit card with a \$1,000 limit. Start building good credit history.

Student Loans

We offer an alternative student loan to help fill the funding gaps federal aid can leave behind. Offers lower rates, zero origination fees, and flexible repayment options.

Down the Road

We're your lifelong financial partner. After graduation, we can help you finance your car, home, wedding, or a vacation. Plus we offer a full range of savings, insurance, and investment products.



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please join MIT Federal Credit Union today!

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AND SIGN UP ONLINE, AT YOUR CONVENIENCE!**

Or, join in person at either of our campus branches.