Back-to-School Budgeting

Going to university or college can be stressful for any student. Choosing the right school is important, while deciding which program to take will impact future career direction. Making living arrangements and getting set up for school – perhaps being away from home for the first time – may add to the stress.

Considering the challenging circumstances, no student wants to be worried about their finances as well. The cost of post-secondary education continues to climb, as do living expenses in general. It doesn't take much for debt to accumulate in a hurry if the student isn't financially prepared.

Learning how to manage finances, and even investing for the future if possible, are lessons that will be valuable for life. Here are some personal finance tips for students to act upon.

Put a plan in place

Devote some time to getting organized and understanding your current finances, including your cash flow situation. Having a logical and thorough plan can help you avoid financial missteps that may negatively impact you now and in the future.

A big part of this plan will be creating a budget that captures a snapshot of your finances, letting you see where you're doing well and where you have opportunities to improve your money management. Two key components of a budget are income and expenses. Let's look at both components in turn.

Know your income sources

Before you decide on certain expenditures, figure out how much money you have available. Consider all sources of income, such as financial support from parents or other relatives, withdrawals from your Registered Education Savings Plan, funding from scholarships or grants, and employment earnings. If you have bank accounts or investments that generate income, factor that into your budget as well. Remember that some of your income sources may be taxable, so account for potential income tax obligations.

Track your expenses

Expenses are inevitable, but it's important to use credit and debit cards wisely given the high cost of carrying debt. If you don't pay down – or, preferably, pay off – your debt in a timely manner, the interest costs could make a huge dent in your budget. Common student expenses include but are not limited to: tuition; school supplies like textbooks and computers; clothing and personal care; accommodations and furnishings/household goods if away from home; transportation; groceries and dining out; phone and internet; leisure and entertainment. Be as accurate as possible with the dollar amounts.

Distinguish needs from wants

Although advertising and marketing make everything sound like a "need," in reality much of it is merely a "want." Similarly, some things are needs but you can still watch your costs. For example, you need a phone but do you need the latest model or the biggest data plan? Do you need a vehicle or can you walk, take public transit, get lifts from friends or use taxis/ride-sharing as required? Only you know your unique circumstances and what's high priority and what's "nice to have." If you can avoid or reduce a certain expense, you'll be in a stronger financial position. Stay in control and don't be tempted by websites, social posts and apps that offer "amazing" deals you cannot afford – or don't even need.

Build an emergency fund

Whether at school or elsewhere, you never know what may happen. Having an emergency fund that can keep you out of financial difficulty may offer peace of mind. If possible, set aside in your budget whatever money you can on a regular basis (e.g., monthly). Maybe your laptop breaks down and you must buy a new one, or your vehicle suddenly needs repairs. Whatever the case, an emergency fund allows you to cover unexpected costs. If you don't need the funds, consider it money saved for the future – perhaps a down payment on a home or eliminating your student debt. You may even use some of it for a vacation or other discretionary expense.

Are you (or your child) heading to post-secondary school? Contact us today for help with budgeting and goal setting.

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