

**STOCKTON CENTER FOR
ECONOMIC & FINANCIAL LITERACY**
THE RICHARD STOCKTON COLLEGE OF NEW JERSEY



**Stockton Peer Financial Education Program
Credit and Budgeting 101 for College Students**



College Students need to know about Credit.

Credit is defined as one's ability to pay for goods and services previously purchased.

Open End vs. Closed End Credit

Open End Credit is used as needed until your line of credit is maxed.

Ex: Your favorite store credit card (Target, Macy's, Nordstrom, etc.)

Closed End Credit is regular, equal payments for a specified time period.

Ex: Mortgage loan, car loan, installment loans for furniture

Your Credit Score (range from 300 – 850 points)

Your ability to borrow money is based on a score, just like your GPA. The best-known and most widely used credit score model in the United States was developed by the Fair Isaac Corporation. It is named after them and called the FICO score.

- The score is considered your credit "riskiness".
- The higher the score, the more valuable the borrower.

3 FREE Credit Bureaus:

There are THREE credit bureaus that give you a free credit report: These bureaus are Experian, Trans Union, and Equifax.

You can order your free credit report once per year from these 3 at www.annualcreditreport.com. Do not believe any advertisements about free credit reports at any other website.

Although credit seems to be intimidating, it can actually be beneficial. Credit is an essential for emergencies when you do not have the needed amount of cash. If you do your research, certain credit cards will have reward points, flight miles, or even give you cash back! In order for you to receive these deals, you must pay back what you owe!

What Is a Good Credit Score?*

Excellent Credit Score is anything above 720

Good Credit Score can be anywhere from 680 to 719

Average Credit Score can be anywhere from 620 to 679

Poor Credit Score can be anywhere from 580 to 619

Bad Credit Score can be anywhere from 500 to 579

Anything lower than 500 is considered miserable.

* The average Credit Score for students between the ages of 18-24 is between 550 – 650

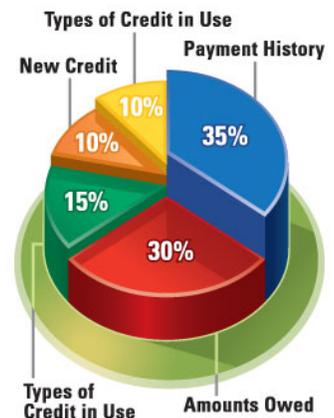


Figure 1 shows the percentages of what makes up your credit score.

Budgeting is a spending plan that allows you to live within your means.

A college student's budget should contain the following:

- A record of any income
- A record of expenses, including fixed and variable
- An amount set aside for regular savings
- An amount set aside for an emergency fund



Variable expenses: expenses that change, or vary, every month.

Examples: Clothing, food, gas, or entertainment

Fixed expenses: expenses that remain the same every month/quarter

Examples: cell phone bill, car payments, loan payments or rent, a tuition payment plan

Build Up An Emergency Fund

What if you get a flat tire? Or your car battery dies? Or your laptop breaks down? Everyone needs money for emergencies.

In case of emergencies, you should have an account that has enough money to cover your necessities for a *minimum of 3 months*. (Financial guru Suze Orman argues that this should be 6 – 9 months!) This will keep you from falling into deep debt and gives you time to come up with a plan to get you back on your feet.

To stay on top of your expenses, it is important that you “pay yourself first”, meaning that every time you receive a paycheck or any large amount of money, you should put at least 10% into your savings account. This will build up over time due to compounding interest.

College students can begin to develop a personal budget by tracking their “cash flow” on a regular basis—that is, the money coming in and the money being spent. Try tracking this just for 1 month and you may be surprised to see where the money disappears!

Suggested Further Resources:

Making a budget:

https://www.mint.com/?cid=ppc_g_nb_all_stan_us_pfs+nw+kywrds+o_bdgt+crt_how+to+create+a+budget_b&ven=g&priorityCode=6041300000&c=79152&kw=how%20to%20create%20a%20budget&kid=56866&gclid=CK7a9_OajqCFcTe4AodJyPUxw

Cash Flow Statement:

<http://office.microsoft.com/en-us/templates/statement-of-cash-flows-TC001046101.aspx>

Information regarding credit cards:

<http://www.creditcards.com/credit-card-news/credit-card-industry-facts-personal-debt-statistics-1276.php>

For Information on average credit scores:

<http://www.creditkarma.com/trends/age>

<http://www.freescore.com/good-bad-credit-score-range.aspx>

References:

<https://www.mint.com/>

<https://www.annualcreditreport.com/cra/index.jsp>

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