

## Stick to a Plan

One way to live within your means is to follow a spending plan. A spending plan outlines different categories of expenses and how much money you “allow” yourself to spend over a given period. This type of financial tool is forward looking and spending within those limits will allow you to not only live a comfortable lifestyle, but also to save. If you see that you are consistently spending more than what you plan for, see where you can cut back.

## All in Due Time:

It would be very nice if you could begin your adult journey by renting the place you want to live, buying the car you want to drive, and having the furniture, clothes, and other worldly goods that you desire. Nonetheless, you are not likely to have any of these things until and if you earn them.

You need an apartment, but the landlord will not rent to you because you don’t have a job that pays you enough to be able to afford the rent. You cannot get a car loan because you do not have the income to pay back the loan. You find that you have to pay as you go because no one wants to give you credit.

In order to get a job you will need experience. It is easy to complain that you cannot get experience until someone gives you a chance. However, you cannot blame an employer for that. You have to go out and get those skills, but how will you get an income while going to school to learn what you need to know so you can get the job you want?

Life can be tough, but do not despair. Talk with others about the issues you face, especially those who have been successful and who have your best interests at heart. You have to get along in this world, with your decisions and your career choice, and much of it will depend on your self-reliance and perseverance.

# Financial Literacy for the student provided by:

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# AFFORDING YOUR CHOSEN LIFESTYLE



How to pay for what you get  
and get what you paid for

When you live on an allowance, your expenses are typically limited to food and travel. Although you may not realize it, you are already facing the same major budgeting decision as people earning a salary: the choice between getting what you *need* and getting what you *want*.



The very foundation of a person's lifestyle generally depends on the job he or she has and the income he or she earns. It creates limits for what is affordable on a daily basis: whether you go out to dinner once a week or for special occasions; whether you can buy a new sports car or whether you buy a used car. Understanding what is within your means is a key to being financially responsible, and will actually have a positive impact on your quality of life.



### The Benefits of Being Financially Responsible

- ❖ Good credit history – ease of obtaining loans with favorable terms
- ❖ Employment
- ❖ No stress from collection calls or lawsuits
- ❖ The satisfaction of accomplishing something through planning and saving

No matter how much money you earn, if you spend more money every month than you make, your life can become defined by juggling payments and the burden of unmanageable debt for years.

### Not All Debt is Bad Debt

Debt that allows you to make more money in the future is “good” debt. For example, when you take out a mortgage to buy a house and ultimately pay back the loan, the house becomes yours. If you are able to sell it later on for more than you paid, this is a good debt. Also student loans can be considered good debt if your profession will allow you to earn enough money to pay it back and earn a higher income in the future. On average, college graduates make twice as much money as high school graduates in their lifetime.

Before taking out such loans, consider whether or not you will be able to manage the monthly debt burden with your current income. If you cannot, then the loan will become bad debt.

### The Most Powerful Tool at Your Disposal

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Even living if you live within your means, anything can happen. Your car can break down unexpectedly. You can lose your job or get sick and have enormous hospital bills.



Putting away money each month and building a savings account can help you be prepared for hardship situations. The recommended savings rate is 10% of your income.

Also, having savings can be extremely important in getting better deals for you loans. While borrowing money is not necessarily a bad thing, the smaller the amount of your loan, the lower the rate you will have to pay for it.

Building a strong savings account can be difficult because income is limited and there is a wide array of expenses to meet. However, given the importance of having emergency funds, here are some tips to building a “nest egg”:

### Tips for Building a Savings Account

- ❖ Plan for as many expenses as possible – whether it's paper towels or a new video game or a laptop, shopping around for the best deals will result in savings
- ❖ Be aware of impulse spending - before you make a purchase ask yourself, “do I really need this?”
- ❖ Interest Rates – know that different banks offer different rates for a savings account. The difference between 2% and 4% can really add up
- ❖ Set money aside as soon as you get your paycheck – this will ensure that you actually put money away and will curb impulse buys
- ❖ Do not touch your savings account – avoid using the funds in your savings account to pay your monthly bills. Otherwise, you're not really saving it.
- ❖ Have a goal in mind – if you have something in particular to save for, you will be more motivated to put money away
- ❖ Every little bit counts - a penny saved, is a penny earned.

### Financial Goals

No matter what your goals are in life, they will probably require money, whether it's to go on a vacation to Europe or spending more time with your friends. Your goals should reflect your values and priorities. Identify what is important to you: education, hobbies, friends, travel, etc. In order to attain them, make sure your goals:



- ❖ Are specific and realistic
- ❖ Employ the resources available to you
- ❖ Are outlined by detailed steps
- ❖ Have measurable benchmarks