

Avoid Credit Chaos

Credit allows us to make large, necessary purchases — such as a college education, a car or a house — by borrowing money now and paying it back over time. We can also buy things we want, like a computer, clothes or school books. This is a loan, which accrues interest. The longer it takes to repay the amount owed, the greater the cost in the end.

Things to discuss:

1. If you use a credit card you're taking out a loan and it must be repaid. Read the fine print carefully. Compare cards and features before signing up.

2. Pay more than the minimum. Interest adds up, so don't let a late night pizza turn into a \$42 burden by stringing out payments.

3. Safeguard account numbers and other personal information. Don't leave bills, blank checks and financial items lying around.

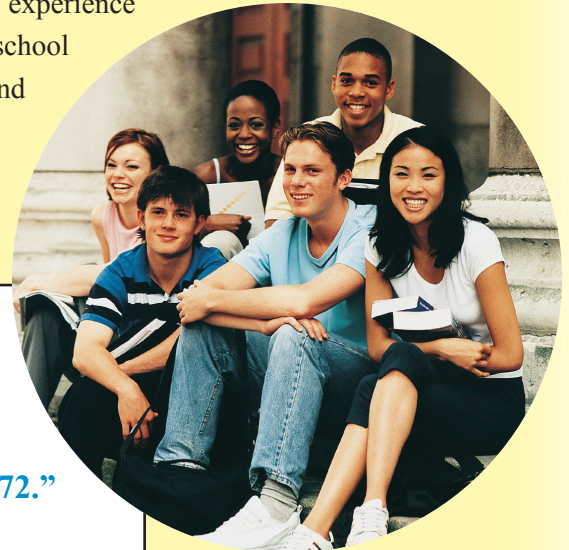
Cars, College and Chaos

Tackling Money Issues That Face Young Adults

Young adults face significant financial challenges. Many of them are driving — car payments, gasoline, insurance, repairs! Plenty hold down at least a part-time job — taxes, withholding, the IRS! And college costs from tuition to rent, transportation, food, clothing and more can simply be overwhelming. Yet many young people have never lived on a budget. In a world of instant gratification, many have trouble managing their credit. They run the risk of racking up big debts even before they get that first “real” job. Some will be paying off tuition loans for many years. All young adults will have to make their way in a world that hasn't adequately prepared them to be on their own financially.

Concepts Every Young Person Should Know

So how can they better prepare themselves? And how can you help them on the road to financial independence? Start by discussing some basic principles. Try tackling the list below, on a weekly or monthly basis. Discuss each concept candidly, sharing your own experiences — *both good and bad* — and help them take advantage of opportunities to gain “real life” experience on a small scale, before they learn from the school of hard knocks. For additional information and ideas on explaining these principles, go to www.aba.com/Consumer+Connection and click on the **Young Adults** section.



- 1. Map your financial future.**
- 2. Pay yourself first.**
- 3. Start saving young.**
- 4. High returns equal high risks.**
- 5. Money doubles by the “Rule of 72.”**
- 6. Budget your money.**
- 7. Know your take-home pay.**
- 8. Don't expect something for nothing.**
- 9. Your credit past is your credit future.**
- 10. Compare interest rates.**
- 11. Don't borrow what you can't repay.**
- 12. Stay insured.**

Tuition. Tuition. Tuition.

Besides their homes, Americans probably pay more for college educations than any other single expenditure. A college education is expensive, but the return can be immeasurable. Study after study confirms that college educated Americans generally do better financially over the long haul.

allow families to save for college expenses on a tax-advantaged basis. There are academic and athletic scholarships to lessen the sting of high tuition, as well as work-study programs at many colleges and universities that allow students to work



Earnings Based on What One Learns

Master's	\$63,473	Average annual income of salaried workers at various education levels
Bachelor's	\$43,782	
Some College	\$27,566	
High School Graduate	\$23,594	
High School, No Diploma	\$16,053	

Source: U.S. Census Bureau, Sept. 2000

So how do you pay for college?

If you are already saving, or you are thinking ahead for younger children, you've made a good start. If your teen is considering where to apply and you are exploring options now, consider making an appointment with your local banker.

Fortunately, there are plenty of resources available online to help future college students and their families prepare for the expense of a college education. These include the Parent Loan for Undergraduate Students (PLUS), outright bank loans and 529 college savings programs that

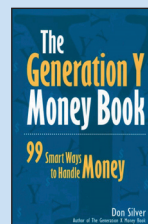
part-time to pay for their education. There is a solution for every student. Getting an early start saving money is the very best way to prepare for a college education.

Bottom line: It is possible to pay for college. It just takes good planning and saving. Contact your local banker for more information.

Related Books

● The Generation Y Money Book: 99 Smart Ways to Handle Money

by Don M. Silver

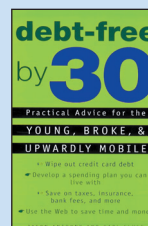


Specifically geared to the 60 million American teens and young adults born between 1977 and 1988, this book explains

basic concepts such as spending habits, bank accounts, shopping tips, investments and credit cards.

● Debt-Free by 30

by Jason Anthony & Karl Cluck



Filled with common sense advice about getting out of debt (or staying out) and preparing for the future, this easy-to-read book

is presented with humor.

Related Web Sites



- www.aba.com/Consumer+Connection offers a concise list of "Credit Card Dos & Don'ts" to share with your teen. Click on **In Charge – Credit**.
- www.ntrb.org is sponsored by the National Endowment for Financial Education (NEFE), this educational and informative content is managed and maintained by young adults.
- Visit these sites to find information on scholarships and financial aid: www.collegeispossible.com www.fastweb.com www.finaid.org

While the ABA Education Foundation exercises discretion in selecting the above-mentioned Websites, it does not endorse and is not responsible for the content or the privacy practices of these sites.



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¹ 12 Financial Principles compiled by the JumpStart Coalition for Personal Financial Literacy. For more detailed information, visit the **Young Adults** section on www.aba.com/Consumer+Connection.