

Podcast - Money Management

Dave: Welcome to Illinois State University's Financial Aid Podcast for October 2007. As always, I'm Dave Kreuger, your guide to the exciting world that is Financial Aid...and it looks like today could be short. I haven't seen Bridget around anywhere....wait here she comes. Nice of you to make it.

Bridget: <out of breath> Sorry, there's all kinds of people giving out free stuff all over the quad.

Dave: Uh huh...is that where you got the pink cowboy hat? It's very...ah...fashionable?

Bridget: Yeah! And I got this t-shirt, a newspaper, and I have a chance to win a trip to Vegas. Vegas! WOO!

Dave: Woo indeed...did you have to do anything to get this stuff?

Bridget: Not really, all I had to do was fill out credit card applications. It's like a one page form, so I was like, whatever, ya know?

Dave: Uh huh...so, exactly how many credit cards did you apply for?

Bridget: Just four. But this other guy looked like he was giving out DVDs, so I'll prolly hit him up after I leave here.

Dave: Wait, did you say four!?! Why would you want four credit cards?

Bridget: Why not!?! It's like free money, right? I can just charge whatever I want and not have to worry about it until later. My roommate just got a fog machine and found one of those things they use to put on laser light shows on eBay. It's going to be awesome!

Dave:... "it's like free money"...of all the ignorant...wait, this could be good. Let's have a chat about credit cards.

Bridget: I thought we were going to talk about some Financial Aid stuff?

Dave: Well, money management can be a big part of financial aid. It all kind of fits together.

Bridget: But what to credit cards have to do with it?

Dave: Credit cards are great if you know how to use them properly. However, misusing them can end up costing you big time!

Bridget: How so?

Dave: Well, you need to be careful. It can be easy to get credit, but there can be some high interest rates involved, not to mention fees. How much are you paying on your credit card each month?

Bridget: Oh c'mon, I'm not stupid – I'm making the minimum payments.

Dave: Minimum payments might be okay, but not great. Did you know if you have a \$1000 balance on a credit card and you make the minimum payment of twenty-five bucks with an interest rate of 18%, it will take you over 5 years and cost you almost \$1000 in additional interest.

Bridget: So wait...that's...that's like, double, right?

Dave: More or less. So you should try to pay more than the minimum. Doubling the minimum would be great, but anything more will above the minimum would be helpful.

Bridget: Anything else to keep in mind?

Dave: Shop for the best interest rate possible. Beware of the teaser rate! Some credit cards offer very low initial rates, but watch the fine print – many of those low introductory rates end after a period of time and jump to a very high rate – some in the 20% plus range.

Bridget: I wonder how many of those I just signed up for...

Dave: Probably two or three, but that's beside the point. You should also only use credit cards when absolutely necessary. Don't use them to pay off bills or buy "consumables" that are used once and then are gone, like gasoline, food, concert tickets. You'll feel bad once the bill comes and you're still paying for pizza you ate two months ago.

Bridget: Ok, yeah, that all makes sense, but I don't have a lot of money. I have a job, but it seems like the check is gone before I even cash it. My credit card has been easy to use after all my cash is gone.

Dave: Well, there's no time for change like the present. You might as well start saving money now so you can get in the habit of creating good spending habits. You should really create a budget and start a savings account.

Bridget: Dude, I don't even know what a budget is!

Dave: Did you just "dude" me? Anyway, you need to identify your monthly income and your monthly expenses. You can also look at any savings you currently have. You may have to make some sacrifices at first - like cutting down the number of pizzas you order each week. Your goal is to have enough income to cover your standard monthly expenses (cell phone bill, stuff like that) and then look at other expenses that vary each month – like groceries, gas, or laundry.

Bridget: I don't really keep track of that stuff though.

Dave: Well, then you can estimate. If you don't have enough income to cover these expenses – you may need to cut back on your spending or pick up some more hours at work.

Bridget: At least I have a job, my roommate isn't so lucky. She uses her credit card for EVERYTHING and she's not even working.

Dave: Tell her to bookmark this link: IllinoisState.edu/jobs. She can search for on- and off- campus jobs. It's easy to use and can be accessed at any time. New jobs are posted weekly so if she doesn't find something right away – tell her to keep looking.

Bridget: Ok thanks, I'm going to try and catch those people on the quad and get my applications back.

Dave: Before you go threatening people, I've got one more thing for you.

Bridget: Oh?

Dave: Are you putting any money into savings?

Bridget: Savings...well...ah...I guess...no...but what about....naw....

Dave: Let's go with "no" and save some time. You should really try to save something – anything every month and put into savings or some sort of money market account. I know it's more fun to go out to eat every night, but you have to think of it as "paying yourself first." Treat saving money as just another expense that has to be taken care of each month. That way you'll have it in your budget.

Bridget: I guess I could manage that, but I've got my whole life to save money. Why start now?

Dave: I'm going to drop a new phrase on you: "compound interest." If you save \$100 a month – quit giving me that look, I know, that seems like a lot. But if you can save \$100 every month from the age of 18 – 28 and then STOP saving, by the time you're 65 you'll have more money than if you saved \$100 per month from age 28 – 65. That's compound interest.

Bridget: Holy-

Dave: You're telling me...if I only knew that then...

Bridget: Look, you can be bitter later, I need to start saving money now! Hey, you like this hat? I'll sell it to you for twenty bucks! C'mon, what do you say?

Dave: I say that's all the time we have for this week! Tune in next time when we talk about how to apply for financial aid and scholarships. You can listen to this and other podcasts by visiting [IllinoisState.edu/financialaid](https://illinoisstate.edu/financialaid).