

# 9 Things Every College Student Should Know About Money

## Thing 1 Presentation Transcript

### YOU'VE GOT TO HAVE A PLAN

You've got to have a plan.

### BUCKY AND PENNY

Penny: Hey Bucky! What are you doing for Spring Break?

Bucky: Hi Penny, I'm not sure I'll have enough money to go anywhere this year.

### LEARNING OUTCOMES

Hello class! Let's begin today's class by discussing how to create your financial plan by using the "9 Things" financial planning process. This is the model that I use for my personal financial planning and developed specifically for this class so you can use it too. So first, determine your current situation. Next, set your goals. Develop your budget. Differentiate between a need and a want. Manage your cash flow. And review and revise your plan.

### KEY TERMS    Sticky Notes

Before we get started, let's review some key terms you'll need to know when dealing with financial planning. Click on a sticky note to review the definitions for each of these terms.

### PLANNING PROCESS

Now, let's explore the "9 Things" financial planning process. First of all you have determine your current situation. You can't know where you're going unless you know where you're at *now*. Next you need to set goals, create a budget, determine your needs vs. your wants, understand cash flow, and then review and revise your plan. We'll go into these in more detail in just a minute, but for now you can click on each one of the buttons on the left side of the slide to get a little more information about each step in this process. When you're done, use the NEXT button to go to the next slide.

### 1. CURRENT SITUATION

Determine your current situation. You know, for lots of us we think, "Oh well, determining your current situation must mean how much money do I have right now?" or "What is my strategy for what I'm going to use with the little bit of money that we've got?"

What you don't think about is there's a lot of external factors that can influence your current

situation. So let's talk about some of those and then reflect on how these questions affect you and how you think about money.

### **BRAD ASKING CLASS 1**

Instructor Brad: So how do you think about money?

PENNY: DAYDREAM-SHOES

### **BRAD ASKING CLASS 2**

Instructor Brad: So, how does money affect your hopes and dreams for the future?

Friend: RIDE THE BUS

### **BRAD ASKING CLASS 3**

Instructor Brad: What about your cultural values?

Friend: LAB WORKBOOK

### **BRAD ASKING CLASS 4**

Instructor Brad: So sort of wrapping this all up, how do your family values affect how you think about money?

Bucky: DAYDREAM

### **GET ORGANIZED**

Okay, one of the most important things about creating a financial plan is that you have to get organized. You need to come up with some kind of a system for managing your financial records. That could be an online system, you could use an app--there's a lot of good software out there than you could use. If nothing else just get out a piece of paper and track it that way.

Create a financial routine, in other words you set aside time and you do it every month or every two weeks or even better every week. Pull your bills out of wherever you store them and go through and pay those bills that are due. Be sure to monitor your bills on at least a weekly basis, if not more often. Do the same with your bank accounts—and make sure you know *what is there?* Make sure that you have a firm grasp of what your financial position is at all times because of this routine that you're going to keep you up to date.

One of the first things that you should do is get a file folder and start gathering your personal records so you can get them organized. If you've got student loan documents, you

should know exactly where those student loan documents are. If you have financial application documents you should know the location of those documents as well. As you move through your degree audit plan, you should know exactly where those documents are at any time.

Start gathering your personal records and put them into a filing system, where you can retrieve them whenever you need them. Same thing with your financial statements. I would highly recommend that you utilize online banking, which most of you probably already do. Online banking is a much better way than manual banking in order to keep yourself organized and up to date.

## **2. SET GOALS**

The next step in the financial planning process is to set goals.

### **SET A SHORT TERM GOAL**

There are three types of goals. There's short-term goals, mid-term goals, and long-term goals.

Let's talk a little bit about short-term goals. Typically short-term goals we'd like to describe within one to three years. Something that's tangible that you can accomplish in a shorter period of time so that you can build up some confidence in yourself.

Things like selecting a major. You know, this is going to drive your eventual career, but it's a very important decision that needs to be made as quickly as possible while you're in college.

*The term "Graduate Sooner"--* by this we mean shortening your time to degree. The less time that it takes you to work your way through college and graduate can save you thousands of dollars. Actually, it can save you *tens of thousands of dollars*, especially if you're a non-resident student. Shortening that time to degree, putting together a degree plan that makes sense, so that you can get through in--hopefully four years—is going to save you a ton of extra money by not having to pay for that fifth or sixth year.

How about working for a 3.5 GPA or whatever your GPA goal may be. Set that GPA goal and go for it! And obviously you should have a short term goal of making an "A" in this class. All of you have the potential to make an A in this class. And I wish you well, I hope you get

there.

And what about studying abroad? The University of Oklahoma's very high on studying abroad. I think you should consider it. I think it's a once in a lifetime opportunity while you're in college to be able to do that sort of thing and it's definitely something to be considered.

Those are just examples. You're going to have to come up with your own goals and determine your own things that you're trying to accomplish, but hey, this is just a place to start.

*Hey-did you know that research shows that those who write down their goals are more likely to accomplish them?* So, while you're thinking about your goals, go ahead and take a few minutes now to jot down some of your short term goals and why they are important to you.

## **COLLEGE MAJORS**

Let's take a few minutes to look at this interactive chart.

Click on the button "College Major." Now, select a major you want to review and then check out the lifetime salary. Go ahead and make note of this as well, and be sure to include the year. Next, check out a few other majors and compare them.

How does your degree and major compare?

## **STUDY ABROAD VIDEO**

Purpose: To provide a preview of information about OU's Study abroad opportunities including, who, when, where, why and how you can go on study abroad!

[studyabroad.ou.edu](http://studyabroad.ou.edu)

## **SET A MID-RANGE GOAL**

Mid-range goals. Mid-range goals are a little further out—now I'm talking 3-5 years out. For most of you, since you're college students, is going to be landing that job or landing that career or getting that career started in whatever business you've chosen. It's whatever is going to launch you on your career path that is going to have to be your 3-5 year goal.

What is the launching pad for that? Well, it's going to be how you present yourself. It's your resume. It's how well you write. It's how well you speak, and how you can present yourself

to convince whomever it is that you're either applying for a job for or asking for money to start your business from.

You want to impress them to the point where they're saying, you know what, I'm willing to take a risk on that person. I'm either going hire him or I'm going to provide them with some venture capital so that they can start their business. Now not all employment is created equal, so we've actually provided you with some employment projections here to sort of help you understand what's out there in the market.

## **EMPLOYMENT PROJECTIONS**

### **SET A LONG TERM GOAL**

Long term goals. Long term goals are usually 5-10 plus years. These are the things you set a vision for, and then it takes years to realize that vision. Sometimes that can be difficult especially when it comes to saving because we are used to having instant gratification. But when you're setting your long-term goals, it means you're buying into a life progression.

For example, a long-term goal may be to get married. If you're going to get married that might include a long term goal of having children. If you're going to have children, that may include a long term goal of saving for their college education. So, you see, it's a life progression based on the decisions you make. You may have a long term goal to build your career. All of you need to have a long term goal of saving for your own retirement, because hopefully you're going to live for a long time and have many, many years in that retirement.

Setting those long-term goals and having that ability and tenacity to see those long-term goals through is important in life. Because if you just live for the moment and you don't plan ahead then you're always going to be reactive instead of proactive, and you're not going to put yourself in a position to succeed long term.

There's a place for all of them, there's a place for short-term goals, getting it done now, mid-range goals, things that you can see on the horizon but that you need to accomplish in order to build on for bigger things down the road. Then there's a place for your long-term goals; your career, your retirement, your children, their education, those sorts of things. That's goal setting. You have to have goal setting, not only in your financial planning, but in your life. Visualize it, go for it, set that goal, achieve the goal, set another goal a little bit

higher and go for that one. So while you're thinking about your mid-term and long term goals, take a minute to write them down now.

### **SELF-ASSESSMENT M/C**

Bucky wants to go on spring break with his friends but doesn't have enough money.

### **3. DEVELOP YOUR BUDGET**

Next step in the financial planning process, developing your budget.

### **SECRET TO FINANCIAL SUCCESS**

You may remember, in the video we talked about determining your budget as a very simple process. You basically just have two columns, one is income, or revenue, the other one is expense, or debt, and then you compare those two columns, and you want to make sure you have more revenue, then you have debt.

So it's very simple. Where do college student's revenues usually come from?

Well from mom and dad, from a job possibly, and from financial aid sources. Now, some of you might have a grandparent that's helping out and that's wonderful. But for most college students those are the big three.

Next, you need to determine your expenses. Now you're all going to have different expenses, because you all come from different backgrounds, different cultures, and different spending habits. You are going to have a few things in common. You're all going to have to pay for tuition and fees, you're all going to have to pay for books, you're all going to have to do those sorts of things. You need to identify what those expenses are, and write them down, and total them up, so you know what your total amount of spending is going to be for the period of your budget.

*The secret to financial success--spend less than you make! That's it.*

### **SELF-ASSESSMENT T/F**

The best way to start your financial success is to build a plan.

### **4. NEEDS VS. WANTS**

Needs versus wants, the next step in the financial planning process.

## **DETERMINE NEEDS AND WANTS**

Needs versus wants, probably one of the most difficult things that we do when it comes to financial planning. We have to determine the difference between what we need versus what we want, and that is not always a simple task. You know it's easy if you follow Maslow's Hierarchy of Need. You know, we all need food, we all need shelter, you're all college students so you all need books, and you all need to be able to pay tuition. However, after that, things become very individual, it's up to you.

There are many examples out there, about what you need versus what you want, and the decisions that you make here are going to have large ramifications for you going forward. Ask yourself some questions. Do you need to spend that money? Do you need to have that car? Do you need to have this or that item? Or, is it the next part of it that you simply wanted? Needs are things that you have to pay for first. You have to pay for your needs and get them established within your financial plan so that you have them taken care of. But once you go beyond your needs go out and figure out how to get the things that you want.

If you want to go on vacation or spring break, then what you need to do is to save money in order to be able to afford that trip. If you want something, if it's a goal of yours that you've set up, then determine a plan that you can put together that will allow you to save up for what you want, and make that a part of your financial plan. But the key is to always paying for your needs first. Don't use money that is designated for your needs to go out and get things that you want that are really, truly discretionary items.

## **HELP BUCKY DETERMINE    Drag/Drop**

Needs vs. Wants.

## **SPENDER OR SAVER?**

So again, the 9 Things model is pay for the things that you need first, then go out and get the things that you want. The other big question then is--*are you a spender or are you a saver?* Most of you probably know the answer to this right away. But if you have dollar--do you hold onto that dollar? Do you save it? Do you grow that dollar? Or do you move quickly to release that dollar into the economy and allow it float to somebody else?

Whether you are a spender or a saver is going to determine much of how you deal with your needs versus your wants. You need to recognize what kind of personality you are so that you can have a plan for how you deal with that.

## **BUCKY FINDS \$500**

Bucky: Hey Penny, do you have your budget ready for class today?

Penny: Bucky--hello. I'm just putting the finishing touches on my wants list.

Bucky: Guess what I figured out when I reviewed my needs and wants listed in my financial plan?

Penny: By your expression, it looks like good news.

Bucky: I found \$500 dollars for spring break by foregoing my daily Grande-upside-down-double-shot-espresso-mocha-cappuccino!

Penny: That is unbelievable! I had no idea coffee could add up to so much!

## **5. MANAGE YOUR CASH FLOW**

The next step in the financial planning process--managing your cash flow.

### **START HERE**

#### **CASH FLOW CONSIDERATIONS**

Let's talk about cash flow. You know, you can have the perfect plan as far as the expenses and the revenue is concerned. You can write it down and have, on paper, have plenty of money coming in paying for the expenses going out. But you know what? You can still get it wrong though, if you don't take into account cash flow. It took me awhile to sort of pull all of this together, but typically when you look at a budget, many times it's an annual budget or a monthly budget, but when you look at it on paper, it'll look like you have plenty of money coming in to pay for that overall budget of what you have going out. But sometimes, the amount of dollars you have coming in doesn't match up well with the expenses you have going out.

Perfect example, college students. College students have to pay tuition and fees at very different times--once in the fall, once in the spring, possibly in the summer if you're going to summer school. At those couple of times a year, you need more cash on hand than you would during a typical month. You have plan for that. You have to make sure that you're watching your cash flow. When these larger expense blips happen, you have to make sure that you have enough money to cover those expenses. You want to make sure that you have plenty of--what is called--cash on hand in order to pay those expenses. You can keep track of your cash flow using a budget, such as a free budgeting app online--just don't get caught short when it comes to cash flow!



## **REVENUE VS. DEBT**

So now you have these two opposing forces. You have revenue coming in which is always in a battle with debt going out. And we've established the fact that a budget is revenue minus debt which equals discretionary spending, or as we've said, spend less than you make. But what happens if you get upside down?

Being upside down is when you have more money going out than you have coming in. What do you do if that happens? Well you have these two opposing forces at work fighting each other revenue versus debt. The only way you can fix a problem like being upside down, remember it's a two sided equation so you either: number one increase revenue, bring in more money, and grow the pie.

There's no rule that says the pie has to stay the same size. If you can come up with more revenue, then get a bigger pie on the revenue side. Or the other way you can fix it is to reduce debt. Cut your spending. Figure out how to live more frugally, and figure out how to get your financial house back in order so that revenue minus debt equals a positive number.

## **PENNY'S REVIEW**

Remember going forward that you have these two opposing forces when dealing with financial planning. You're going to get a paycheck. You're going to be excited. You've got money in the bank. Then right behind that comes the bills. Your housing, your utilities, your food cost, phone payments, car payments, insurance, credit cards--when you get out of school even your school loans are going to start coming due. Make sure that you have a plan, and that you have a budget so that you can manage all of your financial plan.

## **6. REVIEW AND REVISE YOUR PLAN**

The final step in the financial planning process is to review and revise your plan. Constantly be reviewing your plan. Check on your tax status and make sure that you're in proper alignment with where you are in paying taxes. Always look for ways that you can reduce your debt. Look for ways that to live more frugally. Look for ways to increase your revenue. Can you afford a second job? Can you afford not to have a second job? Can you start a new business? Learn about ways that can change--life is ever-changing. Especially when it comes to your financial situation. After you've done this analysis revise your plan.

Come up with the best financial plan that you can at that moment in time, because I can guarantee you it will change. Life events, getting married, having children, having health issues--all of those are going to have an impact and probably change your financial plan. It would be nice to say, "Okay, I did it I'm done," but that's not the way financial planning works. Always be reviewing and revising your plan going forward.

## **SUMMARY**

Bucky: I now have plan to pay for my spring break.

Penny: Be sure to review all the terms in the glossary, as they will be on the quiz and final exam.