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# 7 personal finance skills for college kids



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September 7, 2016, 12:35 p.m.



Not all students will be ready for a credit card, but responsible students can start building a credit history early. (Photo: Alliance/Shutterstock)

One of the best skills you can give your college student is money management, preferably while they still live under your roof. But until they go off to college, they probably won't have budgeting down because this life-long chore has a baby-steps kind of learning curve. Here are a few tips for helping college kids learn how to manage their money.

**Plan a monthly budget.** If students are living on campus with a meal plan, they don't have many needs, but students who live off campus will have a more complicated budget. Decide with your student what he's in charge of (all personal expenses? books? travel?) and be very clear about what you are and aren't covering. If you're disbursing an allowance, decide on a schedule, such as the beginning of the month. In my own family, my college daughter is in charge of everything that's not tuition or room and board, so she tracks her own bank account and has become a master at finding inexpensive textbooks (pro tip: try [BigWords](#)). But it's not always easy for kids to budget when their friends are more affluent. Coach them on the simple idea of [money chunking](#) — or divvying up your money categories into smaller chunks. They'll also need to say no.

**Track your checking account.** In the old days, we wrote checks and tracked spending in a paper ledger, but who does that now? Still, it's important to know your checking account balance. Students should get into the habit of checking online balances — many banks have apps for phones — and use a free tool like [Mint](#) to track spending.



If your college student has a credit card, make sure he sets up online payments and reminder notices to avoid missing a payment. (Photo: George Rudy/Shutterstock)

**Start building a credit history.** Not all students will be ready for a credit card, but responsible students can start building a credit history early. Their history will benefit them when they graduate and need to rent an apartment or qualify for a car loan. We got my daughter a low-limit card (\$500) that she uses to pay a bill or two a month. She keeps her spending low and always pays the balance.

Make sure your student sets up online payments and reminder notices to avoid missing a payment. Teach her about the importance of limiting her spending to 20 to 30 percent of her card's limit so she doesn't sabotage her ["debt-usage ratio,"](#) an important component of a good credit score. Start with one card and paying one bill to keep things simple. Think of it as a tool, not plastic money.

**Get used to thinking about financial security.** If your kids are like my daughter, they love [Venmo](#), a convenient app that allows peer-to-peer payments for their portion of a bill and replaces the need to write checks. But it's not a foolproof payment system, so students should get used to monitoring the app for fraud. They also should get used to protecting debit and credit card numbers. Don't leave cards lying around the dorm or a house being shared with five housemates.

**Identify wants versus needs.** When parents pony up the funds, it's all too easy for students to view wants as needs — that Pandora subscription, the daily \$4 mocha, the Uber rides. But at some point your student will be independent and covering his own bills. Teach him how to be frugal and what that looks like. Make your own coffee, take the bus and invite friends over to eat rather than going out. Kids get better at identifying the extras if we don't heavily subsidize them. Until they have to choose between paying a bill and paying for a night out, they won't.

In fact, in a 2015 Bankrate survey, fewer Millennials identified [reducing spending](#) as a strategy to meet unexpected expenses as compared to 2014. It's important to give our kids real financial responsibilities while they're in college so they have to make real choices. Also, expect them to get a part-time job. It all contributes to their financial skills after graduation.



Coach your teens on how to cook basic soups, pasta meals and their favorite dishes so they can potluck with friends rather than ordering pizza — again. (Photo: Rawpixel.com/Shutterstock)

**Cook from scratch.** For students living off campus, learning cost-cutting tricks to cooking takes practice, but it's worth it. Teach them how to shop the store's perimeter for healthier foods (fruit, vegetables, meat, etc.), and show them how to compare the cost of processed products to whole ingredients like rice, beans and oats. Coach them on basic soups, pasta dishes and their favorite enchiladas so they can potluck with friends rather than hitting the local pizza joint. Try [Supercook](#) to enter an ingredient — maybe that on-the-edge broccoli — and pull up major recipe sites with suggested dishes.

**Sock away savings.** When you become a savvy budgeter, you end up with extra money. But this isn't time to run out and spend. Teach your student to pay her savings account at the beginning of the month — even if it's only \$20 — and to bank the money she's saved from living frugally. Having money put away gives students more freedom for unexpected opportunities — say, a one-of-a-kind unpaid internship. Although college students may not need to save like adults for six months of expenses, it's important they know how to save.

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