COLLEGE PLANNING

A Spending Plan Builds Money Skills

First, A Weekly Budget

Helps your college kid cope with any crisis and learn to handle finances

BY DAN MOREAU
INVESTOR'S BUSINESS DAILY

Trust is the key to sending your son or daughter off to college, says Jeffrey Feldman of Pittsford, N.Y. His daughter Sarah just transferred to Cornell as a junior. He says she knows how to manage her money, having had part-time jobs throughout high school and college.

"You put faith (in the fact) that she is cost conscious, that she knows what is worth spending her money on and what is not," said Feldman, who was one of several financial planners contacted for views on dealing with kids at college.

So far, the only bills Feldman has received are from the university for tuition, room and board. So far, he says, that is more than enough money correspondence.

Fingers crossed, you may feel the same way. But every parent knows the best-made plans can go awry. You get that e-mail or phone call (perhaps collect) that the money's going faster than you anticipated, or — egads! — it's gone and you're getting hit up for more.

Time to kick in an emergency plan.

"This is not the time to preach," said Sanyika Calloway Boyce. She's the author of "Crack the Code, What Every College Student Needs to Know About Money, Love and the Dream Job."

"Instead of dictating what they should do," she explained, "give them an opportunity to help work out a spending plan. You have to trust them enough to believe they will come up with a plan that works."

If the infamous call is related to a specific, unpaid bill, another approach works, says Boyce. Say it's a repair bill for the new transmission in the car he took to school, or there's a big activity fee your daughter failed to settle.

Here, Boyce says more control is required. You should pay the bill directly to ensure it has been paid and there are no other charges. Reassure your child, she adds, that you still trust him or her; you're just verifying payment.

You may be able to better negotiate payment, or a payment plan, she adds. And you've bypassed your student's panic.

You may also be protecting your own credit rating if your child is a dependent, or using your checking account, ATM or credit card.

Once you have the crisis under control, it's time to kick into gear a better plan for the rest of the year. Let's start from scratch.

You can build your student's money skills around a series of practices. It's bedrock money management, but it never goes out of style.

First, set up a realistic budget for weekly expenses while your children are at school. Decide who is paying for what. Financial planner

> **"Instead of dictating what they should do, give them an opportunity to help work out a spending plan."**
>
> **Sanyika Calloway Boyce,** *author*

Linda Patchett of Chapel Hill, N.C., says she and her son, James, worked out a division of financial responsibility. Off-campus meals were his responsibility. She paid for college tuition, room and board on campus, and books.

They worked out who would be allowed to drive the car, namely no one but him. The family paid for auto insurance; he bought the gas.

He was given a family credit card that was to be used only for transportation home, which the family paid for.

He bought his own clothes. He paid for dates.

If there is money left over at the end of the school year, it goes into an IRA in her son's name.

"We practiced tough love and accountability," she said.

Make it plain you intend to stick to the budget plan and so should your son or daughter.

But be prepared to amend it when the situation changes.

Food may cost more if a favorite hangout closes midway in the semester, for example, or gasoline prices jump as they did earlier this year. You can help ensure this is less likely to happen the more you know about how your child is spending money at school.

So part and parcel with creating a budget is monitoring spending. Expect yelps of pain at this one. Ease them by assuring it's only for a month or two in order to get a handle on where the money is going.

A pocket notebook is best. Carrying it everywhere and making entries at the point of sale is the best way to make it work. Insist everything gets written down. It won't, but more will be under this edict.

"They need to make the connections between spending and checking account balances," said Boyce. "You don't want them panicking later and start hiding things from you."

What if they screw up again? Boyce says it's important that your son or daughter knows why it happened — a late fee, an overcharge on a credit card — and what he or she is going to do differently so it won't happen again.

Patchett says her son knew that if his finances were a wreck and his grades were suffering after a year, he faced a return home to a community college where it would be cheaper for his parents and where they would have more control over his affairs.

"We told him, after one year that is what we would do," she said.

It worked. Her son was graduated from Amherst in 2002, and has kept his frugal ways.

"He's still buying generic cereal," she said.