

Paying for College

Debt management strategies for college graduates

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This year, over a million college students will graduate from hundreds of schools nationwide. Along with a degree, they will be leaving campus with, on average, \$18,000 of student loan debt and increasingly higher credit card balances. Faced with the expenses of the real world, even new graduates finding good jobs are susceptible to poor financial decision making.

Too many students have formed unrealistic spending habits, many times learned from parents and friends with little or no financial planning skills. It is what I refer to as the NOW Syndrome, or living on borrowed money, which may take years to pay down. Fortunately, the more you know about financial management, the more likely you are to handle credit and debt responsibly. Following are five simple steps that can help graduates begin to strengthen their financial habits.

1. Set financial goals and stick to a budget.

Goal setting and creating a budget are the first important steps to effective money management, providing a game plan for keeping your expenses to an amount less than your income. Financial goals keep you focused and help guarantee success, whether it's paying off a credit card or saving for a new home.

Creating a monthly budget also provides you with a spending plan. Using a budget is important because it helps you know where your money is going. It is important that your budgeting is realistic regarding expected and unexpected expenses. Within your plan, make sure to save toward a four-month cash reserve to pay your bills during unforeseen events, such as losing your job.

2. Pay your bills on time, online.

Catching up on overdue bills can be challenging for anyone, especially recent college graduates on a tight budget. Developing a system to ensure that all of your bills are paid on time is important. Consider paying your bills online. Many banks today offer online tools that save postage and help to effectively track bills.

3. Establish good credit and be wary of credit cards.

Take the time to learn how to establish, maintain, and protect your credit. At its best, credit is convenient, great for an emergency, and makes managing your money easier, but when used improperly it could lead to trouble. Borrow wisely and do not apply for unnecessary credit. Making on-time payments on a single loan, such as your student loans or a credit card, will be enough to start you on your way to good credit management.



Credit card companies market their products heavily on campuses, often providing applications on every seat and desk. It is easy for students, caught up in the NOW Syndrome, to quickly find they are making payments on several credit cards. Be wary of this borrowed money, especially for frivolous expenses that may take years to pay off.

4. Reduce student loan payments.

Recent college graduates often struggle to make student loan payments that can easily take \$200 or \$300 of their monthly paychecks. Consolidation is an option that allows federal student loans to be combined into a single loan with one low monthly payment. In addition to a low interest rate, many student loan companies, such as Nelnet, offer borrower benefits that allow borrowers to earn additional interest rate reductions, potentially saving them thousands of dollars in interest over the life of the loan.

5. Communication!

If you get behind, do not wait for a collection agency to call. Proactively approach those to whom you owe money; you might be surprised by their willingness to help. Many have programs established that reduce payments for a period of time, while allowing you to maintain good credit.

Although this is not meant to be a comprehensive approach to financial management, these five steps can help new college graduates begin the process. Setting goals and creating a budget, paying your bills on time, establishing good credit, considering student loan consolidation, and communicating with creditors can help cash strapped graduates manage their debt.

Additional information on debt management and student loan consolidation is available at www.nelnet.net or by calling toll-free at 1.866.426.6765. Nelnet is one of the leading educational finance companies in the U.S. and is focused on providing quality student loan products and services to students and schools nationwide.