

College checklist: Five tips for students

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Heading off to college can be exciting and scary at the same time. For some, it may be the first time they are moving away from home and managing their personal finances more independently. These tips may help prepare students heading off to school as they navigate life away from home:

1. Make sure you have signed a Health Care Power of Attorney ("POA")

Once you turn eighteen, you are officially considered a legal “adult” as it relates to making health care decisions. According to the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), a medical provider can choose not to disclose health information to anyone if they determine it is not in the best interests of the patient, including your parents.

To avoid this potential issue, you can sign something called a durable health care Power of Attorney (“POA”). This is a legal document that allows you to designate a person (i.e., your parent) to make medical decisions on your behalf and discuss your conditions with your doctors.

By making the POA “durable” you give the person the right to act on your behalf in the event you become incapacitated.

Of course, the hope is that you never need to use the POA, but you want to make sure your parents can help in the event something happens to you.

2. Establish a budget

Being on your own also means overseeing your own finances. It is important to get a sense of what your cost of living is as a student in college and make sure you can stick to a budget. This will make sure you are set up for success in college and beyond.

Understanding fixed and variable expenses

One helpful way to build out a budget is to determine how much you are spending on fixed expenses and variable expenses. Fixed expenses are items that do not typically vary month-to-month such as rent, Wi-Fi/cell phone bills, groceries and other recurring charges. Variable expenses might include things like restaurants, concert tickets and other expenses that do not stay the same month-to-month.

Once you determine your fixed and variable expenses, you can then compare it to how much money you earn each month either through a job at school, help from your parents or any other source of income. The key is to make sure your expenses are less than your income. If you are spending more than your income, consider first making changes to your variable expenses, since those are often easier to adjust than fixed expenses such as rent.

Take advantage of student discounts

As a student, you may be entitled to perks and discounts at stores. Movie theaters, subscription streaming services and other retailers often offer some discounts for students enrolled in college. It never hurts to ask!

Build loyalty with an airline if you are going to school out of state

If you are going out of state for school, consider signing up for the various free loyalty programs offered by airlines. This will help you start to earn miles that can be useful in the future!

3. Open a bank account and establish credit

You may have already opened a bank account in high school, but if not, now is the perfect time. Make sure to use a reputable bank such as one that your parents use and recommend. Opening a checking,

savings and a credit card will help you start to establish good credit, if you are responsible and pay your credit card statement in full each month. This is where it is important to have a budget in place.

4. Consider a summer internship

While summer break is time away from the workload of classes, it is also a great time to start working towards building your career after college. Consider an internship like a sample of what a job might look like full time. Take advantage of the opportunity to work in a field that you are interested in. Even if you find that you are not as enthused by the work as you thought, still make sure to build connections with people in the company as they may be able to provide career advice later. In addition to earning valuable experience, and potentially some cash, you might also be able to leverage the internship experience into college credit.

5. Start saving for retirement

Saving for retirement while in college sounds like an oxymoron. But if you have earned income, you may be eligible to save in a Roth IRA. Roth IRAs are retirement accounts that are funded with after-tax dollars. At retirement, distributions from the account are tax-free. Investing in a Roth IRA can be beneficial for younger investors since that money can grow tax-deferred for many years until retirement.

There are many new and exciting experiences that come with going off to college. Some of these experiences include managing finances independently for the first time—a task that can be daunting without proper guidance. Staying organized financially can help set you up for success in school and beyond graduation and your family's Mesirow Wealth Advisor is here to help—just ask!

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