

Finance

When to complete: November-June

Recommended time for completion: 2-3 hours

Date completed:

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1. Introduction

One of the main reasons that students give for having difficulties at university is finance. Indeed, problems with finance cause some students to leave before completing their degree. Being financially astute is no different from the other skills you have to develop in order to be successful in your studies. Read through this booklet carefully and complete the exercises. Take time to read through all the information in detail. Ask your tutor if there is anything you do not understand or contact the relevant support services.

2. The cost of studying

You have submitted your UCAS form and had a number of acceptances from the universities you have selected.

Success in the SWAP East access programme depends on three elements:

- ❖ Successful completion of all the prescribed SQA units (and the number and type of these may vary according to your progression route)
- ❖ An appropriate reference from your tutor(s)
- ❖ Completion of Preparation for Higher Education.

You will therefore not have the final information you need to make your choice of University until the end of June or perhaps even later (depending on when your access programme finishes).

This means you must have thought carefully about your finances well in advance. For example, how far do you live from any of the universities? Will you need to pay for transport? Is a car a necessity? This is not to say that you should choose your university just because it is near you, but you may have to think about how to get there. This may be particularly important if you are hoping to enrol, for example, on the Primary Education or Social Work degree where you not only have to factor in travel to the university but also travel to the various schools you will be assigned to for teaching practice.

It is never too early to think about your finances for university. If you have had a bursary at college you will now have to make sure you can obtain the necessary funds to see you through university. On the next page you will find more details on what you have to think about to plan your finances.

3. Making a start

During your access year you must devote some time to planning your finances for university. As someone returning to full-time education, you will have a number of financial questions to consider before you even submit your UCAS application.

Exercise 1

Try filling in as many of the financial checklists below as you can. Even a general estimate of your outgoings will help you plan ahead. You do not need to attach actual figures to your list at this stage. You are attempting to get an overall picture of your situation.

Income

What income can I expect while I'm at university?

1.

2.

3.

4.

5.

Outgoings

What fixed outgoings will I have while I'm at university?

1.

2.

3.

4.

5.

Outgoings

What variable outgoings will I have while I'm at university?

1.

2.

3.

4.

5.

Notes
Income

At college you will probably have been in receipt of a non-refundable bursary. You may have been able to supplement this (as most college students do) by working part-time.

At university you will be eligible for various kinds of financial help, depending on your circumstances. You must make sure you investigate all of these well before you take up your place at university.

One of the major reasons that students fail to complete their degree courses is not lack of ability but lack of proper financial planning.

Planning is of even greater importance now as the economy slows down, lending is curtailed and borrowing money becomes more expensive.

Check out your entitlements at www.saas.gov.uk before you do anything else.

It is more difficult to do regular part-time paid work while at university. This is true of any course, but especially if you are undertaking the Primary Education degree or any of the degrees progressing from Medical Studies. There is just not enough time, nor flexibility, to work part-time while studying.

Expenditure

You have been asked to calculate your expenditure under two headings – fixed costs and variable costs.

Fixed costs are those costs which you must pay such as rent or mortgage and childcare costs.

Variable costs are those where you have greater discretion in what you spend such as entertainment and clothes. But be warned – you cannot eliminate all these costs entirely. There will be various social events connected with your course for example and you should make some allowance for this. Even sending a birthday card can be expensive, though you can cut costs here by signing up for one of the e-sites. Just make sure the recipient has computer access!

Overall picture

Once you have an overall picture of the relationship between your income and your expenditure, you can work on the detail of your finances.

4. Managing money: the hard facts

No one enjoys budgeting. Everything would be so much easier if we could just spend as we wish – or even as we need. As a student at university you must keep careful track of what you are spending. This is easy now with online access to accounts and payment methods. Investing a little time regularly will repay dividends by giving you peace of mind and will eliminate any nasty surprises. Try the exercise below to assess your attitude to money then turn over to the next page for some suggested answers.

Exercise 2

		Yes	No
1	I know exactly how much is in my bank account at the moment		
2	I have a rough idea of how much is in my bank account at the moment		
3	I haven't a clue how much is in my bank account at the moment		

		Yes	No
1	I examine my bank statements carefully when they come in		
2	When my bank statement comes in I just look at the bottom line		
3	When I receive my bank statement I put it in the drawer without opening it.		

		Yes	No
1	When I go to the cash machine I can withdraw money without requiring a mini- statement		
2	When I go to the cash machine I get a mini-statement to make sure there is enough money in my account		
3	When I go to the cash machine I just hope for the best		

		Yes	No
1	If I think I'll have a short-term money problem I seek help well in advance		

2	If I think I'll have a short-term money problem I borrow on my credit card		
3	If I think I'll have a short-term money problem I just hope something will turn up		

		Yes	No
1	I have a credit card which I use for emergencies only		
2	I have a credit card I use when appropriate		
3	I always use my credit card to the maximum		

		Yes	No
1	I have only one credit card		
2	I have more than one credit card but I use them for different purposes		
3	I have a wallet full of credit cards and store cards		

How did you do?

Look at your answers to the exercise on the previous page

If you answered mostly 1 then you are very well organised in money matters. Perhaps too well organised. There are times when you have to consider what you would do in an emergency.

If you answered mostly 2 then you are aware of the need to be financially literate, but don't always follow through.

If you answered mostly 3 then you do need to take some time to brush up on your financial skills. Burying your head in the sand or living on credit cards will cause problems in the long run.

Ask your tutors for advice. There are a number of short courses you can attend to help you make the most of what money you have. Doing a short course could be very important if you have a lot of debts at the moment. You will see many adverts on television and elsewhere offering 'Consolidation' loans. While these seem like a tempting solution, they can be a trap for the undisciplined. There is more information on using credit cards on the next page.

5. Using credit cards and store cards

There are times when using a credit card is a very sensible option. Store cards on the other hand are a definite route to disaster unless you are extremely well disciplined. The trouble with using plastic is that it doesn't seem like real money. Many people have no experience of anything other than the

‘spend today, worry tomorrow’ culture. If you were employed prior to your access programme it will be difficult to discipline yourself not to use these cards unless absolutely essential or, for example, where you are making a major purchase where the credit card gives you some kind of guarantee. But there are still times when using a credit card can be useful, providing you go about it in the right way.

Exercise 3

		Yes	No
1	I use store cards on a regular basis.		
2	I have more than one credit card.		
3	In the past six months I have used one credit card to pay off another.		
4	In the past six months I have used a credit card for essentials (e.g. food).		
5	I pay off my credit card in full each month.		
6	I make only the minimum payment each month to my credit cards.		

Exercise 4

You have a credit card which has an annual percentage rate of 14.8 per cent. You have debts of £2020. Approximately how long will it take you to pay off the balance (assuming you don't add to it) if you make only a minimum payment each month?

- ❖ 4 years
- ❖ 10 years
- ❖ 15 years
- ❖ 20+ years

See the comments below.

Suggestions for exercise one

The best thing you can do with any store cards is cut them up! They usually charge a high interest rate and moreover they really do encourage unnecessary spending. Try not to have more than one credit card while you are a student, unless you are confident you can manage them well. If you are using your credit card to pay for essentials such as food, you are in trouble. You must make an effort to get on top of your debts before you go to University. Your College guidance tutor will provide information on sources of help.

Suggestions for exercise two

The answer, you may be astonished to learn, is almost 22 years. You would pay almost as much as the loan again in interest payments. If you paid just over £100 per month you would clear the debt in less than 2 years and pay only around £250 in interest. This is a huge amount on what is not an unusual debt. If your debts are greater, then obviously you will pay even more.

6. Managing your credit cards

Here are some tips for dealing with credit cards:

- ❖ If you have a lot of debt you are trying to clear before you go to University, try to get a card that has a 0% interest period (though there will be a transfer fee). This will give you a chance to pay off the debt without incurring more interest.
- ❖ Pay your bill as soon as it arrives. If you wait till the date the payment is due you will continue to be charged interest on the whole balance.
- ❖ Pay more than the minimum each month (see Exercise Two).
- ❖ If you get the chance to pay off a lump sum, do so.
- ❖ While you may need to keep a little in reserve, should you be lucky enough to have savings it's a good idea to use some of them to pay off your credit card.
- ❖ Check the interest rates on your current card(s) and try to get one that charges less. There is a huge variation in the APR of different cards.
- ❖ This may seem self evident – but stop spending! Pay for items only with your debit card or cash until you get your finances under control.

If you think you are in serious difficulties contact either the Citizens Advice Bureau or the National Debt Helpline on 0808 808 4000 for free confidential advice. If you embark on your university course with large debts you are unlikely to be able to manage. Take action now!

7. Making a budget

Budgeting is a skill like any other. And it becomes easier with practise. The one thing it demands is ruthless honesty about what money you have at your disposal and how much you spend, especially on small items.

Exercise 5

At the end of this booklet you will find some pages listing all the things you are likely to spend money on over the course of a week and a month. Try to fill these in over the course of four weeks as accurately as you can. Set a time to do this, either first thing in the morning or last thing at night. Keep all your receipts (even for the odd coffee) for a month so that you can check your accuracy. This may seem like a lot of work, but you will be astonished at where the money goes. On the next page you will find a Totals page: fill this in at the end of four weeks and try the exercise at the end. Budgeting is a very personal matter; only you can make a budget for yourself and only you can keep to it.

Expenses	Week 1	Week 2	Week 3	Week 4
Rent/mortgage				
Council tax				
Food				

Gas/electricity				
Payments				
Insurances				
Clothes				
Childcare				
Travel				
Other				
Other				
Other				
Total				

Once you have set out your spending pattern over a month, think about the implications for the whole year.

Exercise 6

Look back at your monthly totals. Read each heading through carefully again and make a list of anywhere you may be able to save money.

	Area	Saving (£)
1		
2		
3		
4		
5		
Total saving (£) per month		

It is not likely that you will be able to make huge savings, but every little helps! Make sure you are receiving all the allowances you are entitled to.

8. Reviewing your financial situation

When you have worked through all the exercises in this booklet and discussed the outcomes with your classmates, you should be in a better position to consider how you can survive financially at university.

Don't become too despondent: most adults returning to full-time education have to budget carefully. The secret is knowing what your limitations are and acting accordingly. You are likely to leave university with debts, but they should be debts you know you can repay once you are employed.

Check that you are getting the best deals in everything from gas and electricity to travel. Use websites such as [uSwitch](#) and [Money Saving Expert](#). Always check your bank statements carefully or if you have an online account keep an eye regularly on what is happening. There are many good deals available for students – the [National Union of Students](#) has some useful information on this. Keep a list of websites you find useful and exchange the information with fellow students.

When you reach university you will have access to a number of services there where you can get help and advice. Read all the information you receive.

The key to successful management of your finances is to obtain all the necessary information – and then to act on it.

9. Budget sheets

Some of your outgoings will be monthly. For the purposes of this exercise just take the yearly total and divide by 52. Although there will be some months you do not pay council tax, for example, it is better to factor such payments in to your overall budget.

Expenses	Cost (£)
Rent/mortgage	
Council tax	
Food	
Gas/electricity	
Payments	
Insurances	
Clothes	
Childcare	
Travel	
Other	

Other	
Other	
Total	

Expenses	Cost (£)
Rent/mortgage	
Council tax	
Food	
Gas/electricity	
Payments	
Insurances	
Clothes	
Childcare	
Travel	
Other	
Other	
Other	
Total	

Expenses	Cost (£)
Rent/mortgage	
Council tax	
Food	
Gas/electricity	
Payments	
Insurances	

Clothes	
Childcare	
Travel	
Other	
Other	
Other	
Total	

Expenses	Cost (£)
Rent/mortgage	
Council tax	
Food	
Gas/electricity	
Payments	
Insurances	
Clothes	
Childcare	
Travel	
Other	
Other	
Other	
Total	