

**FINANCIAL SECURITY**  
**PLANNING SERVICES, INC.<sup>SM</sup>**



## Market Thoughts & Back-To-School Budgeting

September 2015

Here is a short and timely video from Brad McMillan, chief investment officer at Commonwealth Financial Network®.

### Market Thoughts for September 2015



We hope you enjoy this month's video.

### Back-to-School Budgeting

When handling financial matters with a college student, parents often struggle to find the right balance between hovering over the child's every decision and granting too much financial freedom, too soon. Here, we'll explore some common expenses that college students and their parents should factor into the back-to-school budget, as well as simple ways to stay on track.



### **Carefully consider off-campus housing**

Is your student living off-campus this semester or considering it as an option in the future? If so, you'll want to keep these tips in mind:

- Establish a rental payment plan. Determine how much you'll contribute to monthly rent costs and draft a feasible plan with your student. Be sure to read the fine print of the lease agreement in order to avoid any surprises down the road. And don't forget to account for utilities, Internet, and other additional costs.
- Coordinate with roommates. After formulating your plan together, your student should reach out to his or her roommates to ensure that all cosigners are on the same page regarding who pays for what. Clarifying expectations now will help avoid future confusion and stress.
- Inquire about renter's insurance. Renter's insurance helps protect your student's property in the event of fire, theft, or other dangers. Although the landlord most likely has insurance for the house or apartment, such policies usually don't apply to tenants' personal possessions.

### **Plan for general expenses**

In addition to housing costs, be sure to budget for other key expenses, including:

- Transportation. Research the area and discuss how your student will get around campus, as well as how he or she will travel home for breaks. Will your child need to purchase a pass for public transportation, a parking permit, or a bike? If the college is far from where you live, how often will he or she return home? Textbooks and supplies. According to the College Board, the average cost of books and materials runs about \$1,200 per year at a four-year public college. Sites such as Amazon and Half.com carry new and used titles, often at significant discounts, and rental websites like Chegg.com or Bookrenter.com may offer up to 80 percent off standard textbook prices. Encourage your student to shop around for the best deals.
- Entertainment and incidentals. Who will cover the costs of entertainment and other personal expenses while your child is at school? Again, it's important to set reasonable expectations with your student about how much you plan to contribute. To cut costs, challenge him or her to look for discounts and inexpensive alternatives.
- Future student loan repayment. If you cosigned a private student loan for your child, it's wise to make a repayment game plan ahead of time. Keep in mind that the endorser is effectively responsible for making the payments if the student cannot. Be sure to consider the risks to your own finances in the event your child is unable to repay his or her loans on schedule.

### Use this as a teaching moment

After discussing all of your student's potential expenses, establish a plan of action that will help him or her stay on budget. Consider these tips:

- Look into a joint checking account. Opening a joint account with a debit card will allow you to track your child's expenses and ensure that he or she is paying bills on time. Instead of simply handing over your own credit card, this approach helps encourage financial autonomy while keeping you in the loop.
- Take advantage of online resources. Mobile apps and websites like Mint.com can help your student stay on budget by tracking weekly and annual spending.
- Encourage independence. For parents of college students, it's important to balance generosity with sound financial advice. In addition to preparing for a career, college is a great opportunity for your child to begin finding his or her financial footing and establish sound money habits that will last a lifetime.

My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

Paul S. Bonapart, JD, RFC, AIF®, President  
Financial Security Planning Services, Inc.  
520 Tamalpais Dr, Suites 103 & 104  
Corte Madera, CA 94925  
(415) 927-2555  
[www.FinancialSecurityPlanning.com](http://www.FinancialSecurityPlanning.com)  
CA Insurance License No. 0808412

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