

Transcript

The Nine Things Every College Student Should Know About Money – Part 1

English (Automatic Captions)

0:17

I this is Brent Burnette

0:18

this is the nine things every college student should know about money

0:21

we ask students what it was that wasn't being taught in gateway and they told us

0:25

that it was information about money

0:27

about personal finance so I thought back to when I was in college in the states

0:31

that I made when it came to money

0:33

and every mistake I made I would always say you know what I wish somebody would

0:37

have told me

0:37

I don't know what you're going to get out of this but at the end you're not

0:40

going to be able to say

0:41

nobody ever told

0:45

number one have the nine things every college tuition know about money

0:48

you've got to have a plane people get in trouble with money when they wander

0:54

around in the dark

0:55

you wander around in the dark long enough and you will hit the wall

0:59

you've got to have a plan gotta have a direction you've got to know where

1:04

you're going

1:05

with your finances a financial plan can get quite complicated over the course

1:09

your life changes evolved

1:11

it'll turn into things like saving for retirement saving for your kids' college

1:16

education how do you properly insure what's important to you

1:19

all those things become part of this overarching financial plan

1:23

you're really not at that stage right now you're a college student

1:27

a freshman college student really the biggest part of a financial plan that

1:33

you need to deal with right now

1:34

is called the budget okay now budget

1:38

is no complicated matters actually quite simple you can do it on a single page

1:42

paper

1:43

I have to take a sheet of paper and draw a line down the middle

1:47

and a line across the top and on one side you right in Co

1:53

and on the other side your own expense I

1:57

this is money coming in this

2:01

is money going out you wanna know the secret success

2:05

financial success know the secret to financial success

2:09

years spend less than you make

2:13

that's it if you will spend less than you make

2:17

you will be financially successful problem is in america today

2:22

there's actually very few families that spanned less than a Mac

2:26

we become a society that wants things now

2:29

and were willing to go into debt in order to get

2:33

okay but let's look at this whole concept

2:36

up spending less than you make I your college students

2:40

so where the most I've you get your income from well there's usually three

2:44

major ways that students getting Cup

2:47

to get it from mom and dad

2:50

right they get it from a job

2:53

or they get it from

2:56

some type of financial aid scholarships grants loans

3:00

work-study whatever it is not something you might have a a grandmother that

3:04

supporting you in and that's great but for most college students

3:07

this is where your funding comes from so in order to put your budget your

3:11

financial plan together

3:13

you need to take which one of those sources you're getting dollars from

3:17

some were all and you

3:20

and that up and that gives you the number

3:24

that's the number that you need to spend less than

3:27

K incomes pretty straightforward right

3:31

it's a little more complicated when you get over here

3:34

on the expense side and that's because it's very personal

3:39

expenses is all about you its all about

3:42

your personality there are people sitting in this room

3:46

who are spenders we have a dollar in their pocket it'll burn a hole in their

3:49

pocket dialing figure out a way to spend

3:51

there are people in this room who are savers with the dollar in their pocket

3:55

they will fight you before they give up that now

3:58

okay healthy place to be is somewhere in between hate

4:02

but when it comes to expenses because it's so personal

4:05

I can tell you how to do it because you're gonna have to decide that for

4:09

yourself

4:10

what I can do is give you model that you can work from

4:14

and that model is this you must decide for yourself

4:19

that difference between

4:23

what you need versus

4:27

what you want

4:30

what you need versus what you want to know what you're thinking you're

4:34

thinking well I like this dude

4:36

this guy's tell me I can't have the things that I want

4:39

and that's not what I'm saying now wants anal all I'm asking you to do is this

4:44

once you decide what is the things that you need are

4:48

pay for them first after you get the things you need paid for

4:54

don't get what you want will get everything you want the problem is

4:59

that we typically have a pretty expanded view

5:03

what it is that we need so by the time we get done paying for what we need

5:08

we don't have a lot of money left over for the things that we what

5:11

alright now I don't know you guys I don't know who you are I don't know your

5:15

needs versus wants but you are a common group I know some things about you

5:18

you're all college freshman

5:20

so I know for a fact that olive you need the specs

5:25

you need to be able to pay tuition and fees you need to be able to pay

5:29

for some type room and board and you need to be able to buy books

5:34

so that you can study not woke up I

5:37

all you need to do that because your college students

5:41

but after that it becomes very discretionary

5:45

you know I could say something everybody sit in this room I have a different

5:48

opinion

5:49

Hampshire I would have a different opinion for me now

5:53

what if I was to say to you while you're in college

5:57

do you need a car

6:04

lot a different reactions you know i i week we can't go around the room right

6:08

now so let me give you my

6:10

impressions and whether or not you need a car

6:14

here's my take: number one if you

6:17

live in Shawnee Oklahoma or somewhere thirty miles away and you get to college

6:21

by driving that car to get here because you're commuter student

6:25

I would say yes you need a car to go to college

6:28

or if you take your car and you drive it to you some

6:34

job that is providing you with

6:37

income so that you can afford to be here I would say yes

6:41

you need a car to go to college

6:44

now this one may surprise you coming from me what

6:49

if your mommy and daddy you're paying for the car

6:53

might not have the car it's not heard your financial plan any right

6:58

but what if you are making the car payment

7:02

what if you are paying for the insurance what if you are paying for the gas

7:06

what if you are paying for the parking here on campus

7:11

do you need a car you know life's all about decisions what if you had just

7:16

enough money

7:17

to do one or up two things either make that car payment

7:22

or pay your tuition what you gonna do

7:26

alright life's about decisions

7:29

now there other things that can happen with your financial plan there's not as

7:33

big a deal

7:34

as a car for example we get into habits

7:37

and habits can be a good thing in college because it's time management

7:40

alright so

7:42

with time management you can say I have to be here and I have to be here and I

7:46

have to be here and that's

7:47

that's important for a college student because it keeps them on track and they

7:50

don't get lost in the system

7:52

but habits can also be deteriorating because

7:56

things happen that you just don't pay attention to for example let's say

8:00

every morning you stop over at Starbucks get a couple cough

8:03

cautious a 40 I

8:06

let's say that after you get outta class its you know sort

8:09

in between lines in your you know have time to go eat lunch with hungry

8:13

to stop by the snack she can get a snack for a dollar 25

8:16

what you then go on a

8:19

Friday night because you're tired being on campus you got one other

8:23

the restaurants over across the i 35 any

8:26

and you spend twenty dollars on me and on Saturday night you go out with your

8:30

friends

8:31

and he spent thirty dollars do and you know whatever you do on a Saturday night

8:35

okay so what it

8:38

is Ben you buy a cuppa coffee day you get a snack at the snack machine

8:43

you are going out to eat off campus one day a week

8:47

and then you're going out with your friends I mean that's that's just livin

8:52

did you know that the n a year you will have spent over three thousand dollars

8:57

doing those things

8:59

the question you have to ask yourself is this what I do

9:03

what would my behavior be by had that

9:06

three thousand dollars in my possession all at once

9:11

when I go bike cups and cups a coffee Robina

9:15

what here what if you really wanted

9:19

to go somewhere cool on spring break and you know what

9:24

three thousand dollars was enough money to get you there

9:29

guys this number never changed the amount of money that you had available

9:34

to you in your financial situation stayed exactly the same

9:38

the only thing that changed was when you got over here on the expense side

9:42

you manage your money in such a way that you were saved be able to save up to get

9:46

something that you wanted

9:48

you manage your money don't let your money manager

9:51

K number two number two is called

9:56

hey you got a dollar I can borrow there will come points in your life when you

9:59

are not going to have enough money in your pocket

10:01

to make certain big purchase items

10:04

right typical ones that most people have to do with by a car

10:08

buying a house and doing just exactly what you're doing right now

10:13

paying for college alright those three things typically

10:18

if people don't have enough money to pay for up-front people have to borrow

10:22

alright anytime you have to borrow

10:25

you're basically saying I'm willing to pay more

10:29

and what something is worth at face value you the best to you can ever get

10:33

us to walk up to the counter

10:34

and buy a drink for a dollar and have them hand you during

10:38

that's the best deal because that drink you agreed was worth a dollar whether

10:41

sugar water not it was worth a dollar you pay the dollar you got what it was

10:45

worth

10:46

the problem is when you walk up the counter you have any money you say hey

10:51

if you give me that during or pay a dollar fifty four tomorrow

10:55

that other fifty cents is called interest

10:58

and that means that you're willing to pay more than some things worse

11:02

alright a car we don't have a lot of time so we're gonna come to skip over

11:06

the car thing I will say this about a car

11:08

a car in and of itself is not a good investment

11:12

you know what happens to the value of a new car right after you buy it

11:16

it depreciates goes down in value you buy this brand new

11:20

twenty thousand dollar car you drive it off the lot and all the senate's were

11:23

16,000

11:25

you didn't hit a tree you didn't do anything wrong

11:28

that's just the way that new cars work it might be a lot smarter for you let

11:32

somebody else drive it off the lot

11:34

and you buy this just barely used

11:37

sixteen thousand dollar car

11:41

okay house buying a house

11:44

is one of the things typically you wanna borrow money

11:48

for things they're going to appreciate in value

11:51

not depreciate borrow money for things that are gonna add value to your life

11:55

later on

11:57

one of these things is a house if you buy a house

12:00

in a good neighborhood and you take care of it value that home typically over

12:05

time will increase in value

12:07

that's appreciation you can make money with that

12:11

and you can make money with that by taking out what's called

12:15

eight-term base loan installment long and visually installment long looks like

12:20

this

12:20

flat fixed-rate installment loan

12:25

alright gotta start and it's got and

12:31

most importantly it's got me in and what happens between the beginning and the

12:35

end

12:37

a call the terms these are the things that you're gonna negotiate with between

12:41

you

12:42

and whoever's loan you the money alright

12:46

things like what what is the interest rate going to be

12:49

what is the duration of the loan what is

12:53

the the amount of the loan

12:56

yeah if you know those three things and you know what the monthly payments going

12:59

to be

12:59

all those things are going to be negotiated between you

13:04

and whoever's loan you the money so if you keep up your end of the deal

13:09

on this installment loan and you get to the end

13:12

you can sit consider these monthly payments when you get to the

13:15

and you own that car

13:18

you own that house or you no longer owe the student loan companies any money

13:23

don't think for one minute driver of that car lot with the

13:27

brand new car that you got a loan against you on that car

13:30

you really think you own it skip a couple pains your figure

13:34

real quick who really owns that car okay

13:38

hi house the reason the house can make money

13:41

is because you can borrow for a house over a long period of time thirty years

13:45

as long as you get what's called a fixed interest rate low

13:48

please young anything at this please get this when you take out a mortgage on

13:52

your home you want it fixed

13:54

interest rate loan because you can plan for that over this

13:58

extended period of time so for example a lot of Amer thirty years

14:02

you take out a loan and for thirty years

14:06

you are paying on that loan we've already established the fact that houses

14:09

appreciate in value

14:10

iraq so you start right here payment number one

14:13

and overtime the value home goes up

14:17

well you're also making payments to the back the people that loan you the money

14:21

so over time the amount of money that you owe to the people that loan it to

14:25

you

14:26

is going so these things are going in opposite directions here's the what's

14:31

the house is worth

14:32

here's what you owe to the bank that going in immune different direction so

14:35

this gap is getting bigger

14:38

this gap the difference between what it's worth what you owe

14:42

is called equity and equity in your home can be turned into cash

14:49

you can be turned into cash either when you sell your home or can be turned into

14:52

cash

14:53

we that you can borrow against and that's the way a lot of people

14:57

will start their small businesses by taking out what are called

15:00

home equity I all the need to make sure that you don't pay a

15:04

30-year loan to the fall term in other words you wanna make amor

15:08

amortize payments meaning that you pay heads you pay down the term loan

15:12

and you don't have to pay thirty years worth ventures buying a home

15:16

typically in a good housing market is a good investment

15:20

right the last one student loans here's the deal

15:24

the University of Oklahoma we do about two hundred million dollars

15:29

worth the financial aid every year that's \$200 million that we push out to

15:33

you guys

15:33

to help you pay for your college education alright

15:37

I love the \$200 million over a hundred million

15:42

is in the form below

15:45

and that bothers it bothers me a lot

15:48

because we're putting you guys in that debt and this is debt that's gonna slow

15:52

you down when you get outta school when you get outta collage 12 lots of things

15:56

and you have to pay off those student loans you cannot discharge student loan

16:01

in bankruptcy

16:02

if you do not pay it they will wreck your credit they will garnish your wages

16:06

they will do whatever they have to do in order to get their money back

16:12

okay now that I've sufficiently scared you I need to take the other side of the

16:17

coin

16:19

the other side of the coin is this we've already ate we've artiste said

16:22

you should invest in things are gonna appreciate over time

16:28

when you graduate from college your earning potential is come from the

16:32

census

16:33

is about twenty five thousand dollars a year higher

16:36

then if you go to work right after high school so high school graduate makes

16:40

about 25,000 year college graduate makes about fifty thousand dollars

16:44

this is nationwide which I that's a twenty-five thousand dollar year

16:48

difference on average nationwide you multiply that over a 40-year working for

16:52

that some million now that's what your plan for you that's why you're sitting

16:57

in the seats

16:58

is for the opportunity no guarantees

17:01

but the opportunity to earn a million more dollars

17:05

over the course of your lifetime now if you compare that million dollar payout

17:10

to the average indebtedness so use about twenty three thousand dollars up the

17:14

students who borrow

17:15

twenty-three thousand dollars lotta money its gonna slow you down but you

17:18

compare that to the investment 23,000 now for a million dollar payroll the

17:22

course your life

17:24

that is a good investment don't borrow to play

17:28

don't borrow to live some elevated lifestyle when you're in college

17:31

use the money for what it's there for to pay for the things that you need

17:36

so that you can get your degree and then get the job that you want and make your

17:40

dreams come true

17:41

alright number three

17:45

number three is called charge and charge looks very different from

17:50

a turn-based slow charge looks like this

17:54

circle

17:57

no beginning I guess the is technically

18:00

but there's no end in other words it goes around and around

18:04

sometimes is referred to as revolving credit I

18:08

and that's our credit cards work took me until I was in my mid-thirties to

18:12

actually figure out just how credit cards to do work

18:15

this is the story of what happened to me I was traveling a lot when you travel

18:19

you have to

18:20

for your expenses on a credit card and then you fill out an expense report your

18:23

company page back

18:25

that's how it works well problem is when you got on your personal credit card

18:29

if you don't get your expense check quick enough then your credit card could

18:32

get charged interest while I was traveling a whole bunch I get this

18:35

big credit card bill in the mail