Student Loans

I. Discipline
- After graduation a “grace period” exists, ranging from six to nine months, to allow time for finding a job, living situations, etc. It is important to use this time to prepare an appropriate repayment plan.
- Student loan repayment is not a matter to be taken lightly; accurate records and paperwork are a necessity.

II. Payoff
- Different loan repayment options are available depending on an individual’s circumstances. Detailed descriptions of each are available online at http://www.360financialliteracy.org/Life+Stages/College/ under the article title “Paying for College” and the “Student loan basics” link.
- If problems arise with loan repayment, options such as deferment, forbearance, and cancellation are available (specifics and conditions of these options are available at the previously mentioned “Student loan basics” link).
- In general, it is best to repay loans as soon as possible.
- Professional credit counselors can offer inexpensive and extremely useful suggestions to help manage debt.

III. Base for Credit Rating
- Student loans, along with credit cards, will act as the primary base for establishing a credit rating. It is imperative to make all payments on time.

IV. Loans and Tax Deductions
- Under certain circumstances tax deductions are available as a result of the interest payments made on loans (conditions available on “Student loan basics” link previously mentioned).

The Book on Credit Cards

I. Take two, use one!
- This is a simple way to boost credit rating. The unused credit card will boost credit rating because if unused, it will automatically be up to date on payments.

II. Living a 12 month year
- Beware of enticing low initial “introductory” rates, as these often change within a few months. When considering a credit card compare different cards based upon 12-month yearly rates and not upon the often misleading introductory rates.

III. Keep a watchful eye
- Allow a few “cushion” days to insure payments are received on time.
- If possible do not charge more than what income allows to be paid off at the end of the month.
- Be sure to review statements carefully for any errors the credit card company may have made and act swiftly if these mistakes occur.
- If a credit card is lost or stolen inform the credit card company immediately. If not, the holder may be liable for fraudulent purchases.
Automobile Leases

I. You get a lot of first hand knowledge from second hand cars
   • The low lease payments of second hand automobiles may appear enticing, but these low rates are followed by many hidden costs. Although car companies cover the cost of usual wear of the car, they do not cover repairs.

II. Anything short of a chauffeured limousine is just an ego trip
   • The advantages of leasing a fancy and expensive automobile are limited. Lease payments will be higher, along with more expensive insurance. Individuals often accept these higher costs under the pretense that a great deal will be had on this fancy automobile if they decide to purchase the auto at the completion of the lease. Two significant problems exist within this line of thinking however. First, the car is depreciating over the term of the lease. Driven cars never appreciate in value, so the value will be much less at the end of the lease than at the beginning. Second, when lease costs are added to the buy-out cost, the total will be much higher than if the car was purchased outright. A more fiscally sound plan is to lease a safe but inexpensive car first, save the extra money, and then in the future purchase the fancy car (that has not been depreciating) without leasing.

III. Safety
   • Safety is a key component in all areas regarding auto leases. First and foremost, lease a car that is safe to drive. Safe and effective transportation is the primary purpose of leasing an automobile. Also keep financial safety in mind when considering different leases and payment options; credit rating will be affected.

IV. Lower the cost per mile
   • When deciding which car and lease options are the most satisfactory it is imperative to consider the cost per mile. For each prospective lease, a monthly allowance of miles will be given along with the fee charged for any excess mileage over that amount. The following is a rough calculation of cost per mile*:
     1. Add all fixed monthly costs (regular monthly lease payment, interest payments, insurance costs, etc.)
     2. Divide this by the number of miles allowed monthly without extra fees
        ➢ If no miles have been driven over the allowable amount; this number will be the approximate cost per mile

   • To find the lease which offers the lowest cost per mile it is important to consider the amount of transit that will be necessary. If necessary mileage will consistently be more than the allotted amount, the penalty cost per mile can be an extremely important consideration.

* It is important to note, these formulas are approximations only, offered as a rough outline to assist in calculating cost per mile.