Surviving the Financial Jungle at UCLA

Strategies for Achieving Your Financial Goals and Managing Your Debt

August 4, 2005

Your Educational INVESTMENT

An investment of . . .

✦ Time
✦ Money

Paying for Your Investment

Which of YOUR financial resources are you using to pay for your education?

➢ Savings and other assets
➢ Gifts from family and others
➢ In-school earnings
➢ Future income

Success Strategies

✦ Build Your Own Budget – “BYOB”
   – Make it a budget you can afford
✦ Save on Spending – “SOS”
   – Shop with a list and be thrifty
✦ Borrow minimum amount needed to achieve your goals
✦ Manage your loans responsibly
✦ Develop and maintain good credit

Building Your Own Budget

Purpose of a Budget

To plan in both the short- and long-term how you’ll . . .

✦ spend your available resources
✦ meet your wants and needs
✦ avoid spending more than you have

Budget Planning Steps

✦ Identify your financial goals
✦ Quantify your resources
✦ Estimate your expenses
✦ Do the math – Do you have a surplus or a deficit?
✦ Determine borrowing needs
✦ EVALUATE IMPACT OF PLANNED BORROWING
✦ Adjust as necessary
Saving on Spending
Living Below Your Means

- Live with roommate(s)
- Take your lunch; bring your own coffee and other beverages
- Have only one phone; use either a cell phone or a home-based phone
- Don’t have “call-waiting”
- Eat at cheap places when dining out
- Dress for less; shop at outlet stores

- Clip and use coupons
- Have “free fun”; go to matinees; rent and share videos
- Don’t buy a new car; use public transit or car pool
- Avoid “impulse” buying; always shop using a list; use the “24-hour Rule”
- Beware of buying for “convenience”

financial benefit of roommate

<table>
<thead>
<tr>
<th>Out of Pocket Savings</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly savings $300</td>
<td>$14,400</td>
</tr>
<tr>
<td>Annual savings $3,600</td>
<td></td>
</tr>
<tr>
<td>total savings $14,400</td>
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</tr>
</tbody>
</table>

Opportunity Cost

| Principal + accrued interest $16,568 |
| Monthly payment $203                  |
| Start repayment @ age 30               |
| Potential assets @ age 65 $295,000    |

What could you do with these funds?

*Assumptions: 8.25% interest rate 10-year repayment term Standard (level) repayment option

Cost of a Daily Latte

<table>
<thead>
<tr>
<th>Out of Pocket Cost</th>
<th>Total Cost $3,120</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years 4</td>
<td></td>
</tr>
<tr>
<td>Daily cost $3</td>
<td></td>
</tr>
<tr>
<td>Weekly cost $15</td>
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<tr>
<td>Annual cost $780</td>
<td></td>
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<tr>
<td>Total cost $3,120</td>
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</table>

Opportunity Cost

| Principal + accrued interest $3,590 |
| Monthly payment $45                |
| Start repayment @ age 30            |
| Potential assets @ age 65 $63,000   |

What could you do with these funds?

*Assumptions: 8.25% interest rate 10-year repayment term Standard (level) repayment option

The Big Chill

On Thursday night:

- Calculate what you can afford to spend until Monday morning
- Withdraw that amount of money
- Put all your “plastic” in a metal bowl
- Fill the bowl with water, FREEZE it, and keep it frozen
- Enjoy the weekend

What is the true cost of paying the “minimum” on credit cards?

Suppose:

- Credit card balance = $5,000
- Interest rate (APR) = 15%
- Minimum payment = 2% of balance

How long would it take to pay off the debt?

Answer:

- 385 months / 32 years
- Total interest paid = $7,790
- This assumes you STOP using credit cards!

It will take longer if you don’t stop!

Calculator available at www.bankrate.com

Credit Card ABC’s

- A credit card is helpful in emergencies, but they rarely happen at the mall!
- Buying on SALE, is still SPENDING, not SAVING!
- Credit card debt is not an investment, but it does reduce ability to invest!
- Don’t use your credit card for a cash advance.
You Can Survive Financially

But, you must . . .

* develop & follow an affordable budget
* borrow the minimum you need
* spend your future income carefully
* implement YOUR strategy for success

Tribal Council

How to Survive in LA Without Going Broke!

1st Tribal Challenge

Testing Your Financial Survival Skills!

Objective . . .

To answer all the questions correctly

* 30-minute time limit
* Prize for tribe with most correct answers
* Tribe score counts toward grand prize

GOOD LUCK!