College and debt - how college kids become financially ruined

Contributed by Amy
Tuesday, 17 April 2007

As a child turned pre-adult (another words "teenager"), we aspire to do things differently than our parents did. We believe that we know everything and that although our parents struggled to make ends meet, we will do things better than they did. Besides, we are smarter than they are, right? Yeah right...if only I could have known then what I know now!

The problem is that most "teenagers" go to college before they really become adults in the real world. And what I mean by real world is working day in and day out to make a living and try to save money while trying to make ends meet. The problem lies in two areas: student loan debt and bad financial decisions while in college. Once these now young adults are getting out of college, many of them have a large amount of debt in the form of student loans. And a very small few (around 15%) actually get a job in the field that they went to school in. So, their hopes and dreams are now out the window and they are in a job that is barely paying the rent, let alone the student loan, and any other bills they might have.

And then there is the financial ruin that some college kids get into. You know, it's a shame that schools don't teach kids about money. They teach them all different types of math but never actually teach them the value of money, what is means to save money, how to save money, banking issues like balancing a checking account, interest rates, credit cards, building credit, and the list goes on and on. It actually makes me terribly angry because I find so many young people that get themselves into enormous financial messes because they had no clue how to balance a checking account or what happens if they pay their credit card bill late. And to top it all off, these young adults don't really have a budget and have no clue how monumental their debt is...so they ignore it and it continues to build and build until one day they can't pay their bills. And this only leads to more trouble, as they start robbing Peter to pay Paul, if you know what I mean.

So, how do we fix the problem? What is a good solution to getting the situation under control?

- Sit down and list out all of your debts - the type, the interest rate, how much you owe as a total and what your monthly payment is.

- Complete a budget - list out how much you have going out monthly and how much money you have coming in. See where your shortfall lies. Find out where you can trim your budget down - you can always do without the coffee from Starbucks and simply make it at home. You'd be surprised at how quickly this money adds up monthly and annually.

- Get creative with how you can trim down your expenses

- Go to your bank - find out how they can help - you should be looking to move any high interest rate loans or credit cards to lower interest rate loans and zero percent credit cards

- Find out if you qualify for debt consolidation - sometimes it is worth paying a higher interest rate if it means that you can consolidate your debt, have one monthly payment and know that this debt is going to get paid off within say 5 years. However, you have to be extremely disciplined not to rack up more debt.

- Start a savings - most people get themselves into debt because emergencies come up and there is no cash to cover them, so they have to borrow that money either with a loan or using a credit card. If you have a savings that is in place for emergencies, this will help reduce any future debt.

Don't fall into the financial trap that many college kids find themselves in. If you are unsure of what you should do, consult your local bank. The officers are there to help you and should be able to answer any questions you have but more importantly help you determine how to fix your financial situation.

About the Author:

Amy Rodgers is an independent author who writes to help people and for the pure joy of writing.