Photo courtesy of Northwestern Oklahoma State University

Your Bottom Line

Your go-to resource for timely information about personal finance, college planning and student loan management

July 2021

WHAT'S INSIDE

Making the Most of Your College Budget

The 2021-22 academic year will soon be upon us. For those who are starting college for the first time this fall, there's a lot to think about everything from, "Oh, this is so exciting!" to "What should I do to get ready?" Here are a few pointers to make the transition to college and resident student life as smooth (and as inexpensive) as possible.

If you're struggling to close the gap between financial aid, scholarships, and family savings and your college expenses, living at home while attending college can save you the cost of room and board. If this isn't an option for you, there are still plenty of ways to curb the costs of resident student life.

Avoid duplicates. If you're planning to live in an on-campus residence hall, try to coordinate the purchase of dorm essentials with your room- or suite-mates before school starts. That way, costs can be split and you won't show up with two microwaves and no refrigerator.

Find out what's acceptable to bring with you. Ask the campus housing office what is not allowed in the dorms or apartments. This will help you avoid spending money on something that you won't be able to keep in your room once you're there.

Shop wisely. When furnishing your dorm room, go online and compare pricing. Many stores have 'Back to School' sales that offer savings on commonly purchased items this time of year. And don't forget about coupons!

Try not to go overboard. It's highly possible that a beautifully decorated dorm room will lose its appeal quickly as reality kicks in. Housekeeping? Who has time for that?

Follow a budget. Make a spending plan. Purchase things you need first, and start scratching items from your list a few at a time, a week at a time. This will help you avoid an

Cont. on page 2

expensive, last-minute trip to department stores just before the semester starts.

If you'll be living off-campus, it's not unusual for apartments and houses located close to the campus to cost more than those located farther away. Having one or two roommates can also help tremendously.

On-campus housing may require students to purchase a meal plan as part of their 'room and board.' Consider meal plan options carefully to be sure you choose a plan that best fits your lifestyle, so you don't pay for meals you won't eat.

Know your textbook options. New textbooks can be expensive. Consider e-books, rented or used books when available.

Ride a bike. Leave your car in the parking lot to save on gas and maintenance.

Living small can have its challenges, but it can also come with a great sense of accomplishment in knowing that you are taking charge of your finances and ensuring a future of success. Spending less on college expenses may also help you minimize student loan debt. Now there's something to think about!

Oklahoma Tax-Free Weekend

Friday, August 6 - Sunday, August 8

Any item of clothing or footwear that costs less than $100 is tax free.

Items that don't qualify:

- **Athletic shoes and clothing**
- **Accessories**
- **Electronics**
- **School supplies**

Borrow Smart from the Start

Every year on July 1 the interest rates on all federal student loans change. Depending on the current economic climate—as seen during the height of the coronavirus pandemic—these rates can go up or down.

For the 2021-2022 school year, rates have risen less than one percent from last year's historic low. For you as a potential borrower, that means new loans taken out this year will have interest rates of 3.73% on undergraduate direct loans, 5.28% on direct loans for graduate students and 6.28% for PLUS loans for graduate students and parents.

While federal student loan interest rates remain low, it's always important for borrowers to minimize debt after graduation by making smart borrowing choices from the start of their college career.

Ready Set Repay offers the *Borrow Smart from the Start* guide to help borrowers navigate the student loan process and successfully repay their student loans, including step-by-step information to assist borrowers through the entire student loan life cycle.

Topics include:

–Completing the FAFSA and applying for grants and scholarships

–Limiting borrowing to the amount you need to pay necessary school expenses

–Monitoring your student loan balance every semester

–Exploring repayment options and selecting the repayment plan that best fits your circumstances

–Overcoming the consequences of missed student loan payments

Whether you're preparing for college, in your student loan grace period or currently repaying your loan, *Borrow Smart from the Start* provides the information student loan borrowers need to know. Check out all of our resources for student borrowers at ReadySetRepay.org.

Investing

Marcie Linduff Plumbtree, Financial Advisor

MassMutual of Oklahoma

Marcie Linduff Plumbtree is a Financial Advisor for MassMutual of Oklahoma. In this month's Q&A, Linduff Plumbtree answers questions about investing.

How does investing fit into a healthy financial plan?

Investing is an important part of a financial plan, but before you can integrate investing into your financial plan you need to look at your protection strategies. You need investments for growth, but you want to make sure you aren't putting all of the money you're saving at risk if you don't have good protection strategies in place. Protection strategies include making sure your income is adequately protected with disability insurance and life insurance for your family.

You also need to periodically review your homeowners, car insurance and umbrella policies to make sure you are fully protected in those areas. Once you have a good base with your protection planning you can move onto investing. Investing is important because you're putting money to work for you.

How does a potential investor know when they're financially ready to begin investing?

You're ready to begin investing when you have established an emergency fund and you understand the risks associated with investing. It is important to work with an advisor who can help you evaluate what your risk tolerance may be and pinpoint some appropriate investments for you.

What is the difference between stocks, bonds and cash alternative accounts?

These are pretty basic definitions. Stocks are a piece of ownership in a company. Bonds are a piece of debt that the company owes you. Cash alternative accounts are a step up from savings accounts. This could include Certificates of Deposit, money market accounts and money market mutual funds.

What does "diversifying your investments" mean?

"Diversifying your investments" is a fancy way of saying "Don't keep all your eggs in one basket." Some areas you may want to consider diversifying in are geographical areas, market sectors, company size and maturity. Sometimes you also need to consider the industry you work in.

How does a potential investor determine their investing strategy or style?

There are several resources online, but the best step you could take is to interview a few different financial advisors and find one you work well with. You need to be able to communicate your goals and thoughts to a professional who can provide recommendations.

How does an investing strategy need to change over time as investors near retirement or as the economy changes?

You need to periodically and systematically review your portfolio. Generally, as you near retirement or there is volatility in the market you may want to be more conservative in your investments. These are also key times to review how much risk you're willing to take with your money.

What is the role of a financial advisor and how does an investor know if they need one?

Most people would benefit from working with an advisor. Financial advisors study the industry, the changing regulations and tax laws and work to evaluate what is best for their clients.

For more information about successfully managing personal finances, including saving and investing, be sure to check out OklahomaMoneyMatters.org.

What's a Credit Boost?

You may have recently seen advertisements for a credit boost provided by one of the three major credit bureaus, Experian, Equifax or TransUnion. These companies are not offering to boost your credit score just because you ask; a credit boost is a calculated tactic that factors in your good credit behaviors.

Your credit score is made up of five categories: payment history (35%), amount owed (30%), length of credit history (15%), new credit (10%) and types of credit used (10%). These factors determine your score, which ranges from 300-850.

A credit boost typically reflects your payment history by adding additional on-time payments that aren't usually factored, such as bank transactions like utility payments, to your credit score. Because payment history is the largest portion of the credit score, these added on-time payments can boost your credit score by an average of 13 points, according to Experian.

As with anything related to credit, there are pros and cons you should consider when contemplating using a credit boost service.

Pros:

- Credit boosts only look at your positive payment history. Your score will not go down by linking your checking account, because the service does not report negative information.

- If you have a short credit history, credit boosts may give you the jump needed to get better interest rates on your first major purchase (such as a car or house.)

- Credit boosts are free. They can be an easy and quick way to add a few extra points to your credit score.

Cons:

- If you're a longtime credit user who has kept up with on-time, full monthly payments, it's unlikely that a credit boost will have much impact on your score.

- Each credit bureau has their own system, so boosting your score with Experian would do you no good if the mortgage company only checks TransUnion.

- Lenders might use a different version of the FICO (Fair Isaac Corporation) score or a different credit scoring model that doesn't take utility payments in to account.

No matter what you choose to do with consumer credit, make sure you do it responsibly. For more information about managing personal credit and monitoring your credit history, check out OklahomaMoneyMatters.org.

OCAP
Oklahoma College Assistance Program

The Oklahoma College Assistance Program, an operating division of the Oklahoma State Regents for Higher Education, provides college access and financial aid awareness, financial literacy and student loan management programs and services that benefit students, parents, schools and community partners.

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OK College Start.org — Click · Compare · Choose

OKcollegestart.org

Ready Set Repay.org — On track for student loan success

ReadySetRepay.org

Oklahoma State Regents for Higher Education — Improving our future by degrees

OKhighered.org