

MONEY

Business Editor: Ian Forsyth (01224) 343356 E-mail: pj.business@ajl.co.uk Inverness Office: Tel: (01463) 272200 To Advertise: Tel: (01224) 343159

Budgeting is something else to learn for new students

Personal finance: Running two bank accounts will make planning easier

BY ROSS DAVIDSON

With rising living costs and busy social calendars, budgeting can be difficult for young people going to university for the first time.

Students now graduate with around £25,000 of debt on average, so it is more important than ever to watch the pennies while in higher education.

Sean Press has just started studying history and politics at Aberdeen

“Separating ‘needs’ from ‘wants’ can be very helpful”

University, and while thinking about classes, university clubs and socialising, the 18-year-old is also concerned about budgeting properly.

He said: “I am moving out of my parents’ house and into a flat before Christmas, which is why budgeting is really at the front of my mind at the moment. It is a whole new experience, and trying to find a moment to sit down and work out where the money is going and what you can cut back on is difficult.

“Is there some form of simple budgeting programme I can use which will not take too much time?”



WATCHING THE PENNIES: Sean Press . . . “budgeting is a whole new experience”. Photograph: Jim Irvine

Gordon Wilson, managing director of financial-planning business Carbon Financial Partners, said: “There are lots of simple free budgeting tools available online, but the basic elements of any budget are two columns – one for income and one for expenses.

Sean is probably a step ahead of many students in that he has already worked out what his costs are likely to be. The other side, income, may come from a variety of sources – loans, parents, earnings, and these may not be arranged in neat monthly amounts

and Sean should account for this in his budget.

“Over time, Sean should try and become as aware as possible as to how he spends his money. It may help to think of budgeting as being a process of deciding what to spend his money on rather than what

to deny himself. As part of this, separating ‘needs’ from ‘wants’ can be very helpful. Don’t be influenced by friends’ spending – you know how much you can and want to spend and your friends’ budgets might be different.

“I like the idea of running

two bank accounts: one from which all fixed costs such as rent and household bills are paid; and one from which ‘variable costs’ are paid, such as food and social.

“Income, of whatever type, might be paid into the first account, and a weekly or monthly automated transfer, an allowance, would be paid to the second. The advantage of this structure is that Sean would have the confidence that his rent and basic costs were always paid, and he would have a set amount of money in a separate account which he knows he can spend.

“Sean may well need to take on some debt and he should be careful to check terms and conditions before doing so – if at all possible, do your homework before you need the money so you don’t rush into a decision – and consider low-interest overdrafts and even credit cards which offer 0% interest rates, but only if you are prepared to keep moving your balance to another 0% deal on a regular basis.

“The key to budgeting and financial planning more generally is to know where you are and what you are trying to do, so regularly check your position, your bank balances and your spending.”