

Top 10 Money Decision for Today's Incoming College Freshman

With average college tuition up 35 percent from only five years ago, money management is a bigger issue than ever on college campuses. That's why the time for parents and students to start working on the soon-to-be graduate's financial future is during their senior year of high school so they're ready for freshman year:

Put credit on training wheels: It's one thing for a teenager to use their parents' credit card while they're still living at home. It's quite another when they get their first taste of freedom hundreds of miles away. Parents may co-sign the student's credit card but keep it in the student's name. That way, parents will know when financial missteps occur, which will be a strong incentive for the student to keep his credit rating clean for the next four years. Most important: Parents should do whatever it takes to make sure the child doesn't sign up for any credit cards on campus.

Bank smart: Students need to get some familiarity with the banking system before they head to college. Kids generally should set up a checking account on campus, but talk to them about debit options and fees, particularly for overdrafts. Also ask your child to ask the bank about direct-deposit options if you're planning to deposit money for their tuition or agreed-to spending needs.

Work with them to set up their first emergency fund: A young person should get used to the idea of savings and reserves for unforeseen events such as emergency trips home or related expenses. Make it clear that late-night pizza is not an emergency.

Put the student in charge of maintaining her financial aid: Each year, the FAFSA (Free Application for Federal Financial Aid) is due in June. State applications are due earlier. While parents need to run the financial aid process, students need to be equally aware of how their education is paid. Everyone should file the form whether or not you think your child may be eligible, and your child should be searching for scholarships at all times. It might also make sense to take your child to your tax preparer to make sure you're taking advantage of the child's "tax capacity" and other income tax opportunities. It will be a good learning experience.

Make them budget: If they're leaving for college with a new computer, consider giving them personal finance software to track their everyday expenses and make sure the computer has a security password. (Keeping track of spending by calculator is fine, too.) Work together to determine necessary realities about everyday expenses, tuition and financial aid. Then tell your kid that when he or she comes home at Thanksgiving, you will sit down again to review those figures and make reasonable adjustments. You obviously need to trust your kids, but you might want to do this for as long as it takes them to develop solid and consistent money habits.

Schedule a holiday budget and credit check: When the triumphant freshman returns home for the holidays, schedule some R&R, home cooking and the first reading ever of their fall budget figures and their first credit reports. Since credit reports can be ordered online, parents and student should sit down with each of the child's three credit reports from Experian, TransUnion and Equifax and review them for activity and errors. Since everyone is entitled to

one free report from each of the agencies each year, go to www.annualcreditreport.com for theirs.

Help them open their first IRA: Get some advice on this from a trusted financial planner, but if your 18-year-old child is earning wages by working part-time at school, at home during breaks or for your own company, have them open a Roth IRA in a growth fund. Make sure they understand this is essential to their future savings so they don't cash it in.

Discuss identity theft. Personal financial data left on laptop computers, cell phones and other electronic devices can be readily stolen on campus or in a dorm or roommate environment. Tell your kid to keep all paper records in a safe place and introduce passwords to keep all their digital information safe.

Get them networking: Internships and jobs in their chosen field during summer breaks can give your student a head start on their career path. Encourage them to research these opportunities freshman year so they'll be in the front of the line when it's time to apply.

Handle mistakes the right way: Most kids will make money mistakes in college. If they overdraw a checking account or overdo it with their credit card, make the criticism constructive but firm and always come up with a corrective plan you'll work on together.

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Is Pet Insurance Worth It?

How much do we love our pets? Somewhere to the tune of \$40.8 billion – the total amount Americans will spend on their pets this year, according to the American Pet Products Manufacturers Association.

Somewhere in that figure is \$230 million – the amount that was spent on pet insurance in 2006, according to research firm Packaged Facts, which projects that number will rise 24 percent this year.

The veterinary industry is mirroring the advances in human health care – new drugs, new treatments and new opportunities for dogs, cats, birds, horses and even fish. But is pet insurance really worth the money, which can be as high as \$500 or more a year for an older pet with top-of-the-line coverage?

There are now more than 12 major suppliers of pet insurance in the United States. High-end policies can include coverage for items like accidents and illnesses, CAT scans and MRIs, surgeries, cancer treatments, prescriptions, hospitalizations, vaccinations, annual exams, heartworm protection, flea control and spaying and neutering.

It's not unusual for annual expenses for a pet's cancer treatment to exceed \$3,000. In major metro areas, vet bills can average \$100-\$250 just for the basics, which include annual vaccinations and checkups.

But is it wise to actually buy insurance coverage? If you feel that a major illness for your pet would wipe you out financially, it might be worth considering. However, if that's the case, you should only consider paying for a catastrophic policy if an insurer offers it – that is, a policy that covers major illnesses only.

That would keep premiums relatively low and you would pay out of pocket for annual checkups, vaccinations and routine care. You could also save money by buying your pet's prescriptions through reputable online and mail-order pet pharmaceutical suppliers.

Reputable pet insurers underwrite their coverage as traditional insurers do, but at this point, the market leaders in the industry are not rated for financial strength by A.M. Best or other major insurance rating agencies due to insufficient data – there's not a lot of call for financial analysis of pet illness and mortality statistics.

You might research particular breeds of animals before you buy or adopt to see if there are any particular conditions associated with the breed and if that might be a justification to insure for specific situations or to avoid that kind of pet altogether. But keep in mind that the insurers have already reviewed these common conditions and priced for it.

Of course, there are other options. One might be creating your own pet emergency fund in an interest-bearing account with deposits of at least \$400-\$500 a year. By the time a pet is 10

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years old, you'll have a healthy cushion of at least \$4,000 to \$5,000 to cover any serious treatments necessary. Putting sudden pet expenses on a credit card can risk your credit rating if you can't pay them off right away.

If your current pet doesn't spend your reserve account by the time he goes to his reward, keep the fund intact for your next pet. Then you'll never have to think twice about paying for sensible treatments.

Also think about:

- Asking your veterinarian if he or she negotiates payment plans in case of expensive treatments;
- Contact your local shelter to see if there are subsidized veterinary clinics in your community;
- If you have a specific breed in mind, contact the national club for that breed and see if they might have knowledge of specific health conditions faced by that breed as well as a veterinary assistance fund;
- Ask your vet to submit an assistance request to the American Animal Hospital Association's AAHA Helping Pets Fund (www.aahanet.org).

One of the best things any pet owner can do is be vigilant about annual checkups and proper vaccinations – that way, you can catch problems early. But of course, there is a non-financial aspect to any decision making necessary to a pet's care: if treatments only extend a pet's suffering, then it's time to rethink whether to continue treatment.

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Is it Your Year to Buy a Timeshare? Do Your Homework First

As summer nears its end, maybe you never got a chance to get away for that nice vacation. Maybe a friend bought a timeshare membership with a major hotel chain and loves it. The idea is starting to sound good to you.

Since its start in the 1960s, the timeshare industry has had its share of controversy – stories about substandard properties, overselling and shady sales techniques. In reality, most timeshares today are legitimately run. And depending on your financial situation and the particular property, a timeshare might be a good investment.

But you need to see timeshares as vacation properties to help your family build memories. They're not necessarily a road to riches in real estate. Since timeshares are not separate single-owner properties, it may limit their appreciation over time, though with careful selection and a good market you may make a profit. If you want to play the vacation property investment game, then look at traditional second-home ownership, but that's a separate topic.

Here are some basic things to know about timeshare purchases:

Two flavors: There are basically two kinds of timeshares with various usage features and ownership structures. A conventional timeshare is the right to use a particular unit in a development requiring an initial purchase price and maintenance fees. A vacation interval plan, meanwhile, allows you to buy a certain number of points at the outset that can be used at a particular location or a series of locations around the country or world. Major hotel chains like Marriott and Hilton are among major operators of "vacation clubs."

Advantages: Timeshares are typically condos, which allow for plenty of space for extended families at a price below typical hotel rates. Also, depending on the timeshare program, buyers can exchange a particular week, say, in Carmel, Calif. for another in Miami or Las Vegas if they choose. But check the rules.

Follow your instincts: If you look closely at your junk mail before throwing it out, you may have received an invitation for a timeshare "presentation" with an iffy come-on like a free plane ticket or a new TV. NEVER go to a timeshare presentation, particularly if they're serving meals or alcohol – strange decisions can be made under the influence. Focus on due diligence instead, checking everything you see on the Internet, in magazines and newspapers for accuracy and check with a financial planner before you make a move.

Focus on ownership status: Many timeshares in the United States are deeded properties that reflect actual real estate ownership, but many timeshares outside the country are leases or right-to-use agreements that don't give you any ownership rights. Also, be very sure to check recent resale values on similar properties. For traditional timeshares, see when the most and least desirable weeks of ownership are and whether that affects your investment. Most vacation

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club arrangements allow you to pick from any week of the year, but traditional timeshares require you to choose and depending on the situation, switching can be tough.

Pay cash: Many developments will offer you financing, but their rates can be as high as credit cards. If you can't afford to buy your share outright, you might want to wait until you can. Average timeshare investments are between \$10,000 to \$15,000. Also, check whether you can afford closing costs or monthly maintenance fees.

Seek out inflation protection: If it costs 10,000 points to stay in Santa Fe this year and 13,000 the next, your investment is rapidly losing value. Make sure your points balances are protected against inflation for the length of time your timeshare is available.

Love where you're going: One of the reasons people buy their own vacation homes is that they really, really like the place enough to keep going back. If you want more variety, maybe you should consider a vacation club that lets you go a variety of places whenever you want.

Consider your other financial goals: Does this sizable purchase fit with your other financial priorities? As much as you'd love the timeshare, how well are you set for retirement or your kids' education? A financial planner can help you assess these options correctly.

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