THE STUDENT Financial Survival Guide 2023

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Financial Education for the Nation

Students the length and breadth of the country will soon celebrate Fresher's Week without a worry in the world. For many, this is the first time they have left home to fend for themselves. It's also the first time that many will have to manage their money and plan their expenditure.

Hi, I'm Warren Shute, financial coach, newspaper columnist, and author of The Money Plan. I'm also an award winning Certified Financial Planner. I've created this guide to offer some solid advice to those uni & college students wanting to get money savvy.

It's easy to let your finances get away from you when you're a student, and for many people university is the first place to learn lessons on money management that set the tone for years to come.

But those lessons don't need to be learned the hard way. Over the last 25 years I've honed a 5-step system for taking control of your finances. My bestselling book The Money Plan outlines each step in detail and will take you from financially disorganised to having total control over your money.

The principles are the same whether you're a millionaire or a student, so follow them and enjoy university without the stresses of worrying about where your next meal is coming from.

STEP 1 - GOALS

The most important step in any decision is knowing what it is you really want, so take a moment and decide, with intention, what your outcome is, because if you don't decide for yourself, you will be swept up with the influences which will surround you.

By setting goals you ask yourself what your outcomes are for your time at university or college;

What grade do you want to achieve?

What experiences do you want to have along the way?

How will you fund your student life?

If you don't know where you're going,
how will you ever achieve what it is you want?

STEP 1 - GOALS (CONT.)

After you've decided your long-term goals, break them down into stepping stones: set one-year targets.

The start and end dates are not important, other than that they work for you. You could decide on a calendar year, from 1st January to 31st December, this is how traditionally people have set goals, or you may prefer to tailor this in with your academic year, starting on 1st September or 1 October, whenever you begin.

However, although setting the longer-term direction is essential, as this will shape your behaviours, 12 months is still too long a period, most new year's resolutions are forgotten long before Easter! So set 90-day check-ins to keep you on the right track, or you could set half-termly check-ins, as these will coincide with you academic targets, and also your loan and income payments.

An example might be that you want to graduate with a first as your long-term goal, and that you want to finish your first year with no overdraft and a holiday booked. Your 90-day/half-term check-in might be to find a part-time job during your first half-term (or if you're an A-player, you'd arrange this before you start), and then save up £200 holiday money for a planned holiday in the summer.

STEP 2 - GET ORGANISED

I have a Bank Account System that automates the payments of your money as much as possible, I like to take emotion out of everyday financial decisions. Here's how it works:

1. **Set up two bank accounts:** one for bills and another for personal spending, which I call WAM (Walk About Money see point 3 below). There is more about which account to choose later in the booklet.

2. **Arrange ALL of your regular payments, standing orders and direct debits to come out of your bills account** – which is also where you keep your incoming money, any wages and student loan payments etc. For each payment, ask yourself three things:

   ? do I need this? ? do I want this? ? can I get a similar experience for less elsewhere?

3. **Put some WAM into your life!** WAM is your weekly Walk About Money and it pays for all your variable spending and fun: beer, coffee, haircuts and so on. Work out how much you want (or have) to spend in a month after your outgoings, divide it by four, and you'll get your WAM.

4. **Set up a weekly payment for this amount from your bills account to your WAM account.** Make it happen on a Wednesday, because then you don't have too long to wait after the weekend, which is when most students spend most of their cash, until you will be paid again. The psychology of this works brilliantly, so don't overlook it.

5. **Your WAM is your weekly allowance; it's finite.** DON'T dip into your bills account for more if it runs out, it's not too long to wait for the next Wednesday to come around! Get organised and plan your food shopping for the week and how much you'll want when you go out.

   This system gives you control of your money, with boundaries that stop you overstretching: if you can't afford something, save a little of your WAM each week until you can. The Bank Accounts System works for everyone from those on low income through to very high-net worth individuals, and it will work for you too.

6. **Finally create a cashflow for your time at university or college and keep it updated,** so you know in advance if money will be tight. It's easier to ask in advance for help, than once you've racked up some debt, or missed payments. A cashflow does not need to be complex and I have created a template for you to amend and personalise here.

Planning with a cashflow

Because your income may not be regular, having a cashflow will put you in control of your money and it will allow you to plan for unexpected payments and shortfalls!

I am not suggesting you become a financial nerd, just a money smart student. If it means graduating with £10,000 or more of less debt, 10 minutes a month would be worth it, wouldn't it?

A cashflow basically shows when money is paid in and when payments are made, and what the bank account balance should be at any one time.

I've created a cashflow template for you to personalise here, give it a go you'll be pleased you have.

What's the best account for a student to use?

OK, so I have mentioned that you need at least two accounts, a Bills account and your WAM account.

Most of the high street banks offer a 'student account' which come with some special perks that can draw you in. However, two things that are worth considering when deciding on a bank are whether the bank in question has a branch near or on your college campus and, if you are reliant on someone such as your parents for money, consider choosing the same bank as them as it may mean the money can be transferred more quickly.

Although I actively discourage anyone taking out debt, I know many will want to ensure they have an overdraft in place when they go off to university. Here are some of the better student bank accounts available from August 2023.

Santander 123 for Students Account

- Interest Free Overdraft - £1500 in year 1-3, £1800 in year 4 and £2000 in year 5. You must pay in at least £500 per term.
- A free four-year 16-25 Railcard – which usually costs £30 a year – giving holders one-third off rail travel.
- Earn cashback and vouchers from associated retailers with Santander Boost.

HSBC Student Bank Account

- Interest Free Overdraft - £1000 in year 1, £2000 in year 2 and £3000 in year 3. You must pay in at least £500 per term.
- Get discounts at retailers including Costa Coffee, ASOS, Boohoo with HSBC's home&away programme.

Nationwide FlexStudent Account

- Interest Free Overdraft - £1000 in year 1, £2000 in year 2 and £3000 in year 3. You must pay in at least £500 per term.
- £100 Cash if you pay in at least £500 by 16th December.

Your Bills Account

If you are attracted by any of these benefits above, and the account is convenient for you i.e. it has a branch on your campus and or your parents have an account with them, then go and open an account and use it to receive your income (loan payments, wages, parents payments etc).

Your WAM Account

However, for your WAM, I usually recommend using Monzo, Monzo is a new online bank which has the technology and an app to make banking more easily to manage and control.

There are no fees for in-credit accounts (you won't need and should not have an overdraft with them) and you can easily check your balance and payments on the app, you even get an in-app direct message when you make a payment.

Furthermore, if you spend overseas, there are no overseas fees applied by Monzo (check with the selling agent) and the exchange rates are highly competitive (the best I have seen).

Switching your current account is easy!

If you already have a current account with direct debit payments which will continue, switching accounts is easy. The current account switching service (CASS) is an automated process that works for almost all accounts.

All of your direct debits, regular incoming payments and more will be transferred across within a set time period. The only real hassle is remembering a new PIN and setting up mobile or online banking with your new bank.

Payments accidentally sent to your old account will also be automatically forwarded on to your new account.

Other student perks and discounts

Banks are not the only businesses after your business, it's well worth searching around when you make a purchase because many companies offer students special deals or discounts, including big names such as Apple, Microsoft, Adobe, Domino's Pizza and O2.

Many of the discounts and perks available are via associations or websites, some of the more popular ones are;

National Union for Students - https://www.nus.org.uk/

UniDays - https://www.myunidays.com/

Student Beans - https://www.studentbeans.com/uk

STEP 3 - FINANCIAL FOUNDATIONS

In my book The Money Plan, I talk of eight financial foundations, of these eight there are three which I feel are essential that everyone, including students, should have in place:

1. **An emergecy cash reserve**
2. **A Will**
3. **A Lasting Power of Attorney**

When it comes to emergency cash, this is essential. Try to put aside at least £1,000 in a savings account or premium bonds so that you're prepared for any emergencies that arise, from your car breaking down to your loan payment being delayed.

As a student you might not think you require a will, but if you want to decide what happens after your death, or if you have savings or other assets then you should definitely have one.

A lasting power of attorney is something we should all have drawn up, so that if you lose mental capacity for any reason i.e. if you're unable to make decisions on your own behalf, then someone you trust can make decisions for you – they are NOT just for the elderly, anyone of us can have an accident or fall ill.

You can find guidance and resources to create a will and an LPA on my website, warrenshute.com.

STEP 4 - PAYING DOWN DEBT

You'll have enough pressure on your finances as a student, so the rule of thumb is to pay off any outstanding debts before you go.

Use my Snowball System for this. Organise your debts on a spreadsheet in order of balance from smallest to largest. **Ignore the interest rates for now**, just order them by balance from low to high.

Try and ensure you are paying the lowest rates of interest, especially the largest amounts.

Now, pay the minimum payment on each card or loan you have, and then pay any surplus money you have towards the **smallest** balance. All your focus and attention should be on paying that smallest balance off.

Why? To get a quick win, a dopamine boost. When you get that smallest balance paid off, you'll start feeling good about the process and feel like you're making tangible progress. **Once your smallest balance is repaid, congratulate yourself** – you've achieved something great. Then switch your focus to your next smallest balance: carry on paying the minimum payment on all your debts and pay all your surplus money onto your new smallest debt.

Repeat this over time and you'll get rid of your debts one by one, each time feeling that little bit freer. Momentum is huge in our decision-making, and the Snowball System continuously builds it.

If the debt repayment is going to take you some time, consider making a mature decision and deferring your university or college place for a year to get your finances in better shape.

STEP 5 - INVESTING

If you've got spare cash, then you might consider investing it. I think this is better done once you've completed your course and you're working, because you should only be invested in the stock market if you don't need the money for a minimum of five years, and preferably seven. That way you can ride out the peaks and troughs that inevitably come.

Instead, consider putting your money into a savings account or Premium Bonds, so that you can access the money should you need it.

BONUS SECTION - STUDENT LOANS

Student loans are arranged by the Student Loans Company and are available to help students with the costs of university. They come in two forms;

Tuition fee loans **Maintenance loans**

Tuition fee loans

Your university or college sets your tuition fee, and the loan is paid directly to them. The maximum fee is £9,250 per year (2023/24), which you can use the loan to cover this cost. This means that you will graduate with at least £27,750 (plus fee increases, plus interest).

Your university or college sets your tuition fee, and the loan is paid directly to them. However, remember you have to pay it back.

Maintenance loans

These are partly-means tested against your household income and are available to help with the living costs of university life.

The amount you could receive will depend on various factors such as your household income, where you study and if you are living at home or away.

If your household income is less than £25,000 you should receive the maximum loan, if your household income is more than approximately £70,000 you are likely to receive the minimum.

If you are from England, below is a summary table which provides you with a guide, but you would be better to use the Student Finance Calculator to calculate your personal amount.

	2023/24 academic year
Full-time student	**Up to**
Living at home	£8,400
Living away from home, outside London	£9,978
Living away from home, in London	£13,022

If you are from Wales, you can use Student Finance Wales
If you're from Scotland, you can use Student Awards Agency Scotland
If you're from Northern Ireland, you can use Student Finance NI

How much does the loan cost in interest?

Unlike previous loan schemes, there is arguably no real cost for the new (plan 5) student loan. This is because interest is set at inflation (as measured by RPI), meaning the amount owed should rise as fast as prices in general.

You will no-doubt have seen that RPI has been double digits for much of the past year or so, but before you panic about trying to overpay a loan with an interest rate that's considerably higher than most mortgages and other borrowing, there are some things you need to know – because everything is not always as clear it seems.

1 You're no longer liable for your student loans after 40 years

Under the latest loan terms, the repayments continue until the earlier of one of three things happens:

a) You reach 40 years from the April after graduation
b) You repay your loans and interest in full
c) You pass away

After 40 years your loan is wiped, regardless of whether you've paid some or even any of it back.

The cut-off is extended from the previous 30 years so more people are likely to repay their loans than previous, but it is estimated a little under 1 in 2 students will still have some debt wiped.

I'm a big believer in the psychology of money, and it's this aspect that is more important for the vast majority of students – having a large loan against their name for up to four decades.

Rather than consider the whole amount, which seems too big to ever clear, think of your repayments as a form of graduate tax, which is no different than any other tax you'll pay in your working life.

2 Repayments only start at a certain level of income

Student loan repayments start from the April after graduation, and only when you earn more than £25.000 in a year (known as the repayment threshold, and set to rise in line with average earnings in future years).

You might not plan on earning below the national average, but because a proportion of graduates never earn more than the repayment threshold, you may never pay a penny of your loans back.

The repayment threshold has reduced from £27,295 in previous years. However, it's worth noting that this is counterbalanced by the lower interest rate applicable to new loans.

Your annual repayments are the same regardless of how much you owe or the interest rate

You will pay 9% of your income above the current repayment threshold of £25,000 in student loan repayments, which means that the amount you owe has no impact on what you pay back annually.

If you earn £50,000 a year then your annual repayments will amount to 9% of £25,000 (the amount you earn over the threshold), which is £2,250. This is true whether your loans and interest amounts to £20,000, £60,000, or anything in between (or above).

It's your income that determines your annual repayments, not how much you owe.

Should you overpay your loan?

There's no clear-cut answer to this question, because you have to make assumptions on your income over the next 40 years to know – but for many, the answer is absolutely not. Let's use three earnings examples to highlight why:

1. If you never earn over the repayment threshold, you'll never pay a penny of your loan back, so overpaying would be literally throwing money down the drain.

2. Putting inflation aside for the moment, If you earn around £35,000 consistently over 40 years, you'd end up paying back £900 each year (9% of the £10,000 you earn over the repayment threshold). Over the course of 40 years, that would amount to £36,000 repaid before your loan is wiped.

   Assuming you owed £50,000 and suppose you had £14,000 in savings and you decide to use this to overpay now. Remember your monthly payments won't change at all, only your income does that, then your outstanding loan would be £36,000, you've just given your £14,000 away for no reason, because you'll likely continue to pay the same amount if your income stays high for the remainder of the 40 years.

3. If you have money spare, you'd be far better off paying down unsecured debts first (e.g. credit cards and loans), then secured debts (i.e. mortgages). Even if you have no debt, you might wish to consider investing rather overpaying your student loan, since a suitably diversified investment with an appropriate level of risk should grow faster than the balance owed on the student loan, and you might benefit from some of the loan being written off.

Warren's bestselling book The Money Plan which is available on Amazon priced £11.99, gives easy-to-use systems and guides for better money management. He also shares his thoughts and tips at warrenshute.com