



Money makeover

Money-savvy student

We show an undergraduate how to make the most of his money

Recent figures reveal that students starting university this year will pay costs of around £36,000 by the time they graduate. This hasn't deterred Tim Bell. He's one of around 400,000 new students who are heading off to university this year – an increase of 6 per cent over last year. Aged 19 and from Bicester, Oxfordshire, Tim's joining Southampton Solent University and wanted our advice on how to get to grips with his finances in his first year.

Tim's applying for two loans this year: £3,070 to pay for tuition fees (which is paid directly to the university) and a maintenance loan for day-to-day living costs – Tim's hoping to get the maximum of £4,510. He's also built up £1,500 in savings by working part time in a clothes shop.

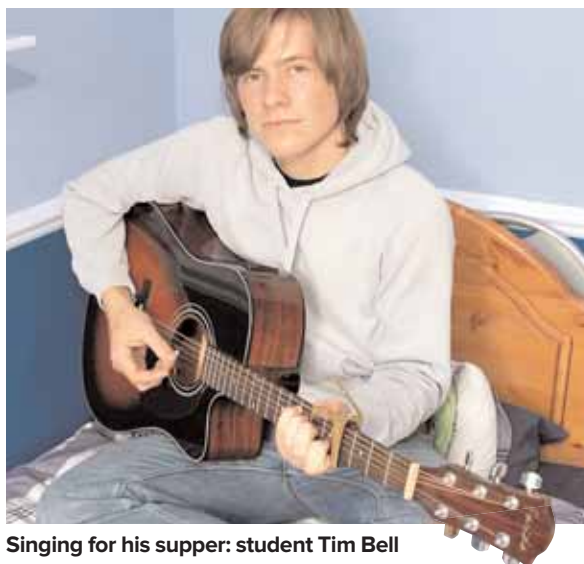
After Tim's £3,200 accommodation costs have been paid, he will be left with £78 a week during term time to spend on food, books, travel and entertainment. It's essential that Tim budgets sensibly – the budget spreadsheet on www.studentcalculator.org.uk will help. He should also remember that he needs to keep some money aside for the holidays.

Maximising money

If Tim builds up any additional savings, this should go into a cash Isa or high-interest savings account. It can be earning valuable interest – our Best Buy Sainsbury's Internet Saver account currently has an interest rate of 6 per cent – and he can drip-feed cash into a current account when required.

Tim should opt for a Best Buy student current account (see p36 for more). The Halifax Student Current Account has an interest-free overdraft limit of up to £2,750.

If Tim needs more cash, his best bet is to make up any small shortfall by using the interest-free overdraft on his current



Singing for his supper: student Tim Bell

account, rather than dipping into money that's earning him interest. He needs to bear in mind that overdrafts have to be paid back and he should work in the holidays to top up his savings.

Paying it all back

Graduates don't have to begin paying back tuition or maintenance loans until the April after graduation, provided they're earning more than £15,000 a year. Repayments are made at 9 per cent of any income earned that's above £15,000. Student loans have a low interest rate, so if Tim has any spare cash he should pay off any other higher-interest loans before clearing his debt with the Student Loans Company.

When Tim graduates, he should shop around for the best graduate current account. Many banks offer interest-free overdrafts, usually for up to three years after graduation. Both Lloyds TSB and the Royal Bank of Scotland currently have good deals on graduate accounts.

Put spare cash into a high-interest savings account or cash Isa

Checklist

The financial essentials all students need to know

- **Hard times** If your household income is below £38,330, you may be entitled to a grant – call Student Finance Direct on 0845 607 7577. Also check whether you qualify for a bursary – go to www.bursarymap.direct.gov.uk or contact your university.
- **Clue to credit** Avoid store cards and use a credit card only as a last resort. If you don't pay the card off in full each month, be aware that you'll be charged interest.
- **Saving grace** Put spare cash into a high-interest savings account or cash Isa and drip-feed what you need to your current account. Use your interest-free overdraft before dipping into money that is earning you interest.
- **Health matters** Pick up an HC1 form for help with health costs – go to www.ppa.org.uk/ppa/HC1_form.htm or call 0845 850 1166 to check your entitlement.
- **Student discounts** A £20 Young Person's Railcard saves up to a third on most UK rail fares, a £10 National Express Young Person's Coach Card saves up to a third on coach travel (see *Which?*, March 2007, p29, for more on discounts).
- **Tax break** You don't pay tax on the first £5,225 you earn in a year. Those earning less than this and working only in the holidays can get paid tax-free – ask your employer for a P38(S) form. If you work in term time, you'll need to claim back any tax paid.
- **Outside of England** University funding differs in Wales, Northern Ireland and Scotland. See *Which?*, July 2007, p17, for more details.

Would you like us to find the best way to invest for your child? If so, please get in touch with Dan Moore at helpwanted@which.co.uk