



Five Common Financial Pitfalls

and how to avoid them



Not having an emergency fund

Set up a savings account that is separate from your checking account. If it's connected to your checking account, you might be tempted to spend it. Automatically deposit a little bit of each paycheck into your emergency fund. If you don't see it, it hurts less to part with it. You should have at least three months' expenses in your emergency fund.



Not saving for medium-term expenses

Write down your goals and expenses for the next six months, identifying what is essential, non-essential, and completely discretionary. Estimate how much you'll need for these expenses. Set aside some money out of each paycheck for medium-term expenses. Some people find it helpful to have different savings accounts for different purposes.



Spending money you don't have

Avoid using credit cards or spending money before paying your bills and essential expenses. You should never owe more than you make or more than the money to which you have immediate access, and you should always pay your bills and save money before spending on non-essentials.



Not tracking your spending

If you don't track your spending, you can spend too much or develop bad spending habits. Identify a way to track your spending that works for you. You can track by hand on paper, use a spreadsheet on your computer, or download an app for your smartphone that helps you to track and categorize your spending.



Not paying bills on time

You can keep track of your bill due dates by hand, on your computer, or through an app on your smartphone that tracks your due dates and sends you reminders. When you receive your paycheck, pay your bills first, before you spend anything on non-essentials. If you get a regular paycheck, consider setting up automatic bill payments.

Financial Literacy Basics for College Students



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