

# How to be a smart spender and saver

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According to [www.childtrends.org](http://www.childtrends.org), 49 percent of high school and college students between the ages of 16 and 24 were employed in either full- or part-time jobs by Oct. 24, 2016.

With roughly half of the high school and college student population nationwide working, many students have their own income but little experience in how to spend and manage it effectively.

Marketing teacher Dennis Koch said it is important that students remember to live within their means.

“When they’re spending money, they always say to live within your means. To live within your means means to spend less money than what you have, less than what’s coming in,” Koch said. “Whether that be your allowance or your job, whatever it might be... And then in terms of saving, the basic golden rule is to save 10 percent of all the money that comes in, whether that be money from a job, part-time job, parents.”

One way students can save money is with a savings account. A savings account differs from a checking account in that it is designed to be used minimally and for the money in it to earn higher interest. Meanwhile, a checking account is for regular uses, and the money in it often times earns a lower interest rate than savings accounts.

Another opportunity for students to utilize their income is through investing.

Marketing teacher Brian Levinson said that he wishes someone had told him to start investing or saving his money sooner.

“I wish that’s one thing I was able to do when I got my first job, that someone had guided me on what to do with money,” Levinson said. “The sooner you start putting away money, the larger and quicker that money will grow for you in the end. So someone who is 16, 17, 18 starts saving, and you will be surprised how quickly you could build up a million dollars, younger than you think you would be.”

Students under 18 years old can invest in stocks. However, the student’s parent or guardian must open the

account for the student and act as the custodian, or one responsible for safeguarding an individual’s financial assets. High school students can begin investing independently in the stock market when they turn 18.

Koch said that investing is more important for students than acquiring a Venmo or PayPal account as the money invested will compound over time. The longer money has to compound, he said, the more money students could potentially earn over time.

“The earlier students start investing, the better it will be in the long run. Students can put money away in an IRA,” Koch said. “So in a sense, investing, whether that be an IRA or in the stocks, is a great idea for students to get into now rather than later.”

Koch said that before students make a purchase, they should consider three things. Can they afford what they want to buy? Do they have a budget and does the purchase fit into it? And what is the long term value or benefit of this purchase?

“A lot of times, high school students will spend, spend, spend, thinking that they need, need, need. However, though, if they’re wise with their money, they would save that for when they’re away at college, or they’ll need it for a rainy day fund or a car, whatever it might be,” Koch said. “I think that is a pitfall a lot of students fall into.”

Another thing to consider when purchasing items is the security of one’s personal information.

“Typically, credit cards have more protections against them, or protections for them for the consumer. Where they’ll, in a sense, insure all your purchases. Debit card purchases aren’t insured in the same fashion. With that said, I use my credit card on many more purchases than my debit card,” Koch said. “For instance nowadays, we hear about these issues at gas stations where there’s reports of skimming (so) I use my credit card whenever I buy gas instead of a debit card because of those protections.”

There are two laws that protect

Checking Account	VS	Savings Account
A checking account is made for daily use and regular spending.	"I think it is important to have both," Levinson said. "I think especially a student who works should be putting a portion of their paycheck in their savings account and they need to cover their expenses into their checking account."	A savings account is made for minimal use and access.
Most of these accounts do not earn interest, and those that do earn less than a savings account.		These accounts are designed for earning interest on deposited money.
Tends to have more financial fees than savings accounts.		Tends to have less financial fees than checking accounts.

  

Credit Cards	VS	Debit Cards
Credit cards allow you to spend more than you have.	"Typically I would advise most students to use a debit card for all purchases, cause the debit card will come right out of the student's checking account," Koch said. "But I also like the idea of students having a credit because I think students, well even adults, need to learn how to use credit."	Debit cards confine you to only spending the exact amount you have.
When you spend more than you have, there is interest on the money you have to pay back.		Because you can not spend more than you have, there is no additional cost to using a debit card.
You can only be charged \$50 for fraudulent charges under consumer protection laws.		You can be charged \$500 or more for a fraudulent use of your debit card.
When your card is used fraudulently, you don't lose any of your own money.		When your card is used fraudulently, your bank account balance is directly affected.

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a consumer’s rights when fraud occurs. For credit cards, the primary law is the Fair Credit Billing Act, while for a debit card the primary law is the Electronic Funds Transfer Act.

Under the FCBA, the highest liability cost a consumer can have for their credit card is \$50, and ultimately when a charge occurs on the card, the owner loses no money

and can easily report the fraud and get credit back on their statement. The fraud never affects the owner’s bank account directly. With a debit card, the owner’s account is affected directly, and the liability costs to the owner are \$50 if a lost or stolen card is reported within two days, \$500 if reported within 60 days and no protection to a person’s financial account after those 60 days.

Levinson said that he also believes students should use credit cards because their security.

“It really depends on the situation. I advise using a credit card because there is more security behind versus a debit card because that comes right out of your checking account,” he said. “You just have to be responsible while using a credit card.”

## The influences of advertising on the consumer

A business’s goal is to increase its sales, and one of the ways a business does this is through advertisements.

Marketing teacher Brian Levinson, whose students run the school store, said that advertisements play a large role in business success.

“You see advertising everywhere. I mean, you look on your phone, you visit a site and check out something to purchase. Even on Amazon, you’ll notice that they have tagged you, and (when) you go back into your Google search, there will be a pop-up ad for whatever you are looking for,” Levinson said. “You see a lot of businesses doing that. Advertising is really what generates sales.”

Even the school store utilizes advertising to help attract students. According to Levinson, it is up to the students in his Marketing II and III classes to find different ways to successfully advertise and brand their items. From using the daily announcements to displaying posters of the store’s smoothie machine, the students running the school store have used advertising to sell their products.

“How successful they are in the class is how well they promote products, generate sales, find the right merchandise (and) advertise in different medias depending on who they are trying to target,” Levinson said.

Advertising uses a variety of methods to convince someone that they need to purchase a specific item. Psychology teacher Jennifer Weisbrodt said there are two main routes through which advertisers try to appeal to consumers.

“Recently, in AP Psych, we discussed the direct and peripheral routes to persuasion used in advertising,” Weisbrodt said via email. “The direct route, where the advertisement is product, or fact-based, usually appeals to a consumer that is educated on the product in some sense already. The peripheral route relies on celebrities, pretty packaging, music, etc. to sell a product.”

Not only that, but credit card companies, banks and credit unions advertise to high school and college students.

Marketing teacher Dennis Koch said that credit card companies specifically advertise towards college and high school students, using a variety of gifts and offers to entice students.

“A lot of times, we see credit card companies advertise towards college students, high school students, throwing the idea to, ‘get your credit card with us.’ They’ll introduce introductory credit cards which are very low rate, just trying to entice the students to bring them in,” Koch said. “They’ll also entice them with free gifts such as towels, tickets, whatever it might be, to try to entice students to have (the credit companies) credit cards as their first credit card. In terms of banks and credit unions, they’ll also try to entice students to sign up to get a free checking account or free savings account as well as trying to give them quick cash to try to bring them in initially.”

Ultimately, an advertisement’s role is to convince consumers that a specific good or deal is reliable, trustworthy or worth the money.

## In-person only stores give way to online retail giants

On Sept. 19, Toys ‘R’ Us filed for bankruptcy. Earlier this year, other retailers such as Gymboree and Payless Shoe store also filed for bankruptcy. Toys ‘R’ Us is just another casualty of the competition between brick-and-mortar retailers and online e-commerce companies such as Amazon.

With the amount of e-commerce steadily increasing according to U.S. News, UPS is expecting to deliver more than 30 million packages per day during the holiday season. And, the National Retail Federation predicts that the percentage of consumers expected to shop in stores this year is 56.6 percent, while those shopping outside of stores is expected to also be 56.5 percent.

Koch said that because Americans are busier than ever, it simply could be a matter of convenience that leads some consumers to shop online.

“You don’t have to try it on. You don’t have to feel or touch it. You kind of know what you’re getting, and if it’s shipped directly to your house, it kind of just makes things easier. You can comparison shop, which is again easier. It allows you to get the best deal which, again, is better for you,” Koch said. “All those things are a win, win, win for a consumer.”

Koch said the traditional brick-and-mortar stores have some advantages. For example, he said those stores are necessary for the times when a consumer wants to see the item before purchasing.

“For certain goods, I think brick-and-mortar stores have the advantage where the consumer wants to touch and feel and/or try out some things,” Koch said. “Versus online shopping, you can’t do that.”

Senior Thomas Schaden said he does most of his shopping online.

“Generally it’s because the stores that are nearby don’t supply what I want to buy,” Schaden said. “It might be cheaper because you don’t have to spend money on gas because if you were to go away to Partridge Creek or Somerset Mall, you’re burning gas on the way there, too, so that could be one reason. But other than that, I don’t really notice a difference in the price of the goods.”

### Five tips for online shopping

- 1 Make comparisons**  
Don't stop and buy the first item you see. Instead, check multiple retailers for different prices. This can help you save money and get the best deal.
- 2 Know the best day to order**  
Because prices change for online goods throughout the week, consumers should look out for the best day to purchase items. According to [www.rather-be-shopping.com](http://www.rather-be-shopping.com), Tuesday is the best day to order laptops, while Friday is the best day to order clothes and shoes. If a consumer wants to buy books, Saturday is the best day.
- 3 Take advantage of reward programs**  
Joining loyalty programs can help consumers save money.
- 4 Leave items in cart overnight**  
According to [www.lifehack.org](http://www.lifehack.org), retailers hate unfinished deals and will sometimes send consumers coupons or an offer the next day. For example, Macy's and JCPenney use this strategy.
- 5 Accumulate more coupons**  
Consumers could get more coupons by using multiple email addresses to take advantage of single-use coupons.

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