



BROWN

Alpert Medical School

Budget Guide 2009-2010

Many students are daunted by the process of budgeting and do not even know where to begin. You do not need to be a finance major to plan and evaluate your expenses. This guide will take you through the process step by step. Think of it as a mini-course on budgeting.

We have provided a few tools that will help with the process: the **Budget Worksheet** and the **Charges vs. Resources Worksheet**. Both of these forms are available on our website: <http://med.brown.edu/financialaid/>. Follow the steps below to make the most of these tools and to learn how to plan a realistic but frugal lifestyle. Planning a budget is not difficult but it does take time, especially if it is your first attempt. The pay-off can be very rewarding! Making and sticking to a budget may help you reduce the amount you need to borrow to pay for your education.

Step 1: Defining your Budget

Use the Budget Worksheet to list all possible living expenses that you might incur during the year. Do not include expenses that you owe to Brown University for tuition and fees. We'll cover that in Step 2.

The *Budget Worksheet* includes basic expenses such as rent, utilities, food and laundry as well as other expenses that you do not incur currently but might incur while in medical school (e.g., subscriptions, dues for professional organizations). List the amounts you *actually spend monthly in each category*. The *Budget Worksheet* includes 3 sample sheets in case your monthly expenses vary. Don't be overwhelmed by thinking of them as a yearly total. Keep in mind the following as you define your budget:

- Average your expenses that fluctuate monthly, such as your utility bills.
- Don't forget to factor in yearly expenses, such as car insurance. Divide these by 12 so they are accounted for in your budget.
- If you pay your bills with a checkbook or online, reference these sources to see which bills you have paid in a single month and how much you have spent for each.
- If you use a debit card, analyze these expenses for the last couple of months. Doing so will provide you with important expense data that will help you determine where and how you are spending money each month. It may also help you to determine where some of your discretionary consumer expenses will need to be reduced.
- As you estimate your expenses, distinguish between what you absolutely need to include (e.g., required credit card payments) and what you want to be able to fund (e.g., holiday gifts for family members).

Step 2: Calculating your fixed charges and your resources

The next step is to calculate your Brown University billed charges. For this exercise, we've provided the **Charges vs. Resources Worksheet**. This worksheet lists the charges for tuition, University fees and health insurance for which Brown will bill you in July (Fall semester) and again in November (Spring semester). The worksheet assumes the following:

- You will be attending full-time in both fall and spring semesters.
- You will accept Brown student health insurance coverage. In other words, you are not covered by another plan and thus you will not request a waiver of the Brown health insurance charge.
- **Your health insurance is billed in full to the fall semester, so your charges are greater in the fall.**

After you have reviewed these charges and have made adjustments that match your own University charges for the coming year, you can add in the resources from your award notification. Since most financial aid awards include the Federal Subsidized Stafford Loan of \$8,500, this loan and net amounts that you will receive have been added to the worksheet as an example. Note that for the yearly total column, the gross amount of the loan is used, but the semester lists the net amount less the origination fee (one-half percent) that is charged on the loan by the federal government. These are the amounts that you will actually receive to pay for billed charges. When adding in the Federal Unsubsidized Stafford loan as a resource, make sure to deduct this fee as well. There are no fees charged on the Perkins Loan or on any Alpert Medical School loan funds. In other words, if you received an Ellwood Loan in the amount of \$3,000, \$1,500 will be credited to the fall semester and \$1,500 will be credited to the spring semester.

In addition to the amounts listed on your award notification, list on the worksheet any resources that you can expect from parent(s) or other relatives, your savings, summer earnings, and any other resource you may have to assist in helping to meet your educational expenses.

Once you have entered these figures, the worksheet will calculate for you the remaining funds you can expect to be available for your living expenses.

Step 3: Compare your living expenses with your resources

Next, compare your total living expenses for the year, from the **Budget Worksheet**, with what remains for living expenses from the **Charges vs. Resources Worksheet**. How close are these two figures?

If your resources are more than the amount needed to meet your annual living expenses, we encourage you to consider borrowing less than the amounts that are offered on your award notification. Consider reducing or declining altogether the Federal Unsubsidized Stafford Loan since this loan is unsubsidized and it accrues interest while you are in school and thereafter. If you can reduce your borrowing even further, look at some of the Alpert Medical School loans that carry a higher interest rate, such as the Ellwood Loan.

If your resources are less than the amount needed to cover your billed charges and your annual living expenses, go back to the Budget Worksheet and review your expenses again. Is there anything that could be eliminated from your monthly budget? For example, if your original calculations assumed that you would live alone, consider sharing your apartment with one or two classmates to save expenses. Consider the budgeting recommendations described in the *Creative and Sensible Budgeting* section of this guide to help you reduce your expenses.

Once you have adjusted your budget as far as you comfortably can, if there is still a gap between total expenses and resources, first consider whether you can save additional funds through a second job this summer. If additional earnings are not realistic, consider whether other family members might be able to

help you with miscellaneous expenses, such as your books or utility bills. If additional family support is not possible, you may need to consider an additional loan to cover reasonable educational expenses, such as the Federal Graduate PLUS Loan. Students who may qualify for this loan have been sent information about the program with their award notification.

Step 4: Sticking to your budget

Once you have established your budget and have the resources in place to meet these expenses, it is important to stick to your budget. Keep track of your actual spending to ensure that you are within your budgeted guidelines. If you have trouble sticking to your budget, keep expense records to help control spending. Make sure that you log your debit-card purchases either in your checkbook or online. Revise your budget if changes occur with any of your expenses.

Creative and Sensible Budgeting

Consider the following recommendations as you plan and trim your budget. *Remember that careful planning and consistent self-discipline may help reduce your loan debt!*

- Consider brown-bag lunches at least a few times each week. Buy items that are easy, nutritious, and inexpensive to pack (e.g., yogurt, peanut butter sandwiches, fruit, nuts).
- Hold on to that loose change! It adds up. Keep it in a jar and use it for laundry, etc.
- Request a monthly payment plan for utilities, especially gas or electric bills that can be tough to manage in the winter months.
- Take the Brown Med/Downcity Express bus to and from campus and to the hospitals. The bus schedule can be explored at the following site: (www.brown.edu/saferide).
- Shop with a list! Buy only the items on your list.
- Use cash instead of debit-cards or credit cards.
- Pay attention to student discounts, benefits and special services. Always ask if there is a student rate.
- Join frequent flyer clubs. Points add up quickly.
- Keep only one phone. Don't pay for both a cell phone and a land line.
- Open a savings account and a checking account at the same bank. Choose a bank that offers an ATM and an online banking service. Deposit your semester refund into your savings account and transfer your "allowance" electronically to your checking account monthly. Do not allow yourself ATM access to your savings account.
- Pre-pay certain expenses (e.g., car insurance) to avoid finance charges.
- Avoid buying coffee out. Compare the cost of home brew (\$.50) to a latte (\$3.50).
- Set aside the same time and day each month to pay your bills. As you receive bills, keep them in one, safe place until they are paid.
- Toss extraneous mail in your recycle bin as you arrive home each day. Don't mix it up with bills and other important information that require your attention.
- Let your friends and family know that birthday, wedding, and holiday gifts will need to be modest while you are in medical school. Utilize your talents to create thoughtful yet inexpensive gifts (e.g., homemade food, your art work, your own CDs).

Good luck, and remember the staff in the Office of Financial Aid is available to help you work through budget planning.

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