

Financial Independence for College Kid

Q. My daughter will start college next year. What the easiest way to manage her cash? Should we have a shared bank account, or is there a better way? My credit isn't very good and I don't want to hurt hers.

-- Mom

A. This is an exciting time for you both, and the perfect time for your daughter to learn to be financially responsible and independent.

For starters, your daughter should have her own checking account where she can access her funds with a debit card and set up online payments as needed, said **Claudia Mott**, a certified financial planner with **Epona Financial Solutions in Basking Ridge**.

Mott said if your daughter has saved a considerable sum and there is a risk she may spend it too quickly, it might be best for that to be held in a separate savings account.

"A recurring transfer could be set up to provide her a monthly spending allowance while she is at school," Mott said. "Having access to a fixed amount of money each month will require her to begin budgeting for her expenses."

If you'll be giving her that monthly stipend for her out-of-pocket expenses, you may also wish to consider creating a regular electronic transfer between your accounts, she said.

It's also a good idea for your daughter to get her first credit card that she can use for some purchases and in the case of an emergency, Mott said. This may be something she can do on her own, or it may require you to co-sign.

This is an important first step in establishing her individual credit history.

Mott recommends you start by having a conversation with the bank where she has her checking account.

"Your daughter needs to understand the importance of paying off the entire balance in a timely fashion," Mott said. "She'll need to become responsible for balancing the purchases she makes with the cash she has available each month. Credit ratings are hurt most by late payments."

Mott recommends your daughter set up an account with an online budgeting app such as Mint.com in order to track her spending. She will be able to link her bank and credit card accounts and see all of her transactions divided into the categories to which they are assigned.

"A tool like this can help her keep an eye on her budget and how her spending compares so that she can learn to make adjustments when necessary," Mott said. "Learning to be financially responsible now will serve your daughter for her lifetime."

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