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Sidestepping Travel Debt: Money-savvy ways to see the world

If you're like most Americans, you've dreamed of traveling the world. With a rocky economy and lack of entry-level jobs, you might be thinking this is the best time to take the leap (and gain some relevant experience to boot). Think again. These trips don't come cheap, but there are many ways to follow your travel dreams while making good decisions about debt.

Is it worth it?

Recent studies show that participating in foreign travel and study-abroad programs can power up your college prospects and help your career. Before planning your trip, consider whether the immediate and long term benefits are worth the financial sacrifice. Think about your trip as an investment--will it appreciate or depreciate in the coming years?

Charging your travels

Although a credit card might be necessary for purchases like airline tickets and hotel rooms, misusing it can be detrimental to your credit score. After all, those little plastic cards aren't free money. With the current average annual percentage rate (APR) at 14.12%, credit card purchases may end up costing a lot more than you expect.

If you decide to fund your trip on a credit card, consider the following:

- Research and shop around to find the card with the best APR.
- Look for a card with a low introductory APR (preferably 0%), which will allow you to pay off the trip over several months without accruing interest on the principal.
- Create a payment plan before charging. Be sure you know how each purchase will be paid for before swiping.

Academic opportunities

If you're currently taking college classes, a study-abroad program may be the best option for your travels. The costs of studying abroad differ depending on the program, where you choose to study, and how long it lasts. As long as you select an approved program, your university will usually provide the same financial aid package as you would have received on-campus. Different schools have different policies, but most will require you to enter an agreement between the study-abroad program and your school, and most will maintain your student status while abroad. That means you don't have to start paying back your student loans even if you haven't been in the classroom.

Financial aid probably won't cover all your expenses, like airfare and touring cash (if you're going abroad, you'll probably want to see the sights). The good news is that a variety of scholarships, grants, and fellowship programs are available to students wanting to travel. Each financial award is unique, so be sure to research and apply early for the best opportunities. Other financing options include private loans, student lines of credit, or loans from family members. Before borrowing money, research each option and prepare an exact travel budget to explain how you will use the money. This will protect you from unnecessary travel debt and running low on funds while abroad.

Travelers beware

Even the best planned trips have incidental costs. When creating a budget, make sure to consider even the smallest fees, as well as unexpected costs such as additional travel expenses or health care fees. You will want to have an emergency fund available. It also might make sense to invest in travel insurance, which can cover losses due to a cancelled trip, lost or stolen luggage, or emergency medical assistance. Remember to account for the current value of the United States dollar, since differences in exchange rates can cause major miscalculations.

Bottom Line: More than four out of five people who have a credit card use it to pay for travel expenses. While maxing out multiple credit cards is a terrible idea, careful planning and taking advantage of student funds can reap dividends if done wisely.

Stats

The approximate cost of a semester-long study-abroad program at the University of Mississippi is \$7,500--\$15,000.

Source: olemiss.edu

Between 1996 and 2006, the number of students studying abroad increased 150%.

Source: ijenetwork.org

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