

Keeping Credit Cards in Check



It's so much more than a piece of plastic. In the hands of a college student, a credit card can be an effective tool—or a terrific temptation. Easy access to pre-approved cards and a lack of understanding about the problems of plastic contribute to many students graduating with credit problems on their heels. As more students become mired in the muck of credit card debt, the term “college credit” seems to be taking on a whole new meaning.

“Easy Targets”

Credit card companies are targeting your student. In the late 1980s, they got wise to the fact that the market was already saturated with working adults paying high interest on their cards. So, they turned to college students, banking on their future earning potential as college graduates and their current desire to experience the freedom of spending at will.

Students are also estimated to spend over \$100 billion each year. Their tendencies toward brand loyalty promise that they'll keep a college credit card for many years. MasterCard did a survey that found three-fourths of former college students still holding their first credit card 15 years later.

Easy to Reach

Marketing credit cards to college students is easy, from fliers in college bookstore bags to student newspaper ads to the “get free stuff” recruitment booths in many student unions. Mailboxes are stuffed with bulk mailings and ads pop up on the Internet.

These marketing ploys seem to pay off for credit card companies. Students are often sucked in by low introductory rates. Then, some companies jack up the rates once students are established customers.

How Parents Can Help

As a parent, there are some key things you can do to help your student steer clear of credit difficulties.

- **Explain the “Grace Period.”** A credit card statement may tout a 15-25 day “grace period” to pay your bill. However, this may only apply if students don't have a previous balance on their account. If they do have a balance, chances are that they'll be paying interest on their new purchases right away.
- **Encourage Students to Pay Up.** Paying off credit card

balances avoids interest accumulation while helping students prove to creditors that they are a good credit risk. An active, paid up account will make it easier for students to negotiate with loan officers in the future.

- **Talk About the Practice of “Living Off Your Credit Card.”** It may seem convenient for students to use their credit card for everything but the benefit of cash is that it's much easier to keep accurate tabs on spending. Credit card purchases often don't show up on a printed bill for a month and by then, students may have gotten themselves into trouble.
- **Warn Them to Put the Charge Card Down and Step Away From the Mall!** Recreational shopping is a pastime of choice for many students. Encourage them to know their limits so that peer pressure and impulse buying don't lead them to poor money decisions.
- **Ease Into It.** Encourage your student to start with a low credit limit to avoid temptation. Make the card for emergencies only. Their future credit card usage will probably be more prudent as a result.
- **Start the Practice of Paying on Time.** Your student can avoid late fees by paying on time. Encourage them to pay their bill as soon as it arrives so that it's not lost in the shuffle of their busy life.
- **Don't Go Overboard.** Just because someone offers your student a credit card with low introductory rates doesn't mean they have to apply for it. Too many cards can get confusing and students are bound to have a tough time keeping track of what they've actually spent.

The “spend now, pay much later” temptation associated with credit cards is causing many students to get in over their heads. With your guidance, they can make safer, smarter choices.

Does your student know how much spending money is available to him or her this semester? Have you discussed where this money will come from? These are important conversations to have so that assumptions, poor choices and financial troubles don't become the norm.