

Is Your Teen A Wise Money Manager?

It's August and many families are busy packing their recent high school graduates off to college. Have you checked everything off your list...clothes, sheets, towels, and...a credit card? More importantly, is your college freshman ready to handle the responsibilities that come with a credit card?

Many parents actually prefer their student have a credit card to pay for essentials such as books, school supplies and gasoline and have already allowed their teenagers to be a "user" on their credit card or have allowed their teen to have his or her own credit card with a low limit in order to acquaint them with the ins and outs of money management. Parents also feel more secure knowing their student will have the ability to take care of an emergency situation with a credit card.

It's a good idea that parents and teens sit down to predetermine the amount that he or she is allowed to charge each month and be sure your student understands the importance of keeping some of their credit limit in reserve for an unexpected emergency. By adding a teen to the parent's credit card, parents can monitor usage and prevent surprises since your teen cannot run up months of debt without your knowledge.

Although your student will be very tempted to get his or her own credit card, try to encourage your student to use your credit card for at least the first year of college until they prove they can handle financial responsibility. When they do finally apply for their own credit card, encourage them to shop around for low fees and low rates. Caution them to not be taken in by "teaser rates"—low rates that jump after a few months. The novice card user needs to understand the consequences of paying the balance—interest accrues until it is paid



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off—and the consequences of paying late includes a hefty fee and potentially a bad credit report. Encourage your student not to apply for a credit card just to get the free tee-shirt being offered.

Students should understand that from the time they make their first purchase with their own credit card, credit bureaus will maintain their credit history in the form of a credit report. This history will be reviewed by future employers, insurance companies, apartment managers and consumer businesses, such as auto dealers. Maintaining a positive credit history is an important responsibility.

Most students, both high school and college, want to prove they are capable of managing their own lives, independent of their parents. This is just a part of growing up. But to accomplish this goal, they must prove they can be responsible money managers.

Most parents reading this column would never have dreamed of having their own credit card in college. But today's students have more purchasing power than ever and credit card companies are vying for their attention. If you've taught your child good money management, you can drop them and their credit card off at the dorm with peace of mind. Now, if you could only teach them how to do their own laundry...

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