

Sharing Your Credit History With a Child

The drawbacks of adding your child's name to your credit card outweigh the benefits.

By Janet Bodnar
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I've heard that I can give my son my credit rating by making him an authorized user on one of my credit cards. What do you think of this idea?

I've never liked the idea of mixing your credit history with your child's by making him an authorized user of your card. And pretty soon you won't be able to use this gambit any more.

The idea is to add your child's name to your card without actually letting him use the card. You continue to pay the bill, but when he applies for credit he gets the benefit of your credit record.

In my opinion, there have always been a number of flies in this ointment. For one thing, if children aren't actually using the card or paying the bills, they aren't really learning how to manage credit.

For another, kids don't actually inherit your credit score, based on your presumably long credit history. They only get the benefit of that one account. It will take them about six months to start compiling a credit score of their own.

Most important, kids don't need your help to get credit. Once they turn 18 and head off to college, issuers are happy to give them any number of cards in their own name.

All this will become moot come September, when Fair Isaac, the company that compiles the FICO credit score, will no longer allow authorized users to benefit from someone else's credit history.

Fair Isaac is trying to quash a new kind of fraud, called piggybacking, in which people with poor credit buy the right to be an authorized user on a card held by someone with stellar credit.

One alternative for parents is to make a child a co-signer on a credit card. But that's even more risky because both you and your child would be responsible for the debt. If your child skips out, you're on the hook.

It's a parent's job to help kids develop the skills to manage credit when they're mature enough to handle it. But parents aren't obliged to give their children credit or the benefit of their own credit history.

I recommend that college students get a couple of years' experience managing their expenses with cash and a checking account and then apply for a credit card. When my daughter applied for a card shortly before she graduated in May, she had no trouble getting a Sovereign Bank Visa with a stellar 9.9%

interest rate.

FICO's new Expansion score makes it easier for young people to get credit if they have little or no credit information on file. Fair Isaac uses data such as whether you pay your rent on time or have a clean checking account.

Young people who are still having difficulty getting a MasterCard or Visa can start with a card from a retail store. Or they can apply for a secured card, which requires a savings deposit equal to the credit line (for a listing of secured cards, go to www.cardweb.com or www.cardratings.org).

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