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## How to Teach Your Kids About Credit Cards

By *Emily Brandon*

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Kristin Davidson, a junior at Colorado State University, signed up for a Wells Fargo credit card last year to get a discount on snowboard passes for herself and a friend. The 20-year-old aspiring social worker, who used the card mostly for gas, recently closed the account. "There were fees if you didn't continuously deposit money in the bank," she complains. And there's the rub. Fees and jumps in interest rates are often hidden in the fine print of credit card contracts and ignored by students intent on snapping up free T-shirts, food, or merchandise in exchange for applying for a card. Here's how students and parents can get reliable information about picking a good credit card and managing debt.



(Image Source Pink/Getty Images)

**Information from the source.** There has been a recent [backlash](#) against deceptive marketing practices by major banks on college campuses. So, in a public-relations move, banks have begun to offer educational materials along with their plastic. Bank of America and Monster Worldwide sponsor a free money management program to educate college students about credit cards, complete with a student financial handbook and a money skills workbook. "Our objective is to help students build a good credit history that enables them to achieve their financial goals," says Betty Riess, a spokesperson for Bank of America.

Wells Fargo includes informational brochures in monthly statements and offers new customers credit education lessons. Complete the course, and you get a free movie ticket. And almost all of the major banks offer some form of online educational materials for students.

But many consumer advocates say these are empty gestures. "They are doing the absolute minimum to say they are doing what's enough," complains Robert Manning, a professor of

consumer finance at the Rochester Institute of Technology and author of *Credit Card Nation*. "If you look at the amount of money credit card companies spend marketing to college students versus educating college students, then you begin to see how fallacious that argument is. We don't want the fox guarding the henhouse."

**The college try.** Some colleges, realizing that their students are facing oppressive credit card and student loan debt upon graduation, are also upping their efforts to educate college students about financial literacy. The University of North Texas, where 80 percent of the students are in some kind of debt, opened a [Student Money Management Center](#) in 2005. It provides free financial seminars and workshops for all students—some with free food and hours and locales that appeal to students, like 11:30 p.m. in the lounge of a dorm or a fraternity or sorority house. The center also offers free individual financial consultations to help debt-laden students develop a plan to pay down what they owe.

"When students come in, we start developing a plan that they leave with," says Paul Goebel, director of the center. "They will identify tasks that they want to accomplish and take the responsibility, and the student will determine the deadlines." About 80 percent of the 11,000 students who have used the center managed to accomplish their tasks on time.

Other schools are incorporating financial literacy education into freshman orientation programs or general education requirements. "I have an orientation program for parents and for kids and a life skills course that all freshmen are required to take, which helps students better understand how much debt they can accumulate in college based on what they are going to major in," says Manning of RIT. He uses what he calls visually engaging [budget exercises](#).

Every fall since 2004, students at Penn State's Erie campus have received credit management training in their freshman seminar program. "It's a short program, but they are given some training," says Mary Beth Pinto, an associate professor of marketing at Penn State Erie. "They participate in a live game show, and it's a fun interactive way to learn about credit." Anyone can play the educational game online (registration required) at the [Center for Credit and Consumer Research](#) at Penn State.

**All in the family.** Unless students attend a college where credit card companies have been banned from campus or with credit education already in place, students and parents

must take the responsibility of educating themselves about credit cards and acceptable amounts of debt. "Parents, even when they have done all the right things, may wonder: Why is one child financially responsible and one is financially irresponsible in college?" says Manning. "Those students living away from home, they become more likely to share the more irresponsible spending behavior of their peers."

Ideally, financial education begins long before a student leaves for college. "It would be good for a high school student to have some type of credit card or a debit card to get exposure to the credit card experience while they are still living under the same roof" with their parents, says Bill Hardekopf, CEO of the credit card comparison website [LowCards.com](#). "There is an aura or a freedom that a credit card gives a student, and that can very quickly turn into something financially dangerous. It's better to have that happen when the student is under the same roof than when they are in the dorms with their friends."

While applying for credit or when receiving a monthly statement, parents can talk about paying the bill in full each month to avoid interest, point out what a credit limit is (and discuss overlimit fees charged if you exceed that amount), and encourage students to pay the bill several days ahead of time to avoid late fees.

Pinto recommends, in addition to sitting down with your kids for a formal credit card discussion, looking for opportunities in general family life to talk about credit cards and money management. "If you read it in the newspaper or you see a billboard, teaching moments occur," she says. "Use those opportunities to teach about the benefits and the drawbacks."

If you're not so good with credit cards yourself, but you'd like your kids to be more fiscally responsible, you can encourage them to take a free online [financial literacy course](#) offered by the National Association of Student Financial Aid Administrators, read a [credit card guide](#) for students from the nonprofit Consumers Union, or peruse financial literacy resources at the [National Endowment for Financial Education](#).

And if you're already in credit card debt, get help at a consumer counseling agency in your area from the [National Foundation for Credit Counseling](#).



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