

# YOUR MONEY

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## Student Credit Cards 101

Almost all students have and use student credit cards. Some of the students use them wisely and build for them an early credit history but others accumulate lots of debts that would have to be paid off once the student life is over. Students that have a credit card should learn how to take charge and manage their own finances as soon as possible, because the time

between teen years and adulthood is very short. So, the sooner a student starts managing his own financial matters the sooner he will develop useful financial skills.

Student credit cards are no longer a privilege for wealthy students but now are considered a social entitlement.

A student can very easily obtain a student credit card. Offers for student credit cards are everywhere students are: in campuses, at social functions, in their mail boxes, in bookstores, etc. That is because credit companies consider students to be good customers. First of all they are loyal; once a student obtains a credit card, he is likely to keep this particular card for years to come and instead of getting other new cards they upgrade it every time they fill the need to do it.

Nowadays, the conditions to obtain a student credit card are very weak, so more and more students have access to them even though they don't have a steady source of income. And this is a second reason why credit card companies offer more and more credit cards to students: they usually can't repay their debts in time. And this is what credit cards companies rely on; they make lots of money from late payment penalties, interest fees on unpaid credit card balances, annual fees and more. So, students that don't repay their credit card balances in full each month are the best customers.

Every college freshman wants to have at least one credit card because it will help him very much during his college years; the student will be able to rent a car, buy books or concert tickets, provide himself help with medical or other emergencies and more.

Apart from financial help during college years, student credit cards offer other types of help by building a credit history. Credit history is the record of all that happens in your financial situation throughout the years. Credit scoring is a system based on all that happens to your accounts: late payments, bill paying history, number and type of accounts, outstanding debts and more. If the credit history and scoring are good the student will more easily obtain a house or a car loan, certain types of financial jobs, insurance premiums and more other benefits. So, the student must pay his bills in full or in time, in order to benefit later of their first years of credit history.

The most difficult thing for a student is to choose from the large number of student credit card offers. And the best way for a student to choose a credit card for himself is to talk to other students and get advice from the ones that already have and use a credit card and compare credit card offers online. Before choosing a credit card, the student must be aware of the card's terms of use. Most student that already have a credit card recommend for the others a card with no annual fee and the option to limit the amount to be spent. And apart from these safety measures, wise students that think of their financial future often take a personal finance course in order to learn all kinds of financial management skills that will help them throughout their entire life.

Students must be very careful when using their student credit cards; they always have to be cautious about the amount charged on the credit card and, at the end of the month, to review the amount of interest they have to pay monthly. It is also recommendable that the credit card balance to be paid as soon as received. If for some reason the balances cannot be paid in full, the student must pay at least the minimum payment required. If problems with paying the credit card balances appear, the student must ask help from a financial counselor that will always have a solution for him as student loan repayments are much more flexible than consumer loan repayments.

Another thing students must be careful about is identity theft; the credit card or social security numbers should not be given to anybody over the phone. These are important information that cannot get into the hands of wrong people because will very much damage the credit history. So, we can consider that it is best for students to have a credit card starting with their freshman college years because, if used wisely, the credit card history built in this period will very much help them throughout their entire life.

A recent survey has shown that college students use credit cards for many reasons including purchasing personal items, paying for living expenses and tuition, and buying clothing. Over 65% of college students use credit cards and over half have significant credit card debt. Many college students do not know what their APR is nor can they pay their balances in full. The conclusion is that college students should be educated about managing credit cards, interest rates, and how to develop good habits now that will save them a lot of money in the long run.

In regard to personal finance and the use of credit, students are lacking knowledge. The survey suggests that college students should be educated in financial matters to avoid overwhelming debt in the future. Paying for college tuition and expenses with credit cards can be a very costly mistake that can affect the ability to purchase a new home or car, or pay off student loans. It is crucial for college students to learn to plan for their financial futures and accept the added responsibility of managing credit cards. 55% of all students reported never having taken a financial management class. As a general rule, college students should learn to make a budget and stick to it, and to use credit cards only in an emergency, not for day-to-day expenses. Classes devoted to personal finance should be made available to every college student.

# Teens And Credit Cards

## - Teach Your Teen To Spend Wisely



There are a number of credit cards becoming available for teens. Parents are teaching teens to spend wisely with prepaid credit cards or cards with a set monthly spending limit. Teens are able to use the cards just like a regular credit card, but only up to the limits approved by their parents. Teens can use the cards to make purchases, but will have to learn to budget wisely to avoid exceeding their monthly spending limit.

Parents can keep track of their kid's spending habits with email alerts each time a purchase is made and monthly statements showing exactly how much the child is spending and on what.

Most of the credit cards aimed at teens are advertised as a convenient way to monitor teen's spending habits and as a valuable tool to teach kids to manage money. Many parents see the new cards as a way to give kids spending power, but only to a certain limit. Since most people will eventually have to learn to manage credit cards and debt, the teen credit cards could be a very good tool to teach children the value of money and the concept of budgeting. Teens get a feeling of power and responsibility with the credit cards, and at the same time learn the meaning of spending only what you can afford.