

CREDIT CARDS

Teaching your child to use credit responsibly



ADVANTAGES

Emergency funds

Interest-free if paid off monthly

Builds credit history

Consumer protection

Cardholder rewards

COULD BE A GOOD THING



Cash when they need it

Emergencies, credit only purchase options



Potentially no cost

If paid in full monthly, zero percent interest



Low interest loans, lower car insurance rates, get a job

On-time payments will help their credit score



Shields fraudulent activity

\$50 maximum liability for unauthorized purchases



Insurance

May be reimbursed for goods that are damaged in transit or warranties on purchases



Rewards

Many cards offer frequent flyer miles, cash back or gift cards

DISADVANTAGES

Impulse Buying

Interest

Fees

Minimum Monthly Payments

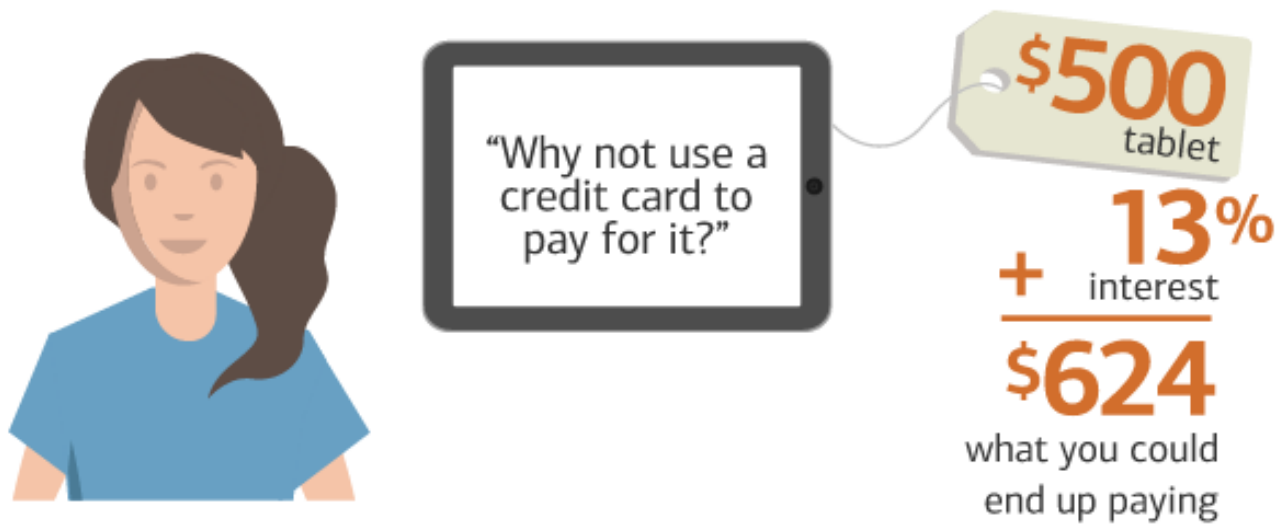
YOUR CHILD MAY BE TEMPTED



New law protects students

Anyone under 21 must have a cosigner, or have employment

IMPULSE BUYING

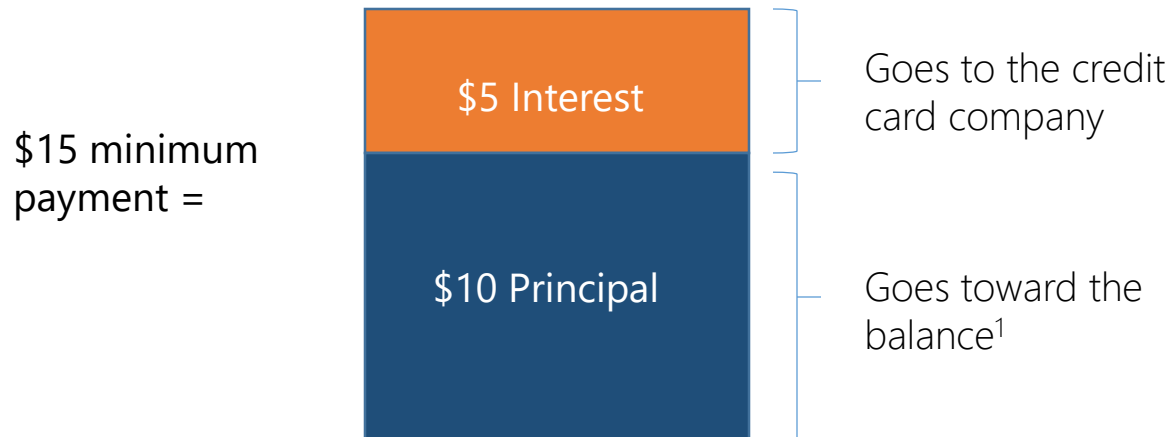


Spending disadvantage

Easy to go over budget

COST OF BORROWING MONEY

Interest is a fee lenders charge in exchange for borrowing money



¹ If \$15 minimum monthly payment is made on a \$500 purchase, \$490 is still owed after the first payment.

Additional Fees

Many charge for things such as exceeding credit limits and making late payments

PAY MORE THAN THE MINIMUM

Total purchase on credit card*:

\$500

Payment:	 \$15 monthly	 \$25 monthly	 \$45 monthly
Payoff time:	3.5 years	23 months	12 months
Total interest:	 \$124	 \$67	 \$36
Total cost:	 \$624	 \$567	 \$536

**Assumes a minimum payment of \$15 a month, and interest that's calculated as an annual percentage rate (also called APR) of 13 percent.*

CONSIDERATIONS

Credit card terms

Alternatives

Parental Controls

Takeaways

CREDIT CARD STATEMENT

CARD Statement

A

C

Account Number 1234 1234 1234 1234
Statement Closing Date 11/09/13
Credit Line \$2,100.00
Available Credit \$1,576.80

B

D

TERESA TORRES
123 ANY STREET
CITY CA 12345

E

F

H

Account Summary
Previous Balance \$1,686.15
- Credits \$0.00
- Payments \$1,688.15
+ Purchases & Other Chgs \$523.20
+ Cash Advances \$0.00
+ FINANCE CHARGE \$0.00
= New Balance \$523.20

Payment Information
New Balance \$523.20
Scheduled Minimum Payment \$35.00
Scheduled Payment Due Date 12/01/13

Rate Information
YOU MAY PAY YOUR BALANCE IN FULL AT ANY TIME
YOUR RATE MAY VARY ACCORDING TO THE TERMS OF YOUR AGREEMENT
NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION ABOUT YOUR ACCOUNT

Type of Balance	Corresponding ANNUAL PERCENTAGE RATE	Daily FINANCE CHARGE RATE	Average Daily Balance
PURCHASE(S)	19.80%	.05424%	\$0.00
CASH ADVANCE(S)	21.80%	.05972%	\$0.00

Composite ANNUAL PERCENTAGE RATE 21.80%
Days in Billing Cycle 25

K

J

Transactions
Trans Post Reference Number Description Credits Charges
10/08 10/08 XXXXXXXXXXXXXXXXXXXX MERCHANT NAME 523.20
10/08 10/09 XXXXXXXXXXXXXXXXXXXX PAYMENTS 1,686.15

Detach an mail with check so that your payment is received no later than the "Payment Due" date. See reverse for important additional information.

Account Number 1234 1234 1234 1234
New Balance \$523.20
Scheduled Minimum Payment \$35.00
Scheduled Payment Due Date 12/01/13

L

Amount Enclosed \$

PAYMENT ADDRESS
123 ANY STREET
LOS ANGELES, CA 90030-0086

TERESA TORRES
123 ANY STREET
CITY, CA 123456

- A. Account Number
- B. Closing Date
- C. Credit Line
- D. Available Credit
- E. Account Summary
- F. Payment Information
- G. Minimum Payment
- H. Due Date
- I. Credit Card Act of 2009 Information
- J. Rate Information
- K. Transactions
- L. Payment Coupon

WEIGH THE FACTORS



Is the expense necessary right now?



Can I afford more than the minimum monthly payment?



Can I pay-off before the grace period?



If not, is it worth borrowing money to purchase?



How much do I have in available credit?



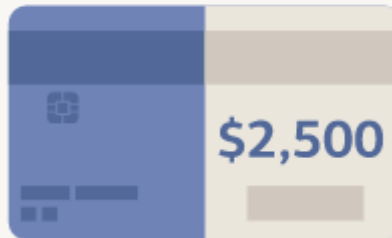
AVAILABLE CREDIT

Understanding available credit

Card limit:

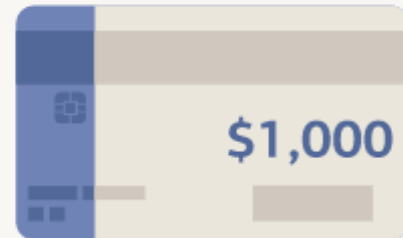


If you spend



you've used **50%**

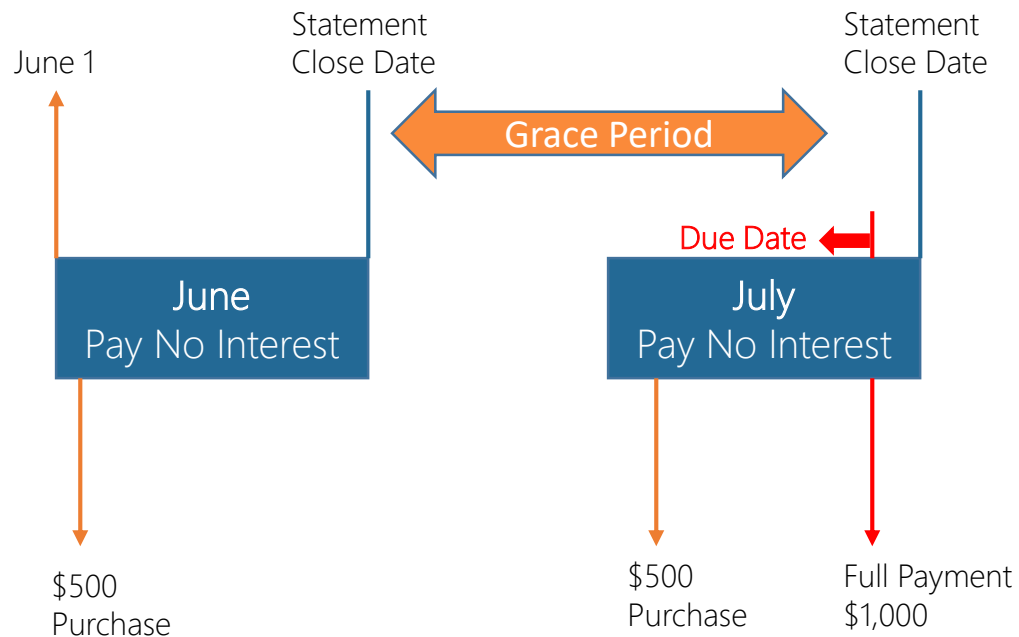
If you spend



you've used **20%**

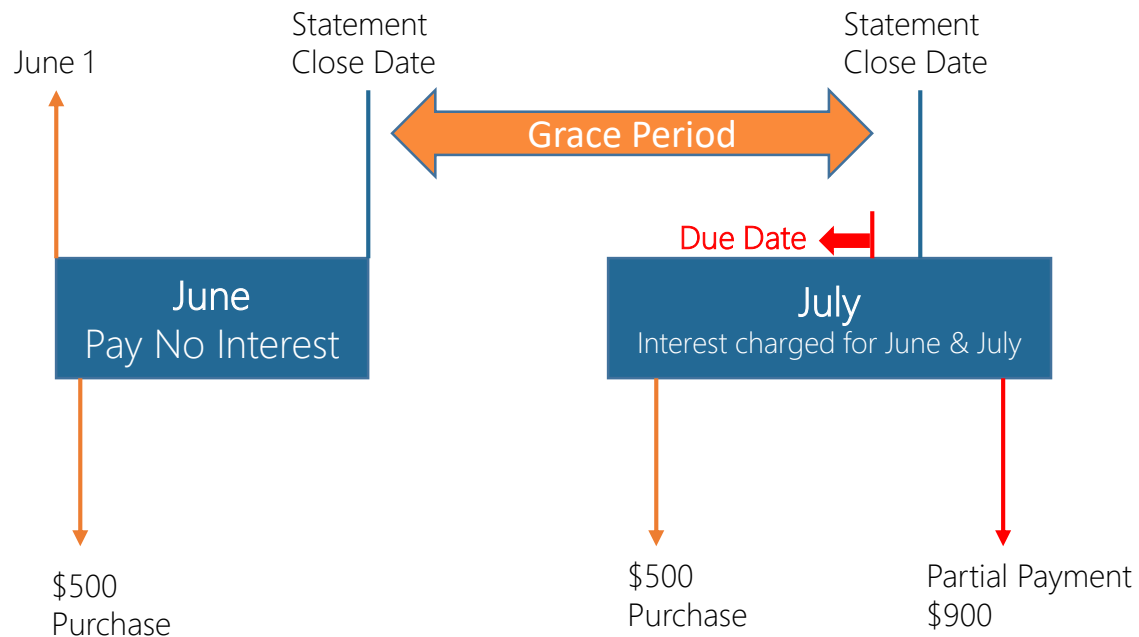
GRACE PERIOD

The Key to Avoiding Interest Payments



INTEREST PERIOD

Interest charged for two months



ALTERNATIVES

Debit Cards

Establishes a link between a credit card and real money

Review statements with your child each month

Set a budget

Look for warning signs like overspending

Does not build credit history

Risk of overdrafts

Secured Cards

Funds are tied to their savings account

Builds credit history

Helps overspending

Promotes the habit of paying off monthly

Parent and child responsible for debt

Add authorized user, if under 18

Easy to set up

Parent solely responsible for debt

Parent and child credit history is linked

Joint Credit Card, if under 18

Builds credit history

Parent and child responsible for debt

Prepaid Cards

Spending limited to amount on card

Authorized adults can add funds

Fees charged for activation, loading money, maintenance

Does not build credit history

PARENTAL CONTROLS

	Duplicate Statement	Online Access	Email/Text Alerts	Spending Limits	Usage Restrictions
Debit Card	✓	✓	✓	✓	✓
Secured Card					
Authorized User Credit Card	✓	✓	✓	✓	✓
Joint Account Credit Card	✓	✓	✓	✓	✓
Prepaid Card	✓	✓	✓	✓	
Credit Card					

⚠ Lose your credit card?

Contact your credit company ASAP!

Retain customer service and card member information

KEY TAKEAWAYS

Pay credit cards on time

Payment history accounts for over a third of your credit score

Keep credit card balances at, or below 30%, of your maximum available credit

Keeps your credit score in good standing

Check your credit report for free once a year

<https://www.annualcreditreport.com/index.action>

1-877-322-8228

Contact a credit bureau to correct any mistakes in your report

<https://www.usa.gov/credit-reports>

