



TEENAGERS AND CREDIT CARDS



Consolidated Credit Counseling Services, Inc.
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www.ConsolidatedCredit.org

Congratulations on taking this important step to learn about issues dealing with teens and credit cards. Consolidated Credit Counseling Services, Inc. has been helping Americans across the country solve their credit and debt problems for more than a decade.

*Our Educational Team has created over twenty publications to help you improve your personal finances. By logging on to **www.ConsolidatedCredit.org** you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive credit courses, a “Best of the Web” debt calculator, a personalized budgeting tool, and much more.*

*We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburdened by high interest rate credit card debt, then I invite you to speak with one of our certified counselors free of charge by calling **1-800-210-3481** for free professional advice. We also have partnership programs available where groups, businesses and communities can hold financial workshops and received free money management guides and workbooks like the one you are reading now. Please call **1-800-210-3481** if you would like to discuss pursuing a personal financial literacy program.*

Sincerely,



Gary Herman

President

Consolidated Credit Counseling Services, Inc.

Teenagers and Credit Cards -- Beware

Did you realize that credit card companies are setting their sites on the teenage population as their next great consumer group? Although most teenagers don't fully understand the repercussions of using a credit card and the impact it can have on their future financial situations, it's not stopping credit card companies from luring them in.

More teens are working full or part-time jobs and are spending their own money. Last year, youngsters shelled out \$105 billion of their own money, compared with \$94 billion in prior years, according to Teen Research's survey of 2,036 respondents in demographically selected areas.

Because of this “rich” market sector, credit card companies, such as Capital One, are targeting high school juniors and seniors with a co-signed MasterCard that is solicited through the Internet and mailings addressed to their parents.



Because of this new trend of marketing to teens, one out of three high school seniors use credit cards, and half of them have cards in their own names, according to a 2006 survey by the Washington, D.C.-based Jump\$tart Coalition.

The Capital One card has an alarming fixed annual percentage rate and no annual fee. Credit limits range from \$200 to \$1,000. The child gets the card -- and the bill -- in his or her name, but the parents are legally



responsible for the account. Are teens prepared to take on the responsibilities of using a credit card? Jump\$tart says teens aren't ready for credit cards.

The group quizzed 723 12th-graders in public schools around the country on topics such as paying taxes, using credit cards and retirement savings. On average, participants answered only 52 percent of the questions correctly, a failing grade. They did worse than a few years ago, when 57 percent was the average score.

How to Help Prepare Your Teen

So how can we help prevent our teenagers from ruining their credit even before they reach college or find a "real" job? Most experts agree that parents should set up a program to help their kids understand finances.

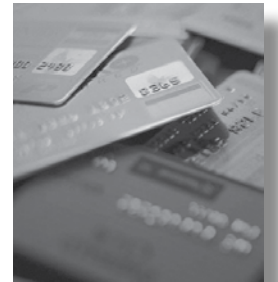
Here are some helpful hints

First, make certain that the teen has a checking account. Teens should first understand the basic skills of writing a check and tracking money. After they have demonstrated

the ability to balance a checkbook, let them use a debit card, which looks and acts like a credit card but is tied to the checking account.

When the teen has mastered those basics, apply for an extra credit card under the parent's name on an account at a retail store or local bank.

Tell the teens how the card works -- starting with the connection between charging one month and paying the next. Emphasize that it's not free money unless the balance is paid in full before the grace period expires. Explain interest and how it adds up if the debt continues to grow. Look at the fine print and review other key terms such as late fees.



Be sure to set some ground rules. Is the card reserved for emergencies or specific purposes such as clothes shopping?

Emphasize the importance of making certain the card is kept in a safe place, and what to do if it's stolen or lost.

Set limits and supervise the teen's usage. Monitor what happens when you give them an amount to spend, say \$150 on clothes. Do they surpass the limit? If so, the parents should be prepared to penalize the teen.

Help develop and advance their level of responsibility. When parents feel the teen is ready for a card in their name, encourage them to shop around for low rates and fees.

Parents and teens should keep a close eye on limit increases by the credit card company. Just because the card has, for example, a \$1,000 limit does not mean that it should be spent. With a limit that high, it could easily be increased to \$2,000 or \$3,000 within a six month period.



Parents should keep in mind that teens may apply for a card in their own name when they turn 18. Don't be surprised to see credit card offers addressed

to a son or daughter, well before their 18th birthday. Parents should keep an eye out for such offers through the mail.

With credit cards, parents must define what an acceptable purchase is. Pizza at midnight is not a proper purchase. Recently, fast-food restaurants did not take credit cards, and now it's hard to find one that does not accept them. This could be a quick way to get into debt.

Parents should also remember that credit card companies who are reaching out to teens or minors with major credit cards must follow the same federal

disclosure laws they do for marketing to adults. Whether they are selling by mail, telephone or the Internet, banks are required to reveal costs such as annual fees and finance charges.

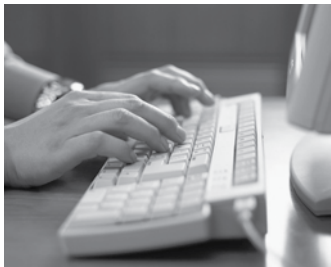
Emphasize the importance of a good credit history and how a poor one can ruin their efforts to buy their first car or rent an apartment. Show them how to get a copy of their credit report.

Give the teen responsibility for paying all or part of their balance from an allowance or job. If the teens aren't earning the money, it's not a beneficial exercise. Most teens don't really appreciate the value of money until they are out working hard and being rewarded with a paycheck.

The Internet, Teens and Credit Cards

Consumer advocates are worried that credit cards will give minors access to the Internet's unsavory side -- pornographic Web sites, or illegal alcohol and weapons sales.

Internet companies such as DoughNET, iCanBuy and RocketCash are countering those issues by setting up virtual malls with stores appropriate for teens.



Parents set up prepaid accounts for their children. Some of the sites incorporate learning tools to teach kids about banking.

Parents should always be wary and keep a close eye on what their teens are buying over the Internet. The parent and teen could form a pact, meaning that anything bought on the Internet would be revealed. The Internet does have a sinister side and many teens, armed with a credit card, could be sucked into something over their heads.

Parents – Educate Yourself – Educate Your Teens

Some parents may wonder why so many groups are making such a clamor? After all, most parents never experienced a course on personal finance and they're getting by – and in some cases, barely getting by or worse.



Parents must learn to change their old attitudes. This is not the same world that parents grew up in. Teens and children are being saturated with a devious advertising message: Buy!



Spending is portrayed as an entitlement of young people. The ramifications of over spending are not found in this advertising message. Immediate gratification is the only thing that matters. To make that easier, credit card companies single out teens and newly graduated high school students with their message – Buy!

If a teen wants an expensive toy, parents should teach the teens to save their money they make from chores or other jobs. When they have the money, the teens can use a credit card. When the bill comes due, the entire balance needs to be paid off. This is a good way to postpone the immediate gratification factor. It's okay to want material things but sometimes you just have to wait.

Teamwork

When it comes to money habits, parents can be their teen's best resource and teammate. But again, that may require some change on the part of the parents.

What is the message being passed onto teens? Most teens don't have to look any further than the way their parents go about their business with credit cards.

Parents can become more aware of the marketing ploys credit card companies have adopted and be there to educate their kids on what can happen when a teen goes “credit card wild.”

Parents and their teens can investigate and learn about fiscal responsibility and credit cards by surfing the web together. They can help each other and, as a result, become more credit card savvy and financially secure.

Some great resources are:
www.consolidatedcredit.org
www.cautionwithcredit.com
www.jumpstart.org



CONSOLIDATED
CREDIT COUNSELING SERVICES, INC.™
When debt is the problem, we are the solution.

About Consolidated Credit Counseling Services, Inc.

Consolidated Credit Counseling Services, Inc. is a consumer oriented, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States.

Our mission is to assist individuals and families end financial crises and help them solve money management problems through education, motivation, and professional counseling.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. We sponsor local free seminars that are also available to any group or organization that requests our educational services.

Our professionally trained counselors have assisted thousands of families across the United States. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

Consolidated Credit Counseling Services, Inc. is a member of the Better Business Bureau, the United States Chamber of Commerce, the Greater Fort Lauderdale Chamber of Commerce, the Association of Independent Consumer Credit Counseling Agencies, and the International Credit Association.

Notes

Notes

You can be **debt free**



There is help waiting for you now.

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
- Save thousands of dollars.



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