

Start college kids with bank accounts, not credit cards

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If you want your college student to learn money management skills, get him or her a checkbook instead of a credit card.

In fact, a recent survey of 42,000 first-year college students found that the earlier teenagers had access to credit cards, the less prepared they felt for managing their own money in college.

Those who had checking accounts, by contrast, were "markedly more prepared" to handle their finances than those who were unbanked before college, according to the study conducted by education technology company EverFi and sponsored by financial services company Higher One.

The findings match up with the experience of Janet Bodnar. The editor of *Kiplinger's Personal Finance* and mother of three college graduates sees credit cards for college students as dangerous and unnecessary.

Young people need to have finite amounts of money to learn essential skills such as budgeting and monitoring their accounts, said Bodnar, author of the book "Raising Money Smart Kids."

Ideally, students would start with a checking account in high school to manage income from their first jobs. Children who are not spending their own money often have a flexible definition of what constitutes a financial crisis, Bodnar said.

"An emergency is needing a dress for the sorority dance, or picking up the check for everyone at the pizza place because nobody has any money," she said. "You think of plastic ... as a convenience. Kids think of it as a direct line to your wallet."

PLASTIC CAUTIONS

Personal finance columnist Kathy Kristof, who also writes for Kiplinger's and who has sent two children to college, is on the other side of the fence. She thinks a credit card can make sense for some families.

"For parents who know their kids and have taught them how to handle money, it can make your life easier," Kristof said.

College students typically can qualify for their own credit cards, without a parent co-signing or any credit history, when they turn 21.

If parents want to help a child build a credit history before then, they can add him or her to one of their own credit cards as an "authorized user." (Parents should call and ask the issuer if it will export their account history to the child's credit report, since some will only do so for a spouse.)

Kristof gave cards to both children, one a college graduate and the other still a student, to book flights home and cover emergencies.

"I'm happy to have the kids as authorized users because I can see what they're doing and rip the card out of their hot little hands if they abuse it," Kristof said.

So far, her daughter has always checked in before using the card. Her son, however, will sometimes use it without asking but will tell Kristof and pay her back before the bill arrives.

Kristof said she would not let her progeny get a credit card if she could not see the bills. Even a responsible college student can get distracted and forget to check the balance or make an on-time payment.

Just one skipped payment can devastate credit scores.

"What you don't want to do," Kristof said, "is put your kid in a situation where they could get credit dings before life really has gotten started."

Bodnar cautioned that students who run through all their money should have to make a case to their parents about why they need more, not an excuse for what they already spent using a credit card.

"If they really need money, there are plenty of ways to get it to them fast," Bodnar said, such as bank transfers or a system like PayPal or Venmo.