

# Money TALKS

## Should I Be Charging?

### WHICH CARD FOR ME?

### PROTECTING YOURSELF

### KEEPING CLEAR OF CREDIT SCAMS

### CHOOSING THE BEST OFFER

### TALKING ABOUT CREDIT

## ASK SAM

## Dealing the Cards of Credit

A first credit card is an exciting experience: a symbol of reaching adulthood and the ability to buy whatever you want. But with the excitement comes new responsibilities. There are many types of cards available, some are actually credit cards and others are preparation for a credit card. Each type of card has its own responsibilities, so it is important to choose the right card for you. See “Which Card For Me?” (page 2) to find out which type of card might be the best for you.



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## Which Card For Me?

**Different cards have different age requirements.**

- A. I am under seventeen years old.
- B. I am seventeen years old and have a cosigner.
- C. I am eighteen years old or older.

**I just found a jacket that I really want, but it is expensive. So I...**

- A. Borrow the money from my parents and promise to pay them back.
- B. Save part of the money and borrow the rest.
- C. Save all of the money and then buy it.

**Going to school takes up a lot of my time. So,**

- A. I do not have a job.
- B. I will baby-sit or do other work when someone calls me.
- C. I have an after-school and/or weekend job with a regular income.

**When I owe my parents money,**

- A. I still buy other stuff.
- B. I try to pay them back quickly but might buy one or two small things.
- C. I save all my money until I can pay them back.

**I have been to a bank before**

- A. But I have never had my own banking account.
- B. And opened my own savings account, which I still use.
- C. And opened my own checking account, which I still use.

**In the past when I have spent money,**

- A. I have never tracked my spending (written down how much I spent and where I spent it).
- B. I have tracked my spending when I was saving for something in particular.
- C. I have always tracked my spending.

So, which card is best for you? Add up how many times you selected an A answer, B answer, and C answer, then see the explanations on the next page.

## Your Card & The Internet

Using your credit card to make purchases on the Internet can be a convenient way to shop. However, it is easy to have your credit card number stolen during an Internet transaction. It is a good idea to make sure that the site you are buying from is a secured site. If you are not sure, you can call the company and ask.

## Answers to Which Card For Me?

### Mostly A's Pre-funded Card

You probably like the idea of a credit card but have not had the opportunity to experience managing your own money. Some large credit card companies offer a great pre-paid card that might be perfect for you! It works like this: money is deposited into your account and then you can use your card anywhere your credit card company is accepted. Once you have spent all the money in your account, just add more money to keep shopping. The great thing about this card (aka “smart card”) is that you do not have to be eighteen to get one! If you are sixteen or older you can open your own account. If you are thirteen, fourteen, or fifteen you can still get an account in your name—as long as your parents sign with you. This card will give you the opportunity to start tracking your own money and let you build a history with a major credit card company.

### Mostly B's Gasoline or Store Credit Card

It sounds like you have had some experience managing your own money. Good for you! While technically you can get a credit card in your own name when you turn 18 years old, you must be able to show you have enough income to repay the debt or have a cosigner. With that in mind, a great first card for you might be a gasoline or store credit card. These cards are a good way to establish credit. They are usually easier to obtain than a bank credit card. Purchases are limited to the merchant that issues the card. It is a good idea to pay off the charges each month so you don't get yourself in over your head. Pay the bill on time each month.

### Mostly C's Bank Credit Card

It appears that you know how to manage your spending well because you realize the responsibility of earning, saving, and owing money. As long as you are eighteen years old and can show proof of income, a bank credit card might be right for you. Bank credit cards are exciting but come with a great deal of responsibility. With a bank credit card you can make purchases without paying for them immediately. Once you get your spending statement, you can make the minimum payment, the entire payment, or anywhere in between. It is important to know that if you do not pay your entire balance, you will pay interest on the money you still owe.

# Protecting Yourself

Even if you manage your spending well, there are other ways your credit card can get you into trouble. But don't worry, by following these tips you can keep your credit card account safe and your credit history good:



Never give out your card number—especially if someone calls and asks you for it. If you think the call is legitimate, ask them to send you their request in writing.



If you lose your card or it is stolen, call your credit card company immediately. Keeping your credit card company's phone number and your account number written down will really help out if you need to make a report.



Instead of signing the back of your credit card, write “See I.D.” This way no one can use your credit card instead of you or try to forge your signature.



Save your receipts and compare them to your monthly statement. If a charge appears on your statement that you did not make, call your credit card company immediately.

# Keeping Clear of Credit Scams

During your search for the right credit card, you will probably come across credit card scams. These scams are designed to attract your attention and then steal your money. The Federal Trade Commission is working to stop credit card scams but knowing what to look for can prevent you from being a credit card scam victim. Watch out for offers that:

**Seem too easy**—often these ads make getting a credit card as easy as making a phone call. In reality all reputable credit card companies will require a history check.

**Claim to fix your credit**—a company cannot “fix” your credit. Only time and improved credit practices can remove a poor credit history. If there are inaccuracies on your credit report, you can correct them for free and do not need to pay a company.

**Tell you to call a toll phone number**—like a “900” number. Ads often do not mention the fees associated with calling this number and can charge you a lot of money to call. Once you call they will not actually give you a credit card.

**Do not mention any fees**—most of these offers will charge an application, processing, and/or annual fee, which they never tell you about.

*If you are unsure if an offer is a scam or not ask:*

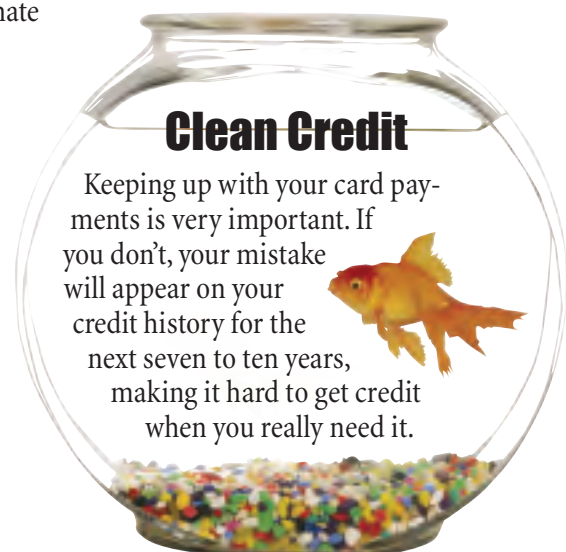
**If they issue their reports to a credit bureau**—legitimate credit card companies will send your information to a credit bureau. If your information is not sent to a credit bureau, then you will not be building a credit history.

**If there are any application, processing or annual fees**—most credit card companies do not charge these fees.

**What the interest rate is**—often these easy-to-get credit cards charge outrageous interest rates.

*If you think that an offer is a scam, you can report the scam to: (Go online to get contact information)*

- Your local consumer protection agency
- Your state Attorney General’s Office
- The Federal Trade Commission



# CREDIT CREDIT CREDIT

## Choosing

### *the* **Best Offer**



When you are ready to get a credit card, you will find that there are lots of cards to choose from. So how do you decide? By looking at various credit card offers for the following information, you will know which offer is the best deal.

Does the card come with a low-interest introductory offer, like eight percent or less? If so, a good introductory offer lasts for an entire year. Find out the normal interest rate, which will be effective after the introductory period. The lower the interest rate, the better the offer.

Does the company charge an annual fee for using their credit card? The majority of companies do not charge an annual fee, so there is no reason to pay one.

Does the company offer insurance that will cover the minimum payments if you cannot? Often times the monthly cost for the insurance is more expensive than the minimum monthly payment—not much of a deal.

If the card you are looking at does not offer an interest rate you like or charges an annual fee, keep looking until you find a better offer.

### **Talking About Credit**

Often times, the best information you can get is from someone who has been there. Talk to your friends and your parents about your credit plans. Ask them about their own experiences with credit, both good and bad. Your parents can help you decide what the best type of card is for you and may even be able to help you get a credit card. Financial institutions often feel more comfortable giving first-time credit to children of their clients. If you cannot get credit by yourself, your parent or another adult can co-sign for credit with you. The payment history will appear in the credit history of both individuals.





# Frequently Asked Questions

**Q: Silvia—What will happen if I don't pay my credit card bill?**

A: Keeping up with your credit card payments is very important. If you don't, your mistake will appear on your credit history for the next seven years, making it hard to obtain credit when you really need it.

**Q: Jared—If your debit card has a "Visa" logo on it, is it a credit card?**

A: Debit cards, sometimes called ATM cards look and are used like credit cards- but they aren't. Instead of drawing on a line of credit, they act like a check, moving the amount of the purchase from your checking or savings account to the merchant.

**Q: Tanisha—I am an 18-year-old college student and work 10-20 hours per week. When I went to apply for a credit card, the y said I had to be 21 to get a card without a cosigner. I thought I only had to be 18.**

A: Under the Credit Card Act of 2009, you now must be able to prove income independence or have a cosigner to get a credit card before you are 21 years old. You can try increasing your income or try a different bank or credit union. Each financial institution will establish its own policies to comply with the new law.

If you have a financial question, visit the Money Talks website at <http://moneytalks4teens.org> and click on FAQs.

## TIP

Every month, pay as much of your balance as you can—you won't have to pay so much in interest!

*Money Talks...Should I Be Charging?* is a series of two newsletters designed for teens. The goals of these newsletters are to assist teens in understanding how credit works and how to maintain good credit, how to obtain credit, what to do if they are denied credit, safety tips when using credit cards, and how to avoid credit card scams. Comments regarding these newsletters can be addressed to: Consumer Economics Department, University of California Cooperative Extension (UCCE), 135 Building C, Highlander Hall, Riverside, CA 92521. Author: Katherine Wassenberg, freelance writer; Development Team: Margaret Johns, Charles Go, Shirley Peterson, and the UCCE Money Talks Workgroup; Graphic Designer: Kerry Decker, UC Riverside. 2006



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