



## Using Credit Wisely

### Title

# Helping Children Build Credit: What You Can Do

### Connect

In school, students have been learning about credit: what credit is, how credit can be used responsibly, and the importance of having “good” credit. They’ve also learned that credit is important for more than just loans; it can also be used by potential landlords, employers, and insurance companies. Parents and guardians play an important role in helping children establish and maintain good credit. In addition to modeling responsible use of credit, they can be co-signers on credit applications, add their child as an authorized user, and help protect their child from identity theft.

### Talk

- How do you decide when to use credit? How many credit cards do you have, and why? Talk about the ways your family uses credit including credit cards and loans for vehicles, education, or a home.
- When did you get your first credit card? Did you understand the terms when you signed up? Share how you first established credit, but know that your child may have a different experience. The CARD Act of 2009 provided new rules for young people. From age 18 to 21, they need to have a co-signer or show proof of income to obtain credit.
- Before your family's next big purchase, talk to your child about your options for paying. Discuss the pros and cons of using credit. For example, you may be able to earn rewards or cash back by using a credit card, but you could also pay interest if you don't pay off your balance right away.
- Has anyone other than a lender asked to view your credit report, such as a potential employer, landlord, or insurance company? If so, discuss what happened and any impact it may have had.

### FAMILY CONNECTIONS

Unit:

- 1 Being Financially Responsible
- 2 Using Financial Services
- 3 Financing Your Future
- 4 Getting Paid
- 5 Paying Yourself First
- › **6 Using Credit Wisely**
- 7 Making Major Financial Decisions
- 8 Growing and Protecting Your Finances

### Act

- Consider walking through a recent credit card statement with your child. Point out the part that explains how much it will cost if you only make the minimum payment.
- Research ways your child can begin getting comfortable paying with a card. Talk to your financial institution about your options including [debit cards](#), [prepaid debit cards](#), and [secured credit cards](#).
- Could your child benefit from becoming an [authorized user on your account](#)? If you have good credit, your child may be able to benefit. Be sure to check with the company that issues your credit card to find out their rules such as what age your child needs to be and if they report authorized users to the credit reporting agencies.
- What will your child need to do or demonstrate before you are comfortable with them using credit? Expectations could include being responsible, meeting deadlines, and being able to control spending.
- Request copies of your own credit report each year from [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com). Show your child how each of the three reports (Equifax, Experian, and TransUnion) look a little different. If you need help understanding your own report, the [Consumer Financial Protection Bureau](#) offers information and helps those who need to take any action.
- Do you know that young people are often the victims of identity theft? Make sure you know the signs to watch out for. These include:
  - collection calls or bills for things you didn't receive or do;
  - credit card offers in your child's name;
  - a notice from the IRS saying your child didn't pay income taxes or their Social Security number was used on another tax return; and
  - being denied government benefits because someone else is using your child's Social Security number.
- The [Federal Trade Commission](#) recommends checking your child's credit once they turn 16. Doing so gives you time to address any problems before applying for a job, credit card, loan, or apartment.

### Learn

- [Understanding Your Credit Report](#) from FICO explains where information in credit reports comes from and how to read one.
- [Credit Calculators](#) from Bankrate can help you determine how long it will take to pay off student loans, how much it will cost if you only make minimum payments on your credit card, and more.
- [How Young Is Too Young to Start Building Credit?](#) from NerdWallet suggests what to look for when deciding if your teen is ready to use credit.
- [How Can Teenagers Build Credit?](#) from The Balance explains options for helping your child build credit.
- [Child Identity Theft](#) from the Federal Trade Commission provides information on ways to spot and prevent identity theft with minors.