



## **FAMILIES & CREDIT CARDS**

### **A CONSUMER ACTION TRAINING GUIDE**

#### **Purpose of Training**

This training is designed to help you help parents provide their children with a better understanding of how to use credit wisely and steer clear of credit trouble.

#### **Training Objectives**

Participants will learn how to:

- Introduce young people to the wise use of credit cards at home.
- Educate young people on the importance of paying bills on time and meeting financial obligations.
- Understand card companies' policies on authorized (secondary) user accounts.
- Learn about alternatives to credit cards that may be useful to families.

#### **Materials**

*Participants' folders, which include:*

- "Families & Credit Cards" Brochure
- PowerPoint Presentation Handout

*Worksheets and Activities:*

*(The activity sheets are attached to this curriculum. You can use them to make copies for participants.)*

- Credit Yesteryear — Activity Sheet
- Take a Loan? — Activity Sheet
- Sample Credit Card Statement — Activity Sheet

*For the trainer:*

- "Credit Cards and Families" Training Guide
- "Credit Cards and Families" PowerPoint Presentation (19 slides)
- Easel, flip chart pad and markers

Seminar duration: This training is designed to last approximately 1 hour and 30 minutes.

## **Training Outline**

Welcome

Overview

Credit Card Considerations

- Credit Yesteryear (Activity)

Credit Card Eligibility

Additional Cardholders/Authorized Users

- Take a Loan? Needs vs. Wants (Activity)

Credit & Spending Management Tools

- Minimum Payment Example
- Credit Card Sample Statement
- Recipe for Good Credit (Classroom Activity)

Credit Card Alternatives

- Strategies for Parents (Classroom Activity)

Questions and Answers

Wrap up and Evaluation

## **Families & Credit Training Guide**

Before conducting this training, familiarize yourself with

- This Training Guide and attached activities
- “Credit Cards & Families” Brochure
- The accompanying PowerPoint Presentation

If you are using the PowerPoint slides that accompany this training, you will find a reference to the slide number in each section. You can download the slides from [www.consumer-action.org/english/articles/families\\_and\\_credit\\_cards\\_eng/](http://www.consumer-action.org/english/articles/families_and_credit_cards_eng/)

### **Welcome**

*[PowerPoint Slide #1]*

Ask participants to introduce themselves and say what they hope to get out of the training.

Write down participants’ expectations on an easel pad or blackboard. Save the page for the final wrap-up and evaluation at the end of the training, so that you can revisit it and ask for feedback on how participants feel about the seminar.

Direct attention to the “Credit Cards and Families” brochure in participants’ folders. Give the class a few minutes to review the brochure before you continue.

### **Suggested Remarks**

This session is designed to help you help parents provide their children with a better understanding of how to use credit wisely and steer clear of credit trouble. We’ll discuss how to expose your child to credit cards, how to understand what the card companies’ policies are, and what alternatives there are to credit.

### **Overview**

*[PowerPoint Slide #2]*

### **Suggested Remarks**

*[PowerPoint Slide #3]*

Earlier than you expect you’ll be faced with the question “Should I give my child a credit card?” The answer is up to each parent and ought to be based on your individual child.

Some of the factors to consider are your child’s age, maturity level, his/her needs and spending style. For example, can your daughter control herself when she sets foot in a mall? Will your son feel safer on an overnight school trip if he has your credit card with him? Or will he go on a spending spree? These are the kind of things parents can think about.

Ask yourself:

- Is your child responsible enough to use a credit card?
- Would it help instill responsibility if s/he did?
- What would s/he use credit for?

- emergencies
- travel
- shopping

*[PowerPoint Slide #4]*

Ask participants what they learned from their parents about credit. Was credit a useful tool or something to be avoided?

### **Suggested Remarks**

Parents are the best people to teach kids about credit. Did your parents use credit cards when you were growing up? What was credit used for in your house?

### **Credit Yesteryear Activity**

After the participants have provided a few responses, break the group into smaller groups. Have each group choose a leader to record ideas & speak for the group. Hand out the Credit Yesteryear activity sheet. After 10 minutes call the groups back together. Announce each question and call on group leaders to share their top one or two answers.

### **Questions:**

- What was credit used for in your house growing up?
  - **Possible answers:** Emergencies, holiday gifts, major purchases (furniture), car repairs?
- How do you use credit now? How is it the same or different?
  - **Possible answers:** Gasoline, supermarket, school tuition, clothing
- Would you want your children to use credit the way you do too? Why, or why not?

## **Credit Card Eligibility**

*[PowerPoint Slide #5]*

### **Suggested Remarks:**

If you decide that your child is ready to use a credit card for some purchases you should know:

- Most credit card companies will not give someone under age 18 their own credit card because s/he can't enter into a contract and be held liable for the debt.
- If under or over 18, your child can be an authorized user (or secondary account holder) on your credit account.
- Only the primary account holder (you) is responsible for making payments.

## **Authorized User/Secondary Account Holders**

*[PowerPoint Slide #6]*

### **Suggested Remarks:**

- Minimum Age – usually none
- Account Numbers – usually the same, but a separate number for the authorized user could track spending and help if card is lost/stolen

- Billing statements – Some issuers may group charges by user or by category (ex. all restaurant charges). That’s helpful to track spending.
- Credit Reporting – A credit report is a record of your payment history (a report card for credit). Credit card companies may include your payment history on your child’s credit record. If your history is good, you can add your child to your account as an “authorized user” and give her a head start on access to affordable credit.
- Responsibility – The primary cardholder is responsible for all charges and cash withdrawals made with the card. The authorized user (your child) is not.
- Marketing – Some companies may send credit card offers to minors. Anyone can stop getting these offers by calling 888-5OPTOUT.
- Debt collection – Debt collectors may contact an authorized user to collect on bills not paid by you - the primary cardholder - but the authorized user is **not** liable to pay any of this debt. Children should officially dispute information in a credit report that shows an authorized user owing that debt.

### **Needs vs. Wants Exercise**

*[PowerPoint Slide #7]*

Hand out or refer participants to the Take a Loan? Needs vs. Wants Activity sheet. Ask them to review the sheet for a moment. Ask participants to explain the difference between needs and wants to their child, and encourage them to use this form at home with their child.

### **Questions for Discussion:**

*[PowerPoint Slide #8]*

- What would your child use a credit card for?
- Would s/he be able to distinguish between a need and a want?
- Would your child be willing to take out a loan for the items s/he charges? Explain to them that if they carry a credit card balance, they are taking out a loan.

### **Suggested remarks**

- Discuss with your child what s/he would use a credit card for.
- Set a spending limit.
- Decide in advance if your child will be responsible for paying the part of the bill that s/he has charged.

## **Credit & Spending Management Tools**

*[PowerPoint Slide #9]*

### **Suggested Remarks:**

Some credit card issuers offer tools to help you manage your family’s spending.

- Online Access – You and your child can track your credit card spending
- Statements - provide a monthly list of purchases. Some companies offer a year end statement to help you compare actual spending to budgeted amounts.
- Alerts – Your issuer may warn you if you’re nearing your credit limit. You may be able to set up due date or automatic payment reminders by phone or email.
- Financial calculators – Show your kids online how long it takes to pay off a balance & how much you’ll owe.

*[PowerPoint Slide #10]*

### **Minimum Payment Example**

Balance: \$1,000

Interest Rate: 15%

Minimum Payment 3% (\$30)

### **Questions for discussion**

Use the power point slides, or write out the questions on an easel prior to this session.

Ask participants to raise their hands with the correct answers to these questions. Write the correct answers on the easel.

*[PowerPoint Slide #11]*

**Q:** *How long would it take to pay off this \$1,000 balance if only minimum payments were made each month?*

**A.** 9 years

*[PowerPoint Slide #12]*

**Q:** *How much money would it cost in interest?*

**A:** You'd pay \$576 in interest on a \$1,000 balance, for a total of \$1,576

*[PowerPoint Slide #13]*

If instead you paid just an extra \$10 a month (\$40 instead of \$30) you would pay off the balance in 3 years (instead of 9) and it would cost \$206 in interest. You would save \$370 in interest.

### **Credit Card Sample Statement (Activity)**

*[PowerPoint Slide #14]*

You can use your own billing statement or refer participants to the sample statement attached to this training).

### **Questions for Discussion:**

**Q:** *Anyone know where you would find the current balance?*

**A:** The balance is \$250.

**Q:** *What is the interest rate for purchases?*

**A:** It's 15.02%

**Q:** *What's the cash advance rate?*

**A:** It is 24.52%

**Q:** *When is your payment due?*

**A:** It's due on Oct 2.

**Q:** *When should you send it in?*

**A.** Send payments at least 5-7 business days in advance of the due date to be sure it arrives on time.

### **Recipe for Good Credit (Classroom Activity)**

Using an easel & pad write down key tips that parents should explain to their kids. Start by writing out the 'top three' tips and ask the group to participate in offering their own key tips.

#### **Suggested Remarks**

*[PowerPoint Slide #15]*

If we were making a cake we'd need to have all the ingredients for it to come out right. Let's use the same approach with credit cards. Let's create a credit recipe so our kids will use credit wisely. What are the key points are our kids need to know? Here are the top three:

- 1- Pay the bill on time
- 2- Pay the bill on time
- 3- Pay the bill on time

*(Or you could be hit with penalty fees and see your interest rate jump 10 – 12 points or more! You could be paying over 30% interest because of just one late payment).*

#### **Suggested responses**

- Pay more than the minimum
- Damaged credit record can affect whether you get a (car) loan, apartment, even a job.
- Check your statement to be sure all charges are correct (keep receipts to compare)
- Dispute any errors — in writing — within 60 days of when the bill was mailed.
- Check your credit report. Get it free at [www.annualcreditreport.com](http://www.annualcreditreport.com)

### **Alternatives to Credit**

#### **Suggested Remarks**

*[PowerPoint Slide #16]*

Credit cards are not the only convenient plastic payment method:

There are alternatives to using a credit card. There are:

- Charge Cards – offer the convenience of credit. They allow you to charge purchases without being able to wrack up debt. You must pay the bill in full each month.
- Debit cards - look like credit but also helps you manage your spending. Debit allows you to withdraw cash and make purchases, but payment is made, usually the same day, from your checking account.
- Prepaid Cards - Can store cash on them, can be reloaded (like a gift card). No interest is charged, but there may be buying and loading fees.
- Secured Cards – are credit cards backed by money you deposit. Credit limit equals your deposit.

#### **Strategies for Parents (Classroom Activity)**

*[PowerPoint Slide #17]*

Break into the same small groups as earlier in this session. Allow participants 5 minutes to brainstorm. Bring the group back together and have each group share its main idea.

**Suggested Remarks:**

Let's close out this session with a few great tips on how best to reach parents with all this information. We will break into small groups again. Each group has the next 5 minutes to create one effective way to share this information with other parents.

- Return to a full group and allow each group leader to share their group's best strategy.

**Questions and Answers**

*[PowerPoint Slide #18]*

Open the floor to questions.

**Wrap Up and Evaluation**

Review participants' expectations from the beginning of the training. Ask the participants if the training met their expectations. Take notes for yourself about participant feedback. This will help you fine-tune future trainings.

*[PowerPoint Slide #19]*

Congratulate participants on their attention and participation in the day's training.

If you would like more information about how to order Consumer Action's free educational materials, or to learn more about our activities, visit the Consumer Action web site ([www.consumer-action.org](http://www.consumer-action.org)) or call 800-999-7981.

*Consumer Action created this training guide in partnership with American Express.*

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## Credit Yesteryear — Activity Sheet

This exercise is designed to help you recognize how your use of credit can change over the years. Even within our own families, we place different values on how we use credit. Think about how your parents used credit and how you use credit now, and answer the questions below.

### Your Parents

*What was credit used for in your house growing up?*

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### You

*How do you use credit now? How is it the same or different from your parents' use of credit?*

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### Your Children

*Would you want your children to use credit the way you do? (Please explain the reasons for your answer.)*

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## Take a Loan? Needs vs. Wants Activity Sheet

Here are some items that people use credit cards to buy. Decide whether the item being purchased is a need or a want and check the correct column. Then ask yourself if the item is worth taking out a loan to purchase, and write “Yes” or “No” in the column below.

*Any time you carry a credit card balance, you are taking out a loan to pay for your purchases.*

<b>ITEM</b>	<b>NEEDS</b>	<b>WANTS</b>	<b>Would you take out a loan to buy this?</b>
<b>Running shoes</b>			
<b>Best friend’s birthday gift</b>			
<b>Backpack</b>			
<b>Fast food lunch</b>			
<b>Gym club membership</b>			
<b>Tuition</b>			
<b>Airline tickets</b>			
<b>Nose piercing and stud</b>			

# Sample Credit Card Statement — Activity Sheet



## PLASTIC FANTASTIC CARD

From YOUR BANK

How to reach us:  
Visit: [www.cards.com](http://www.cards.com)  
Customer Service:  
1-800-THE-CARD

**James and Janice Parent**

August 13 – Sept 12

**Account 5566 7786 9934 5242**

<b>Account Summary:</b> Credit Line: \$4,000 Available Credit: \$3,750 Cash Advance Limit: \$2,000 Available Cash Advance: Limit \$2,000	Previous Balance: \$500 Payments and Adjustments: \$500 Account Activity: \$250 New Balance: \$250
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### Activity Detail:

08/22	Auto rental	U-Drive-It	\$200.00
09/02	Recurring charge	EZ Pass	\$50.00
<b>Total:</b>			<b>\$250.00</b>

### Finance Charge Information:

	Annual Percentage Rate	Periodic Finance Charge	Days in Billing Cycle	Balance Subject to Finance Charge	Finance Charge
<b>Purchases:</b>	15.02%	.04115%	30	\$00.00	\$00.00
<b>Cash Advances:</b>	24.52%	.06444%	30	\$00.00	\$00.00
				<b>Total Finance Charge:</b>	<b>\$00.00</b>

**PAYMENT COUPON: Please detach and return with payment in the envelope provided.**

**Account Number: 5566 7786 9934 5242**

Payment due date: Oct 2

Your total balance: \$250.00

Minimum amount due: \$20.00

James and Janice Parent  
1000 Big House Circle  
Securetown, GA 89432

**TO:** YOUR BANK  
PO Box 676767  
Financeville, NY 11967