

## 4 Reasons Why College Kids Need a Credit Card

Here are some reasons why college could be the perfect time for your child to give credit cards a try.

**1. Building credit early has its advantages.** Landlords, potential employers and even cell phone providers may pull your credit report as part of a background check, but there won't be anything to see if someone has never managed a line of credit. "Graduating with enough credit to earn a credit score will help in the young adult's favor," says Cunningham. "Every graduate wants to get rid of that old car and upgrade from their dorm room experience into an apartment at some point. Those adult actions are going to require a credit history."

Responsible students should be working toward an end game -- moving out, buying their own car -- and all of that is going to take a positive credit file. But just having a credit card isn't enough -- you have to use it and make payments on time in order to have evidence of responsible borrowing and repayment reflected on your credit report, says Hopper. "Start out small, by perhaps charging gas on the credit card, and then paying off the balance in full at the end of the month," he suggests.

**2. A credit card can be a teaching tool.** Going over monthly statements can be a powerful way for parents to help their students monitor spending, says Cunningham. "You may start by holding their hands, but then move to looking over their shoulders, until finally they are responsible for their own credit actions," she says. What you want to avoid is becoming a parent who by pays off bills if their child gathers too much debt. Instead, you can minimize the amount of debt by starting off with a small credit line, say around \$300-\$500. "There's nothing

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wrong with asking the credit card company to cut down the credit limit," says Hopper.

**3. A credit card can offer peace of mind.** Having a line of credit available can offer a layer of financial security should the student run into an emergency situation while far from home, says Cunningham. Whether it's a car breakdown, an unexpected medical visit or even having to spend more on books than was budgeted, parents can rest easy knowing their teen has credit at their fingertips.

**4. Responsible credit use can come with rewards.** If your college student is going to get a card, he or she should take advantage of cash back or other rewards programs, suggests Grosz. Note that these programs are best for those who pay off their balances in full each month. Hopper suggests focusing on simple products when shopping around for a credit card. Start with those that have good rates and no fees, and if possible, then look into cards that offer cash rewards as an added bonus. By using credit appropriately, says Grosz, college students can begin building a clean credit report and practicing smart financial habits that will help them achieve their future financial goals.