



Parent \$marts

Beware – It Could Happen to Your Student

Summer -- You're very happy that your son has been accepted at the university of his choice! You've applied for financial aid and have been told that he will receive \$3,000 that can be used toward room and board, books, and related expenses. With the amount you will give him he should have enough money for the first semester.

September 15 -- He tells you that he attended the first home football game and is really excited. The team won, and he got two new t-shirts. To get the free t-shirts with the university logo on them all he did was fill out two credit card applications.

October 15 -- It's the middle of the semester and your son calls home saying that he needs more money. You can't understand what happened because he should have had enough money for the entire semester with his financial aid and money he received from you! He also says that all his credit cards are maxed out, even the new ones!

Help! Is there a way to avoid the above scenario in your family?

Let's look at what parents can do, so this doesn't happen to your family:

Talk to your student about potential expenses.

- ✓ College expenses, such as books, fees, room and board
- ✓ Personal expenses, such as food, clothes, entertainment, transportation

Teach them how to manage their money.

- ✓ Establish a realistic budget
- ✓ Understand that you can't have more expenses than income

Discuss alternatives for paying bills if they don't have enough money.

- ✓ Using credit
- ✓ Parents paying bills
- ✓ Student getting a job

Discuss credit card offers.

- ✓ Read and understand the fine print
- ✓ Know the interest rate after the introductory rate expires
- ✓ Understand that the interest rate may go up immediately if a payment is late

Talk about the cost of credit.

- ✓ High interest rates
- ✓ Annual fees
- ✓ Finance charges
- ✓ Late payment charges

Decide how much credit is needed.

- ✓ Talk about the number of cards
- ✓ Discuss credit card limits

Reinforce the importance of a good credit history.

- ✓ Lenders, employers, insurance companies, and landlords may look at the credit report
- ✓ Poor credit may result in cards being cancelled

- ✓ Using one credit card to pay off another
- ✓ Getting more and more credit cards to increase buying potential
- ✓ Working more hours or dropping classes to pay off debt
- ✓ Not opening bills
- ✓ Creditors calling because of unpaid bills
- ✓ Not able to get credit, rent an apartment, open a checking account

Even though you've discussed the above, you need to be alert to signs that your student is not using credit wisely. The following are signs that your student may be having credit card problems.

- ✓ Monthly balance is \$1,000 or more
- ✓ Delinquent in making payments
- ✓ Interest rates raised on card
- ✓ Have reached the limits on their cards
- ✓ Unable to pay balances in full each month

When you see one or more of these warning signs, talk immediately with your student. Help them to identify how they can cut back on spending and establish a budget they can stick to. Discuss with them the risks involved and come up with a plan to handle the problem(s). Use the questions below as a guide to help your student develop lifetime habits for using credit wisely.

Think It Through

Here are some key questions to help your student think about money management:

How much money do you have? \$ _____

How much do you owe? \$ _____

What are your current expenses?	Expense	Dollar Amount (\$)
	_____	\$ _____
	_____	\$ _____
	_____	\$ _____

Can you afford your current lifestyle? YES NO

Where can you cut back on your spending? _____

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