

DCC Dollars & Sense

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College Student? – Here's a credit card!

Imagine that you've graduated and are about to begin a job in your profession. You are finally making the type of income you've studied so hard to achieve, but instead of being able to spend the money on a great place to live, a nice vehicle, and other long awaited treasures, you find yourself bogged down with the monthly payments due on the credit card debt you accumulated while in school. What a bummer!

College students are being inundated with credit card offers that are usually accompanied by some promotional "gift" item (school sweat shirts/T-shirts, caps, and electronic gadgets are common gift offerings) to assist the creditors in enticing the students.

Creditors know that the majority of students have income, usually consisting of student loans, allowances from their parents, and part-time jobs, and that along with that income, despite how limited it may be, comes an eagerness to spend on trivial items that quickly add up. This knowledge makes college students a special target for credit card companies that are just as eager to line their pockets with the profits of your spending.

Being lured in by the attractive gift offering is a high price to pay for debt that lingers long after the promotional item has lost its luster, and long after the creditor has made back the money they invested in providing the "gift" in the first place.

The number of college students burying themselves in debt is rapidly growing. The kicker is that while these credit card advertisements are strategically designed to attract students, the students use the credit for almost everything except for education expenses. More often than not, student credit cards and loans are being used for pizza and partying. Staying on that spending path will ensure students paying for these non-essentials long after graduation.

Let's use round numbers to see the actual financial impact. It takes approximately one year for every thousand dollars charged if you pay about \$100 per month with a 10% interest rate. However, the average interest rate offered to students is about 18%, so plan on higher payments or an even longer time to pay off the debt. And unfortunately, the numbers will continue to grow with every new purchase.

Put another way, that pizza special for \$15 will end up costing you about \$30 when

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purchased on your credit card, making minimum payments for one year.

So how can you stop the madness before it starts? The following are five helpful tips.

1. **Budget.** It is one of the keys to savvy spending success! Sticking to your budget guarantees that the money you have lasts throughout the school year. It ensures financial balance and peace of mind.
2. **Use a debit card – *while keeping track of the balance in your bank account.*** This ensures that you spend only the money that you actually have - Not money that you later have to figure how you're going to get, or that you thought you would have if only that sudden expense didn't pop up. (Neglecting to balance your bank account will result in penalty charges.)
3. **Reduce expenses.** Here are some examples: Use your student ID to take advantage of savings offered by numerous vendors. Cut coupons and peruse newspapers and flyers to find the best bargains. Check the local papers for free activities. Stay within the allotted minutes of your cell phone package. Buy used textbooks. If your destination is reasonably close, walk instead of driving – save gas, enjoy the fresh air, and get exercise all in one.

4. **Minimize spending during vacation breaks.** Frivolous spending can easily erase at least a month of hard earned money.

5. **Keep one credit card for emergency use only.** An emergency is the only excuse for using a credit card, and it's a relief to have one when an unforeseen occurrence arises. Remember that you will be paying for it, so give the creditor the money for good reason, not for that new music CD or outfit that you simply *must* have.

Earlier, we used the word "lure". Creditors are, in effect, fishing for spenders. You will do well to remember the fate of the fish that take the bait.

Exercise discipline in your spending, and celebrate your graduation with new and exciting plans for the life you've worked so hard to obtain!