

## Teaching the Kids About Credit

One of the ways some of us get into credit card debt trouble comes out of nothing more than lack of awareness of how credit cards can sneak up on us. The first time you maxed out a card and faced the overwhelming task of paying down a credit card and getting yourself back on firm financial footing, it can be a sobering experience. And if you have gone through this experience, the school of hard knocks taught you well that it's easier to prevent credit card debt than to recover from it.

Maybe the best thing about getting hard won knowledge is that you can pass it along to your kids. So how can you go about helping your children establish a good relationship with credit and learn how to use it responsibly so they don't have to learn about credit card debt and credit card abuse the hard way? Just like everything else in life, they depend on you to teach them how to function as adults. So we should take this responsibility seriously.

First of all, teaching kids to use credit effectively is not about keeping them from having credit. If anything, the opposite is true. A credit card is as essential a tool for modern living as a car and a cell phone. We would even make the bold statement that to send a child out to fend for himself or for herself without a working credit card in her pocket, a respectable credit rating already building up and the training in how to use credit is nothing less than irresponsible parenting by adults. It is equivalent of sending your child into a battle with no weapons. Credit is essential and smart use of credit is even more essential.

You can help your kids begin to understand the basics of getting good credit by getting them a credit card in high school or college. You can pay the bills but this is a good way for them to pay for what they need and you can keep track of their spending from that monthly bill you get. But make sure that credit card is in your child's name so as you pay it off each month, they build up the good credit rating from what you are doing. Consider it another one of the many legacies you are passing along to your kids.

But don't just let your kids go hog wild with their credit card. In fact, you can work with a credit card company to establish a credit limit and not allow it to go up. In that way, you can set a limit on the amount of credit they have each month. And if they go over it and suddenly cannot buy lunch because they abused their credit, that afternoon of going hungry will teach them more than two days of lecture about fiscal responsibility can do.

Make sure your kids are aware that you paying their bills is a privilege and

that they are very lucky to be able to start their adult lives with a sponsor like this. Then give them three jobs they must complete to show they are worthy of this privilege. (!) They must save all receipts of every purchase they make. If they buy something and don't get a receipt, they must make one. (2) They must maintain a ledger of spending. This is similar to a check book ledger but it must be complete with every purchase they made and a running total and it must be maintained daily. If an expenditure shows up that is not on that ledger, they will be required to pay that back to you or risk losing their credit card. (3) They must sit you once a week to review the credit card bill and explain item by item what each entry on there is. This will do a lot to keep them from using the credit card frivolously.

These simple habits if done over a period of months will teach your children how to track, monitor and be aware of their spending and their use of credit. In that way, when you cut the apron strings entirely, they will not only have the credit they need to have a good adult life, they will be wise in how they use it. And there is no better gift you can give to a child than that.

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