

Credit cards for college students: Is it a good idea?

By Karin Price Mueller/NJMoneyHelp.com July 26, 2016 2:00 PM

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Q. My husband and I disagree about credit cards for our daughter, who is starting college. She has no income so I don't think she should have a card. He thinks she should start her credit history as soon as possible. What do you think?

— Mom

A. It is indeed important to build a **positive credit history**.

But if a young person doesn't get started the right way, having — and misusing — a credit card **can be a disaster** that lasts for years into the future.

Marnie Aznar, a certified financial planner with Aznar Financial Advisors in Morris Plains, agrees with your husband, but with some serious caveats.

She said a college student should only be permitted to **have a credit card** if they have first been well-educated about the potential pitfalls of using credit cards.

"It is imperative that your daughter truly understands the intricacies of how credit cards work; how interest is calculated, what the minimum payment actually means, how much something could cost her if she were to only make the minimum payment for a year or more," Aznar said.

She recommends if you do allow her to get a card, that you make it clear that she is only permitted to charge up to an amount that she will be able to **pay off in full** at the end of each month.

Aznar said it's also important to ensure that the card you get for your daughter has a **fairly low credit limit**. This will prevent any huge mistakes from happening, she said.

"Credit cards have a lot of great benefits — ease of use, convenience, potentials rewards in the form of airline miles or cash back — but as we know they also come with their share of pitfalls," Anzar said. "As long as your daughter is educated about the things that could go wrong and is intelligent and responsible enough to use the credit cards appropriately, then I personally believe that starting early is a **great idea**."

Your husband is correct that getting a credit card is an excellent way for a young person to begin to build credit, understand money management and gain some financial knowledge and independence early in life — but only if the rules are clear from the get go, Aznar said.

The age of her credit history is a factor in determining **her credit score**, said Alison Williams, a certified financial planner with Stonegate Wealth Management in Oakland.

“She should have a card, but solely to have her name on an account,” Williams said. “Use can be infrequent, but the card should be used – it will allow creditors to see that when she does have a balance, she is able to pay it off in a timely manner.”

She recommends you be upfront with her about why the card was taken out and be sure she knows that **charges are her responsibility**.

A common strategy is to open the card in her name, but keep it at home, Williams said.

“When she is home for breaks or visiting, let her use the card for the movies or mini golf – whatever expenses she’s incurring,” Williams said. “Then when the bill comes, you can pay for it out of the cash you would’ve given her to go out.”

This builds her credit, but mitigates frivolous spending while away at school, Williams said.

*Karin Price Mueller writes the Bamboozled column for The Star-Ledger and she’s the founder of **NJMoneyHelp.com**. [Click here](#) to sign up for the NJMoneyHelp.com weekly e-newsletter. Like NJMoneyHelp.com **on Facebook** and **follow it on Twitter**.*