

## Credit Cards: A College Student's Best Friend?

Many college freshmen will be moving into their dorms and starting classes soon, eager to enjoy the new freedoms life away from home has to offer. Many college students are also managing their finances alone for the first time, and this phase of life is when many people obtain their first credit cards. The convenient access to credit that these cards offer comes with potential pitfalls, but can also be the key to establishing a solid foundation for a bright financial future. Check out some of the pros and cons of credit cards for college students:

### **Pro: Establishing a Credit History**

Credit cards aren't evil and they don't automatically trap the people that use them under a mountain of debt. In fact, it's a good idea for students to use a credit card regularly in order to help build a credit history. Without that evidence of on-time payments and available credit on their credit report, students may have a difficult time renting once they leave student housing.

### **Con: Establishing a Bad Credit History**

However, this strategy only works in your favor if you pay off the full balance each month and never use the credit card to buy something you couldn't buy that same day with cash. That approach will keep you from using credit to live beyond your means, while still helping you establish a good credit score. Using a credit card like it's free money can quickly land you in financial hot water.

### **Pro: Emergency Fund**

Credit cards can also provide parents and their college-bound students with peace of mind. The cards provide quick access to emergency funds almost anywhere, so car repairs and other unexpected expenses won't disrupt their studies.

### **Con: Using the Emergency Fund for Non-Emergencies**

That easy access to cash comes with the temptation to use the card for non-emergencies as well. Students can fight that temptation by establishing an iron-clad monthly

budget and discussing with their parents what constitutes a credit card-worthy emergency. A professor added a \$250 book to the syllabus at the last minute? That's a possible credit card emergency. It snowed and your only winter coat is from last season? It may be a fashion emergency, but that's not a credit card emergency.

### **Pro: Easy Monitoring**

Credit cards also offer slick balance and purchase monitoring tools that appeal to today's college students far more than the traditional check ledger. Online banking and mobile apps that allow you to pay with your phone, monitor your balance, and categorize your spending are all very helpful budgeting tools and can help prevent the overspending and debt accumulation that sometimes comes from credit card use.

### **Con: Risk of Fraud**

As with any payment technology, credit cards are vulnerable to fraud. The good news is, consumers are protected against most losses. If students monitor their account and notify their card company and bank promptly of any suspicious or fraudulent purchases, they're protected against losing money due to the criminal's activity. The key is to closely monitor all accounts.

If you have questions about what type of credit card is best for your college student, ask your bank what kind of credit cards they offer. Credit card accounts can range from cash-back offers, to co-signed cards, to cards that donate money to local charities. It all depends on what you're looking for.



# BankFirst

NATIONAL

For Better Banking, Think First.

More Consumer Column articles are available at [www.BankFirstNational.com](http://www.BankFirstNational.com) under the About tab.

Article courtesy of the Wisconsin Bankers Association / Consumer Column