



THE TROUBLE WITH CREDIT CARDS

Be responsible.

Jones starts using a credit card without thinking of the consequences. But thanks to Warren, he quickly learns how to stay out of credit card debt. The Secret Millionaires Club finds out that credit cards can seem like an easy way to buy things, but it's not a good idea to get in the habit of using them. Using too much credit and getting behind on payments can lead to financial trouble.

Ask kids: What is a credit card? Why do people use credit cards? How can credit cards be helpful? How can people get into credit card trouble? How can people use credit cards responsibly?

Discuss how credit cards work with the club.

Explain to kids that a credit card is a plastic card that lets you buy things without paying for them right away. It may sound great, but at the end of the month you receive a bill for what you bought with the credit card. You have to pay the bill with real money. If you don't pay the entire bill on time, the credit card company charges you a lot of interest. That means you could end up paying more than if you had used cash. Plus, if you don't pay the bill on time, you are charged a late fee. Discuss with your child why it's important not to borrow more money than you can repay.

Activities:

1. Ask kids if they have ever borrowed money from someone they know to buy something. Did they have to pay the money back? How long did they have to pay it back completely? Were they charged interest (or a percentage of what they borrowed)? Explain that borrowing from someone you know is not the same as using a credit card, because credit cards have to be paid back quickly (usually in about 30 days) or interest will be charged, and late fees may be added if your payments are late. Talk about how credit card costs can quickly add up and become challenging to pay off.
2. Talk to kids about the pros and cons of credit card use. Discuss examples of times that using a credit card might make sense (perhaps for emergencies, such as to pay for an unexpected and necessary car repair). Ask kids how credit cards and saving money are related.

Tip: Although most kids don't have credit cards, it's never too early to begin discussing responsible credit card use. Make sure that the club understands that credit cards are not free money. Explain that it's best to charge only what we can afford to pay back when the bill arrives each month.

