

HOW TO HELP YOUR CHILD UNDERSTAND, BUILD CREDIT

By Ilyce Glink
and Samuel J. Tamkin
Tribune Content Agency

Q: What is a good credit card for a new graduate to build credit? I know my child is eventually going to want to rent an apartment, buy a car and who knows? Maybe even buy a home to live in someday. I'd like him to start to build credit so he can achieve that goal.

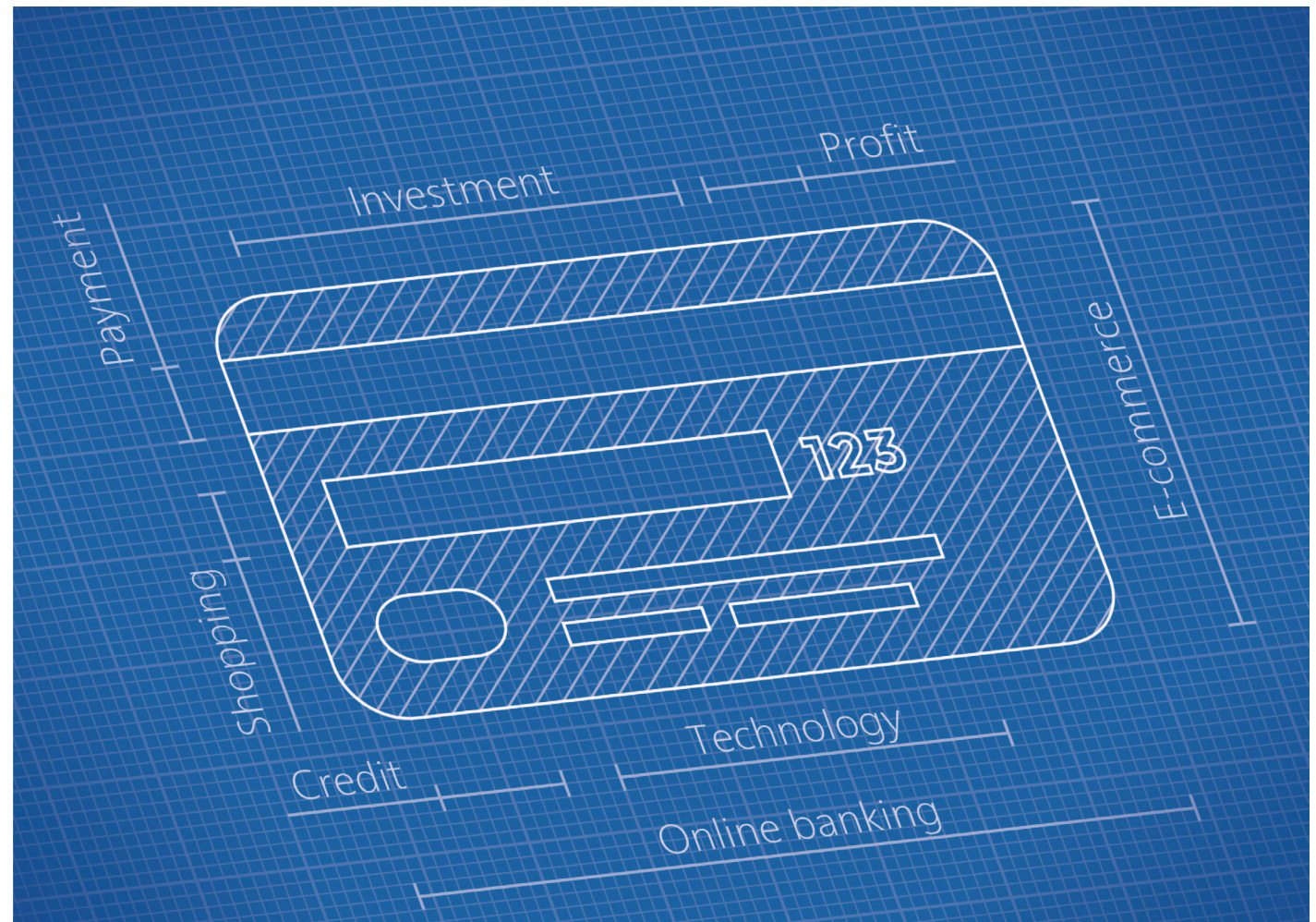
A: There's a lot of talk about financial wellness these days and what is the best way to build financial well-being and building up savings to buy a home some day in the future.

The vast majority of Americans don't have \$400 in emergency savings, and employers are so worried about their employees' debts that some are starting to refinance their personal loans at a lower cost so that their employees don't get trapped into a payday loan cycle that could send them into bankruptcy.

We love when parents ask questions about how to help their child be smarter about money, because it opens the door to conversations about their finances (and yours) that you might otherwise not had -- to the detriment of your child's financial future.

There is no one right credit card for young adults starting out. If your child has no credit, the best way to build a solid credit report is to add a gas or department store card or to go to the bank where you have a savings or checking account and ask if there is a secured credit card account program.

A bank will often allow you to "secure" a credit card by depositing a sum of cash into a savings account that doesn't get touched. You are then issued a credit card against that sum. For example, if you put \$1,000 into a secured credit card account, you'll be able to charge up to \$1,000. The bank takes no risk, because the \$1,000 is sitting there in case you don't make the payment. But it's a real line of credit and it counts when you're building your



THINKSTOCK IMAGE

credit report.

After about six months or so, you may be able to convert the secured credit card account into a regular credit card or apply for a new one from the same bank.

Credit is how the digital economy works, so it's important to get it right from the beginning. If young adults build it slowly and carefully, and then pay off all the charges in full each month, they will have a solid credit history with a high credit score.

That, in turn, will allow them to rent apartments, qualify for low-interest

car loans, and ultimately buy their own primary, vacation and rental properties down the line. And since the lending industry has become rather strict in looking at "ability to repay" loans, and requires higher credit scores to qualify for a mortgage, starting out on the right credit path is important.

Be sure to check your child's credit history at AnnualCreditReport.com, which is the only site that the three major credit reporting agencies -- Equifax, Experian and TransUnion -- are required by law to support. That will tell you whether there is anything

unusual going on with your child's social security number and if you have to take steps to correct identity theft or inaccurate information that found its way into the file.

Finally, your child needs to have a good understanding of how much it takes to live: groceries, housing, entertainment, student loan payments and other expenses. With a bit of knowledge, your child can try to save money on a monthly basis, put that money in a separate account and save for a down payment on a home.

Good luck.