Ready for Plastic?

How to Get Started with a Credit Card

A credit card can be a useful tool for a teen, as long as he or she is closely monitored and taught how to use the card responsibly.

Here are some steps to consider before you move ahead:

- Make sure your son or daughter already has a checking account. It is important to know how to write checks and track money before using a credit card.
- Give your teen a credit card linked to your own credit card account so you can monitor activity and help your teen learn how to use credit with you, before he or she does it alone.
- Limit how much your kids can charge. Whether they're authorized users on your card or they have their own, start with a low limit.
- When it's time to issue your teen's very own credit card, make sure he or she knows exactly how the card works, what the interest rates and fees are, and when the bills are due.
- Be sure to emphasize the importance of a good credit history.

Credit Card Dos and Dont's

- **DO** shop around for the right card. Look for low interest rates and no annual fees. Always read and understand the fine print.
- **DO** pay off the entire balance before the end of the grace period so you don't have to pay interest.
- **DO** consider using your credit card for emergencies only.
- **DO** keep track of every credit card purchase each month.
- **DON'T** pay bills late. Late fees are expensive and, over time, they accrue interest. They can also negatively impact your credit history. Spend only as much as you can afford—or less.
- **DON'T** use a credit card for purchases less than $10. These small purchases can add up fast. Use cash instead

How Credit Can Help—and Hurt

Credit is a powerful tool. It's convenient and especially useful in emergencies. But it's also a big responsibility. According to a 2004 study by Nellie Mae, a national student loan provider, 76% of college students started the school year with credit cards, and 79% of those carried balances each month. Using credit unwisely can lead to unmanageable debt and financial problems.

Consider this example: If you racked up $3,000 of credit card debt with an annual interest rate of 14% and you paid off $100 per month (and racked up no additional charges), it would take you approximately 38 months to pay your balance off. What's even more eye-opening is that you'd end up paying over $700 in additional interest—almost a quarter of the original debt.

The staggering cost of credit card debt.

Original Debt	Interest Rate	Monthly Payment	Months to Pay Off Debt	Interest Paid
$3,000	14%	$100	38	$716.72

- Within this scenario, you would pay over **$700 in interest alone.**
- This assumes **NO NEW DEBT** is added to the original figure.
- This debt would take 38 months to pay off, **or more than three years.**

Source: Schwab Center for Investment Research®. Assumes an interest rate of 14%. The amounts shown do not reflect any fees or penalties.
This example represents a hypothetical debt scenario and is for illustrative purposes only.

Use our Debt Calculator with your teenager to determine how much a credit card balance not paid off in full every month could cost in interest.

If you or your teen are currently carrying credit card debt, you can use our Credit Card Payoff Calculator to see how fast you can pay it off.

And it's not just about the *cost* of debt. Did you know that how you *use* credit directly impacts your credit standing? Lenders can view your entire credit history when deciding to issue a car loan or home mortgage. Landlords and employers often have access to credit reports as well, so credit can even impact your ability to get an apartment or job. What's more, this information can be tied to you for years, so if you make poor financial decisions when you're young, it could haunt you well into the future.