



A credit card may feel like magic when you're standing at the register with your latest wicked purchase, but the company that owns your credit card actually expects you to pay back every charge you rack up!

Massive credit card debt can severely affect your ability to meet or even take on other financial responsibilities. Every time you pull out that credit card, you're borrowing against your future because you'll be spending a large portion of your future income paying off the interest that accumulates on your card's unpaid balance. And each time you have to make those payments, you might be kicking yourself for not being able to use that money for something else.

Say you owe \$5,000 at an interest rate of 13 percent. If you make only the minimum \$60 payment each month, you'll be paying off that \$5,000 for about 18 years! And that's assuming you don't use the card again. (Yeah, right.) And guess how many of those payments over the 18-year period you'll make just to cover the *interest*, excluding the original \$5,000 worth of charges.

**It'll take you just under seven years to pay off the \$5,000 you charged. The remaining 11 years, you'll be paying the interest!**

Okay, so you see a sick winter jacket on sale and you charge it. Did you save money? Not likely, 'cuz if you don't pay the entire balance off when the bill comes, you could be paying interest on that jacket *long after* you've gotten tired of it or it's worn out.

### Get smart

Since the 1980s, lenders have been in a marketing frenzy targeted at teens, who have lots of money to spend — and lack the most basic information about money management. Don't get cornered by credit. By learning a few financial principles, you can avoid the choking debt that will limit your future ability to prosper. Start at these sites:

[www.jumpstart.org/principles.cfm](http://www.jumpstart.org/principles.cfm)

12 money principles every young person should know

[www.vsecu.com/about/TEENShare.aspx](http://www.vsecu.com/about/TEENShare.aspx)

from the Vermont State Employees Credit Union — great tips for high school students on saving and spending money in high school, and preparing for financial health after high school. A couple of great cautionary tales, too, about teens who swiped their plastic a few too many times!

[www.usaaedfoundation.org/pdf/504.pdf](http://www.usaaedfoundation.org/pdf/504.pdf)

"Get MoneyWise" from the USAA Educational Foundation — ways to save money and spend wisely; includes instructions, tips, and activities to help you choose a bank, manage your money, use a checking account, and balance your finances.

## How to pay \$45 for a \$10 CD

Somethin' for nothin' — there's no such thing! When it comes to "free" services or goodies, you'll always end up paying. Take debit cards — they tap your bank account, so they may seem like great substitutes for cash or checks. However, unless you keep track of every penny you spend from your account — like you would for a checking account — debit cards can end up costing you money.

It's because of "courtesy" overdrafts that banks provide. It appears they're doing you a favor by letting a transaction go through even if you don't have money in your account to cover it — but they charge you for it, big time — often up to \$35.

Basically, they're giving you a loan you didn't apply for. Why? Because their profits depend on your not being able to manage your money.

In a report published in September 2007, the Center for Responsible Lending revealed that students age 18–24 rack up almost \$1 billion in overdraft fees every year. The report says that students, on average, shell out more than \$3 for *every* dollar they are overdrawn.

The bottom line? Banks and credit card companies are in the business of making money, and they're not about to provide programs or services unless they're sure they'll benefit in the long run.

## How to avoid overdrafts

If you're going to use a debit card, keep track of the amounts you're spending!



Make an account record out of any small notebook. Record your starting balance, each expense, and the remaining balance.



Visit a local bank to pick up a checking account register that you can adapt to your debit card. Keep it with your debit card at all times.



Make a spreadsheet on your computer. Remember, though, that for this to work, you have to make absolutely certain you save all receipts and input all expenses as soon as you get home! And when you go out again, make sure you know what your balance is.

Starting 9/17/08	
	\$300.00
9/24	shoe center 72.99
10/03	= 227.01
	pharmacy 42.15
10/15	= 184.26
	bookstore 6.49
10/18	= 177.77
	gas station 35.00
	= 142.77