C. A. R. E.

Credit **A**buse **R**esistance **E**ducation

How do you stay out of debt?

Every parent and student should know about:

- Credit Cards
- High Interest Rates
- Difficulties of Credit Card Debt
- Consequences of Abusing Credit
- How to make good financial choices in college and beyond
- Establishing a budget and savings plan
- Distinguishing between wants and needs

Top 10 Financial Tips for High School and College Students

1. **Create a budget.**

   Call it a Spending and Savings Plan if you wish, but a realistic budget will identify exactly how you spend your money, and your "needs" versus your "wants". It will also show you if you have any extra money to spend on your "wants" or to repay any debt you may decide to incur. There is a great College Budget Article on the CARE Program website. A listing of this and other useful websites is provided in this brochure.

2. **Open a savings account.**

   You will need savings, not only for emergencies, but also for the expenses you know will arise.

Think about that extra book your college professor will assign, or repairs for your car that is out of warranty. You could go broke relying on high interest rate credit card loans to pay for these items.

3. Look for ways to save money.

Buying at shopping clubs and with coupons, looking for the cheapest gas price in the immediate area, going to discount movie theaters and taking advantage of student discounts will mean extra money for the things you "want", or money you can add to your savings account.

4. Use cash, a debit card, or a checking account instead of a credit card.

People who use cash spend less than people who use credit cards. If it's under $20 or you can eat or drink it, use cash. Even if you use a debit or credit card responsibly, you will tend to spend more than if you use cash.

5. Avoid credit card debt.

The best way to manage debt is to avoid it. Credit card debt at high interest rates will cause you to pay significantly more for everything you do and buy. It is also likely that you will pay some exorbitant fees like late payment and overlimit fees. Credit cards are not new money, free money, or more money. They are just a loan you have to pay back. **If you don't have any extra money in your budget to repay a loan within a reasonable time with interest, you can't afford to incur the debt.**

6. Pay your bills on time.

One of the worst things you can do to your credit rating is to pay your bills late. This includes not only your credit card bill, but also your rent, utility, cell phone, and car payments.

7. Always pay any debt off as quickly as possible.

You should have only one credit card. Research the best card for rates and fees and do not charge anything on it that you can't pay for at

the end of the month. If for some reason you don't pay off your credit card bill in full, always pay more than the minimum due and stop charging until you have paid off your balance.

8. Minimize your student loan debt.

Before choosing a college and course of study, ask yourself if the job you want after college justifies the student loan debt you will incur. Keep your student loan debt to a minimum. Lenders may be willing to lend you enough to cover, not just your tuition and books, but also a generous living allowance. Even so, keep your expenses low, because you will have to repay every penny you borrow plus interest. Can you really afford the more expensive lifestyle like living off campus or going on a spring break vacation every year?

9. Other things to avoid.

Impulse shopping on the Internet • Expensive behaviors (gambling and drugs) • Opening multiple store charge accounts (you will spend more than you would using a debit card or even a major credit card) • Car loans for longer than three years • Pawn shops • Rent-to-own • Payday loan establishments. Also avoid all those solicitations to open credit card accounts to get "free stuff". Those open accounts will hurt your credit rating even if you never activate or use them.

10. Remember the consequences of abusing credit cards and other consumer debt.

Don't lose out on a job, student loan, admission to graduate school, apartment, or car loan because of too much credit card or other consumer debt. Today everyone is running credit checks and using them to make decisions about your future.

Useful Websites

C.A.R.E. Program National Site

www.care4yourfuture.org

Free Annual Credit Report

www.annualcreditreport.com

All About FICO Scores

www.myfico.com

Debt Calculators

www.bankrate.com

Financial Literacy

www.360financialliteracy.org

Payment Card Information Network

www.cardweb.com

C. A. R. E. Program
United States Bankruptcy Court
District of Hawaii
1132 Bishop Street, Suite 250L
Honolulu, HI 96813
808.522.8100
Email: care@hib.uscourts.gov
Website: www.hib.uscourts.gov/care.htm