

## POLL: 8 PERCENT OF U.S. PARENTS HAVE CHILDREN WITH CREDIT CARDS

But it's much more common for children to have their own cellphones



By: Barri Segal - March 24, 2019

Six million American parents have at least one child with their own credit card, according to a new CreditCards.com poll.

But surprising as that figure may be, it's far more common for children to have their own cellphones.

In our survey, 8 percent of U.S. parents with children under 18 said at least one of those kids has a credit card. Meanwhile, more than half (53 percent) said they have children with their own mobile phones.

Children under 18 can't apply for their own credit cards, but they can be added to their parents' card accounts as authorized users, depending on the issuer's rules.

There are lots of reasons to give a child a credit card before he or she turns 18 – they can get a head start in building credit and learn how to manage their finances. But they can also make unauthorized purchases and damage the parent's credit.

Read on to find out what experts say about the pros and cons and how best to manage your child's relationship with credit.

### Children with credit cards poll: key findings

Here are some other major findings from our children with credit cards poll:

- **21 percent of parents who have credit cards said their children used them without their permission at least once:** That figure doesn't change much by age – 20 percent of those 14 and under, 19 percent of those 12 and under, 18 percent of those 10 and under and 17 percent of those 8 and under have used their parent's credit card without their parent knowing.
- **Children are more likely to have credit cards if their parents make more money:** 13 percent of parents who make more than \$80,000 have a credit-card-carrying child, compared to 9 percent in the \$40,000-\$80,000 range and 5 percent in the under-\$40,000 category.
- **Children in the Northeast are most likely to carry credit cards:** 13 percent of children with credit cards live in the Northeast, 8 percent live in the South and West and 5 percent in the Midwest.

The survey of 1,524 U.S. adults was conducted online between Feb. 26 and March 1, 2019. See survey methodology

### On children using cards without permission

Psychotherapist Debra L. Kaplan said one of the greatest changes to an adolescent's life is their new and growing relationship to money and spending.

And parents must teach children limits on any behavior, in-

cluding access to credit cards, cellphones and other devices that enable online payments.

"In this digital age, it's easier for children to use credit cards without permission because there is no tangible connection to a credit card when it is loaded into a website for ease of access purchasing," Kaplan said.

So you really need to be monitoring your child's cellphone use, especially if you've stored credit card information on there.

Scott Butler, financial planner at Klauenberg Retirement Solutions, said he often hears people talking about how you are not legally responsible for unauthorized charges, including those made by your own children.

That might be so in certain situations, even though many credit card companies are likely to do everything that they can to collect anyway.

But, Butler added, it's quite common in these situations for the parent to feel at least some degree of guilt and responsibility for charges, even if they are unauthorized.

"Teaching your child about the proper uses of credit — perhaps by giving them their own credit card — will reduce the likelihood that your child makes unauthorized purchases," Butler said.

Although parents are generally not liable for unauthorized purchases made by their children, the parent can use this as a teachable moment and pay for the purchase, said Cassandra T. Dasent, personal finance consultant.

More extreme measures may be warranted if your child repeatedly uses your card without permission or steals it from your wallet.

"The tough love approach in a severe situation would be to file a report with the police and open a case with the credit card company, in order to prove that the charges were indeed not authorized and theft was involved," Dasent said.

### Children with credit cards: The pros

Many experts agree it's a good thing to give a child a credit card.

One advantage is that it provides a new opportunity for parents to teach children about responsible spending.

Kaplan feels giving a child a physical card is the best way to go.

"Because children with cellphones are now exposed to the concept of payments via digital wallets, the physical presence of a card might actually help a child understand the value of money since digital and virtual currency removes that fine connection to permanence," Kaplan said.

And Butler said the greatest benefit of giving a credit card to your child is the opportunity it provides to teach them about good credit behaviors and the dangers that go along with using credit.

"You will need to take the time to walk your child through bills, pointing out things like APR and finance charges. Ideally, you will start your child off with a low credit limit, which you can increase over time as he or she shows they are ready for more responsibility," Butler said.

He also recommends parents monitor their child's credit card usage and review it with them.

There should be clear consequences to go along with rules about when and what purchases are acceptable to make with the card, he added. You should also set up a way for your child to take responsibility for making payments, even if the bills are not paid with their money.

As long as giving your kid a credit card comes with educating them on how to use one responsibly, then it could help them out later in life, said James Garvey, CEO and co-founder of the website Self Lender.

"After all, not only do they get the financial education to use their money responsibly and mindfully as an authorized user on your account, they also get to start building credit history sooner rather than later," Garvey said.

If your child is an authorized user on your card account, it can help him or her get an early start on building a credit history. However, you may want to check with your card issuer to find out if it will report your child's authorized user account to the credit bureaus (some issuers don't).

Keep in mind that if you don't use your credit responsibly, then it could hurt your child's credit history, rather than help, Garvey warned.

Jacqueline Devereux, credit and financial expert at Sprout-Cents, said another benefit to a child carrying a credit card is their having access funds in case of an emergency.

### Children with credit cards: The cons

Some experts feel it's not a good idea to give a child a credit card. Ellie Thompson, CEO of the website Money Therapy, thinks it's potentially disastrous if your own credit history is troubled.

"If you aren't using your credit card correctly and paying off debt every month, chances are you might teach your children that same behavior," Thompson said.

Read the whole article at <https://bit.ly/2UTWGYH>

Scott Butler, CRC, is a financial planner with Klauenberg Retirement Solutions. Using his background as a former teacher, Scott breaks down financial topics to levels that clients can more easily understand, believing each person should have a basic understanding of the wealth strategies and products that work for them.

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