

Credit cards and how to use them wisely

Your pre-teen, teen, or young adult will conduct research to learn about credit cards and explore helpful ways to manage them.

Key money concepts

- A credit card gives you access to credit, which is money you borrow and are responsible to repay in full, often with interest.
- People use credit cards to buy things, pay bills, and track spending.
- This activity can help your child learn to use credit cards safely, which can help them manage and protect their money.

Setup

- Set aside 15–30 minutes for this activity.
- Print the “Credit cards and how to use them wisely” worksheet or prepare to access it on a computer, tablet, or another electronic device. Make sure you can access the Internet.

Directions

1. Consider reviewing key vocabulary from our glossary:
 - **APR (Annual Percentage Rate):** The cost of borrowing money on a yearly basis, expressed as a percentage rate.
 - **Credit:** Borrowing money, or having the right to borrow money, to buy something. Usually it means you’re using a credit card, but it might also mean that you got a loan.



Things to talk about

Before starting the activity

- Talk about how people use credit cards using information in the “Key money concepts” section.

After completing the activity

- Some questions you can ask are:
 - “Once you have your own credit card, what types of things might you pay for with it?”
 - “Why would it be important to carefully keep track of how much you charge on your credit card?”
- Consider sharing information about your own credit card accounts.

- **Credit card:** An open-ended loan that allows you to borrow money up to a certain limit and carry over an unpaid balance from month to month. There is no fixed time to repay the loan as long as you make the minimum payment due each month. You pay interest on any outstanding credit card loan balance.
 - **Credit limit:** This is a limit set by the credit card company on how much you can charge on the card it issued to you. You can use your credit card to make purchases up to your credit limit. However, charging up to your credit limit can negatively impact your credit score and may have other risks.
 - **Grace period:** The number of days you have to pay your bill in full before finance charges start. Without this period, you may have to pay interest from the date you use your card or when the purchase is posted to your account.
2. Visit <https://www.ftc.gov/media/70851> and watch the “Minimum Payments on Credit Cards” video with your child.
 3. Answer the questions on the worksheet together, and write a rule to live by for using credit cards wisely.

Learn more about building your child's money skills

This activity helps develop your child's money knowledge and choices. To build these skills, they should learn facts about saving and spending money and use what they've learned to make the best money choices for them. Learn more about building your child's money skills.

Credit cards and how to use them wisely

Have you ever needed to buy something, but you didn't have the money at that moment?

Some people use a credit card in these situations. Others wait and save up for the purchase. Some credit cards offer benefits like cash back on purchases or points you can use for discounts. When choosing a credit card, it's helpful to shop around and find the card that works for you.

Instructions

- ❶ Visit <https://www.ftc.gov/media/70851> and watch the "Minimum Payments on Credit Cards" video.
- ❷ Answer the questions on this worksheet.
- ❸ Write a rule to live by for using credit cards wisely.

Using credit

1. In the video, how much was Marta's original purchase? How much did she end up paying to the credit card company? Why is there a difference between those amounts?
2. If you get a credit card, why is it important to look for one with a low interest rate?



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3. In your own words, explain how a credit card works.
 4. Why is it a good idea to pay as much of your credit card balance each month as you can?

Rules for using credit wisely

Rules to live by are principles that help us make good decisions. Write a rule to live by about how you can use credit cards wisely now or in the future when you have your own credit card.