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KIDS & MONEY

The perils of plastic

Program teaches teens the basics of sensible credit card use

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DAVID PULLIAM/The Kansas City Star

Too much debt can lead to "pain and heartache," U.S. Bankruptcy Judge Jerry Venters told students.



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"If you can eat it or drink it, don't charge it," lawyer Joanne Stutz told students at Oak Park High School.

When it comes to credit cards, teenagers often learn sad lessons.

It isn't hard to see why.

On college campuses, at concerts and at the ballpark, card companies give away T-shirts, foam footballs and other free stuff to entice teens to sign up for plastic.

Then comes the barrage of promotional mailings, emphasizing bonus features and benefits of owning a card, right down to the bright-colored sticker on the envelope that touts “unbeatable savings.”

Once the plastic is in your kid's wallet, it's easy to lose control. A swipe here for dinner, a swipe there for late-night lattes. Throw in mall excursions and student loan debt and the next thing you know your son or daughter is caught in a financial vise. No wonder people under 25 are the fastest-growing group of bankruptcy filers, according to federal statistics.

That's why it's critically important for kids in high school and college to be exposed to a new program focused on teaching credit card basics. It's known as CARE — short for Credit Abuse Resistance Education — and it's free.

Since its launch two years ago by John C. Ninfo II, a New York bankruptcy judge, the program has spread to about 50 cities, including Kansas City. The driving force behind the program is a small but growing number of federal judges, bankruptcy attorneys and other legal experts who are giving generously of their time, energy and money to provide teens a perspective on plastic. (For more details, go to www.careprogram.us.)

In Kansas City, for example, the project was started early this year and is being coordinated by federal bankruptcy judges in Missouri and Kansas, the Kansas City Bankruptcy Bar Association and the University of Missouri Extension Service. Thirty area lawyers and three judges have been trained to make presentations; by the end of April, experts expect to have spoken to 11 classes at seven schools, reaching about 500 students.

The message is not that credit cards are bad, said Dennis Dow, a federal bankruptcy judge for the Western District of Missouri. “Credit card abstinence would be totally unrealistic,” he said.

Rather, the emphasis is on helping kids develop the skills for managing plastic and debt over a lifetime. “The idea is to get them before they develop habits that are difficult to break,” Dow said.

Dow and Jerry Venters, a fellow bankruptcy judge, see a daily onslaught of people who have gotten hooked on debt.

“We see the results of credit card misuse,” Venters said. “There's a lot of pain and heartache because of financial failure.”

I recently sat in on a CARE presentation at Kansas City's Oak Park High School taught by Venters and Joanne Stutz, a lawyer with Evans & Mullinix in Shawnee. For the 16 students in Kristina Francis' consumer math class, it was an interesting pairing — a bankruptcy lawyer who works in the trenches with people in peril, and the judge who signs off on the financial restructuring plans.

These were among the core messages of their nearly hourlong program:

- Know the distinctions between various cards — credit cards, charge cards, debit cards.
- Credit cards come with a cost. Some issuers charge an annual fee. As for interest rates, some start with low teaser rates when you sign up but charge 20 percent or higher if you miss a monthly payment. Shop for the lowest interest rate, the best repayment terms, and a card with no annual fees.
- Use plastic wisely. One credit card is enough. Pay the full balance on time each month, and don't charge anything unless there is money in the bank to pay for it. Finally, said Stutz, “if you can eat it or drink it, don't charge it,” especially any purchase less than \$10.

- A poor payment record has negative consequences. A history of late or missed payments or a bankruptcy can result in credit denial, higher interest rates and phone calls from debt collection agencies. Check your credit record through the three national credit reporting agencies.

Venters and Stutz also used math examples to show the students how long it can take to pay off a credit card bill if just the minimum payment is made each month.

The bottom line, Stutz said: "Think of your credit card like it's cash. It may not look like cash. It may not feel like cash. But it's cash."

The messages were not abstract to the Oak Park students. One already has a credit card. Several others said they had received solicitations from card issuers.

Several students said the presentation had broadened their view of the perils of credit problems, especially that blemishes on credit reports could affect buying a car or landing a job.

Standing in front of the classroom, the judge got in the last words:

"Jerry Venters does not want to see you kids in my bankruptcy court someday."

Do you have a story to share about your kids and credit cards? Send your comments to me at srosen@kcstar.com, call me at **(816) 234-4879**, or write to me c/o The Kansas City Star, 1729 Grand Blvd., Kansas City, MO 64108. For archived

columns, go to **KansasCity.com** and click on Business.

True or false?

- 1. Credit card companies prefer customers to pay off their balance each month.*
- 2. In order to get a credit card, you will need a stable job.*
- 3. Individuals with poor credit histories will probably pay significantly higher interest rates for their credit than individuals with good credit histories.*
- 4. A good way to stay in control of your credit card is to be sure you pay the balance each month.*

Answers: **1. False. 2. False. 3. True. 4. True.**

Sign up for CARE

High schools, colleges and other groups interested in the CARE program may contact:

- *The U.S. Bankruptcy Court. In Missouri, (816) 512-1895 or www.mow.uscourts.gov; in Kansas, (913) 551-6732 or www.ksb.uscourts.gov*
- *The University of Missouri Extension Service: (816) 482-5862.*