

CREDIT CARDS FOR CHILDREN

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Are prepaid credit cards for children a good idea? It all depends on how you intend the card to be used. They can be a great convenience to parents and children alike, if they are used wisely. When kids reach a certain age, they start exerting their independence. They want to go to the mall with their friends instead of Mom and Dad. Before you know it, they are starting to drive, and need money for gas and other teen necessities. Unfortunately, kids get more expensive as they get older, and somehow a parent's pocket-change doesn't always keep up with their needs. So what can a parent do? One option is to use prepaid credit cards for children. These cards are similar to the gift cards issued by the major retailers, with the exception that their use is not restricted to just the issuing store. An example of this type of card is the The Mango™ MasterCard® Prepaid Card. Parents apply for a prepaid credit card in their child's name, and deposit money into the account to activate it. Children can then use their card anywhere Visa or MasterCard is accepted. When the card is used to make a purchase, that amount is deducted from the card balance. When the card balance is low, parents can reload the card from their checking account or credit card.

Advantages of prepaid credit cards for children

1. They are more universally accepted than regular retail gift cards. They can be used anywhere Visa or MasterCard are accepted.
2. They are safer than cash. If the card is stolen or lost, call the credit card company to freeze the account so that it can't be used. The remaining money can be transferred to a new card.
3. Kids can make internet purchases without having to use their parent's credit cards.
4. It's convenient for those last-minute purchases when you're not available to give the kids cash.
5. Prepaid credit cards for children are safer than a regular credit cards or check cards because spending is limited to the amount loaded on the card. There are also no high interest rates or late fees associated with the card.

Disadvantages of prepaid credit cards for children

1. Some cards charge a one-time activation fee to cover the application process, account set-up, and shipping. Depending on the issuing bank, there may also be fees to load money on the card, and/or a monthly access fee to use the card.
2. If the card is used to get cash from an ATM, there will be an associated fee. Children need to be aware that this will lower their card balance. It is much better to just give your child cash instead of using the ATM to remove cash from the card.
3. If the card is loaded from a bank transfer, the money is usually not available for a couple of days.
4. Prepaid credit cards for children do not help build a credit history because account records are not reported to the credit bureaus.
5. If the parents don't teach their children the proper use of credit cards, it can lead to debt problems when they are old enough to get a real credit card.

Most prepaid credit cards for children offer the ability to track transactions online, but it is also a good idea to use a transaction register, which is similar to a check register. This allows a child to record all of the deposits and purchases to help keep track of how much money is currently available. Some cards, such as the Student UPSide Visa® Prepaid Card also offer educational material on their websites to help children learn the basics of budgeting and using their money wisely. Parents can also set spending limits and monitor the purchases through email or text alerts.

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