# Zina Kumok: 'Getting My First Credit Card Was So Exciting'

**Date :** June 29, 2016

*Personal finance blogger Zina Kumok graduated from Indiana University a few years back saddled with $28,000 in student-loan debt, $350 in minimum monthly payments and a $28,000 annual journalism salary. She struggled financially, but paid off that debt well before most people by making sacrifices and saving every penny she could. Kumok is now on a mission to spread the word about smart money management — especially to young people who are just starting out on their financial journey. In her latest column for KWHS, Kumok offers insight into the alluring, yet dangerous world of credit cards.*

Getting my first credit card was so exciting. I felt like fashionista Cher Horowitz from the movie *Clueless* — one swipe and whatever I wanted could be mine. Right?

Wrong. Entering into a credit card relationship with complete abandon is a sure way to get burned.

My first credit card was tied to my parents' credit card account. Like many of my friends, I was only supposed to use it for gas, school supplies and other necessities. Knowing that my parents could follow every purchase that I made meant that I couldn't use it for movie tickets or a shopping spree at MAC.

And while I appreciated the convenience of credit cards, I also understood their dangers. My parents had spent themselves into credit card debt while I was young, and they told me about their mistakes. They overcharged to buy things they couldn't really afford, accumulated a large debt balance, and often couldn't pay more than the minimum payment each month, which means that they also had to pay interest charges added to the original cost of the items originally purchased with the credit card. The more that interest grew each month, the greater the debt they had to pay off. When I finally got my own account after college, I was careful not to spend more than I could afford.

If you haven't yet learned credit lessons at home, here are a few important highlights:

**The Difference Between Credit and Debit**

While credit and debit cards may look similar, they vary in how they're used. Debit cards are tied to a bank or credit union account that has money, and funds can be withdrawn from a checking or savings account. When you use a debit card, the cost of what you are buying is immediately deducted from your account.

Credit cards, on the other hand, are not tied to an existing pile of money. A credit card company issues you a credit card and sets a limit on how much you can spend with that card. In that way, a credit card is a type of loan. The credit card issuer (popular ones include banks like Capital One) trusts that you will pay them back what you spend or they will charge interest on the unpaid balance.

**Starting Your Own Credit History**

Getting a credit card of your own can be tricky. The Credit Card Accountability and Responsibility Disclosure Act of 2009 stipulates that anyone under 21 who wants to open a credit card must have a co-signer or proof of income. This is to prevent accumulating a huge balance that you owe with no means to pay it back. However, many banks do provide special debit cards with low spending limits to help teens learn to budget and appreciate the "power of plastic."

Despite restrictions when it comes to learning credit card spending, you can still ask your parents to link you to their account, and you will be listed as an authorized user. But not all authorized users on cards are given the opportunity to build a credit score, which is an important goal of using credit to make purchases. Your credit score is a number that represents your credit-worthiness – or the likelihood that you will pay off your debts. Strong credit scores are oh-so-valuable when it comes time for life's major purchases, like houses and cars. Before applying for a credit card as an authorized user, call the company and ask if your card activity will be reported on your credit report, and therefore help you to build a credit history.

**Credit Card Essentials**

- **Pay on time.** One of the biggest ways you can negatively affect your credit score is to miss a monthly credit card payment. You can set up automatic payments from your bank account, but make sure to check that they've gone through every month. You can set a reminder on your phone or calendar to double check.
- **Pay in full.** One of the benefits of a credit card is to build your credit score and learn how to manage the temptation of credit while staying responsible. Be sure to pay your bill in full every month when the statement comes so you don't rack up debt. Credit cards give you the option to pay only a minimum monthly payment – don't fall for it. They'll charge interest on that balance, which will continue to accrue and you will be in debt for years.
- **Monitor your account.** Many credit cards tied to major banks have apps and mobile sites where you can easily check your account balance. It's important to monitor your account for any strange activity. If you suspect that your account has been hacked, call the customer service number associated with your card. If you plan to use your card while traveling, call the credit card company ahead of time to let them know of your plans, so they don't freeze your account.
- **Track your rewards.** Some credit cards offer points and miles that you can exchange for flights, tech gadgets and gift cards. While earning rewards is a great perk of credit cards, don't let the allure of free swag points tempt you into spending more. And be mindful of rewards cards that require you to pay an annual fee, which can be as much as $100 or more.
- **Check your credit report.** You can check your credit report for free once a year from each of the three credit bureaus (Equifax, Experian and TransUnion). The only website that will let you check it for free is com. Your credit report will list your payment history, number of inquiries and types of accounts you have. Be aware of your credit and the power of your credit-worthiness! Remember, the word credit comes from the Latin "credere," which means believe or trust. Building strong credit will empower you as a trustworthy manager of your finances.