

Heigh Ho, Heigh Ho, It's Off to School We Go!!

Ask the Budget Guy

Submitted by Allen Gunter, Endowment Committee

When you send your son or daughter off to college, what do you worry about? Booze? Drugs? Walking back to the dorm alone after a night lab class?

How about credit card debt – do you worry about that? Doesn't really seem as dangerous as some of those other things, does it - which is exactly what the credit card companies are counting on. You see, they can't wait for your son or daughter to go off to school so they can get them hooked on credit and begin to leech away at their lives. And we, as the parents, are largely ignorant of the problem and failing to prepare our kids to meet it.

Don't think it's a big deal? I wish you could talk with Sean Moyer about it. He was a National Merit Scholar on track for law school. But at age 22, he was more than \$14,000 in debt. Sean hanged himself in his closet.

Mitzi Pool, on the other hand, was "only" \$3,000 in debt. But that was enough to cause her to panic when she lost her part-time job. She called her mother who assured her they would figure something out. Mitzi was found dead the next morning, her bills spread out on her bed. She had hung herself with her bedsheets.

I cry as I write this. Surely the lives of these young people were worth more than a few thousand dollars!

Yes, both of them probably had other troubles that helped push them to take such tragic actions. But money problems are a magnet for other problems, so that pretty soon everything that is wrong in our life seems to be summed up in our money problems. And of course one of the first things to go is our relationship with God – just when we need it the most.

Fortunately, most young people don't commit suicide. Instead, many "just" end up filing for bankruptcy. Bankruptcy! In your twenties!! *In 1999, a record 100,000 people under age 25 filed for bankruptcy!*

Why is all this happening?

Because the card companies load our kids up with credit, and we have failed to prepare them to handle it.

So far, we parents are severely outgunned by the card companies. They know how to reach our kids with things like free t-shirts and frisbees, the social pressure to carry at least one card (everyone has at least one!), and a smooth line that has an appealing answer for every objection or concern our kids can make. *The credit card companies train their campus reps very well – how well are we training our kids?*

Next Month: What we can do to prepare our kids, whether they're going off to college this year or 10 years from now.

Back-to-School Quiz for Your College Student

When you get to school, you buy \$500 worth of books and school supplies with your credit card. By the end of September, you've charged another \$500 on dorm furnishings, snacks, some cool clothes and an emergency car repair. You're no dummy, so you stop using your credit card. If your interest rate is just 12%, how long will it take you to pay off that \$1,000 balance if you make only the minimum monthly payment (equal to the greater of 2% of your outstanding balance or \$15)?

ANSWER: Eight years and three months! And you will have paid \$545 in interest!! If your student had trouble understanding the question, cut up his or her credit card NOW! (How close was your answer?)

You know the credit card companies are making big money. Why else would they extend credit so easily to people with little or no income and no credit history... without even asking for a cosigner!

And why else would they spend big money to do so. According to *60 Minutes II*, First USA paid \$3 million to the University of Oklahoma to issue credit cards with the school's name on it, *plus* promised a percentage of everything students charge, guaranteed to be at least \$13 million over ten years!

Such a deal – free money for the school, and a lifetime – your child's lifetime – of profits for the credit card company. And each year there's a brand new crop of potential profit centers for the credit card companies to pursue.

Want some help with your finances?

SHPC's Financial Ministry can help. You can get personal help from the Budget Guy, Allen Gunter (892-3580, ext. 122 or BudgetGuy@SHPC.org), or try one of the Crown Financial Ministries Small Study Groups or Sunday school classes. Call Ron Miller at 892-1862 for more information.

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