

Buying a Credit Score

Your kids graduate from college and face an immediate dilemma: they have no credit history, which makes it harder for them to rent an apartment or get a credit card. Is there a way the parents can help them without risking their own credit score?

An article on the website Nerdwallet suggests a solution that will cost just \$200. You encourage your child to open a secured credit card, whose credit limit is equal to a deposit that can be as low as \$200. You make the deposit on his/her behalf, and presto! The cardholder is now able to make small purchases, pay back into the account, and establish a credit score in about six months. And the transactions weigh more heavily in credit scoring when the adult child is a primary user, rather than an authorized user on the parent's credit card. An added advantage: the child receives his/her own separate bill, and becomes accustomed to paying a bill on time.

Credit experts advise that the child hold spending to 30% or less of the credit limit—which basically means putting no more than \$60 on the credit card, and then paying that amount back. Parents can spring for a higher deposit if they think the adult child will be responsible for making higher payments.

Make sure the new credit card holder understands the interest rates, minimum payment and due date on the statements, and help adult children calculate how long it would take to pay off the balance making only minimum payments. Eventually, once the adult child has learned good credit card habits by using a card with training wheels, he or she can transition to an unsecured credit card. At that point, the secured card can be closed and your deposit returned.

By Bob Veres, publisher of [Inside Information](#) - the premier publication of financial industry trends and information for leading practitioners in the financial planning profession.