

Letter from the Chief Bankruptcy Judges

Designer clothes, cell phones, computers, iPhones, iPods and all the latest X-Box games – these and many other luxuries are within your easy reach, if the television, Internet and magazine ads are to be believed – and, if you have that most convenient of all payment devices, that piece of plastic called a credit card.

Unfortunately, more and more young people in high school and college in the U.S. are falling prey to the powerful allure of credit cards. Even more unfortunately, many teenagers and young adults run into serious financial troubles even before they have established themselves in a job because they have not learned how to manage their money or their credit cards.

Higher interest rates, rejected student loan and financial aid applications, lost scholarships, inability to rent an apartment, lost jobs, abusive calls by debt collectors, bankruptcy, divorce – these are just some of the consequences of the misuse of your money and your credit cards.

Judges, lawyers, personal finance teachers and counselors see the awful consequences of credit card abuse and financial mismanagement on a daily basis. They see the lives that are wrecked or damaged by money problems, especially credit card abuses. In the hope that many young people can avoid these problems, lawyers and bankruptcy judges in Missouri and Kansas have joined together to develop the Credit Abuse Resistance Education (CARE) program. We encourage you to participate in the program and learn all you can about managing credit card and other debt.

What you learn could put you in control of your financial affairs and save you much pain in the future.

Questions...

Q: How can I learn more about managing my finances?

A: Take a financial management course offered by your high school or college or University Extension office. Read books about financial management. Talk with your teachers, school counselors, and parents.

Q: What if I am already in trouble or have a friend with money problems?

A: Call the Bar Association's Lawyer Referral Services at 816-221-9472 (Missouri) or 800-928-3111 (Kansas) for an attorney referral, or contact a financial counselor.

Q: How can we find out more about this program or arrange for a speaker?

A: Call the U.S. Bankruptcy Courts at 816-512-1911 (Missouri) or 913-551-6732 (Kansas); or visit the Courts' websites at www.mow.uscourts.gov (Missouri) or www.ksb.uscourts.gov (Kansas); or visit the CARE website at www.care4yourfuture.org. Bankruptcy judges and lawyers will come to your school and present a program free of charge.



CARE Credit Abuse Resistance Education Program

A Project of the

**U.S. Bankruptcy Courts for the
Western District of Missouri
and the
District of Kansas**

In partnership with

**The University of Missouri
School of Law**

With the support of

**The Kansas City Bankruptcy Bar
Association**

The Cost of Credit

You don't need to be like so many others. You don't need to be an over-spender or credit abuser even though temptation is there. Not every one gives into the temptation and takes drugs, drinks too much, gambles too much, or smokes. **Be smart.** Say "no" to living beyond your means. **Be in control of your finances.**

The Real Cost of Credit

Say you owe \$1,000 on a credit card, and assume the interest rate is 21%. If you make only the minimum payment each month, how long would it take you to pay the full amount, even if you make no more purchases on the card?

Depending on how the interest is calculated, the earliest your balance would be paid off would be **7 1/2 years** and you will have paid at least **\$2,000!** By that time, will you remember what you bought? Will you still have it? Probably not!

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When you use your credit card, you are **borrowing money from a bank.** Buying things on credit – whether it's a movie ticket, a latté, an X-Box game, or a computer – can be expensive. Find out what credit is costing you. Most credit cards charge interest of over 20%. The money you pay in interest is **money you don't have** to buy something else you may really want – or need!



The Do's and Don'ts of Credit Card Abuse

Tips for Staying Out of Debt:

- Know the difference between **needs** and **wants**.
- Use a **debit card, a check, or cash** whenever possible.
- **Avoid store credit cards.** You'll charge things you don't need!
- Have and carry only **one credit card**.
- Use your credit card **only for emergencies** or when required by a merchant.
- If you obtain a credit card, shop for the **lowest interest rate** and the **best repayment terms**.
- If you can eat or drink it, **don't charge it!**
- **Pay the full balance** on your credit card each month. If you didn't pay the full balance last month, figure out why.
- Never make just the **minimum payment** on your balance.
- **Have a plan** for paying what you owe.
- Don't use credit cards to get through rough times. **Reduce your spending** instead.
- Check to see if your credit card balance is increasing. If it is, **stop!**
- Always make your **payments on time.** Late fees are high – and punitive!
- Never use one credit card to pay off another credit card. You may be getting into **serious trouble!**



If you have financial problems when you graduate, you may not get that job you had hoped for – the job that would help you pay your bills and enable you to buy the things you want – because some employers check potential employees' credit histories.



Poor financial management may prevent you from getting job promotions, especially in jobs that involve handling money.



Being in debt or having a poor credit history may affect your ability to get a student loan or other financial aid to go to college or technical school.



On college campuses and at athletic events, fellow students may offer you T-shirts, free meals and other attractive gifts to induce you to sign up for a credit card. This is not the way to get a credit card! Often, these cards have very high interest rates and restrictive or punitive repayment terms.



Some students have had to drop out of college or technical school and have even committed suicide when faced with unmanageable debt caused by overspending and easy credit.

