



Building Credit: Helping Your College Student Make the Grade

Establishing good credit is becoming increasingly important, from securing a home or auto loan to finding an apartment to getting hired at a new job. Starting to build credit in college is a solid choice. Luckily there are plenty of ways you can help your college student begin building his or her credit history:

Building credit:
4 tips for college students

AAA

- 1) Bank responsibly.** Make sure your student understands the importance of regularly reconciling his or her bank account, as well as proper procedures for reporting a lost or stolen ATM or debit card.
- 2) Promptly pay ALL bills.** Credit bureaus are collecting plenty of alternative data on consumers these days. A history of prompt rent and utility payments in your child's name can help jump-start a credit history.
- 3) Open some accounts.** For example, having your student take out a mobile phone contract in their name and paying it off promptly each month can help build credit; the same goes for store credit plans.
- 4) Do the math.** Help your student understand the impact of late payments and over-the-limits pending on credit history. Likewise, be sure to share the drawbacks of credit cards with them – like how quickly compound interest can double a credit card balance.

For additional information about AAA's financial service products, visit AAA.com/creditcard, or stop in at any store.

Credit Card vs. Debit Card: When to Use Each

You probably know the basic differences between debit and credit cards: build credit or borrow against a credit card, or use a debit card in lieu of cash. But are you thinking about those differences when you swipe? Read on to see the pros and cons of each card and when you should use them.

- **The safest way to shop on the Internet is with a credit card.** You aren't held liable for promptly reported fraudulent charges, and if you have a dispute with a merchant over a charge, you have the right to withhold payment on it during a creditor investigation. Debit or ATM cards aren't protected by federal law to the same extent as credit cards, so you could be liable for any fraudulent charges to your account.
- **When you use a credit card to pay, the credit card company makes that payment.** So, should your information be stolen, the thief won't necessarily have direct access to your bank account. Debit/ATM cards are tied directly to your bank account, so if the number is compromised, the thief could have access to everything in the account.
- **When you buy with a credit card, you're only bound by your credit limit, making it tempting to overspend.** When you buy with a debit card, you're using funds already in your bank account, making it easier to stick to a budget.

Source: *What is the Difference Between Credit and Debit Cards?* (n.d.). Bank of America/Khan Academy. Retrieved July 24, 2017, from <https://bettermoneyhabits.bankofamerica.com/en/personal-banking/difference-between-debit-and-credit>.

Buying a Car For Someone on Your Nice List? Arrange Auto Loan Beforehand

With the holiday season comes end-of-the-year deals and savings from car dealerships. One way to score an even better deal? Prearranging your auto loan before you buy.

Knowing the terms you're approved for ahead of time will help in a few ways. First, you'll already know your budget limits, making it less likely the dealership will persuade you into terms higher than what you're comfortable with.

And second, sometimes dealerships offer "great" rates that really aren't. When you already know the amount for which you're approved, you'll be able to negotiate more effectively at the dealership.

Buying a car can be a long process, but doing prep work beforehand can pay off big in the long run. And if you're looking to surprise someone on your nice list with a new car this season, AAA offers competitive member rates for both new and used vehicles. Visit AAA.com to see our rates and apply for free.



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²National Savings Average APYs based on rates of top 50 U.S. banks by deposit provided by Informa Research Services, Inc. as of 9/6/17.

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