

A TALE OF TWO STUDENTS

Whether you remain in credit heaven or credit hell all depends on the choices you make and the ways you use (or abuse) your plastic. Here how it works:

Kaya and Julia both attend college and get their first credit cards with a \$2,000 credit limit and 13.99% interest. Kaya looks for every way she can find to save money. Julia, on the other hand, is a firm believer in convenience; her time is too important for her to pinch every penny.

Your money or your time — which is worth more to you? There's no correct answer, but your spending habits *will* have consequences.

TIME TO BUY BOOKS FOR FALL CLASSES.

find students selling two of the books she needs. So what if they're used and already highlighted? These students earn great grades, so any markups in their books can only help her, right? She meets with each of them and she hands over \$120 in cash from her summer earnings. At WWW.HALF.EBAY.COM and WW.CHEAPBOOKS.COM, she finds the other three books she needs. She charges them for \$140.

Kaya goes on FB to



Julia's juiced to start fresh; plus, she ended up hangin' with her girls all last week before they left for their own college campuses, so she doesn't want to spend a lot of time online searching for bargains. She buys all new books for a total of \$375. She puts the entire cost on her credit card because she's saving her summer cash for a ski trip with her friends over winter break.

THE FIRST CREDIT CARD PAYMENT IS DUE TOMORROW.



Kaya calls the credit card company the minute she realizes her first payment is due in 24 hours. She's able to pay over the phone for a \$15 charge. As soon as she hangs up, she goes online and signs up for monthly e-mail alerts so she won't miss future payments.

Julia realizes she's going to miss her first payment. Dang! Well, she decides not to sweat the one-time \$35 penalty or the 6% interest increase — it doesn't sound like that much; Besides, she figures, she can take the money she was going to use to pay down her balance and use it for school supplies instead so that she doesn't have to make further charges on her card this month.



IN THREE WEEKS, THE OUTDOOR CLUB IS HAVING A FOLIAGE RIVER TRIP, WEATHER PERMITTING.

Since this may be the only chance to use a new kayak before she has to put it up for the winter, Kaya decides not to spend her money now. For the trip, she makes plans to share a canoe with a club member who has space for an additional person. As for the kayak, the trip motivates her to start a savings jar where she'll put all the coin she collects, plus \$5 a week. By next summer, she'll have enough to buy a no-frills kayak during pre-season sales, a new paddle, and an inexpensive PFD.



kayak, paddle, PFD, spray skirt, dry case, and other gear. Now she's tricked out — and \$600 deeper in debt. But, hey, at least she'll be able to use the stuff for almost forever, so she considers it a good investment. Besides, inflation means that prices will only go up, so she figures that if she waits, she'll pay higher prices a year from now.*

***CAN YOU SPOT THE HOLE IN JULIA'S LOGIC? SEE BELOW.**

THE CREW WANTS TO CELEBRATE THE HOLIDAYS TOGETHER.

qualms about letting her friends know she's keeping a tight rein on her spending. The group agrees they'll make all their gifts and seize the cheese at an inexpensive pizza place, followed by a night of DVDs and gift exchanging at Erica's house. Kaya buys some leather handbag handles at a local craft store, where she also picks up some free instructions on felting outworn sweaters. She charges \$70 for the handles and makes six felted handbags, one for each of her friends. That, plus \$30 for dinner (she'll bring cash) will keep her under \$100 for the celebration.



Kaya's down with the idea, but she has no

Julia's friends head to Massachusetts, where one of them lives and can put everyone up for the weekend. Between a weekend in Boston and Christmas gifts for everybody, another \$300 goes on the card. **MENTAL NOTE TO HERSELF:** Make a resolution after the holidays not to use the card again until she pays some of it down.

A NEAR ACCIDENT ON THE INTERSTATE; THIS SERIOUS WINTER MEANS A SET OF SNOW TIRES.

Not wanting to deal with gas prices, oil changes, or a new set of snows, Kaya decides to store her car over the worst winter months, which will cost her \$225. For errands, she uses Facebook and the ride board at the student center to connect with friends who are planning to drive to the mall. She chips in for gas so that by the end of the winter she's gotten where she needs to go and doesn't have to deal with maintenance or car washes.

Julia spends \$420 for a new set of tires. They make her feel a lot safer, but so much for the resolution not to use her card again.

SPRING BREAK!!

Kaya's friends are heading to a dance weekend in Saratoga Springs, New York, while Kaya takes a temp job. She knows that if she goes dancing, she'll just use her plastic again, and — after all — the festival will be there next year. With the money she earns, Kaya can pay down about \$300 on her card, so she waves buh-bye to her girls and heads off to work.

Julia shreds the slopes, using the cash she saved from her summer job last year.

A FEW MORE PAYMENTS — THEN SUMMERTIME!

Kaya accepts a great internship with a local green energy corporation. The pay isn't great, but the experience will be awesome, and the work will look wicked good on her résumé.



Julia's not looking forward to a lame summer working all hours, waiting on tables at a hotel to try to pay down some debt. If she wants to pay off a lot of the balance she's accumulated, she won't be able to save that cash, which she would normally use for spending money during the next school year. This means that she'll need to get a job throughout the year just so she can make the minimum payments of about \$28 a month.

IF NEITHER EVER USES HER CARD AGAIN ...

KAYA'S TOTAL DEBT: \$110
AT \$15/PAYMENT: 8 MONTHS OF REPAYMENT
TOTAL INTEREST PAID: \$5.35

JULIA'S TOTAL DEBT: \$1,643
WITH MINIMUM PAYMENTS: MORE THAN 8 YEARS OF REPAYMENT
TOTAL INTEREST PAID: \$1,310

Imagine NEVER charging anything AGAIN for at least 8 YEARS!

Answer: Unless Julia pays off the balance in full at the end of the month, the interest that will end up accumulating on her card over next 12 months will very likely be much higher than any price increases.

