The other day I had a visit with a young person who asked me how to get a credit card. She had been responsible enough to save up to purchase a car and had worked her way through school--only to find she had no credit rating. In this economy, she couldn't get a credit card.

We, as parents, can help our children establish credit. However, because many of us are deep in debt ourselves, we don't feel qualified to teach our children about credit. How else are they going to learn? And who is better to teach them than those of us who have had a few bumps in our financial path? Get over your fear of finance and share some credit card wisdom with your kids.

There are some basic ways to introduce your kids to credit and minimize risk.

Co-sign for a credit card in your child's name. This is a great way to help your child build credit and makes it easy to monitor the account. But realize that if he/she goes on a spending spree you'll be liable for the debt, and will be responsible for paying the account. If you aren't paying attention, it will drag down your credit rating along with your child's. The same thing will happen if you co-sign any debt for your child, including student loans.

Add your child as an authorized user on one of your credit cards. It only takes one call to your credit card issuer and you can make your child an authorized user on your card. This will help build the child’s credit, and you can shut down an irresponsible child’s card privileges with one call as well. Careful monitoring is required on your behalf. But you will pay the bills and your child will get no real practice handling credit or learning to pay on time.
Get a debit card. A debit card will not help build a credit profile, but it gives a child practice tracking expenditures and reconciling accounts. Because it is tied to a checking account, you risk incurring overdraft fees and those can be quite expensive.

Get a secured card. A secured card is tied to a savings account. If a payment is missed the bank automatically takes the money from savings. Your child will build credit. But these cards can come with high fees. If you tie it to their savings account, then they will get experience at paying the bill.

Use a prepaid card. Reloadable prepaid cards represent one of the fastest-growing segments of the financial services industry. In most cases, your child is better off with a debit card tied to a checking account than with a prepaid card, which comes with reloading fees and other expenses. There may be an activation fee, a fee for each purchase, and sometimes even a monthly fee. Your child will not build credit or get practice paying bills, but you will have the most control over how much money is available with the least amount of risk.

Though we’d like to steer our children away from getting into debt, credit cards are necessary to function in today’s society. Rental cars and even hotel rooms require a credit card. Help your child build a credit history, but help them learn the ropes.

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