Date

Dear \_\_\_\_\_\_\_\_\_,

Congratulations. Because of your demonstrated responsibility, we are setting you up as an “authorized user” on one of our credit cards. That means you will have a credit card in your name, but it will be tied to one of our accounts.

The goal of this agreement is to establish clear expectations about using credit cards wisely.

There are a lot of benefits to using credit cards. From an identity theft perspective, they are safer than debit cards. Using a credit card responsibly will enable you to build a strong credit score, which will be important once you’re old enough to rent an apartment and eventually apply for a mortgage. Plus, some credit cards provide extended warranties on products you buy, rental car insurance, and points for discounted or free travel.

However, they also come with some significant watch-outs. Some people get in serious financial trouble by misusing credit cards. So, here are the four essential rules of the road for using credit cards responsibly:

1. Only used a credit card for a pre-planned budgeted expense, which means you’re using a budget! For example, if you have a budget that enables you to spend $30 on clothing per month, you can charge $30 worth of clothing this month.
2. This month’s credit card purchases count against this month’s budget. So, even though the credit card bill won’t come due for several weeks after you make a purchase, you must track all uses of your credit card. To stick with our $30 per month clothing budget example, if you charge $25 for clothing, you now have $5 left in this month’s clothing budget.
3. Always pay your credit card bill in full each month.
4. If you can’t follow the first three rules, don’t use credit cards.

Please review and initial each of the points on the following page and then sign it at the bottom.

With love,

Mom and Dad

I understand that the following rules are designed to set me up for long-term success in my use of credit cards.

Initial here: \_\_\_\_\_\_

I understand that it’s essential to use a credit card wisely and that the misuse of a credit card could harm everything from my ability to get a mortgage when I’m older to my ability to get a job.

Initial here: \_\_\_\_\_\_

I will manage my cash flow with a budget that shows how I plan to allocate any money I receive or earn and that enables me to track my use of money.

Initial here: \_\_\_\_\_\_

For the first three months, I will ask my parents for permission each time I’d like to use the credit card.

Initial here: \_\_\_\_\_\_

I will only use the credit card for pre-planned budgeted expenses.

Initial here: \_\_\_\_\_\_

I will record my purchases on my budget as I make them. I understand that each credit card purchase counts against this month’s budgeted amount for that category. For example, if I have $25 budgeted for entertainment and charge an $8 movie ticket, that counts against this month’s $25 entertainment budget.

Initial here: \_\_\_\_\_\_

I will either pay my parents for my credit card purchases when I make those purchases or when the bill comes due.

Initial here: \_\_\_\_\_\_

I understand that if I ever lose my credit card or it is stolen, I will notify my parents right away.

Initial here: \_\_\_\_\_\_

I understand that my parents have the right to take away this credit card privilege at any time if I violate any of these rules.

Initial here: \_\_\_\_\_\_

I have read this entire document and agree to the above rules.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Sign here Date