

## **Teenagers and Their Plastic, the Rites of Passage**

By **JENNIFER ALSEVER**

Teenagers are a fickle bunch: first they wanted credit cards of their own and now it seems they don't.

That is not to say they avoid all plastic. These days, their wallets are full of other cards, including debit cards, which draw money from banking accounts, and a wealth of prepaid cards that store a certain cash value that can be tapped with a swipe of the card.

Just 15 percent of teenagers surveyed this spring said that they were interested in obtaining a credit card in their own name, down from 34 percent surveyed in 2000, according to a survey of 2,000 teenagers conducted by Teenage Research Unlimited, a market research firm in Northbrook, Ill.

The portion who have credit cards in their name also declined, to 9 percent of teenagers from 11 percent in 2000. Children under the age of 18 cannot legally apply for their own credit cards, but parents can co-sign for them.

The lack of enthusiasm may stem in part from these new forms of plastic as well as from the influx of financial planning classes geared toward youth and the well-publicized stories of college students drowning in debt, said Rob Callender, trends director for Teenage Research Unlimited. The average college undergraduate has \$2,169 in credit card debt, according to a 2005 report by the student lender Nellie Mae.

"I wouldn't be surprised if this data shows they've learned from mistakes of the past and they aren't willing to make the same mistakes in the future," Mr. Callender said. "This group of teens has a great head on their shoulders. They're driven. They're motivated. They're savvy."

They are also experienced shoppers who wield increasing influence in America's discretionary spending. In 2004, the nation's 33 million teenagers, ages 12 to 19, accounted for \$169 billion in spending - not including spending on their behalf or family purchases they may have influenced, according to Teenage Research Unlimited. Much of that money bought clothing, snacks, shoes, CD's, video games, MP3 players, computer equipment and cellphones.

The spending has not gone unnoticed by card companies and banks. MasterCard has recently introduced a prepaid card called MyPlash, a reloadable debit card that can be stocked with a limited amount of cash. The card has pictures of music celebrities like Clay Aiken, appealing to young consumers.

Visa also has prepaid cards, including a Hilary Duff Visa and the Visa Buxx card tailored to preteenagers. Card companies emphasize that the cards are not credit cards and so can better prepare youth for the day they sign up for their own credit card.

"It requires teens to live within a budget," said Rhonda Bentz, spokeswoman for Visa USA in San Francisco. She said parents could limit spending and easily monitor where money goes, while still ensuring that their children have money when traveling or in case of emergencies.

"Doling out cash is more antiquated," said Jenifer Lippincott of Weston, Mass., who automatically transfers weekly allowances into checking accounts for her two daughters, ages 14 and 16, who pay for most entertainment with their debit cards. Ms. Lippincott said the system required her children to keep track of their balances and left a neat audit trail of spending.

And, given the current climate of repeated data corruption and fears of identity theft, she is happy her teenagers are opting for alternatives to credit cards.

"When I hear about these things, my immediate reaction is phew," said Ms. Lippincott, who also wrote the book, "Seven Things Your Teenager Won't Tell You (And How to Talk About Them Anyway)" published by Ballantine Books this year. "With debit cards, you are really getting the best of both worlds. The teen can have the experience of having a credit card without the liability."

She said her 16-year-old, Anabel, got her debit card at age 15, and her youngest daughter, Tess, got her card even younger, at 13. Tess, now 14, said she liked her card because her money was always easily accessible for movies or eating out. Plus, she said, "it makes me feel more grown up."

Not everyone views prepaid and debit cards for teenagers so positively.

"It's the last frontier for credit card companies trying to expand their markets," said Jim Tehan, spokesman for [Myvesta.org](http://Myvesta.org), a Rockville, Md., nonprofit consumer education organization. "They're looking younger and younger because if they can get that first card in their hands, they're a customer for life."

A MasterCard spokeswoman, Barbara Coleman, disputed that assertion. "We don't market to kids," she said, adding that MYplash was aimed at fans of the celebrity pictured on the front of the card. Still, she said, parents could use the cards to teach children about managing finances.

Critics, however, worry about teenagers developing bad habits, especially when it comes to accumulating debt.

"The money is just abstract," said James A. Roberts, a marketing professor at Baylor University in Waco, Tex., who has spent 10 years studying credit card behavior. People who use credit cards tend to spend more, are less price-sensitive and overestimate their wealth, he said.

For years, card companies have been criticized for aggressive pitches to college students and offers of free T-shirts and other perks for opening accounts. Some colleges banned card companies from campuses because of concern that students would pile up heavy debts.

Ben Martin saw the college credit card problem firsthand, as media manager at the College of Saint Rose in Albany. He decided then that at his household, credit cards would be forbidden entirely. His two daughters, now 18 and 25, can qualify on their own for credit, but they still do not have cards.

"They needed to learn that money isn't ephemeral. It's real," Mr. Marvin said. "They needed to get the feel of money going into their hands and out of their hands. With credit cards, it's too easy."

Mr. Marvin's youngest daughter, Johanna, now a freshman at Butler University in Indianapolis, said she did not mind her parents' rule.

"I would not be responsible enough to handle it, knowing when to use it, when to not, paying the bills," she said. "I try to keep cash on me. You never know when you're going to need it."

Credit cards have not disappeared from teenage life entirely. At 15, Emily Merkel of Portland, Ore., was not old enough to drive a car, but she was charging clothes, dinners and online music to her own credit card, a birthday gift from her parents with few spending restrictions beyond the card's \$1,000 limit.

"There aren't many rules, I guess," said Ms. Merkel, now 16. "Just don't spend money you don't have. Pay your bill every month."

Ms. Merkel sometimes keeps a note in her purse with her card balance, so she knows what she is spending. The monthly bill arrives addressed to her mother, who hands it to Ms. Merkel to pay with her allowance from a checking account. She said she was glad to have the early training before going off to college. She said that credit card payments were easy to make using the Internet.

"I have never overspent," Ms. Merkel said. "There are people I know who have abused a credit card. But I find it really helpful. I'm not a big cash person. If I have cash, I'm tempted to spend it."

And at some high schools, credit cards still remain cool.

"Having a credit card in high school was about proving yourself, your image," said Jessie Evangelista of Cherrytown, N.Y., who obtained her own card in ninth grade as a reward for earning good grades. Now 19, she is a freshman at Middlebury College in Middlebury, Vt.