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AW Weekly: Helping Your Student Build a Financial Future

A solid credit history is the secret syllabus of adulthood. It's what will eventually help your child rent their first apartment without a co-signer or get a lower interest rate on a car loan after graduation.

Here are the **top 4 ways** to help your college-age child build credit:

1. Teach Them the Credit Building Basics

Before they swipe, they need to understand the rules. The two biggest factors in determining a credit score for credit newcomers are:

- **Payment History (35% of FICO score):** Missing even one payment can tank a score. Emphasize that on-time payments are the only option.
- **Credit Utilization (30% of FICO score):** This is your balance vs. your limit. Experts recommend keeping the balance below 30% of the limit (and ideally below 10%) to see the best results, meaning aiming to owe less than \$300 for every \$1,000 of credit limit.

2. Add Them as an Authorized User

This is often the fastest way to jumpstart their credit. By adding your child to your existing credit card, your positive payment history and the age of the account are reflected on their credit report.

- **Pro-Parent Tip:** You don't actually have to give them the card. They get the credit for your good habits while you keep the card safely in your drawer.
- If you do decide to give them their credit card, you can do so with the agreement they can only use it for emergency expenses.

3. Encourage Them to Get a Secured or Student Credit Card

If they are ready for their own account, look for cards geared towards students:

- **Student Credit Cards:** These are designed for people with little income or history. They often have lower limits and some even offer rewards for good grades!
- **Secured Credit Cards:** These require a refundable cash deposit (e.g., \$200) that acts as the credit limit. It's a great way to build credit with zero risk of debt getting out of hand.

4. Help Them Get Credit for Every Bill

Your child is likely already paying for things that don't traditionally show up on a credit report. Use tools to make that data count:

- **Rent & Utilities:** Use services like *Rental Karma* or *RentReporters* to report their monthly rent payments to the bureaus.
- **Experian Boost:** This free tool allows them to get credit for paying their phone bill or even streaming services like Netflix and Spotify.