Opinion: Tips for college students to avoid debt

By Gabe Albarian

As hundreds of thousands of parents send their kids off to college in the coming months, many of them will be wondering if it marks the last time their children will be living under their roofs.

According to a study conducted by Twentysomething Inc., a consultant firm specializing in young adults, 85 percent of the class of 2011 will wind up moving back in with mom and dad once they get their degrees. The cause? A combination of a shrinking entry level job market and crushing college loan debt.

The average student accumulates more than $23,000 in student loan debt and $4,000 in credit card debt during their years as an undergraduate student.

All these stats basically tell the same story: our next generation of college graduates will enter the next phases of their lives in a personal finance hell composed of a combination of crushing debt and poor credit.

But it doesn’t have to be that way. I’ve composed a few tips aimed specifically at helping those who are just entering college or about to graduate establish and keep a good credit rating.

They include:

· New Credit Cards – Credit card companies love to hammer new students and new graduates with seemingly generous offers of unsecured credit cards. Don’t take the bait. There are other ways to establish credit without opening yourself up to the slippery slope of introductory interest rates that change after six months or the temptation to use that credit to live above your means.

· Authorized Users – If your parents are financially responsible (not always the case sometimes) and pay their bills on time every month, I suggest that you be added as an authorized user on their credit card. Make sure to provide your personal information and social security number to the credit card company so that your credit history report will reflect transactions performed on this account. In about six months, after you've learned with the authorized user training wheels how to manage your credit reliably and maintained a responsible payment history, you will receive your own credit card offers.

· Secured Credit Card – The temptation will be to apply for an unsecured credit card, but that's still not wise or necessary to establish good credit and good habits. Instead, apply for a secured credit card at your local bank. With a secured credit card, you place a nominal amount of money in a savings account that cannot be withdrawn as it is used as recourse to pay back your debts in case you do not pay them yourself. In essence, your spending limit on your secured card is exactly the amount you place in the linked savings account – hence, your debt is secured by the money in your account. Just like a normal credit card, you will receive a monthly statement to pay off a portion or all of your debts but meanwhile your payment history will be reported to the credit bureaus. Within months you will receive offers for other unsecured credit cards. It's not necessary to have more credit cards than you need, because not only will it present temptation, but it may also lower your credit rating.

The bottom line here is that once you have use of a credit card, you want to pay your bills on time, keep your balances low, don't take on more credit than you need and if you've missed a payment you should get current and stay current. Good credit can be your best financial friend as you go through life and bad credit can be the ball and chain that drags you down.

Gabe Albarian has worked in real estate sales, finance, and investment for nearly 10 years and has done extensive consulting work in personal finance for individuals and groups.