Photos by STEVEN LANE/The Columbian

James Gaynor, 17, invited financial adviser Angela Dockum to visit his Columbia River High School marketing class. Gaynor's family has been through rough financial times, experiences that have pushed the high school senior to educate himself about finances.

Tight times squeeze teens

Financial adviser gives Columbia River students tips on money

By ISOLDE RAFTERY
Columbian staff writer

"How many of you have jobs?" financial adviser Angela Dockum asked the marketing students at Columbia River High School.

A third raised their hands.

"All right. How many of you have money left over at the end of the month?"

Not a hand raised. They laughed sheepishly.

Dockum, a guest speaker in the class, smiled. Composed with a slight Southern lilt, she forged ahead to the nut of her lesson.

"A lot of Americans are in that rut," she said. She herself had once maxed out credit cards and had to pay them off. She didn't want these 17- and 18-year-olds to make that same mistake. Not in this economy.

Embarrassed or not, many of the students seemed to understand. Not because it had been taught in school — personal finance classes are rare in schools — but because they live in this rut Dockum talks about, internalizing the tension their parents feel when layoffs are announced, wondering whether they'll have the money to attend college next year, after all. Add to

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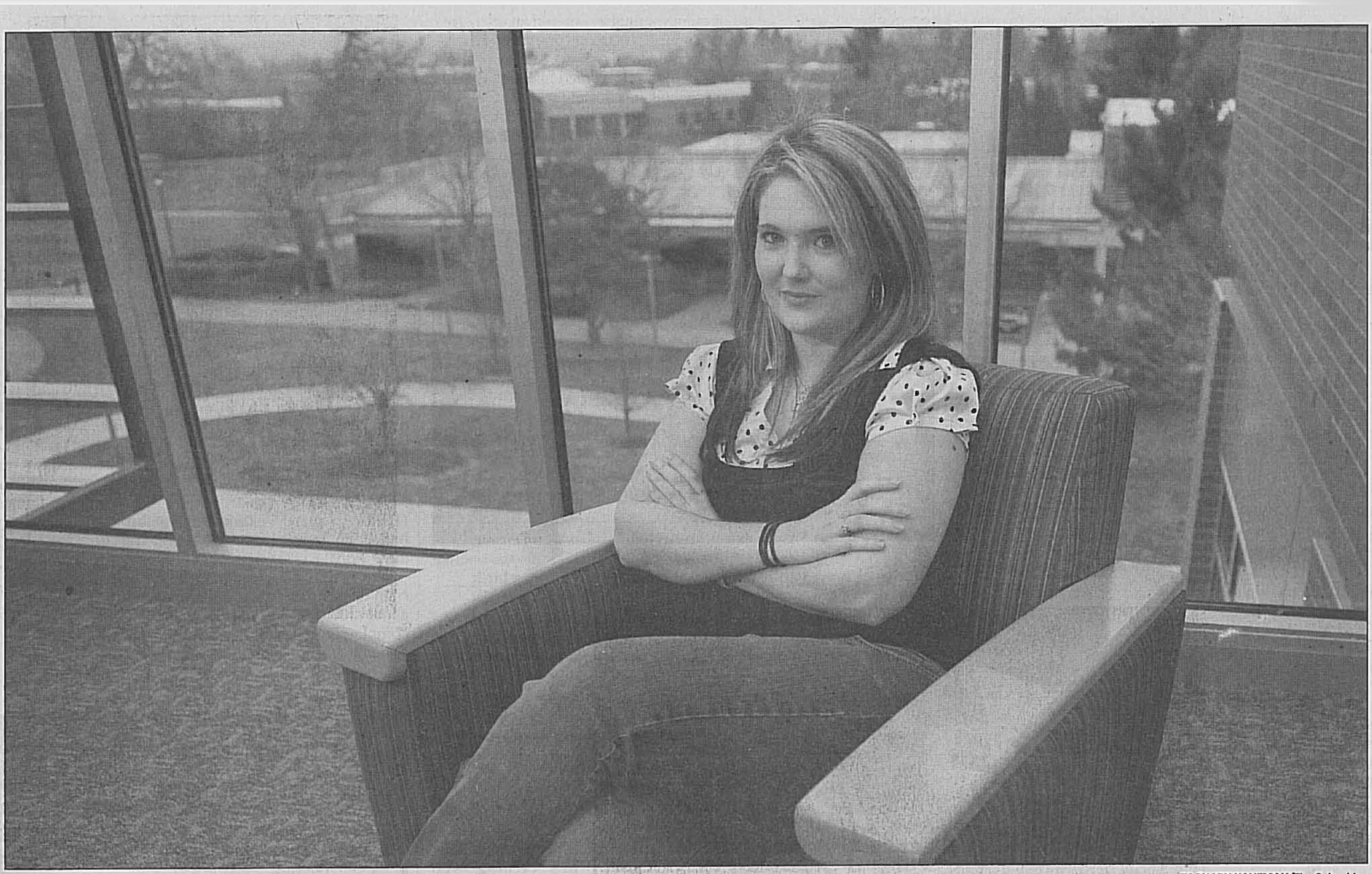
Financial adviser Angela Dockum of Waddell & Reed warns young people not to succumb to the marketing pressures of signing up for a credit card after college.

On Page A8:
- Personal tales in battling credit card debt.
- Tips to avoid credit card traps.
- Finance factoids.



ZACHARY KAUFMAN/The Columbian

Clark College student Sarah Wellsmore learned about credit cards the hard way. Now the 24-year-old sticks to cash and debit.

Falling prey in a plastic jungle

For any number of reasons, many young people find themselves struggling in a financial quagmire

By HOWARD BUCK
Columbian staff writer

The student

Sarah Wellsmore, 24, a straight-talking Clark College student studying law enforcement and American Sign Language, thought she had control over her credit card.

She applied for her line of credit at 19, while still living her parents in Brush Prairie.

"I was actually doing pretty well," Wellsmore said while relaxing with friends in the cozy Penguin Union Lounge.

"Then I moved out and didn't do so well."

There was apartment furniture to buy. Her car died, requiring $400 worth in repairs. Wellsmore paid her bill on time and was pleased when her credit limit grew from $500 to $1,000.

She got a $10,000 loan for a 2004 Jetta. She could afford the $250 a month payments but hadn't expected her car insurance to balloon to $500 a month to include comprehensive coverage. Around the same time, the modest 5 percent interest rate on that first loan increased to nearly 30 percent.

At first, Wellsmore paid the charges from her income working shifts at Starbucks and Hollywood Video, eking out a living.

Then a big blow made her reconsider her situation: Wellsmore spent three hours in a hospital because of trouble breathing. Though she had health insurance through Starbucks, the bill amounted to $3,000.

"I thought, 'Oh my god, it's never going to stop,'" Wellsmore said. "It swallowed me whole."

When credit payments ate up entire paychecks, she knew she had to escape the cycle.

It was a far cry from the picture painted in her eighth-grade home economics course at Hockinson Middle School. Basics such as investing and checkbook accounting were covered, but the tough lessons on credit card management fell to her father.

When Wellsmore paid off about $2,500 in debt, she cut up the card. She now sticks to cash and debit.

STEVEN LANE/The Columbian

Heritage High School teacher Mary Thompson recommends that young people sign up for a credit card with a $50 limit to build credit over time.

The teachers

Heritage High School teachers Shawn Perez and Mary Thompson may have seen it all: students graduating with mountains of family medical debt, students taking out 10- or 12-year car loans, former students declaring bankruptcy before 30.

Perez and Thompson reach 120 of Heritage's 1,100 students through the DECA marketing club and elective class, "Financial $ense."

"One of the scariest things for me is the number of kids who have to support their family, or pay off medical debt," said Thompson. "They graduate from high school in debt. It's a sad comment on our society, on our culture."

The two teachers invite students to bring their paycheck stubs, cell phone and car payment statements and auto insurance bills. Students enjoy that exercise, which has become more relevant given Wall Street's plunge.

"I think our kids are more aware and open to learning, because it's in their face," Thompson said. "It wasn't five years ago."

She sees dozens more homeless students and hears about families that can't afford to heat their homes at night.

The two teachers wonder whether their students will learn from their chastened parents and leave the spendthrift '90s and 2000s in the past.

"I really think this generation could be that generation that really flourishes, and gets us back," Perez said.

The leaders

Student leaders at Clark College say they see their classmates wrestling with debt demons. Many don't know what APR stands for, or how to establish credit.

"It's a taboo subject. It's embarrassing," said activities planning board member Janet Sanchez.

Some start with a chain-store credit card, Sanchez said. Best Buy is popular among students buying laptop computers, she said.

"They force it on you early on, pay with plastic," said Sanchez, citing boundless media marketing that scoffs at using cash for small purchases. She and a classmate invited a financial adviser to discuss financial aid and credit debt at Clark.

President Barack Obama promised to address "predatory credit card practices" during his campaign, though to date, Congress has done little to prevent card issuers from increasing rates and changing card conditions after the initial agreement has been signed (most agreements say that conditions can be changed).

Said Wellsmore: "I don't think it's fair that they're preying upon the new generation. There needs to be some sort of law saying that when you get a credit card, it needs to be in plain English. You need a Ph.D. in law and a magnifying glass to understand the fine print."

Did you know?

- The average credit card debt for college students is $2,748, according to student-loan provider Nellie Mae. With a 15 percent rate and minimum payments, that loan would take 18 years and an extra $2,506 in interest to pay off.
- Forty years ago, minimum payments were higher and credit limits lower. State laws set a maximum for interest rates — 12 percent in Washington state. But federal law allowed banks to start setting their own rates in the 1980s in response to inflation.

AVOIDING TRAPS

Those offering financial advice often tell parents to sit down with their kids.

But what if those parents need help themselves? Or don't understand the complex fine print on a credit card agreement?

Consumer advocacy groups say card contracts are often riddled with hard-to-discern fees and misleading promises. They're certainly popular in Clark County, where residents averaged $6,194 in credit debt in the third quarter of 2008 and four to six credit cards.

Here are some tips on managing your credit. For more, go to fdic.gov/consumers.

- Start with one card and make small purchases. Before choosing one, ask people you know if there's one they recommend. Everyone has a story about cards that seem to trick consumers.
- Perhaps one card is enough; the FDIC warns against too many cards.
- Look for key information — the interest rate and when a bank will change it, the annual fee, any late payment charges.
- "No interest for six months" could mean, "If you don't pay off the entire balance by the due date, you will be charged interest on all your original purchases." One day's late payment on that same card could result in interest accruing on those purchases.
- Ask for a break if your fees are too steep or if you've been hit with fees. Explain your situation and your lender may reduce your rate or waive a penalty fee.
- Pay your bills on time to maintain credit and qualify for low rates later on.
- Get a credit report from all three credit report companies for free. Check for errors. There's only one site to obtain a free copy of your credit report — www.annualcreditreport.com.

—Isolde Raftery

Economy:

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that news headlines about the economy collapsing, banks closing and corporate America going bankrupt, and there's little left to inspire confidence in the future.

A new generation

James Gaynor, 17, who invited Dockum to his class, has been through two family recessions.

"Our financial situation has been shaky since 9/11," James said. In that time, his father, nearing retirement, got laid off. His mother had been attending college, so the family found itself with additional debt. Years later, his mom also got laid off, and the family has since been patching together jobs to make ends meet.

Gaynor, a soccer player, coaches and referees up to 25 hours a week to pay for his playing costs. He wonders what his life might have been like if he'd been born 15 years earlier. Would he have been the middle class teenager his younger years seemed to promise?

Those questions aside, James knows these times have pushed him to be smarter about money, smarter about scrimping and saving. He doesn't feel entitled to anything and knows he could lose everything in a matter of days.

"It's taught me to grow up and mature a lot faster than other teenagers my age, given my circumstances," he said. "But I also see it as a positive, an advantage I have over other people."

That's partly why he wants to be a civil engineer, a steady, intellectually appealing job, he says.

Karah Ambrose, 17, is another student who has become more money conscious. Her mother stays at home, and her stepfather works in real estate.

Ambrose nannies to pay for gas and school lunch. She wears her uncle's oversized green fleece, and she's proud of that. It's proof that she's frugal, that she's not wasting her money on frivolous shopping sprees.

Situated in a suburban part of Vancouver, Columbia River High students aren't known to pride themselves on touting expensive brands or driving late model cars. But bragging about frugality is new.

"I love to go shopping, but it's like a scavenger hunt," Ambrose said. "It's like a competition. What can I get on sale?"

Ambrose said her generation of teens is somewhere between Depression-era pack rats and the current generation of 20- and 30-somethings that had vague dreams and entrepreneurial ambitions coming out of high school and college.

"We understand the need to save and the want to spend," she said. Gaynor agreed and pointed out that he, too, wears hand-me-downs.

When Ambrose and Gaynor talk, there's no glimmer of American dream idealism. No discussion about grandiose plans of becoming an entrepreneur, a retiree at 35, a freelance writer living off funies and the joys of life.

"My mom tells me, 'Don't worry about money, do what you want, God will provide,'" Ambrose said. "She says, 'Don't sweat the small stuff.' But I have to. How can I not think about money?"

At Clark College, Professor Gene Johnson said he senses that anxiety about the future from his personal finance students more so these days than five years ago.

"They recognize that corporate America is not a great generator of new and lasting jobs," Johnson said. "The job tenure has gone down. It used to be that people would go to work and retire, but that's not the case anymore."

But Johnson isn't too worried for his students. He says young people — those 40 and younger — should invest all their savings in stocks in a no load mutual fund account. He recommends financial services companies TIAA-CREF and Vanguard and socking away money — 10 percent of earnings, ideally.

"We thought our parents were leaving us with a terrible world," said Johnson, 62. "Inflation was raging, jobs weren't so hot, especially in 1973 when I got out of the Air Force. But now our parents look pretty doggone good. Now we got two wars going on and we have an economy that looks dismal."

Clark County debt

"When you graduate from college, you're going to be targeted," Dockum told the students. "Don't do it. One credit card would be safe if you're responsible."

That's if you're responsible, she emphasized. Better yet, save and then borrow from a well-padded savings account that includes three months in bill payments.

In Clark County, consumers average four to six open credit cards with $6,194 in debt according to credit companies Equifax and TransUnion. The average Clark County mortgage debt is $216,136, and the average car loan balance is about $12,000.

Dockum prefers to work with clients who have climbed out of debt so they can start investing their money and saving for retirement. She can tell a client is serious about reducing debt if they cut up their cards right there in her office.

Her bottom line, a sentiment less theoretical and more real for those young people currently entering the work force: "You can't save for retirement if you're $30,000 in debt."

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