

Week 14 Using Credit Wisely: Credit Cards, Student Loans, and NIL-Linked Debt

Credit can be a powerful financial tool when used wisely—but it can also become a major source of stress and long-term debt if mismanaged. As a student-athlete receiving NIL income, it's tempting to use credit to keep up with your new lifestyle or invest in your brand. But understanding how credit works—and how to use it responsibly—is essential to protecting your future.

What Is Credit?

Credit is borrowed money that you agree to pay back later, often with interest. You might use credit for:

- Buying essentials when cash is tight
- Covering unexpected expenses
- Building a credit history
- Financing education, business, or larger purchases

But credit is not “free money”—it’s a financial obligation.

Types of Credit Relevant to Student-Athletes

1. **Credit Cards**

- Useful for emergencies or small purchases
- Helps build credit history if used responsibly
- Carrying a balance leads to interest charges

2. **Student Loans**

- Used to pay for tuition, housing, and education expenses
- Usually deferred until after graduation

- Can add up quickly—only borrow what you truly need

3. ****NIL-Linked Debt or Advances****

- Some companies offer advances based on future NIL income
- These may come with high fees or unfavorable terms
- Always read the fine print and get legal advice before accepting

How to Use Credit Responsibly

- ****Pay on time, every time**** – Late payments hurt your credit and lead to fees
- ****Only borrow what you can afford to repay****
- ****Keep credit card balances low**** – Aim for under 30% of your credit limit
- ****Understand the terms**** – Know your interest rate, payment due date, and penalties
- ****Avoid cash advances and payday loans**** – These are expensive and risky

How to Avoid Credit Traps

- Don't use credit to fund a lifestyle you can't afford
- Don't open multiple credit cards at once
- Don't co-sign loans for others unless you're prepared to take full responsibility
- Don't fall for "fast money" or "instant loan" offers on social media
- Don't let debt build without a clear repayment plan

Good credit builds freedom—bad debt builds stress.

Summary

Credit can support your goals when used the right way. Whether it's managing credit cards, paying off loans, or navigating NIL-linked financial products, always borrow with intention. Know your numbers, plan your payments, and stay in control.

Use credit as a tool—not a trap.

KNOWLEDGE CHECK

True or False

1. True or False: Credit is free money that never has to be paid back.
2. True or False: Making late credit card payments can damage your credit score.
3. True or False: Student loans must always be repaid, even if you don't graduate.
4. True or False: You should avoid borrowing more than you can afford to repay.
5. True or False: Advances on NIL income often come with strict terms and high fees.

Multiple Choice Questions

6. What is a safe way to use a credit card?
 - a) Max it out every month
 - b) Only use it for emergencies or planned purchases you can repay
 - c) Open three at once to build credit faster
 - d) Use it for every purchase regardless of your budget
7. What is one risk of NIL-linked loans or advances?
 - a) They always boost your credit score
 - b) They offer high interest and risky terms
 - c) They are backed by your school
 - d) They can only be used for tuition
8. What percentage of your credit limit should you aim to stay under?
 - a) 90%
 - b) 75%
 - c) 30%
 - d) 10%
9. Which of these is an example of using credit wisely?
 - a) Borrowing without knowing the interest rate
 - b) Making minimum payments and ignoring the rest
 - c) Paying off your balance on time and staying within budget
 - d) Using payday loans to pay off other credit cards
10. What should you do before accepting a NIL-related loan or cash advance?
 - a) Sign immediately to get the cash fast
 - b) Read the fine print and talk to a financial or legal advisor

- c) Post about it online
- d) Assume it's school-approved

ILLUSTRATIVE EXERCISE

Objective: Help students evaluate how they would use credit and create a repayment strategy.

Duration: 20 minutes

Scenario: You receive a credit card with a \$1,000 limit and an 18% interest rate. You want to use it to build credit, not to fall into debt.

Tasks:

1. Set a personal monthly credit card limit to avoid overspending.
2. Create a repayment plan if you charge \$300 and want to pay it off in 2 months.
3. Identify two dangers of ignoring your credit card payments.
4. Write one sentence explaining your personal approach to using credit responsibly.

ANSWER KEY

True or False Answers:

1. False – Credit is borrowed money that must be repaid, often with interest.
2. True – Late payments negatively affect credit scores and result in fees.
3. True – Student loans are legally binding and typically must be repaid.
4. True – Responsible borrowing keeps debt manageable.
5. True – NIL advances can be risky and require careful review.

Multiple Choice Answers:

6. b – Responsible use of a credit card includes planned purchases and full repayment.
7. b – NIL loans may involve high risk and fees.
8. c – Staying below 30% shows good credit usage.
9. c – Paying on time and keeping balances low builds credit safely.
10. b – Always review terms and seek advice before taking NIL-related debt.

Exercise Answer and Explanation:

1. Suggested limit: \$300 or less per month (30% of \$1,000).
2. $\$300 \div 2 = \$150/\text{month}$ plus interest ($\sim \$5\text{--}\$10/\text{month}$); total $\sim \$310$ paid in 2 months.
3. Risks: Interest accumulation, damage to credit score.
4. "I'll only use credit when I can repay in full and never carry a balance longer than 30 days."