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Market**W**atch

The best credit cards for college students and new grads

By [Vera Gibbons](#)

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The right credit card can make a difference to your bottom line.

Whether you're in college or about to graduate, chances are your parents have told you about the importance of establishing and building credit. After all, building your credit history is very important at this age.

"Look at all the things you're going to be doing over the next few years — like getting a job, renting an apartment, financing a car," says John Ulzheimer, President of Consumer Education at CreditSesame.com. "This activity is heavily influenced on credit and by your credit reports."

Where to begin as you move into the world of financial independence? With a credit card.

Accessible to those who are 21 years old (If you're under age 21, you either need a co-signer or sufficient independent income/assets), this financial product is the "easiest and most efficient way to work with the credit system because the debt is

optional," says Ulzheimer.

When used responsibly, a credit card can help you achieve a higher credit score. Every month, usage information is relayed to the three major credit reporting companies (Experian, Equifax, and TransUnion), and if this information reflects on-time payments and low credit utilization (part of being responsible means not using more than 30% of your available credit), your score will rise.

Here are some of the best cards for young adults to consider, depending on your personal level of credit experience. None of these cards charge an annual fee, so your credit building is free.

For students with limited/no credit

- Best picks:
- Journey Student Rewards from Capital One
- Discover it for Students
- Discover it Chrome for Students

Students who are new to the credit world should get a card that's both "lucrative and conducive to responsible money management," says Odysseas Papadimitriou, CEO of personal finance sites CardHub.com and WalletHub.com. A card that meets these criteria is the Journey Student Rewards from Capital One. You get 1% cash back on all your purchases, plus a 25% bonus for each month you pay on time, for a total of 1.25% cash back. Make five monthly payments on time, and you can get a higher credit line. Ben Woolsey, president of creditcardforum.com, an interactive forum and credit card review site, also suggests these popular cards: Discover it for Students and Discover it Chrome for Students. Both cards offer generous cash back programs and even boast a 0% introductory rate on purchases for 6 months. Plus, Discover provides free access to your FICO credit score. "Having this access, and being able to watch your score improve over time encourages responsible credit use," says Woolsey.

Latest in wearable tech: health-tracking eyeglasses

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What if your eyeglasses could track the calories you burn and distance traveled?

Damaged credit

Best picks:

- Capital One Secured MasterCard
- Harley-Davidson Secured Credit Card

Are you carrying large amounts of debt? Do you have a history of missed payments? Have you defaulted on a loan? Then your credit is damaged, and your options are more limited. Your best bet — and often your only choice — is a secured card (which requires a cash collateral deposit that becomes the credit line for that account), says Bill Hardekopf, CEO of lowcards.com, a credit card comparison site. Just make sure the issuer reports to all three credit bureaus (Experian, Equifax and TransUnion) and look out for fees beyond the usual ones, such as fees for transactions and deposits. Hardekopf likes the Capital One Secured Mastercard. Terms are better than most other secured credit cards, and your credit limit can be increased without any additional deposits if you use it responsibly. And don't overlook the Harley-Davidson Secured Credit Card because of its motorcycle branding, says Papadimitriou. Unlike other secured cards, it lets you build or re-establish your credit while earning rewards.

Fair/good credit

Best picks:

- Barclaycard Rewards MasterCard
- Capital One Quicksilver Cash Rewards

If you have responsibly managed credit for a few years, and have maintained fair to good credit (and there are no defaults on your report), congratulations, you can move out of the student-designated card segment and into the more traditional credit card market. Woolsey recommends Barclaycard Rewards MasterCard. With this card, you earn two points for each dollar you spend on grocery, gas and utility purchases, and one point for every dollar you spend on other purchases. And you may be eligible for a credit line increase after five consecutive on-time payments.

Woolsey also likes Capital One Quicksilver Cash Rewards. It stands out for its generosity: you get an unlimited 1.5% cash back across all purchases, as well as a \$100 initial bonus for spending \$500 in the first three months.

Vera Gibbons is a financial journalist. A former analyst with MSNBC who appeared regularly on the "Today Show," Gibbons has written for numerous magazines including Inc., SmartMoney, Kiplinger's, Real Simple, and All You. She recently hosted a series on Yahoo! called "Savvy Spender," and competed a personal finance insurance series for msn.com. Today, Gibbons appears regularly on Fox News and Fox Business News.

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