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Card slaves or credit abusers?

Over 70 percent of the post-80s generation spend more than they can afford, resulting in mounting debts from credit card bills' monthly interest

OTHER than smartphones, credit cards are the one thing most people have. But it is hard to believe that it has become so common for young people in Hong Kong to fall into debt. The post-80s generation could now be in debt of around \$70,000, and are continuing to spend despite the debt taking 17 years to pay off.

This situation has long been a serious issue in other countries, too. People who can only pay the minimum balance on their credit card debt on a monthly basis are now termed 'card slaves' in Taiwan. It is an interestingly **befitting** name considering that 'slave' means 'one who is forced to work for someone else.' In the US, people who cannot pay off their financial obligations are **declared** insolvent. Why do these people accrue such a large debt?

Bad habits lead to debt

CREDIT cards are so convenient and can cause 'balance unconsciousness' in users. The one-month **grace** period offered by most credit cards can help or destroy you, as the amount added to the next credit card balance is too complicated to keep track of. It is fine if the calculation of the balance or the checking of the payment due dates occasionally slips a cautious person's mind. But if it is an absent-minded, overspending credit card user with no or limited income, we would be talking about accumulating debts that take years to pay off!

According to a study conducted by the Public Opinion Programme of the University of HK, three quarters of post-80s youths have overspending problems. Most of them have an average of three credit cards and they struggle with high interests to pay back debts. These young spenders are 24 years of age on average, usually post-secondary or university students, and work part-time or are fresh graduates. Imagine paying off a minimum balance of an average monthly spending of \$6,685 in 17 years!



Poor wealth management

THE way youths spend money is becoming irresponsible. **Accumulating** debt has become something familiar among them. Needless to say, they have no concept of credit or ignore the fact that a credit card is easy to get. Everybody can earn credit even if they cannot eventually pay their bills. Credit cards no longer belong to a creditable user.

It all comes down to the attitude of an individual towards wealth management. One of the simple reasons debtors can never pay off their debts is because they keep buying! 70 percent of the participants in debt continue to make luxury purchases – 39 percent on high-end restaurants, 23 percent on luxury goods, 36 percent on new smartphones, and 37 percent on travelling. It is irresponsible to focus on current pleasures without planning for the future. How do they intend to start saving for future homes if their entire pay packet is used to pay off huge debts and **meaningless** interests that will haunt them for the rest of their lives?



This article enables students to:

1. understand important issues facing their own society, country and the world;
2. assess qualities, phenomena, changes, trends and impacts in relation to various aspects of society and culture

Heavy marketing

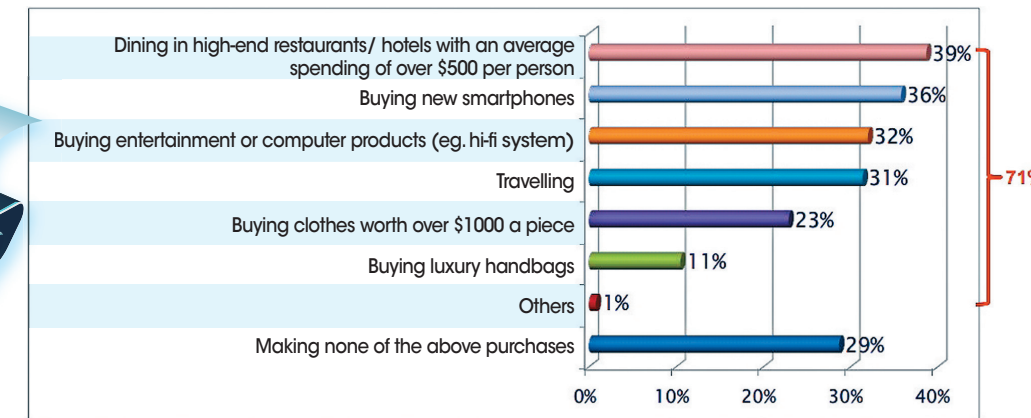
THE heavy promotion of credit card benefits is partly to blame. Credit card issuers (usually banks) give you many reasons to own their credit cards. First off is the sign-up gifts or bonuses. Card issuers tempt people by offering anything from cash coupons, movie tickets, vacuum cleaners and even smartphones.

Sign-up gifts can be a one-off instance, but points (earned to use as cash), discounts and benefits are what really stretch your money. When we spend at a shop or a restaurant, there are likely promotions for 'points rewards' when paying with our credit card. It is only natural for customers to switch from cash to credit card in most circumstances as they do not want to 'lose money'.

The actual benefits one can obtain using credits cards are undeniable, but they should be used in moderation. They are not money to burn through. Many people discover this the hard way when they realise they cannot pay back what they spent. There are many personal ways of financial management, but advancing money from a plastic card is certainly not one of them.



Spending activities in debt



Key ideas

A study has found that over 70 percent of the post-80s generation spend more than they earn. They fell into huge debts that have no hope to be cleared in the near future. However, they keep spending and paying extra interest as they want to keep their lifestyles.

Did you know?

In a survey jointly conducted by a programme on RTHK and Breakthrough, 63.9 percent of the participants agreed on at least one of the following: 1. buying eases bad moods; 2. buying makes them happy; 3. feeling an urge to own new fashion or digital gadgets; 4. feeling peer pressure from having no luxury items; 5. owning hot items will get them respect among peers.

Critical questions

1. What makes the post-80s youths overspend?
2. How do you interpret the trend of chasing new smartphones models?

References

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Post-80s' financial management problem

