



BORROWING: USING YOUR CREDIT CARD

USING YOUR CREDIT CARD - INTRODUCTION

There are many advantages and benefits to using your credit card and there are some things you can do to help you manage your card well and get the most out of your credit card.

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THINGS YOU CAN DO TO MANAGE YOUR CARD WELL

1. CHOOSE THE RIGHT CARD FOR YOU AND YOUR LIFESTYLE

- ▶ Make sure the annual fee, interest rate and rewards and benefits work with how you intend to use your card.
- ▶ Once you've chosen the right card, keep the fact that credit costs money at the top of your mind when you make decisions about how to use your credit card.

2. DON'T SPEND MONEY YOU DON'T HAVE

- ▶ While it can be tempting to think of a credit card as free money, credit cards are far from free and using that credit comes with a cost.
- ▶ Your credit limit is the maximum amount you can borrow on your card, but even if you stay within your credit limit, you still have to pay back everything you spent as well as the interest it accrues if you carry a balance on your card.
 - You may even have to pay extra fees if you miss a payment.
 - Because of the high interest rates on credit cards, paying interest on your purchases will add up quickly and eat up the benefit you get from any rewards.

3. PAY OFF YOUR BALANCE IN FULL EVERY MONTH

- ▶ Do your best to spend only what you can afford so that you can pay off your credit card balance in full every time and avoid late payment fees and interest charges.
 - Even if you can't pay off your credit card balance in full every month, even small increases above the minimum payment amount will work out to significant savings in cost and time.
- ▶ If you find yourself with growing credit card debt, talk to someone at your financial institution as soon as possible. The sooner you seek help, the more likely it is that your financial institution will be able to help you reduce your debt effectively.

4. MAKE PAYMENTS ON TIME

- ▶ If you miss a payment, you may be charged a late payment fee and will begin to accrue interest charges on the balance you're carrying on your card which can make your credit card costs snowball quickly.
- ▶ Whether you make your credit card payments on time every month affects your credit score.
 - If your credit score is negatively affected, it can also affect your ability to borrow money or even in other situations such as trying to rent a home or sign up for a cell phone contract.
- ▶ Most credit card issuers will determine a minimum payment for your credit card. This does not usually cover all your spending but is the minimum amount you must pay to keep your credit card account in good standing and avoid late fees.
 - If you can't pay off your full balance every month, be sure to pay at least the minimum payment amount on your card and pay it on time.

5. WATCH YOUR CREDIT UTILIZATION RATE

- ▶ Your credit utilization rate is the amount of credit you use compared to the amount of credit available to you.
 - It is recommended that you try not to let your credit utilization rate exceed 30% of your available credit.
 - This is also a factor that goes into determining your credit score. Just because you have credit available to you, doesn't mean you should use it.
 - It's also a good idea to leave some room on your credit card for an emergency or if unexpected costs come up.