

## 1-2-3 Banking

Strong beginnings to a healthy financial future

### What Credit Card Companies Don't Want You to Know

It's perfectly manageable to go through life without a credit card. Many people use a debit card for their needs. If you want a credit card, here's how to shop for one:

**Will you carry a balance from month to month?** It's not recommended, but if so look for a credit card with a low Annual Percentage Rate (or APR). Keep in mind the advertised APR may not be what you qualify for depending on your credit score. Is the APR a fixed rate or will it change? It is a much better financial decision NOT to carry a credit card balance. Paying off the balance in full each month will save you money, be better for your credit score, and help you to live within your means.

**What are the fees?** Does the card have an annual fee? What are the penalty fees for late payments and spending over the limit (both things you don't want to do – but it is good to know what the fees are just in case)?

**How long is the grace period?** The grace period is the time period after you make a purchase that you have to pay the balance in full and avoid being charged interest.

**How is the finance charge calculated?** There are a few different methods credit card companies use to calculate finance charges. Some will result in a much higher finance charge than others.

**Compare at least a few credit cards.** Shop around to be sure you are getting the best deal. Here are some credit card tips to save you big bucks:

- Before you apply for a credit card, check your free credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com) for any errors on your credit report.
- Don't open a credit card at every store that offers you one. This will hurt your credit score and may potentially lead to an increase in credit card debt and overspending.
- Only pay for things with your credit card that you would have bought anyway like gas. Don't use this to make impulsive purchases like clothing or an iPad. Credit cards can make it easy to overspend, create massive debt, and put yourself in a financial hole.
- Pay your balance in full every month or at least more than the minimum payment required. It will take years to pay off a credit card balance paying only minimum payments.
- Set up automatic payments. If you pay the balance in full before the due date, then no automatic payment will happen. Don't pay late to avoid payment penalties or you'll risk having negative payment information reported to your credit report.
- Monitor your monthly statement closely to watch for fraud.
- If you lose your credit card contact the company immediately.
- Notify your credit card company if you will be traveling.

Most importantly, if you aren't able to stick with your budget using a credit card, then don't use it! You don't want to be paying a credit card company interest when you could be saving money and earning interest. Save up and pay for purchases instead of putting them on credit cards. Use your credit card responsibly to help you reach your financial goals instead of letting it side track you from your plan. With smart use you'll be able to take advantage of credit card conveniences. Enjoy the journey!

