

# USE CREDIT CARDS CAREFULLY

SMART USE OF CREDIT CARDS CAN HELP YOU CONTROL COSTS AND YOUR CREDIT SCORE

Using a credit card is safer than carrying cash, makes it easier to track your expenses, and helps you establish credit. And you need a credit card to make purchases online or by phone. But be careful with credit card use to avoid getting into debt.

## CREDIT SCORES

The most common credit score (FICO) range is from 300-850 (the higher the better). Lenders use your payment history on your debts and bills as one of the biggest factors in your credit report and credit score. You are more likely to get lower interest rates and fees for loans, as well as credit cards if you maintain a good credit score – about 700 is good; above 750 is excellent. Lenders consider you a credit risk if your score is below 600.

## TIPS TO USE CREDIT CARDS WISELY

- **Make payments on time to avoid:**
  - A late fee
  - A possible increase in your interest rate
  - Having your credit rating go down. According to CreditCards.com, one payment that's 30 or more days late could lower your score by 60-100 points.
- **Keep from opening new credit cards.** You may save 10 or more percent on a purchase if you sign up for a credit card, but your credit score could go down 10 points for each new card you open.
- **Limit the number of credit cards you have.** Having too many alerts a lender of how much debt you could accrue. But don't close unused cards, especially ones you have had a long time. A longer credit history helps you have a higher credit score.
- **Limit individual store and gas cards.** These usually have very high interest rates. Opt for two major credit cards (American Express, Discover, Master Card, or VISA). Look for ones with low interest rates and that best meet your needs.



- **Control credit card use.** To avoid interest, only charge what you can pay in full when you get the bill.
- **To limit interest costs, make more than the minimum payment.** Your credit card statements show you how long it will take to pay off your balances if you make only the minimum payments. Aim to keep the balance to less than 25 percent of the total amount you can charge.
- **Have one or more regular bills billed directly to a credit card.** Examples are your monthly electric, gas, and/or cable bill or your mail order prescriptions.
- **Do not use credit cards for cash advances.** You pay a fee for the service and interest rates are very high (often 25 percent or higher).
- **Read the fine print.** Zero-percent interest for balance transfers and purchases can save you money. But you need to pay off the entire balance on the total amount financed by the due date, such as after 6 to 18 months. If not, you may be charged interest on the amount from the original purchase date — not just on the remaining balance. Check for balance transfer fees, too.
- **Once a year, check your credit score for accuracy.** This is a free service from each of the three nationwide credit bureaus — Equifax, Experian and TransUnion. Do this online at <https://annualcreditreport.com> or by phone at 1-877-322-8228.

### Action Step

If you are an impulse buyer, leave your credit cards at home when you shop. If you are easily tempted to buy items online or while watching shopping channels, switch to a non-shopping website or TV show, or to a DVD.