TAKE CHARGE WHEN YOU CHARGE

Credit cards can be powerful financial tools for you and your family, and as with all financial tools, they need to be used carefully. This guide outlines the basics of credit cards and the responsible use of credit.

WHERE TO TURN FOR HELP WITH DEBT MANAGEMENT

There’s help available when you’re in trouble. If you think you’re falling seriously behind, credit counseling resources are available at little or no cost.

NATIONAL FOUNDATION FOR CREDIT COUNSELING
1.800.388.2227
www.nfcc.org

THE FEDERAL TRADE COMMISSION
www.ftc.gov/bcp/menus/credit/debt.shtm

AMERICAN CONSUMER CREDIT COUNSELING
1.800.769.3571
www.consumercredit.com

PRACTICAL MONEY GUIDES

CREDIT CARD BASICS
What you need to know about managing your credit cards

When you understand how to manage your finances, you’ve got an invaluable tool in taking control of your life. Wise use of these skills can provide peace of mind, financial freedom, increased buying power and a secure future. This guide is one of a series on PRACTICAL MONEY SKILLS FOR LIFE.
THE CONVENIENCE OF CREDIT

Credit cards offer many features. There is the convenience of being able to buy needed items now and the security of not having to carry cash. You also receive fraud protection and in some cases rewards for making purchases.

With these advantages also come responsibilities. You need to manage credit cards wisely by understanding all of the card’s terms and conditions; staying on top of payments; and realizing the true cost of purchases made with credit. Using a credit card is like taking out a loan. If you don’t pay your card balance in full each month, you’ll start paying interest on that loan.

Choose Wisely
The best way to maximize the benefits of credit cards is to understand your financial lifestyle - your money needs and wants. Once you determine how you’ll use a credit card, it’s important to understand all of the card’s features including:

- Annual Percentage Rates (APRs) and whether rates are fixed or variable
- Annual, late and over-limit fees
- Credit limit on account
- Grace periods before interest begins accruing
- Rewards including airline miles or cash back

Stay Alert
Some credit card issuers offer free, personalized and automatic alert messages to your phone and email to help you keep track of:

- Available credit
- Balances
- Payment due dates
- Payment histories
- Purchase activity

Understand Your Rights
Credit cardholders are entitled to protections:

- Zero liability means you are not responsible for fraudulent charges when you report them promptly.
- In some cases, you have the right to dispute purchases with merchants for unsatisfactory products or services.

Follow the 20-10 Rule
This general “rule of thumb” helps you understand how much credit you can afford. Credit cards are loans, so avoid borrowing more than 20 percent of your annual net income on all of your loans (not including a mortgage). And payments on those loans shouldn’t exceed 10 percent of your monthly net income.

Write it Out
Do you actually know how much debt you have? Many people don’t. Start by making a list of everything you owe, whether it’s a mortgage, a credit card or even student loans you took for the kids’ education. Then write down:

- The lender name
- The amount you owe
- The term of the loan
- The interest rate and fees

Then total them up. The numbers will probably make you worry, but you’ve already made a positive step.

Think Three Years
Reducing debt is like losing weight. You’re not going to lose 50 pounds in a month. You need realistic goals in reasonable timeframes. Same with debt. Most people take four to five years to become debt free. So aim for three years. It’s not too long or too short.

Cut and Heal Spending
The best way to save money is to stop spending it. Cutting spending is the fastest way to reduce debt load. It’s literally like a surgical “cut” of your finances. And once you start healing, you’ll notice that your attitude, relations with others, emotions and sense of humor get better, too.

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