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## Ask A Specialist: How Can I Best Manage My Credit Cards?

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### **ASK A SPECIALIST: HOW CAN I BEST MANAGE MY CREDIT CARDS?**

Answer by: Joanne Roueche, Utah State University Extension Family and Consumer Sciences Agent, Davis County

Learning to use credit cards in a positive manner increases financial well-being, personal resources and improves asset management. Treating credit card transactions as if they are check, cash or debit card purchases can help you track and regulate spending.

Credit cards are safer than debit cards or checks and are needed to establish a credit history and credit score. They are necessary for such things as car rentals and hotel reservations. If unauthorized purchases are made, credit card charges can be disputed. Many credit card companies offer pseudo numbers for safer online shopping. There are also travel and currency exchange benefits from credit cards. Many credit cards come with added benefits such as extended warranties, lost baggage insurance, car rental insurance and discounts at partner merchants.

The most obvious problem with credit cards is making the payments. Three out of five households don't pay off balances at the end of the month. These credit card "revolvers" essentially pay for credit card holders who do pay off their balances each month. Credit card companies now make more money from credit cards than from home loans.

Consider these tips to use credit cards wisely and become a master of the plastic.

- Beware of high interest rates. Most credit card companies have dropped interest rates only slightly. The average interest rate in 1999 was 19 percent. That has fallen to about 15 percent today.
- Watch penalty fees. Many carry \$25 to \$35 late fees and over-the-limit fees. Make your payments on time.
- Shop around for a card that doesn't have annual fees.
- Know your credit card terms and conditions. Read the small print. What the large print "giveth," the small print often "taketh" away.
- Shop around for a card that matches your spending habits. You might save 5 percent on a reward — but pay 17 percent on interest. Interest rates are often higher on reward cards.
- Negotiate lower interest rates. Lower rates usually mean fewer benefits such as rewards or interest-free programs.
- Retain all records of purchases and returns and reconcile your statement each month.
- Never spend more than you make. Don't put more on your card than you can pay off at the end of the month. Before swiping your credit card, ask yourself: "How much do I really want/need the item. Do I want it more than the top five things on my goal list? How long will it take to pay for it? How many hours, days or weeks will I have to work in order to pay it off?" Wait 24 hours before purchasing the item to see if you can live without it.
- After paying off your balance, enjoy the credit card rewards. Select rewards that match your goals. Some include travel rewards, savings accounts, gift cards, college funds, extra cash and rewards paid on a mortgage balance. Know your credit card terms and conditions. Track your rewards. But remember that rewards never offset the cost of an unpaid balance.