

DCC Dollars & Sense

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Making Your Credit Work for You

Special points of interest:

- What to look for when considering accepting a credit offer.
- What is responsible use of credit?

Do you remember hearing the cliché “nothing in life is free”? Without examining whether or not it’s true philosophically speaking, it certainly holds true when it comes to credit cards.

Credit cards can be fantastic tools in helping manage financial independence, but buyers beware! Credit cards are often thought of or treated as free money, when in fact, they are loans. And when you pay back, you pay interest. Think of credit cards as a sort of insurance plan. They can be there for emergencies, and when balances are kept current and below half the allotted limit (we’ll discuss that in detail a little later), your credit report will show what creditors translate as responsible use of credit so that you can buy that car or house.

Since credit cards are not free money, use them only if you actually have the cash to spend. Creditors thrive on consumers that are led by instant gratification. You see an item you want, but you don’t have the money. *You have a credit card!* And therein lies the trap. You purchase the item with your card, and get billed a month later. Maybe you have

the money then, and maybe you don’t, the point is not to put yourself in a position that you are now responsible for paying for something that you really cannot afford. Simply put, don’t spend money that you don’t have.

Be selective when choosing credit cards and read the rules of the contract. Here are some questions you’ll want answered when deciding:

What is the annual percentage rate (APR)?

What conditions are you bound by to ensure your rate does not increase?

What is the creditor’s specific definition of late, or paying on time?

What is the highest possible rate they will charge you if you break one of the rules?

Remember that credit card companies are in business to make money. With that in mind, and knowing the rules of the agreement, open and read every piece of correspondence they send to you. Expect them to make enticing offers, and then alter the agreement as you go along. They’re allowed to do so, so long as they notify you. If they notify you, and you don’t read the mail, you can expect to be greeted with an unwelcome surprise: not realizing you’re now late because your due

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date was changed, or maybe your rate being raised because of not following some new rule. The possibilities are endless.

If the rate is increased, no matter the reason, call the company immediately and *kindly* request they reduce it back to where it was. If the representative denies your request, ask for their superior, and continue to do so until your request is granted. *Always* be polite. This is important since they are not obligated to give you what you're asking for. Timing is also key. It's easier to reverse something when it has just occurred than after it's had time to get comfortable.

Did we mention reading your mail? It's imperative that you do. It's the only way you will be able to stay on top of such issues. Review the charges; are they correct? Is the rate the same? Are there any fees? Did your balance increase or decrease from the previous month's billing?

Use Your Card Strategically

A few paragraphs ago, we mentioned using your credit card for emergencies and keeping the balance below half of your credit limit. If you charge only what you already have the cash for, not only will you avoid having bills you can't keep up with, you will have the entire limit available for any unforeseen occurrence that may arise. In addition, you'll have a better chance of keeping the balance at less than half the allotted limit. This is important since using more than half of the credit allowed translates as irresponsible use of credit to anyone examining your credit report.

Use your credit card for tangible pur-

chases. Buy meals, gas, and on-the-go expenses with cash or your debit card, and balance your checking account regularly. The idea is to always exhibit responsible behavior; show the creditors that you have the money for the purchases you make, but you're willing to use their credit to accumulate a record that is favorable to companies who will be reviewing your credit worthiness in the future.

If the bill reaches a point that you're unable to pay the balance in full when the payment is due, at least pay more than the minimum due, and immediately stop charging until you get things back under control.

Forget Cash Advances

In the first place, if you're taking a cash advance, you're already spending money you don't have. And finally, it's just not worth it. There are a whole separate set of rules for cash advances that amount to higher rates and extra fees. The cost is exorbitantly more than the benefit, to put it mildly.

Following these recommendations will aid you in maintaining a good credit rating. When you apply for any type of credit, your score will be considered. The creditors you choose to deal with will report your activity to at least one of the three credit reporting agencies. Your score may mean the difference between being granted the credit you're requesting or denied. It's a lower interest rate offer versus a higher one. And often times, prospective landlords and/or employers will check your credit as well.

Be responsible with your spending, and safeguard your future.