

## Credit Cards - Flexible Friend or Foe?



As of October 2008, there were 68.2 million active Visa, MasterCard and American Express credit cards in circulation across Canada with a total of \$304 billion dollars in volume. The credit card has become the instrument of choice for many Canadian consumers. However for some, the costs associated with using their credit card can lead them to a troubled financial future.

Understanding the fine print in the cardholder agreement can save money now and offset future difficulties. The first rule of credit card use - *check your cardholder agreement for details.*

### Tip #1 - No Grace Period

Did you know...if you don't pay your balance in full every month by the due date, most cards do not give you an interest free grace period? You will pay interest retroactively on previous purchases.

### Tip #2 - Partial Payment Interest

Did you know...if you pay less than the full amount owing on your statement by the due date, you will pay interest on the full amount? For example, your balance owing is \$1510 and your payment is due today. If you only pay \$1500, most cards will charge interest on the entire balance of \$1510.

### Tip #3 - Interest Rate Change

Did you know...some credit cards may increase the interest rate on your card if you are even one month in arrears? Check your statements carefully each month.

### Tip #4 - Payment Due Date

Did you know... if you make your payment on the due date, the credit card company may charge you interest as if you paid late? In some cases, processing can take up to 5 days. Make a habit of paying your credit cards 5-7 days prior to the actual payment due date to be sure. If any errors occur, contact your credit card company and ask them to reverse any charges.

### **The Bottom Line**

Your credit card will be your friend if you know what you can afford to charge and pay off each month because you have a budget. Using your credit card as an extension of your pay cheque means that you could be adding at least 50% to the cost of whatever you are buying. If the sticker price looks like a good deal, decide if it's still a good deal with interest and fees added on. If it's not, don't buy it unless you have the extra cash to pay for it.



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For more information about budgeting, the wise use of credit and options for dealing with debt, please contact the Credit Counselling Society at **1.888.527.8999** or log onto **[www.NoMoreDebts.org](http://www.NoMoreDebts.org)**.

We are a non-profit service, helping individuals and families with free, confidential, and unbiased counselling, information and referrals.