

## GOOD CREDIT CARD USAGE

By Jane M. Winand, Chief, Legal Assistance Division

Too much of a good thing can be bad for you. The same adage applies to credit cards. If failed travel plans leave you stranded in a strange city with little cash, it's good to have a credit card to use for a hotel, meals and a rental car. On the other hand, frequent usage of a credit card can leave you speechless at the end of the month when the bill comes in the mail.

There are many different kinds of credit cards. Some have an annual fee, but charge a lower interest rate. If you tend to carry a balance on your card rather than paying the balance off each month, a lower interest rate is beneficial. However, if you pay your balance off each month, the interest rate does not matter and it makes little sense to pay an annual fee when credit cards are available without fees. Some cards offer money back, free airline miles, or points toward free gifts or services. Another award option allows the cardholder to donate money to a school or charity based on card usage.

Here are some rules to follow to keep credit card usage under control:

1. Avoid cash advances. Although a cash advance may be a quick fix for an immediate problem, you are borrowing against your future ability to pay the money back. This is a quick way to get into debt. Many credit card companies charge a large fee for each cash advance and the interest on the advance starts to accrue immediately.
2. Pay your balance each month. By doing so, you avoid paying interest on the account. Even if you make a lot of purchases in one billing period and cannot pay the balance, at least send in more than the minimum payment each month. Merely paying the minimum payment each month will cover the interest and very little of the principal debt. You could take months and months to pay off the balance.
3. Save up for big purchases rather than putting them on a credit card. Put money aside each month until you have the full purchase price before making the purchase. If you make a purchase on credit and do not have the money to pay the item off immediately, set up a strict budget each month and make regular credit card payments to meet your goal of paying off the balance.
4. Make your credit card payment on time, every time. Don't just wait for the credit card statement to arrive before you plan the monthly payment. Put the credit card due date on each month's calendar or enter the date in your computer or Palm Pilot. Plan for the payment in your monthly budget. If the statement is late coming in the mail or is not delivered at all, you are still aware of your credit responsibility. Should you fail to make a payment or the payment is late, adverse information could be entered on your credit report which is often hard to erase.
5. Consider using a debit card instead of a credit card. A debit card withdraws the money directly from your bank account to make a purchase. It is the equivalent of paying with cash or a check. Whereas credit cards have credit limits of thousands of dollars, your debit card is closely tied to your account balance so it is unlikely that overdrawing can occur.

Should you have any additional questions regarding consumer issues, you may call the Fort Meade Legal Assistance Office and make an appointment to speak with an attorney. The number is (301) 677-9762.

