Using Credit Cards Wisely

Credit plays an important part in our lives. In fact, the Federal Reserve Bank reported that in 1968, consumers’ total credit debt was $8 billion; today that number exceeds $880 billion.

It is easier now more than ever to get a credit card. Most consumers receive several credit card offers a day, and those that don’t receive an offer may find one on the Internet.

Credit cards provide consumers with immediate buying power when they are short on cash, which can really help in an emergency. Unfortunately, the Federal Reserve reports that approximately 40 percent of American families spend more than they earn. So, although using credit is convenient and easy to use, you must use it wisely to protect your financial future. Here are some important credit card usage tips to consider.

Don’t just collect credit cards to have more money to spend. Statistics show that at least one in 10 consumers has more than 10 credit cards, with an average of four credit cards per consumer. Not only will you have the potential for overspending, but you will be charged interest rates on each card and will be responsible for repayment.

Save all of your receipts and reconcile them with your monthly credit card statement. Report any discrepancies immediately.

Plan to pay off your balance each month to avoid interest and other fees. If you cannot, do not make additional purchases on your card until you can do so.

Keep your balance low. Some experts recommend maintaining a balance of no more than 30 to 50 percent of the credit limit.

Always make the payment before the due date to avoid late fees and interest charges.

Don’t use your credit card for everyday purchases like groceries or fast food unless you can afford to pay off your card balance each month, to avoid the interest charges on these small dollar items. Instead, use a debit card, which will automatically debit a checking account and help you to not overspend. In 2007, statistics showed that the average household has a credit card balance of $8,700. Think about the interest charges associated with this balance.

Don’t give out your credit card or debit card number over the phone unless you initiate the call and know for certain that the recipient is a legitimate source.

Always keep your credit card account number and the phone number of the creditor’s service line at home in case of a lost or stolen card. If your card is lost or stolen, you should contact your creditor immediately.

Be aware of all fees associated with a credit card prior to accepting an offer. If you have any questions about the fees, be sure to ask prior to signing any type of document. If an offer seems too good to be true, it probably is.

With the increase in identity theft in the United States, it is also a good practice to review your credit report at least once a year. Federal law states that you have the right to one free credit report per year.
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Your credit score is a reflection of your payment history, outstanding debt, types of credit you have, the number of inquiries to your credit report, and the length of time you have maintained credit. Typically, your score is reported on a scale of 300 to 900, with a median score of 750. If something seems out of the ordinary, you should call your creditor or credit report agency immediately to investigate the issue further.

For more information on the FACT Act and your credit report rights, click here (https://www.annualcreditreport.com/index.action)