



### first steps

- Get your credit report, and see what kind of credit you have. This will determine what kind of card you can/should apply for. You can get your credit report FREE once every 12 months; for more information, visit the following website: <http://www.ftc.gov/bcp/online/pubs/credit/freereports.htm>.
- If you have credit card debt... pay it off! Usually people pay more than 15% on their existing balances, which adds up especially when your balances are high. Your credit report will also indicate whether or not you have high credit card debt—that means your credit score will probably be very low.

### credit card features (creditcards.com)

- **Annual Percentage Rate (APR):** The APR is a measure of the cost of credit and is expressed as a yearly interest rate. Also, be sure to check out the "periodic rate," which is the rate the issuer applies to your outstanding balance in determining your finance charge for each billing period. For example, if there is an outstanding balance of \$2,000, with 18.5% interest and a low minimum monthly payment, it would take over 11 years to pay off the debt, with an additional cost of \$1,934 being racked up just for interest. That added interest almost doubles the total cost of your original purchase.
- **Grace Period:** A grace period is the time between the date of a purchase and the date when interest starts being charged on that purchase. If your card has a standard grace period, you have an opportunity to avoid finance charges by paying your current balance in full. Some issuers allow a grace period for new purchases, even if you do not pay your balance in full every month. If there is no grace period, the issuer imposes a finance charge from the date you use your card or from the date each transaction is posted to your account.
- **Annual Fees:** Many credit card issuers charge an annual fee for granting you credit, typically \$15 to \$55. Some issuers charge no annual fee.
- **Transaction Fees & Other Charges:** Some issuers charge a fee if you use their card to obtain a cash advance, if you fail to make a payment on time or if you exceed your credit limit. Some may charge a flat fee every month whether you use the card or not. In order to avoid surprises and excess costs, understand what all the additional fees are before applying for any credit card.
- **Customer Service:** Many issuers have 24-hour, toll-free telephone numbers where you can contact a person to discuss issues with your account.
- **Other Credit Card Benefits:** Issuers may offer additional benefits, some with an associated cost, such as insurance, credit card protection, discounts, rebates and special merchandise offers. Look closely at all costs, benefits and rewards to decide if these options would be beneficial to you. For example, if you pay your balance off promptly, a cash back reward may be of interest to you.

### deciding what card is right for you (creditcards.com)

**Interest Rate (APR):** If you pay off your balance every month, most likely a low interest rate won't matter to you. But most people are not so financially disciplined with their credit cards. Most people do carry a balance.

If you are late sometimes on your payment and carry a balance, then a credit card with a low interest rate is right for you. It could save you a lot of money. As you know, the difference between a 10% and 20% interest rate



could be significant if you carry balances for a long period of time. All the major credit cards—Visa, MasterCard, Discover, and AMEX—have low interest versions of their credit card.

**Reward Programs:** Whether you have a Visa, MasterCard, Discover, or American Express credit card, all of them have reward programs. A popular reward program for most credit cards is a frequent flyer card like the Delta Skymiles Card and the Citibank AAdvantage Card. Both of these cards offer you one frequent flyer mile for each dollar spent. If you travel a lot, then this kind of reward might be exactly what you are looking for. Discover cards are famous for offering a cash-back bonus on their cards. So, depending on your situation, this may be a card you might want to consider getting. Here is a list of just some popular reward programs that all the major credit card companies—Visa, MasterCard, American Express, and Discover—offer: frequent flyer program, cash-back option, discounts at retail stores or online chains, such as Amazon.com, Toys R Us, etc. There are also special cards for college students; some that even give you rewards based on your grades.

**Annual Fees:** Although rewards are great, none of these cards come without a price. Some have moderate, while others have expensive annual fees. Especially for people who pay off their balances every month, the annual fee is an important consideration. It might be prohibitive for some people, but not so for others. You should just consider if the rewards you are getting from the card outweigh the annual fee that you have to pay on your credit card. Moreover, there are many credit cards out there that have no annual fees. These might be worth considering if annual fees are your primary concern.

**Membership Benefits:** Benefits vary on cards. Some offer travel protection, while others offer roadside assistance. These benefits can be useful for your particular lifestyle. So, if you are selecting a credit card, it is important to weigh the pros and cons of its benefits. And it is another good idea to see if you can't get the same benefits somewhere else for a cheaper price.

## carrying multiple cards

When carrying multiple credit cards, it is a good idea to hold major Visa, MasterCard, American Express or Discover Card credit cards, as they are the most widely accepted. If you have trouble paying off your credit cards, it might be wise to find a credit card with a low interest rate to use in emergencies. Also, you may want some of your credit cards to be rewards credit cards that provide cash back, bonus points or airline miles. Using the right card at the right time will allow you to get something in return from your credit cards. As long as you pay this rewards credit card off every month, finding one with a low interest rate is less of a concern.

## credit card resources

- [www.creditcards.com](http://www.creditcards.com): Check out their articles for answers to more of your questions
- [www.cardratings.com](http://www.cardratings.com): They are an independent grassroots consumer advocacy organization devoted to educating consumers about credit cards.
- <http://www.ftc.gov/bcp/online/pubs/credit/choose.htm>: This is the official government website of the Federal Trade Commission, with more information about the technical aspects of credit cards.