



CREDIT CARD CRAZE

Lesson 13

- In the last lesson, you were warned about a wealth-devouring beast that can sneak up on you and suck the life out of your financial goals and security. Any idea what it is? It's a credit card! Sure, they look innocent, all cute and colorful, but if you want a life of wealth and financial stability you must keep the credit card beast under control.

If you could buy things now and pay for them later, would you spend more? How much do you value having something immediately, even if you have to pay more for it? Do you have a credit card? What do you like about it? What do you dislike?

I. WHAT IS A CREDIT CARD, REALLY?

- It's a Loan!
- Credit Limit.
- Types of Cards.
- Credit Card Networks.
- Compare Line of Credit.



II. THE CREDIT CARD APR

- The Credit Card Disclosure Statement

1. **Annual Percentage Rate(s)**

- ❖ Credit cards charge interest
- ❖ Annual Percentage Rate (APR)
- ❖ Different APRs apply to different uses of the credit card

2. **Fees.**

- ❖ Most credit cards charge fees

III. CREDIT CARD TIMELINE AWARENESS

- Credit card payments must be made within a specific period of time, or else steep interest charges and fees are tacked onto the balance
 - Billing Cycle
 - Closing Date
 - Grace Period
 - Payment Due Date

IV. THE MINIMUM PAYMENT TRAP

- **The Effect of the Minimum Payment**
 - The effect of making minimum payments, or paying any amount less than the full balance, is that the card carries over a balance from billing cycle to billing cycle
 - Unpaid interest and fees accrue, which means they are added to the credit card balance
- **Paying Higher Prices**
 - If you purchase something with your credit card and do not pay the balance in full each month, you are effectively choosing to pay more for that thing in order to have it now

V. THE CREDIT CARD BILLING STATEMENT

Billing statements should be carefully reviewed

- Billing statements contain:
 1. Summary of Account Activity.
 2. Payment Information.
 3. Late Payment Warning.
 4. Minimum Payment Warning
 5. Notice of Changes to Your Interest Rates.
 6. Other Changes to Your Account Terms.
 7. Transactions.
 8. Fees and Interest Charges
 9. Year-to-Date Totals
 10. Interest Charge Calculation.

VI. USING CREDIT CARDS RESPONSIBLY

1. Make a Plan.
2. Set Alerts.
3. Pay It Off Every Month.
4. Never Pay Less than the Minimum.
5. Pay on Time.
6. Pay Highest Rates First.
7. Set Up Automated Payments.
8. Limit Your Debt.
9. Read the Disclosure Statement!

THE BIG PICTURE

- Credit cards allow consumers to make everyday purchases with borrowed money. They are an important tool for building credit, and can help cover expenses when you need quick cash. In general, credit cards always have high interest rates and fees which are referred to as the Annual Percentage Rates or APR. Multiple APRs are often in effect at the same time. Pay your credit card balance in full before the end of the grace period to avoid paying interest. Credit cards have many downsides: they tempt people to overspend, and purchases made with a credit card can end up costing much more than the purchase price. Carefully read your Credit Card Disclosure and monthly credit card billing statement. Calendar the payment due dates. Even in times of financial stress, make on-time minimum payments to avoid a penalty APR and fees!

PONDER & PREDICT

- Managing your credit cards is important to avoid overspending or wasting money on useless charges, like late fees. What are some other ways to control spending? What strategy can you use to make sure that at the end of each month you have enough money to meet all of your expenses?