

Choosing and Using a Credit Card Responsibly

When making the decision to get a credit card, ask yourself this question:

Do you plan on paying off your balance each month or maintaining a balance?

...If you pay off your balance **on time** each month, you can tolerate a higher interest rate card (since you generally wouldn't be paying it) which may feature things like rebates, cash rewards for using the card, or free or discounted merchandise. Avoiding a high annual fee, charged each year by a credit card company for the privilege of using their card, would be important to people who pay off their balances each month. Wise consumers would, of course, read all the details about every aspect of any credit card, such as when interest begins being charged after a transaction, the nature of rebate and gift offers, etc.

...If you choose to **maintain a balance**, paying the lowest interest rate possible is the key and avoiding an annual fee would be even better. Reading the details is a must here too. The costs and benefits of incurring interest charges need to be weighed carefully by the credit card holder.

Whatever you decide to do, know this: It's much less expensive to save regularly for an item than to buy it on credit. **Credit card debt spends future income** and making credit card payments with interest being charged to you, **provides less money now** to spend, save, invest, and donate. With credit cards, it is often the case that one is often having to pay for items already bought in the past that may have already been discarded.

Deciding to use credit of any kind involves an **opportunity cost** in the future, because there is always a next-best alternative one gives up when they decide to use installment credit, a credit card, or to secure a home mortgage. Every choice involves a cost of some kind. Before using credit, a wise consumer should pause and reflect on their true opportunity costs of using credit. Many people allow their impulses and unlimited wants to override their thinking and regret it later.

Comparing All the Options

Evaluate the three credit card offers by filling out the chart below. Summarize your results by answering the questions that follow.



Card Costs and Features	Card 1	Card 2	Card 3
Interest Rate			
Balance Calculation Method			
Duration of Grace Period			
Annual Fee			
Late Fee			
Cash Advance Fee			
Over the Limit Fee			
Transaction Fee			
Minimum Finance Charge			
Any Special Offers?			

What words or terms were new to you?

Are the offers alike or different? Explain your answer.

What hidden fees increase the cost of using credit?

Was the information easy to find and understand? Explain your answer.

Which credit card would you choose and why?

Why is it important to compare credit card offers before signing up for one?

The following website may be used as a tool to compare credit card offers: <http://www.cardhub.com/>

