



CENTER *for* FINANCIAL SUCCESS

Quick Start Your Financial Success Guide: *Credit Cards*

Key Credit Card Tips

1. Make sure to have written budget and are tracking your expense prior to opening a credit card.
2. Pay your bill, in full, on time to avoid interest.
3. Only charge it if you have the money to pay it.
4. Stay within your credit limit (don't charge what you can't afford to pay).
5. Don't open too many cards.
6. Avoid fees as much as possible.
7. When applying for a new credit card make sure to read the cardholder statement to fully understand the card.
8. In the event that you over charge your credit card and cannot pay it off in one month. Pay as much as you can in the first month and reallocate money in your budget to pay it off as soon as possible to avoid excessive interest charges.

Understanding Credit Cards

Credit Limit – The credit limit on a card is the maximum allowable balance on the card. If you attempt spend more than your credit limit your transaction may be denied or the credit card company may charge you a fee.

Card Reward System – Most credit cards offer rewards for usage. These rewards can include mileage and travel points to later be used on discounted or free flights or hotels. Other cards give back a small percentage of the purchase back in the form of cash back for charging the card at different locations. The reward system is never good enough to charge the card in amounts that exceed what can afford to pay back each month when the credit card bill arrives.

Annual Fees – Some cards charge an annual fee for its usage. Make sure that rewards are worth the annual fee before applying for this kind of card. Typically, cash-back cards do not charge an annual fee, but mileage and reward point cards tend to charge an annual fee.

Grace Period – This is the length of time that you have to pay of your credit card bill prior to having interest accrue on your purchase. Typically, this time is anywhere from 25 to 30 days from the billing statement date. Make sure to determine what the grace period is for your credit card(s).

Cash Advances – Cash advances enable a credit card user to withdraw money from an atm, deposit money into an account, or write checks against the credit line limit. Cash advances are treated differently than normal charges. They are expensive to due to cash advance fees and interest charges without a grace period. It is not wise to use a cash advance in any instant other than an emergency.



Interest Rate – No interest will be charged to a credit card if the user pays off the entire balance of the card for the billing period if the user pays off the card during the grace period. The interest rates can be steep if the entire balance is not paid off within the grace period.

Minimum Payments – If a credit card user only pays the minimum payment then interest will be charged to the user. This interest quickly compounds to a larger debt. It is highly encouraged to avoid this by not charging more to a credit card than can be paid off during the grace period.

Late Fees – Late fees occur when a credit card user does not pay at least the minimum payment during the grace period. The late fees is in addition to the interest charges accumulating for not paying the charged balance in full each month.

Peer-to-Peer Financial Counseling

If you would like to meet with one of the peer financial counselors at the Center for Financial Success to discuss credit card questions visit our website wku.edu/cfs or email us financialsuccess@wku.edu.