

Staying Out Of Trouble With Your Credit Card

Even just a generation ago, there was a markedly different attitude to credit cards among the majority of people. They were seen as somewhat unnecessary, mildly exotic, and definitely quite dangerous. In many people's minds, they were merely a fast track to debt problems or even financial ruin. The last two decades have seen a remarkable shift in the way society views credit, with it now being seen as almost a mandatory part of life rather than something to be wary of and avoid if at all possible. This change of prevailing opinion is nowhere more apparent than with credit cards, of which now most of the adult population carry at least one. Credit cards might not now carry the dubious reputation that they once did, but there's no doubt that they need to be used with care, as it's still as true as ever that they make running up unsupportable levels of debt all too easy, especially where more than one card is held. This isn't to say that they shouldn't be a useful part of our everyday financial lives, but by following a few simple ideas for sensible use we can hopefully avoid the worst that plastic has to offer without sacrificing the undoubted benefits. Firstly, it's imperative that you keep on top of your repayments. Ideally, you should clear the entire balance each month so as to avoid building up debt and being charged interest on it. This is, however, perhaps unrealistic for most people. The absolute minimum that you should aim for is to make sure that you pay the statement amount on time each month so as to avoid any late fees and the credit damage that can result. You should also try to pay more than the minimum repayment that's required. Minimum payment levels are now so low, at a meager 2% in some cases, that it would take nearly forever to clear any significant debts if you stuck to this basic amount, which in many cases barely covers the interest charges without making much inroads into the actual debt. And should you make a late payment and get charged a fee, you might find your balance actually rises for the month even without making any purchases. Credit cards make it all too easy to make impulse purchases that you might come to regret once you receive your bill. Avoid temptation by leaving your card at home and not carrying it in your wallet as a matter of course. That's not to say that you can't use your credit card to treat yourself now and again, but make sure it's done thoughtfully rather than on impulse. Modern credit cards now offer the ability to withdraw cash at an ATM, and to pay for services with so-called convenience cheques. Both of these options should be avoided like the plague, as the money you borrow using these methods is charged at a much higher rate than normal purchases or balance transfers. What's more, under a system known as allocation of payments, this borrowing will be the last part of your debt to be cleared, and will stay in your account attracting the higher rate of interest until all your purchases and balance transfer debts have been paid off. Finally, resist the temptation to use several cards at the same time. It's all too easy to spend a little here and a little there, slowly building up a balance on each card, and not realizing until it's too late just how large the collective debt has become.

About the Author

Michael writes for the [UK credit cards](#) site Card Sense, which makes it easy to find and apply for a [cheaper credit card](#) or one with a balance transfer deal, cash back scheme or rewards program.

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