



## MAKING CENTS

### USE YOUR CREDIT CARD WITH CARE

-John P. Napolitano, CFP®, CPA, PFS, MST



**C**redit cards: They can be a short-term financial savior or a jump-start to long-term debt. With the proper use, credit cards can be a positive component of your spending habits. This may seem simplistic, but be sure you really need to make that purchase before you swipe your card. Credit cards are best used as a financial rescue mechanism, saved for larger items you need but don't have the cash to spend on. That piece of plastic is not "free money."

And while we're on the subject, it's never a good idea to use a credit card as a substitute for cash. Routine purchases like groceries, gas and even clothing are best made with cash. Those "cash back" and "rewards" points can be enticing, but they're not really worth much.

It's a good rule of thumb to stay within 25 percent to 30 percent of your credit limit. By keeping balances low, you'll have a better chance of paying in full each month. Also, credit card scores are primarily determined by the amount of debt you carry. Don't be fooled into thinking debt applies only to large notes, like college loans or a

mortgage. If you consistently have a couple thousand dollars in credit card debt, it's going to show up on your report.

Now, if you can't afford to pay off a card's balance every month, then join the crowd. But it is imperative that you pay as much as possible. Interest on credit cards can be astronomical, so listen up - do not get into the habit of making minimum only pay-

ments. That \$1,000 balance you're carrying will become \$1,250 before you know it. It's also a big mistake to miss payment deadlines. If for some reason you can't make a payment by the monthly deadline, get

in touch with the creditor and explain the situation. Depending on your payment history, most creditors will waive the late fee on the rare missed payment.

Always check your credit card statement as soon as it arrives in the mail - or better yet, take a look at your statement periodically online throughout the month. Review thoroughly for errors and unknown transactions. And don't forget to shred or otherwise destroy those statements once you've made your payment.

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