

Credit-Card Survival Guide

Tips for staying out of debt, managing your debt, and navigating your credit-card contract

by [Jessica Silver-Greenberg](#)

Tips for Staying Out of Debt

Credit can be a valuable tool if used wisely. Here are some tips on how to use credit to your advantage.

- Well, here's a simple one: Pay your balance in full. It's much easier said than done, but there's no question that you should, if you can. You don't want to pay interest on your purchases.
- Don't be fooled by a teaser rate. These flirtatious rates are temporary. Credit-card companies try to dazzle consumers into applying for a credit card with offers of 0% APR, or annual percentage rate. Savvy consumers can take advantage of these rates, but just be sure you know how long they last, and what that pretty rate will morph into after it expires.
- Know all the different APRs on your card. Most cards have at least two separate APRs, one for regular purchases and one for cash advances. Never use a credit card for cash. It's not an ATM card. If you draw out cash on your card, your credit-card company will charge you an average of 25% interest on that cash. Also, that cash will be the last thing you pay off. Credit-card companies allot your monthly payments to the balance with the lowest interest rate while that cash multiplies.
- Look for a card with an APR no higher than 15%.
- Only carry one or two major credit cards. Your credit score can be adversely affected if you have too many cards.
- Stop the flood before it starts by reducing direct-mail credit-card offers. Call 888 5-OPTOUT, and ask to have your name removed from preselected lists at the three major credit bureaus.
- Check your credit report to make sure there are no inaccuracies that could raise the APR on your credit cards. You can check by calling Equifax, Experian, or Trans Union.

Tips Once You Are in Debt

Once you are in credit-card debt, bearing that heavy balance each month, it's still possible to get some relief. Here are some tips to help alleviate the burden and get to the debt-free finish line.

- Lower your APR. Even a slight decrease in your APR can help save money. The first step is simple: Just call your credit-card company and ask them for a lower rate, advises U.S. PIRG, the umbrella

group for state public-interest research groups. If you never ask, you will never know. U.S. PIRG suggests calling with the following script in hand: "Hi, my name is (your name). I am a good customer, but I have received several offers in the mail from other credit-card companies with lower APRs. I want a lower rate on my card or I will cancel my card and switch companies."

- Never pay only the minimum. If you can help it, always try to pay more than the minimum so that you begin to actually cut into the principal on the card. If you are juggling more than one card, allot your payment schedule so that you make the biggest payment on the card with the highest APR.
- Send in your payment before the due date. Some credit-card companies are slow to post payments, sometimes charging consumers a late fee for a payment that is still being processed. Also, due dates and times vary by company. Credit-card companies sometimes require payment by 1 p.m. on the due date. To avoid getting snagged, pay early.
- Don't pay your balance by phone. Many credit-card companies have a little-known policy of charging up to \$10 to process a payment by phone.
- Transfer your balance. If you are battling an exorbitant APR, you can try to transfer your balance onto a card that offers 0% APR for a promotional period, often 12 months. Be careful when transferring a balance, and also try to stop charging to the new card. Work instead on whittling away the balance. Research the best cards for a balance transfer. According to creditcards.com, a site that rates credit cards, Discover (DFS) card is the No. 1 consumer-rated card. But remember, the generous 0% APR will quickly rise to a penalty rate if you make late payments.
- Check the credit calculator tool—provided by U.S. PIRG at truthaboutcredit.org—to calculate the best monthly payments to reasonably lower your debt.

Understanding Your Credit-Card Contract

The terms that credit-card companies use can be confusing—some consumer advocates argue they are purposefully so. Here's a rundown of some of the most important.

- **APR** is the annual interest rate that credit-card companies charge. It determines how much interest a customer will pay on their purchases. There are two types of interest rates, variable and fixed. A fixed rate is not based on a market index and can change at any time. Credit-card companies must give consumers 15 days notice. A variable rate means that the APR is generally based on the prime rate, which is an interest rate determined by the U.S. government. Some credit-card companies that use this prime rate add percentage points to the government rate.
- **Credit limit** is the most a cardholder can charge on their card. Often in credit-card advertisements, and preapproval offers, credit-card companies quote high credit limits, to the tune of \$12,000. But before you start charging, check to see what credit limit you actually received. Also, your credit score is affected by the ratio of your card balance to your credit limit, so when you near your credit limit, your credit score can decrease. Try to keep your charges at 30% of your total credit limit.
- **Annual fee** is the amount a credit-card charges consumers for using the card. It is often a simple fixed number, and ranges in amount. Before applying for a card, look to see if there is an annual fee.
- **Transaction fees** are fees charged for anything other than simple purchases, including balance transfers or cash advances.
- **Grace period** is a period during which charges don't accrue interest. Some credit-card companies

charge interest from the moment something is purchased. Check with your card company to see if they offer grace periods, and for how long.

- The **Schumer box** is a chart required by law that contains some crucial information including APR, length of grace period, annual fee, minimum finance charges, any transaction fees, late payment fees, over-the-limit fees, and a formula for how the APR is calculated if APR is variable. It's nicknamed for Senator Charles Schumer (D-N.Y.), who pushed for the box's creation.

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