Use credit cards carefully

Smart use of credit cards can help you control costs and your credit score

Using a credit card is safer than carrying cash, makes it easier to track your expenses, and helps you establish credit. And you need a credit card to make purchases online or by phone. But be careful with credit card use to avoid getting into debt.

CREDIT SCORES

The most common credit score (FICO) range is from 300-850 (the higher the better). Lenders use your payment history on your debts and bills as one of the biggest factors in your credit report and credit score. You are more likely to get lower interest rates and fees for loans, as well as credit cards if you maintain a good credit score – about 700 is good; above 750 is excellent. Lenders consider you a credit risk if your score is below 600.

Action Step

If you are an impulse buyer, leave your credit cards at home when you shop. If you are easily tempted to buy items online, leave the site and wait up to 24 hours before you make a decision to purchase something.

TIPS TO USE CREDIT CARDS WISELY

- Make payments on time to avoid a late fee, a possible increase in your interest rate, or having your credit rating go down.
- Keep from opening new credit cards.
- Limit the number of credit cards you have. But don't close unused cards, especially ones you have had a long time. A longer credit history helps you have a higher credit score.
- Limit individual store and gas cards. These usually have very high interest rates.
- Control credit card use. To avoid interest, only charge what you can pay in full when you get the bill.
- Do not use credit cards for cash advances. You pay a fee for the service and interest rates are very high (often 25 percent or higher).
- To limit interest costs, make more than the minimum payment. Your credit card statements show you how long it will take to pay off your balances if you make only the minimum payments. Aim to keep the balance to less than 25 percent of the total amount you can charge.
- Read the fine print. Zero-percent interest for balance transfers and purchases can save you money. But you need to pay off the entire balance on the total amount financed by the due date. If not, you may be charged interest on the amount from the original purchase date. Check for balance transfer fees, too.
- Once a year, check your credit report for accuracy. This is a free service from each of the three credit bureaus — Equifax, Experian and TransUnion. Do this online at **annualcreditreport.com**.

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