



## CHOOSING THE RIGHT CREDIT CARD

Using a credit card is an increasingly common, often essential method of everyday spending. Accordingly, credit card offers are everywhere—on television, on the internet and in your mailbox. But which credit card is right for you? Here are some points to ponder:

### To Save Money

If you carry a balance each month, you'll want a card with a low annual interest rate so you're not paying too much for the choice. Many card rates are based on the prime lending rate plus an additional fee (usually around 10 percent). If prime is 3.25 percent, that means you'd pay \$132.50 on a \$1,000 balance over a year.

Carrying a balance is not ideal, but there are times when it might be reasonable—such as if you think you'll have a financial setback or major expense, or you're wary of spending your savings. And it's certainly not as inadvisable as seeking a payday loan.

### To Enjoy Perks

If you pay off your balance

each month, you can opt for a card with a higher interest rate. These will usually offer rewards such as travel, merchandise or cash back. Because you're diligent about paying off your balance, the higher interest rate won't matter.

Rewards cards usually require better-than-average credit for approval, however (see sidebar, right).



And because rewards—especially cash back—can be costly to the credit card company, some cards have annual fees. It's worth doing the math to see if the benefits outweigh your costs.

### Other Considerations

Before you apply for a card, always read the contract, and know the answers to these questions:

- If there's an introductory interest rate, how low is it and how long will it last? When it expires, how high will the standard rate be?
- If you're transferring a balance from a high-rate card onto one with a low rate, how long will that rate last? And what is the fee?
- Do rewards kick in only after you spend a minimum amount, or only in certain categories? Are there limits on the rewards you can earn?
- Does the card offer additional benefits such as rental car insurance, or impose fees for transactions such as cash advances or purchases made in a foreign country? ■

### AT YOUR SERVICE

### CREDIT, AND CARDS

The way you use credit cards affects your overall credit score—which can influence what you pay for loans or insurance, where you live and more. Here are some basic guidelines to help you maintain good credit.

**>> Pay on time:** Doing so shows the lender that you've got enough cash flow to cover your expenses. Using online bill payment through your bank can help you manage this.

**>> Pay in full:** This shows you understand credit cards are really short-term loans. If you can't pay in full, pay more than the monthly minimum to show you're trying to pay off the debt.

**>> Limit yourself:** Opening unnecessary accounts might indicate you're overextending your finances. When you apply for a card, a credit inquiry can lower your score.

**>> Don't cancel:** Keep any old accounts you don't use. Your credit score is determined partially by comparing any balances to the credit you have available.



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