



## Learn 5 Common Credit Card Mistakes (and How to Fix Them)

### Description

Over 160 million Americans use credit cards. Unfortunately, most consumers misuse their credit cards, resulting in a national average credit card debt of \$15,000 per card-carrying household.



Credit card errors, whether from overuse or misuse, can seriously impact your financial well-being.

Here are five typical credit card mistakes (and how to avoid them):

### **1. Making merely the bare minimum of monthly payments**

Credit cardholders may assume they are staying on top of their obligations by paying the minimum balance on time each month, but this generally implies the account is approaching, if not already at its maximum limit.

### **2. Attempting to manage out-of-control debts on one's own**

Out-of-control credit card debt, like any other personal catastrophe, should not be tackled alone.

Isolating yourself does not solve the problem; rather, it exacerbates it.

Create a debt management plan with a credit counselor or a friend to prioritize and correctly handle needs based on your specific financial profile. A debt management plan, on average, decreases interest losses in half and reduces total monthly payments by 20%.

There are sixty-month repayment plans available, and some may be completed in less time.

### **3. Increasing consumption solely to increase rewards**

Credit card companies excel at tempting customers with an array of benefits and privileges in exchange for swiping their cards. Don't let the kilometers or points fool you. Is a \$10 payment worth the \$250 you have to spend at your favorite retailer?

Usually, that's \$250 you wouldn't have spent otherwise, and now you're enticed to pay \$10 more, sustaining the loop. To be fair, that would be a higher-than-average cash-back rate.

### **4. Making all of your transactions with credit cards**

Credit cards can be valuable tools for managing cash flow, earning cash back, or simply avoiding carrying cash everywhere you go.

However, using them for all of your costs is risky.

We recommend avoiding swiping to cover significant expenses such as medical bills, rent, or utilities.

While it may appear more convenient than cash or check, this convenience might be accompanied by costly fees and interest accumulated over time. Instead of adjusting your spending to optimize the payoff of the specific program, your credit card should fit with your spending patterns.

### **5. Do not use credit cards at all.**

Many frugal enthusiasts advocate cash-only living as a budgeting method. Avoid the interest, payment discipline, and stress of credit card use entirely.

Credit card use increases your credit score, which can help (or hurt) your financial profile. Credit checks are essential tools used by potential employers, renters, and vehicle dealerships to assess your suitability as an employee, tenant, or buyer. Refusing such a powerful tool can be as damaging as misusing it.

## **To Summarize**

When it comes to credit cards, ignorance and misuse can have disastrous financial consequences. Avoid these risky blunders by learning the truth about credit card usage. Make your monthly payments full and on time, and you'll view rewards for their benefits for consistent spending, not inducements to splurge.

### **Category**

1. Finance

### **Date Created**

July 2022

### **Author**

tcanoah

default watermark