



## Learn About Zero Interest Credit Cards – What You Need to Know

### Description

The first step in getting into the points and miles habit is to make sure you don't have any credit card debt and that you have a good enough credit score to be authorized for new credit cards. A no-interest credit card offer can help you achieve both of these objectives by allowing you to pay off debt faster and develop credit before diving into rewards cards.



Even if you have no credit card debt, 0% interest cards can be a useful tool for managing your cash flow, taking advantage of business possibilities, or improving your credit score. Let's go into the realm of no-interest credit card offers and examine the top 0% APR cards available today.

### What are 0% Interest Credit Card Offers?

Your mailbox is probably stuffed with invitations from banks and credit card firms to apply for a credit card with 0% APR. But how can a credit card firm make money if no interest is charged?

The first thing to remember about these no-interest deals is that the low-interest rate does not endure forever. The 0% APR is only available for the first nine to twenty-one months after the account is opened.

After the special time expires, the rate for the remaining balance and any subsequent purchases on the card will be increased to the usual card rate. This APR may differ significantly depending on your credit score and the typical rate ranges of each card.

Second, the bank does not lose if you pay off the entire card balance before the introductory period expires. Transferring a balance from your current card to the new card is normally subject to a cost with no-interest credit cards.

The credit card company receives money from this fee, which ranges from 2% to 5% of the total transferred balance. We'll go over a few techniques for lowering or eliminating this cost entirely.

If you do not take advantage of a balance transfer offer and instead utilize the 0% APR for daily purchases, the credit card issuer will charge you an interchange fee on each purchase, just like it would on your travel or rewards card.

## What to Look for in a Credit Card with 0% APR

Each 0% credit card deal has multiple moving pieces. Not all credit cards with points and miles are made equal. To determine the greatest offer for you, you must conduct some math and detective work. Let's have a look at the various factors to consider for each offer.

### Fee for Balance Transfer

Nobody enjoys having to pay fees. However, because banks advertise these cards as having no interest, the cost is simple to overlook.

Looking for the cheapest charge may not be your best bet. A little Finance 101 can assist us in comparing deals. Divide the percentage balance transfer charge by the number of months in the introductory period and multiply the result by 12.

This will calculate the annual percentage rate of the balance transfer offer, providing you pay off the entire debt before the introductory period expires.  $(\text{Balance transfer charge} / \text{number of months in introduction period}) \times 12$  equals the APR of the balance transfer period.

Using this technique, you can evaluate offers with different terms and balance transfer fees. Keep in mind that if you want to use your card for purchases rather than balance transfers, the size of the fee is unimportant.

### Introductory Period Length

The longer you have to repay the debt without incurring interest, the better. This is the most significant consideration for any 0% APR offer, regardless of how it is used. The longer you have to pay without

interest, the better. Therefore, a greater convenience fee may be worth a longer introductory period.

You can calculate the premium you might pay for the extra months using the calculation above. A larger monthly price may make sense for you.

## **After the Introductory Period, the Interest Rate**

If your goal is to pay off a debt or make a purchase that you may not be able to complete before the promotional period ends, the interest rate after that term is critical. This is known as the card's "standard rate," and it is usually expressed as a range. For example, an APR ranges from 16% to 22%.

It makes no sense to transfer a balance from a low-interest card to one with no interest for a few months just to end up with a higher interest rate once the promotional period expires. For example, suppose you have a 9% APR credit card bill.

You wouldn't want to transfer the entire balance to a card with 0% interest for 12 months just to have the rate increase to 18% permanently in month 13.

If you can't locate a card with a standard rate that is lower than the rate on your current card with a balance, only transfer the amount you intend to pay off during the introductory period. You won't know your standard rate until after you've been approved. This is why it is critical to wait until after approval before transferring any balance.

## **Checks for Convenience**

If you need to use the 0% APR offer in unusual circumstances, such as paying off non-credit card debt or paying a merchant who does not take credit cards, choose a card that enables convenience checks. A convenience check is a paper check with the credit line as the payor account.

Simply write a check to yourself and deposit it into your bank account to convert the credit card balance (plus the fee) of the transaction into cash in your account that you may use as you see fit.

It is not always clear whether or not this is an option for a certain card, and some cards have limits that limit the usage of these checks to balance transfers only. This, however, is difficult for the bank to enforce.

In my experience, most credit cards provide convenience checks in the initial welcome packet, but obtaining further checks might be difficult.

## **Why Would You Want a Credit Card with 0% Interest?**

There are various reasons why you might wish to take advantage of a 0% APR credit card offer. You may be trying to pay off debt, spread the cost of a significant purchase over time, or require additional funds for an investment or project for which you cannot obtain a typical loan.

You should choose the ideal offer for you by comparing the perks of each card to the reason you want the card in the first place.

## Getting Out of Debt

If you want to pay off debt, you'll probably use the credit card's balance transfer feature. This is a rather straightforward procedure. When your application is approved, contact your new credit card issuer or go online to transfer some or all of the balance from an existing credit card to the new line of credit.

When finished, you'll see the payment or payout made on your old account, as well as the transferred balance and a transfer charge on the new account.

You will have the option to include balance transfer information throughout the application process, and the card provider will automatically transfer the balance for you upon approval.

We don't encourage it because you don't know what credit line the bank will authorize, and you might not want to transfer a partial sum. If you transfer a portion of your amount, your total monthly payments may increase since you will have numerous minimum payments instead of just one.

If you want to use a 0% APR credit card offer to pay off non-credit card debt, there are two options. To begin, simply charge all of your monthly expenditures to the new card, provided you applied for a card with no interest on all purchases.

Make minimum payments on the new 0% APR card and maximum payments on the old card until the balance is paid off. This technique will help you avoid the balance transfer fee entirely because you are not transferring a balance but rather paying down one amount while accruing a new one with better terms.

Depending on your purchasing habits and credit line size, completing a "transfer" may take many months, negating some of the card's benefits. The second alternative is to use a credit card company's convenience check in a certain way.

Many businesses do not accept convenience checks as payment. If this is the case, you are not without options. You can pay off your balance with a convenience check by following these steps:

1. Write a convenience check for yourself.
2. Transfer the check to your checking account.
3. Pay the company using the balance in your bank account.
4. The convenience check amount (plus any applicable fees) will now appear on your new credit card bill.

## Making a Large Purchase

It is pretty simple to use 0% APR credit card offers for a significant purchase. Use your card to finalize the transaction, and each payment made to the card will reduce the debt throughout the introductory time.

It's recommended to figure out your monthly payment by dividing the total purchase price by the number of months remaining in the introductory period. This way, you may take full benefit of the no-interest offer without paying any additional fees.

For example, if you install a \$10,000 HVAC unit in your home over an 18-month zero-interest period, you must make 18 monthly payments of \$556 to pay \$0 in interest ( $\$10,000 / 18$  months).

If the vendor does not accept credit cards, you can use the previously stated convenience check technique. Just be aware that you will be charged a balance transfer fee.

## **Taking Advantage of an Opportunity**

Opening 0% APR credit cards are not just for those who need funds. These deals provide the ability to use leverage in a fast-approved, non-collateralized loan with a low-interest rate.

Using a convenience check or credit card to buy a car, business equipment, or even a house can result in a short-term loan with nearly no interest. Using this way to pay for an opportunity or an emergency can also keep your investment assets earning, preventing you from missing out on possible earnings in that account.

Instead of withdrawing funds from an investment account, you can utilize the credit card balance to finish your purchase and float your debt until you can acquire a better long-term debt structure.

## **Avoiding Tricks & Traps**

When utilizing a 0% APR credit card, there are a few things you should avoid doing. When shifting debt, you should always take a moment to completely consider the entire procedure.

- Do not balance transfer AND use the card: You must choose one or the other. If you transfer a debt, most cards will charge you interest at the usual APR rate on all of your transactions until you pay off the full balance, including the balance transfer, at the end of the statement cycle. Because the whole goal of transferring the balance was to pay it off over time, you should do your day-to-day spending on a different card and pay it off every month.
- On an application, do not seek a balance transfer: To emphasize, you should know what you're getting into before you go in. If you seek a balance transfer while applying for your no-interest card, the issuing bank may deny you credit sufficient to cover the entire sum. You may also reconsider how you intend to organize the debt. First, get authorized for the card, and then proceed with any balance transfers.
- Do not cancel the previous card: If possible, keep the previous card open. This card is most likely an older card on your credit report, and shutting it can harm your credit utilization rate as well as your

average term of accounts, all of which affect your credit score.

- Be wary of recaptured interest: Although this is becoming less common, if you do not pay off the balance in full before the end of the introductory period on some cards, interest is calculated retroactively and charged for the entire period. Make sure the deal mentions something like “and then X% APR after the promotional period” without requiring you to pay off the entire balance to earn the introductory rate.
- Be mindful of your 5/24 status: Even if you are not earning bonuses from these cards, they still count against your 5/24 status.

## Final Thoughts

Although 10xTravel is all about points and miles, there are plenty of other reasons you would want to take advantage of a 0% APR credit card offer. A zero-interest credit card offer can be useful for a variety of purposes, including paying off debt or taking advantage of a lucrative opportunity. Make sure you know how you’re going to use the card before selecting the best offer for you, and avoid the pitfalls that can nullify the card’s benefits.

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1. Finance

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