

## Learn How to Chose Your Next Credit Card

### Description

Choosing the best credit card for your needs is difficult, owing to the overwhelming amount of rewards credit cards available today.



Choosing the best credit card for your needs is a difficult task, owing to the many cards available right now. In addition, anyone's mind would be blown by the sheer amount of rewards credit cards available today. So it's no surprise that many people go with a card that a friend recommends or one they happen upon when exploring the web.

However, if you want to get the best card for your purposes, you'll need to do a little more research. Some cards are better suited to certain types of customers, and your particular credit profile may limit the cards you can qualify for. So instead of depending on recommendations from friends or direct mail marketing to choose your next card, take the time to research what you truly require.

These five steps will assist you in obtaining the best credit card for your lifestyle and goals.

## Step-by-step instructions for selecting a credit card

### Examine your credit score

Most of the best rewards credit cards require strong or exceptional credit, but cards are also for people with "average" credit and even cards for persons with no credit or short credit history.

It's a good idea to know where you stand before applying for a credit card. Take the time to determine your credit score so you can determine which type of card to apply for.

Based on your FICO score, the following general guidelines will apply:

If your credit score is “poor” (579 or lower) or “fair” (580 to 669), you may need to apply for a credit card for bad credit or even a secured credit card.

“Good” (670 to 739): You have a good chance of qualifying for the top credit card offers available today, but you may not be eligible for premium cards.

You should be able to qualify for practically any credit card you apply for if your credit score is “very good” (740 to 799) or “excellent” (800 and up).

If your credit isn’t as good as you’d like, it’s also a good idea to work on it before applying for a credit card. The greatest (and simplest) strategies to enhance credit are to pay all of your payments on time or early and to pay down debt to minimize your credit utilization.

Keep in mind that any time you apply for a new credit card, your credit report will be hard pulled, which will temporarily lower your credit score and remain on your credit report for two years. Having multiple hard pulls in a short period may jeopardize your prospects of authorization for cards shortly.

This implies you should strive to limit your card applications to only those with a good chance of acceptance based on your credit profile. Fortunately, you can frequently find out if you prequalify for a card with a specific issuer by visiting their website, or you can use a tool like CardMatch to search across many issuers for prequalified card offers that meet your credit profile.

While it is not a guarantee of acceptance, prequalification should give you an idea of your chances of approval and some reassurance before submitting your application.

### **Choose the finest type of card for you.**

Once you’ve figured out where you stand in terms of credit, you can narrow down which type of card is best for you. As you may have noticed, numerous credit card options are available, each having advantages and disadvantages depending on your goals, budget, and credit standing.

However, the best card for you will most likely fall into one of these groups. Consider which option makes the most sense for you in light of your credit history and plans.

Do you need to establish credit? Get a credit card that will help you build your credit.

Credit-building cards, intended for persons with bad credit or short credit history, can help you build or restore your credit if used wisely. That includes, among other things, paying off your accounts on schedule and keeping your credit utilization low. And, because they’re aimed towards those with less-than-perfect credit, they’re usually rather simple to obtain.

Credit-building cards are classified into three types: secured credit cards, unsecured credit cards, and student cards.

Secured cards function similarly to standard credit cards, with one important exception: they require you to put down a security deposit when you apply for a card. Your deposit is usually equal to your

credit limit and is refunded when you close the card or switch to an unsecured card.

As the name suggests, insecure credit-building cards do not require a security deposit but are aimed towards individuals with bad credit. Because no deposit is required, lenders are more likely to approve customers for these cards. As a result, unsecured credit-building cards frequently charge higher interest rates and have lower credit limits.

Student cards can be protected or unsecured, but they are usually only available to current students. These cards typically have lower fees than regular credit-building cards and may have student-specific bonuses.

Whatever path you select to earn credit, credit-building cards should be viewed primarily as stepping stones to better cards later.

Do you need to pay off your debts? Get a credit card with a balance transfer option.

## Insurance for mobile phones

These are the most common benefits provided by credit cards. However, there are many more. Keep these benefits in mind as you proceed through the next steps.

## Consider credit card costs.

Next, consider whether you're willing to spend an annual fee on a credit card. Again, there is no right or wrong answer here, but it might be beneficial to consider these fees in terms of the value you receive in return.

The Chase Sapphire Reserve®, for example, has a \$550 annual fee but includes:

- A \$300 travel credit each year.
- A Priority Pass Select airport lounge membership.
- A credit toward Global Entry or TSA Precheck.
- A large initial sign-up bonus.

Given that you'll receive \$300 in travel credits each year and that a Priority Pass airport lounge membership with unlimited visits typically starts at \$429 per year on its own, this card is a fantastic offer for a frequent traveler despite the annual charge.

Other cards have lower costs, but their first-year welcome bonuses and cardholder benefit more than compensate. Here are some questions to consider when deciding if annual fees are worthwhile:

Is your credit good to excellent? If not, you may be required to pay an annual fee for a negative credit card or an upfront security deposit to obtain a secured credit card.

## Steps to follow

Once you've analyzed these considerations and established which types of cards are a good fit for your credit profile, goals, and budget, it's time to zero down on specific cards and apply when you discover one.

To begin, you can use Bankrate's CardMatch tool to estimate your chances of approval across various cards and issuers. This does not affect your credit score and helps you get a feel for the landscape before diving into individual cards that interest you.

Following that, look at card reviews in the category you're interested in. This will help you examine how any specific cards you were considering compare up against other top-rated cards that match your credit score, rewards, or financing goals.

Finally, apply for the job of your choice. It's better to limit yourself to one application at a time, as multiple hard inquiries in a short period might cause a significant decline in your credit score. If your application is denied, carefully examine the explanation stated by the issuer. Based on your credit score, salary, or debt-to-income ratio, you may have set your sights too high.

Once you've selected a credit card that ticks all of your boxes, the next best step is to maximize your card's benefits. For the most part, this means using your card exclusively for planned purchases and paying off your debt in full each month. This is especially important if you're building credit with a credit card. If you carry a load on your new card and max it out, you're also raising your credit use, which might harm your credit score in the long run.

Also, keep in mind that credit card interest rates can be high and that paying interest on your purchases can negate whatever points you may have earned. So in reality, if you need to carry an amount, a personal loan may be a better option.

If you used a balance transfer card to consolidate debt, spend some time shifting your balances over so you can take advantage of the 0% introductory APR as soon as possible. Then, pay off as much debt as you can during the interest-free term on your credit card. With enough discipline, you may be able to pay off a significant portion of your debt — or possibly all of your debt — before the introductory deal on your credit card expires.

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