



## Learn How to Use a Credit Card Responsibly

### Description

Using a credit card to make purchases has numerous advantages, from delivering incredible rewards and other bonuses to assisting you in building a solid credit profile.



The key to getting the most out of your credit cards is to manage them carefully. To use a credit card responsibly, you must make all your payments on time and be conscious of how your daily decisions affect your accounts.

If you're not careful, credit cards can cost you far more than they're worth—but they can also be excellent for your financial health if you know what to do. Here are the fundamentals of using a credit card to maximize rewards, minimize debt, and develop good credit.

### **1. Always make timely payments.**

Payment history has the most impact on your credit score of any element. In addition to late fines and other penalties, failing to make a credit payment for a single billing cycle (approximately 30 days) may result in a negative report being issued to credit bureaus, which will remain on your record for the next seven years.

Simplify your monthly payments as much as possible to minimize memory and financial errors:

Set phone and calendar reminders for your bill due dates, or set up one day per month to pay all your accounts in one sitting.

Even better, set up automated payments to ensure that at least the minimum amount due is paid on time (you can easily add extra expenses during the month or set your autopay for a higher amount).

Your goal is to make bill paying a somewhat stress-free, orderly process; that way, payments can fit neatly into a monthly budget and won't be neglected accidentally.

Fortunately, if you respond immediately, you can still preserve your credit score from payment errors. Pay your credit card bill as soon as you notice it's past due.

If you do so before the end of your next monthly cycle, your credit will not be harmed, but you may still be charged late penalties or penalty APRs. Contact your credit card company to see if any fines or fees can be waived.

If you're having trouble making on-time payments regularly, contact your lender; they may be able to recommend alternatives, such as alternative payment plans.

## **2. Pay More Than the Required Minimum**

Plan to pay more than the minimum on your credit card whenever possible. A minimum payment is usually preferable to a missed or delinquent bill, but it may result in your account carrying a balance.

The statement amount on your credit card bill depicts your credit card activity over the previous billing cycle; your current balance shows all of your account's current charges.

To prevent accumulating interest, you do not need to pay your entire current debt every month. If you pay your statement balance each month, those charges will not transfer over to the next cycle, and you will not accrue any new interest.

You were making the minimum needed payment can result in costly interest charges, especially if you have a large balance. Even if you cannot pay your entire statement total, always attempt to pay some amount above the minimum—even a tiny amount extra can help chip away at future debt.

Furthermore, paying more than the minimum helps reduce one of essential components of your credit score: the credit usage ratio.

Your credit usage ratio compares the amount of credit you have available (both in individual credit card accounts and in total) to the amount presently being used. The lower your ratio, the better, but it should

always be less than 30%. To avoid damage to credit ratings, an account with a credit limit of \$1,000 should have a total amount of less than \$300.

### **3. Use Your Card for Necessary Purchases to Keep Balances Low**

Use your credit card for expenditures you would make even if you didn't have a line of credit, such as groceries or gas for your car. Avoid using your credit card to buy things you don't need and can't afford to pay off right now. Using your credit card for routine purchases can help you create a strong credit history and receive incentives, such as cashback or travel miles if your card offers them.

Furthermore, charging using a credit card is generally safer than charging with a debit card. Charge more considerable expenses, such as rent or medical bills, only if you have high credit limits and know you'll pay them off monthly. Larger purchases can consume excessive available credit, increasing your utilization ratio and harming your credit scores.

### **Avoiding Common Credit Card Mistakes**

Making credit card account management mistakes might cost you credit score points and penalties. Keep the credit principles listed above in mind to avoid typical blunders, and avoid the following:

#### **Using Your Credit Card to the Limit**

Using more than 30% of your available credit can hurt your credit score. Even maxing out one credit card can significantly impact your overall utilization ratio, so you'll need to pay close attention to your credit score for a time if you do.

First, cease charging on your card and create a budget to avoid excessive expenditure. Make a plan to pay off your debts.

#### **Credit Account Closure**

Closing credit card accounts can occasionally be detrimental to your credit score. Open accounts boost your overall available credit, even if little used, as represented in your crucial credit usage ratio.

If that credit line becomes unavailable, your use may increase. Furthermore, older accounts may increase your total credit age, which benefits your credit score.

If your credit line has been open for more than a year, investigate ways to keep your account operational, such as downgrading to a no-fee card.

#### **Make the most of your available credit.**

Maintain your open accounts in good standing and utilize them regularly for at least minimal payments (such as a streaming service subscription) to demonstrate your dependable payment history.

## **Failure to Read the Small Print**

Many of us are guilty of failing to read the fine print on credit card conditions and billing statements, let alone researching the technical and legal language we face daily. However, getting a line of credit is similar to closing a major commercial deal—don't skim the contract.

It's critical to understand what you're getting into with credit cards. Always check the annual percentage rate (APR) and fees and penalties on your credit card (credit card companies are required by law to display these details). Use the data to compare offers and become acquainted with your account terms.

Ignoring your monthly statement could result in blunders and missed billing problems. Always review your account statements for updates and problems, even if you have automated payments.

## **In conclusion**

Even tiny hiccups with credit cards can result in significant fees. Responsible card use will not only help you avoid difficulties but also promote the benefits of having a credit card, such as earning rewards and cash back and improving your credit score.

### **Category**

1. Finance

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