

CLIENT NEWSLETTER

Feature Article



Maximize your success with using credit cards by avoiding these common mistakes.

Credit Card Mistakes to Avoid

Steer Clear of These Common Mistakes when Using Credit Cards

For many people, a credit card might seem like a convenient way to make purchases, even when they don't currently have the money for it. However, this seemingly harmless card can do a lot of damage if you don't use it wisely. Knowing how to use your credit card is the key to maintaining your credit score and staying out of debt.

Below are some of the most common credit card mistakes you need to avoid to ensure that your credit card can be as useful as it can be.

Making Late Payments

This is arguably one of the worst credit card mistakes you can make. Late payments can bite you in the back for years at a time, which is a long time to pay for a mistake on your credit card. If you fall behind on your payments by more than 30 days, it will harm your credit score, so don't let your due date pass by without making any payments.

If you pay late frequently, it can become even more difficult to pay off your balance, so be sure to set up automatic payments or reminders to ensure you pay on time.

Making Minimum Payments

While it's good to make payments on time, you need to make sure that you're not just paying the bare minimum. The longer your credit card goes unpaid, the more interest you will continue to accrue, and the harder it will be to pay it off in the future. Even if you can't pay the balance in full, do your best to pay as much of it off as possible.

Maxing out Your Credit Card

Scrambling to make payments or needing to contact your creditors to make arrangements can be a big source of stress. While things can come up, the better you manage your cards the less likely you'll become overwhelmed.

It's not a good idea to max out a credit card or to carry a high balance on it — not just because of the interest charges, but also your credit utilization ratio. This determines how much of your credit line you're using and is vital to your credit score. Using anything above 30% of your credit card balance can have a dangerously negative impact on your credit score.

As a result, potential lenders will be tipped off to this kind of financial behavior and will assume that you don't manage your debt well. To maintain a good credit score and a healthy credit card balance, be sure not to spend anything over 30%.

Ignoring What Card Terms Mean

If you want to keep your credit card or get one for the first time, you should know the terms that revolve around them. While no one wants to read the fine print of anything, this is particularly important with credit cards if you don't want to encounter unexpected fees.

An example of this is the APR — even if you have a 0% APR card, it doesn't mean that you will never pay any interest. This might only be an introductory rate, or you may face other fees.

Choosing the Wrong Card

With so many choices available in the market now, it's best to do research first and look for a card that will match your lifestyle. For example, if you're just getting started with credit cards, it's good to pick a secured credit card or a student card. If you're looking for cash-back rewards, you can look for a cash-back card that works for all kinds of spending.

Before getting a credit card, be sure to take this matter seriously because this is a financial commitment, and not just a ticket to spend money.

Applying for too Many Credit Cards

While getting a credit card can be a great help to your financial health, it won't help to get all kinds of cards at once. Every time you apply for a credit card, it triggers a hard inquiry, which can take points off your credit score. Doing it once is fine, but too many inquiries will add up and do some real damage.

Waiting Before Reporting a Stolen or Lost Credit Card

Billing statements are not just a summary of payments, they are also a tool you can use to catch fraud. If you check it and there is a charge that you didn't make, then you can dispute it and freeze your credit.

Don't wait to do this — the longer you wait before reporting a stolen or lost credit card, the more time the thief will have to make charges to your account. By quickly reporting your missing card, the better your odds will be of beating any fraudulent charges. Be sure to report a missing credit card as fast as possible to steer clear of these charges.

Canceling Your Credit Card

Now that you've read everything above, you probably feel that credit cards are more of a responsibility rather than a

helpful tool. However, before you cancel your unwanted card, you should know that closing your credit card will drive up your card utilization and shrink your credit limit which will significantly hurt your credit. Instead of canceling, you should request a product change from your credit card issuer to get a credit card that is better suited for your needs.

Being Responsible with Your Credit Card is the Key

Credit cards are a great way to make purchases you need or emergencies that need to be covered. However, they are designed to benefit the issuer more than you, so you need to be careful with how you spend this limited resource. By making sure to avoid making the credit card mistakes outlined above, you can enjoy the benefits that credit cards bring without having to suffer any of their setbacks.

Featured Online Resource

[Twelve Steps to Financial Freedom](#)



What is Financial Freedom? It's not an income or a savings amount. It's about living a meaningful life. [This webinar](#) shares the 12 steps to financial freedom that will lead you to a financial place where you will find the independence to live the dreams you choose.

Where does debt reduction fit in? Setting financial goals? What about income? What about credit, investments, and your health? You'll find them here along with 7 other steps. We lay out the 12 steps for you to follow so you can understand how to become financially independent.

Trending Financial Tool



The PowerCash Calculator

Find FREE Money Today to Accelerate Your Debt Repayment and/or Savings

There may be no such thing as a free lunch, but most households can certainly find some free money in their budget. This is not “free” as in “given to you at no cost” but rather “free” as in “available for use.”

Our PowerCash calculator will help most households free up between \$50 and \$200 without pain and without hardly even noticing. Instead of recommending a redirection of a certain amount or even percentage of household income across the board, the PowerCash calculator targets a small percentage of large purchases.

For example, it might recommend you redirect 10% of your grocery money toward your savings or debt elimination plan, leaving you 90% of your normal grocery budget to buy food for the month. In most cases, you won’t miss that 10% much at all.

The PowerCash calculator will do the same thing with your dining out and entertainment money, your gift-giving and travel money, and other discretionary expenses.

How much will your PowerCash be this month? Find out at this link:

<https://moneyfit.org/powercash-calculator>

Then, the fun begins. You get to decide whether to power up your savings or power down your debt.

Webinar Showcase

Setting Financial Goals

The First Step on the Road to Financial Stability

When it comes to money, going with the flow is not a plan for success. Knowing where you’re going is the first critical step on the road to financial stability. But how do you decide where you want to go? Who has the roadmap?

As it turns out, you do. During this workshop, you’ll answer three simple questions that will help you to define your own, personal financial vision to guide you in establishing money goals throughout your life. Finally, learn three powerful steps that will increase your likelihood of achieving your goals by 70%!

This course can require anywhere from 30 to 45 minutes to complete. Access [Setting Financial Goals](https://moneyfit.org/academy) through the Money Fit Academy (<https://moneyfit.org/academy>) or directly at <https://moneyfit.org/setting-financial-goals-course>. This is a free class.

Debt Reduction Services News

Client Experience Reminder

Please make any changes to your ACH monthly payment at least 3 business days before the scheduled withdrawal date.

One of the top goals of our Customer Experience (CX) team involves making your experience with our Debt Management Program as convenient and effective as possible. That said, we recognize that our clients may need or want to make changes from time to time to their automatic monthly payments, known as an Automatic Clearinghouse (ACH) payment from your checking or savings account.

While we would love to make payment changes right up to the time the payment is due, our reality involves working within the transaction timeframes of banks, credit unions, and their regulators. For that reason, we try to regularly remind our clients of this imperative:

Three business days permit us to make the changes within the time allowed by banks, credit unions, and regulators. Business days exclude weekends and bank holidays.

Attempting to make changes a day or two ahead of the scheduled payment can result in additional banking fees and frustration. We hope we can help you avoid both.

We Are Here to Help You

Debt Reduction Services, Inc.

Toll-free (866) 688-3328

DebtReductionServices.org