

Your credit card

What you need to know about credit cards

- > Credit cards allow you to borrow money (up to a certain limit), as long as you make regular minimum repayments
- > Credit cards tend to have higher interest rates than other forms of credit (like personal loans)
- > Interest is generally charged on all outstanding amounts at the end of each payment cycle
- > Unless you use a card that is interest-free and fee-free, buying items with a credit card will always cost you more than paying with cash
- > If you make only the minimum repayment on your credit card each month, you will pay more in interest and it will take longer to pay off your balance
- > Many credit cards have an annual fee

Best practice for using your credit card

1.



Keep track of your spending

The best way to keep track of your spending is review your receipts against your statement each month. Keep an eye out for:

- > Charges by companies you do not recognise
- > Large or unusual charges
- > Changes in direct debit amounts
- > Duplicate charges

2.



Pay on time

When you receive your statement, check the date that your payment is due, and make sure you pay on time to avoid extra interest charges or hefty late payment fees.

To make it easier to pay on time, consider setting up a direct debit each pay day, to pay a fixed amount off your balance owing. Just ensure these payments cover the minimum monthly payment due on your card.

3.



Maximise your credit card repayments

If you only make the minimum repayments on your card each month, you'll pay high levels of interest, and it could take you years to pay off your debt. Simply peek at your monthly statement to see how long it will take to pay off your entire balance if you only make minimum repayments.

You can also use the [Moneysmart credit card calculator](#) to work out how much time and money you'd save by making more than just minimum payments.