

Shopping for Credit Cards

Ah, the joys of summer – trips, vacations, travel, fun. It's so easy to whip out those credit cards and let our minds go on vacation as well. But did you know that some credit card companies will raise your interest rate if you are late paying the bill on a different card? That's because the credit card companies monitor your credit constantly. If they see any activity suggesting a deterioration of your bill-paying ability, they have the right to raise the interest rate charged on unpaid balances. And they don't have to tell you when they do this because the disclosure document you received – and perhaps didn't read – back when you got the card already told you that they could.

And this is just one of the sneaky things credit card issuers do to boost their bottom line and if you're not careful, you could end up with all the cards stacked against you. Here are some other ploys credit card companies use to separate you from your money in ways you might not notice:

- Tease you with a low-rate offer and then tell you that you don't qualify for that one, but here's a higher rate.
- Shorten the grace period (time during which your transactions don't accrue interest) to as little as 20 days. Some cards have no grace period, so interest immediately begins accruing.
- Charge you an inactivity fee if you don't use your card.
 - Charge a late fee as high as \$39 if you're a few hours late getting your payment in.
 - Charge an over-limit fee of as much as \$39 if you're even one cent over your limit.
 - Charge a balance transfer fee of 3% to 5% after you've agreed to their 0% offer.

It is nearly impossible to function without credit cards, but there are two ways you can beat the credit card companies at their own game.

First, maintain good credit so you'll qualify for the best rates and terms. Check your credit score periodically and take action to correct any errors. Paying your bills on time is the most important thing you can do to maintain good credit.

Also, read the fine print and choose your cards carefully. Take advantage of the intense competition in the credit card industry and apply for those that offer the best rates and terms. After you receive the card in the mail, read the disclosure documents and keep them for future reference.

TYPES OF CREDIT CARDS

There are many different types of cards available today. The ones to choose depend on your credit usage:

1. Low interest rate: If you carry a balance.
2. No fee: If you pay off your balance monthly.
3. Rewards cards: Only if you'll redeem the rewards (airline miles, cash back, points, etc.) and compile enough to justify the fee.
4. Store credit cards: Can be a good deal as more and more retailers offer special cardholder discounts up to 20% in some cases, compared to the 1% or 2% value of miles or merchandise on rewards cards.

GET THE BIG PICTURE

Take out all your credit cards and your last credit card statement for each card and on a blank sheet of paper or an Excel spreadsheet, use a matrix to record the following for each card:

- Type of card (Visa, MasterCard, store card)
- Issuer (bank)
- How long you've had the card
- Credit limit
- Rewards or miles
- Annual fee
- APR on unpaid balances
- Late payment fee

If you are paying excessive fees or a high interest on unpaid balances, it may be worthwhile to switch. Check websites like Bankrate.com, Cardratings.com and Cardoffers.com to compare cards.

Be aware, however, that accounts of long standing look better on your credit report than new accounts, so don't be in a rush to cancel old cards unless you are being charged an annual fee.Ⓢ

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