



# Be Smart with Your Credit Card: 10 Tips to Help You Use Your Credit Card Wisely

Credit cards can be extremely useful and convenient. But if you aren't careful about how you use them, you can put yourself on a path to serious financial trouble. For example, you could build up debt that might take you years to pay off, or damage your credit rating.

Here are 10 tips to help you use your credit card wisely:

- 1) Know what you're getting into. When you sign up for a credit card, you are entering a legally binding contract. **Read the terms and conditions carefully** to understand how they apply and what your responsibilities are.
- 2) Remember that having a credit card doesn't increase the amount of money you have available to spend. **Continue to live within your means and your budget.**
- 3) **Your goal should be to pay off your balance in full by the due date every month.** Carrying a balance means that everything you charge to your credit card actually costs you more than the purchase price, because you are paying interest. And the longer you carry a balance, the higher the cost.
- 4) If you can't pay your monthly balance in full and the outstanding balance is growing, you are spending more than you can afford and going further into debt. **If you find yourself in this situation, stop using your credit card until you get your finances under control.**

Since interest is charged daily, try to make payments as soon as you can to reduce your costs. Also, consider asking the financial institution that issued your card to lower your credit limit if you're having trouble controlling your spending.

- 5) **Avoid impulse buys**, especially if you don't have the money available in your bank account to pay for the item. Ask yourself if you really need to make that purchase right away (or at all), or if it can wait until you actually have the money to pay for it.
- 6) If your credit card has a rewards program, **don't increase your spending or buy things you don't need just to get points.**
- 7) **Avoid taking a cash advance on your credit card.** Unlike regular purchases, there is no grace period on cash advances from a credit card. **You are charged interest from the day you take the advance until the day you repay the entire advance amount.** Use your debit card instead if a merchant offers a "cash-back" option with your purchase, or get cash from your account from your own financial institution's ABM.

If you don't have enough cash in your account, look at your budget to see where you can scale back your spending.
- 8) **Talk to your financial institution about your options** if you need money for unexpected expenses. There may be alternatives to using your credit card that will cost less in interest, such as a line of credit.
- 9) **Make regular payments** to help build a good credit history. Paying the balance **in full** every month will show other lenders that you are a responsible borrower.
- 10) **Make sure that you are aware of all the fees associated with your credit card.** All federally regulated financial institutions have to include an information box in the credit card application, the credit agreement or a related document that comes at the same time. The information box has to highlight key information such as fees and the interest rate.

## **Other FCAC information of interest**

### **Tip sheets**

- Making a Budget and Sticking to it
- Before You Sign a Contract: 10 Things You Need to Know
- Protect Yourself from Credit Card Fraud
- How to Beat that Debt
- Shopping Around for a Line of Credit

### **Publications**

- Credit Cards: Understanding Your Rights and Responsibilities
- Choosing the Right Credit Card for You
- Understanding Credit Card Fees
- Managing Debt: Getting Help from a Credit Counselling Agency

### **Interactive tools and quizzes**

- Credit Card Selector Tool
- Credit Card Payment Calculator
- Credit Card Quiz

## Notes

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## About FCAC

With educational materials and interactive tools, FCAC provides objective information about financial products and services and informs consumers about their rights and responsibilities when dealing with banks and federally regulated trust, loan and insurance companies. Through its financial literacy program, FCAC helps Canadians increase their financial knowledge and confidence in managing their personal finances. FCAC also makes sure that federally regulated financial institutions respect the laws and agreements that protect consumers.

You can reach us by phone through our toll-free Consumer Contact Centre at 1-866-461-3222 (TTY 613-947-7771, or 1-866-914-6097), or by visiting our website at **[fcac.gc.ca](http://fcac.gc.ca)**.

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