

CREDIT CARDS

When it comes to credit cards and loans, 'knowledge is power' so this fact sheet will provide you with some important information you need to know before considering locking yourself into a contract and possibly getting caught in a 'debt trap'.



The credit card - that 'all powerful card' that so many people think is a source of power to buy what they want right now.

Before you make the decision to sign your name on the dotted line just consider the following:

- There are hidden costs which often go unnoticed. Costs for joining, renewing and processing fees.
- If you end up paying your bill late, there is a penalty and late payment fee on top of the interest on the bill amount.
- So easy to overuse. Credit cards can easily break your financial discipline. With every swipe, when you don't see the bank balance going down, you can spend your money recklessly, sometimes more than you can afford.
- Once you delay your credit card payments, you will end up in a never-ending spiral of debt. It's difficult to catch up once extra costs and interest are added onto the debt you're already struggling to pay.
- Minimum due trap. People can be tricked into thinking that they just need to pay the 'minimum due amount' however, the Banks do charge interest on what's left. And so, the debt grows.

The Credit Card – “yeah, but nah”

1. Having a Credit Card will help you build and improve your credit score.
Yeah, but nah if you keep spending and you can't afford to pay on time. It will actually damage your credit score.
2. Credit Cards give you easy access to credit as they work on deferred payments (Buy now pay later).
Yeah, but nah because at the end of the day, you still have to pay for that thing that you couldn't afford. It just makes it easier to get into debt and the debt grows and grows and.... you know the story.
3. Credit Cards have interest-free credit if you pay in full before payment is due.
Yeah, but nah because if you fail to pay your credit card before the due date, the amount is carried forward and high interest is charged to it. There's nothing free about that.
4. You can also apply for personal loans through a credit card.
Yeah, but nah. Now you're getting yourself into even more debt. Don't do it.

If you are determined to have a credit card then have the same determination with respect to paying it off fully every month.

If you want the convenience of a card, using a Debit Card is a great solution for several reasons. Money is deducted from your bank account i.e. money you definitely have, you don't get charged interest, spending your own money prevents debt accumulation and there are little or no fees.

