



# Your Financial Health

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## GUIDELINES FOR FIRST TIME CREDIT CARD USERS

A “first” credit card can be exciting, tempting and intimidating. If you are getting your first credit card (or your child is getting his/her first card), here are some ideas to keep in mind.

1. **A credit card is serious business.** The issuing company is lending you money and you have responsibilities.
2. **One card is probably enough.** Avoid the temptation by only having one card.
3. **Keep the credit limit low.** Depending on how you are going to use it, \$500 or \$1000 is high enough for most first-time credit card users.
4. **Pay off the entire balance each month.** Avoid charges and build a good credit record.
5. **Make the payments on time.** This helps build a good record and avoids late payment charges.
6. **Use the card for emergencies.** Start off slowly with this new convenience. Keep using cash and checks for most purchases, especially until you get comfortable with the card.
7. **Never let others use your card.** You are responsible for all charges on your card. Do not let others borrow it or give out the number.
8. **Keep track of your use of the card and compare your records to what shows up on the monthly statement.**
9. **Keep the card active.** Even if you are only using the card for emergencies, use it for small purchases every three or four months just to keep it active. Then be sure to pay off the balance before any interest is due.

10. **Avoid using the card for cash advances.** The interest rate charged for advances is usually high and interest is charged immediately.

11. **Create a spending and budget plan.** Do not let your credit card payments exceed 20% of your monthly income.

12. **If having a credit card turns out to be a problem, get rid of it or stop using it for a while.**

### Other things to keep in mind.

The credit card companies make money by charging interest on long-term balances. Often the rates they charge are relatively high.

Choose a card that fits how you are going to use it. Probably for a first time user, find a card that has low (or no) annual fees and low interest rates. If you are not going to use it much, the benefits (airline miles or gifts) will not compensate for the fees usually found with these types of cards.

Having a good credit record is important. Those with good records usually find that getting credit is easier and they often qualify for lower rates on their borrowing.

Investigate the details of the card thoroughly. Be sure to understand all the fees and how interest charges are calculated.