

# **Saving Money with Credit Cards**



**A Smart Guide to Making Your  
Credit Cards Work for You**

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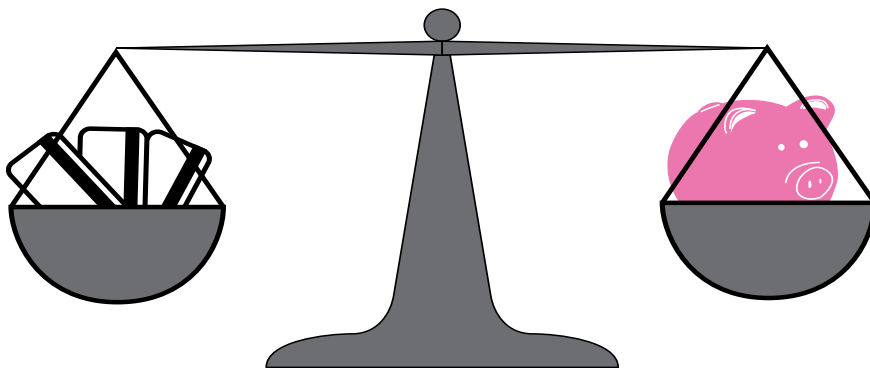
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## The Benefits of your Credit Cards

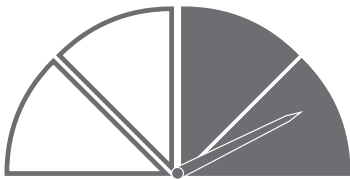
You know how to SPEND money with credit cards. That's easy! But how about SAVING money with credit cards? The fact is, credit cards are a great tool for saving money and, when used correctly, they can actually MAKE you money.

Rewards credit cards are pretty much the only type of credit vehicle that can make money or result in other rewards for the consumer. Most loans made to the consumer are pretty straightforward – interest is charged monthly and compounds over time. Because purchases made using a loan are generally quite large, they take some time to pay off and can accrue substantial interest. With a rewards credit card, however, purchases are generally smaller; as long as you pay off your balance by the payment due date, you avoid interest while earning rewards for your account activity.

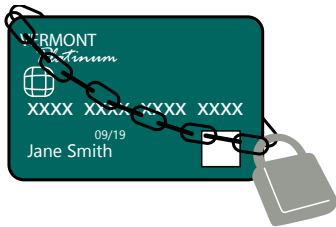


## Why Have a Credit Card?

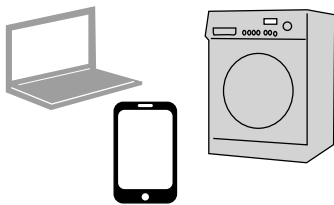
Though the concept of credit existed as far back as the 1800s, the plastic credit cards we are accustomed to today appeared on the scene only about 50 years ago. There are a lot of reasons to have a credit card in today's world. Here are just a few:



When used correctly, they can help you build a good credit score.



If your credit card is stolen, your liability for the thief's purchases is limited. Not so with cash!



Credit cards enable you to delay payment on large items you can't immediately afford.



A rewards card offers cash back or other benefits when you use it.

Wondering how your credit card company funds their rewards program? Read this article at [forbes.com](https://www.forbes.com).

## How Credit Cards Can Get You in Trouble

According to [bankrate.com](https://www.bankrate.com), people are using their credit cards more wisely. It is still worth noting that credit cards are notorious for causing financial havoc when used incorrectly.

Your credit card provider can offer great rewards, but if you don't pay your balance by the end of the month, you will be hit with fees and interest. To top it off, credit card debt, because it is unsecured\*, is generally associated with a much higher interest rate than any other loan vehicle.



### A Note on Cash Advances:

You can also get in trouble when you take a cash advance on your credit card. You can take out a cash advance using your ATM card, at a teller line in your financial institution, or by using the checks the credit card company sends you periodically. Cash advances are problematic because they often incur significantly higher interest rates, which accrue on a daily basis with no grace period (in other words, the interest isn't assessed at the end of the month, it accrues immediately after you have taken out the cash).

\*unsecured debt is debt that is not backed by an asset (like a car or a house).



## Ways to Clean up Your Current Credit Card Debt

Before you begin saving or making money with your credit card, you must eliminate your current credit card debt. For some, this could take a while. For others, you may have only a few months of payments before you're in the clear. Either way, now is the time to start and the tips that follow can help you get started.

### Balance Transfers

Rewards cards generally charge high interest rates, with the average ranging around 16% (or higher, if you have poor credit). A non-rewards credit card can offer much lower interest rates, sometimes a third of what you would pay to a rewards card provider. By transferring your debt to a low-interest, non-rewards card, you can save on interest charges during the time it takes you to pay off your debt.

#### **Why not transfer to a rewards card with a 0% APR introductory offer?**

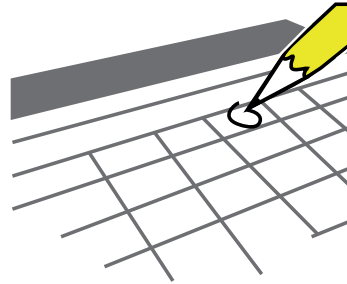
Some credit card companies offer 0% APR for transfers for a set period of time – often around a year or a year and a half. Depending on the agreement you sign with the company, you may be able to use the card interest-free for that period of time. The trouble with these offers is that there is often a transfer fee (fees vary,

but you could expect to pay around 5%), so transferring the funds can cost you money to begin with. After that, you do enjoy the 0% interest rate, but if you don't pay the card off within the allotted time, you may be penalized with retroactive interest. If you escape any direct penalties for not paying the card off within the introductory period, you will be responsible for paying the higher interest rate once the offer has ended.

**Note:** Be sure to read the fine print on any credit card you apply for. There may be conditions placed on the introductory rate or other bonuses that disqualify you from the offer. Make sure that you understand all fees and penalties before you sign on the dotted line.

## Use a Payment Plan

Determine how much you can afford to pay off each month and commit to making that payment as if you have no choice. The payment will ideally be much higher than the minimum amount due to enable you to cut the balance on your card down as quickly as possible.



**Note:** You can simplify the payment process by setting up automatic payments, through your financial institution's online banking portal, to post monthly payments to your credit card account until your credit card balance zeroes out.

## Stop Spending

This may take some self-control at first, but the point here is to save, or even make, money using your credit cards and spending more money won't help you achieve that until you have a zero balance. Enact a cash-only or debit-only policy for all purchases until your credit card bill is under control.



**Note:** While you are cutting down your debt, you can practice saving money in all areas of your life, not just with larger purchases that you might normally have placed on your credit card. By saving more money on utilities, groceries, social activities, and in other areas of your life, you will have [more money to pay down your debt.](#)

## Consolidate Your Cards

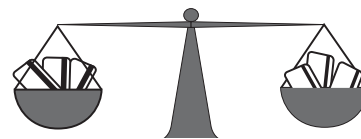
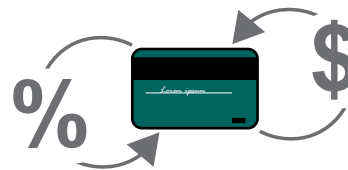
If you have a colorful collection of credit cards fattening your wallet or purse, it's time to pull them all out, determine which ones can benefit you and which ones are just causing problems.



According to [creditcards.com](https://www.creditcards.com), taking out too many credit cards can harm your credit score. Unfortunately, there doesn't appear to be a magic number of credit cards but if you have more than six, it's time to close some credit card accounts. Aside from the effect multiple cards will have on your credit score, they also present multiple opportunities to spend money, which won't help you achieve your zero-balance goal!

As you pare down your credit card collection, consider why you got the card in the first place, whether that reason is still valid, what the card offers you that another card can't, and how high the interest rate is. Some other things you can consider include:

- If you have multiple rewards cards, which one offers the best rewards and the lowest interest rates? Keep the one that offers the best balance.
- Are your store-issued cards saving you as much money as a low-interest, non-rewards card? Weigh the savings you enjoy on each purchase against the interest rates.



The cards that you keep will ideally be a mix of low-interest, non-rewards cards and rewards cards that offer deep savings on purchases and/or rewards for use. This mix will enable you to reap the rewards of the higher-interest cards but will also offer you a low-interest option for balances you can't afford to pay off before the payment due date.



## Time to Start Using Your Cards to Save

Once you have your credit card debt paid off, you can begin saving and earning money while you improve your credit score. To accomplish that, you must be wise about how you use your card.

## Pay Your Bills on Time

Always, always, always, make your credit card payments by the due date. Tardy payments will result in late fees as well as interest charges. In addition, your credit score is damaged every time you pay late, which makes it more difficult for you to get good interest rates on loans or credit cards in the future. Avoid paying extra by paying on time without fail.

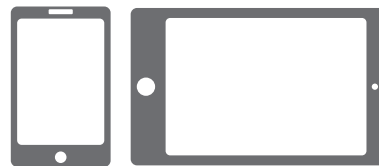
**Note:** Don't forget to look your bill over when you get it. After all, you want to make sure you're only paying off the purchases YOU have made, not purchases made by someone who has stolen your credit card or identifying information.



Set Specific Days to Pay Bills



Make a List of Bills



Use an App to Track Spending

## Pay Cards off Completely Each Month

**The Basics:** If you use your rewards card to make purchases each month, you will get the money or other reward the card promises. BUT, if you don't pay off your rewards card at the end of the month, the interest charges you pay can easily be greater than the rewards.

If you pay the card off at the end of the month, you get the rewards and pay nothing extra. Keep doing this and you can actually make money because you won't have to pay interest or fees. If the card gives you extra flights, interesting gifts, or cash back, that's essentially money in your pocket!

**Trick:** Buy yourself time on paying down your debt by waiting to make larger purchases until right after your statement closes. Once your statement closes, you usually have around 20 to 25 days to pay the balance.

If you make a purchase the day after the statement closes, you have 20 to 25 days before your next statement (which won't have your large purchase on it). Then you'll have another 20 to 25 days before the statement (which does have the large purchase on it) arrives. This can give you 50 to 55 days to come up with the money to pay the balance.

## Use Non-rewards Cards to Bridge Gaps

Keep a [low-interest, non-rewards credit card](#) in your pocket for times when you know you're not going to make the end-of-month payoff date. If you think you won't be able to pay, transfer your balance(s) to the non-rewards card, which will charge a lower interest rate.



**Note:** If you do end up paying late, for whatever reason, ask the credit card company to remove the late fees. They don't have to do this for you, but they may make an exception if you have a good relationship with them and have historically paid on time.

## Periodically Check to See if You Can Lower Your Rates

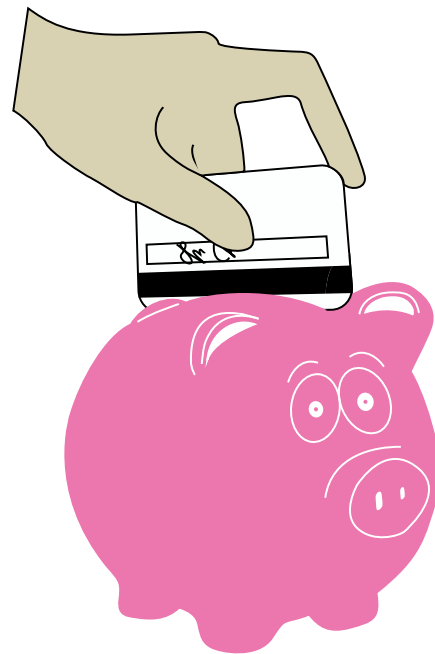
The interest rate on your credit card (as well as on any loan) is set based on your credit score. As you pay down your balances and begin changing your spending habits, your credit score should rise, enabling you to qualify for a better interest rate. Check back periodically to make sure you've got the best rate possible.



**Note:** If your credit is improving, don't just check back to see if you can get a better rate on your credit card. Check back with all of your creditors, to see if you can save money across all of your loans, mortgages, and lines of credit.

## Now Start Saving!

As with any other skill, practice is necessary. The rewards of being wise and maintaining a zero balance on your credit card can be wonderful. You will relish your rewards more, knowing that you are not just giving it back to the credit card company through interest and fees. You will also enjoy a higher credit score and, therefore, greater borrowing power. There are no cons to using your credit cards wisely. Only benefits.



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