

Credit Card Basics

Use credit as a tool — understand the real cost before you swipe

THE TRUE COST OF A \$1,000 PURCHASE

If you only make minimum payments, interest compounds — and a \$1,000 purchase ends up costing far more. Here's how much extra you'd pay at different APRs:

Factor	10% APR	15% APR	25% APR
Monthly payment	\$40	\$40	\$40
Months to pay off	29	31	36
Total interest paid	\$126	\$207	\$427
Total actual cost	\$1,126	\$1,207	\$1,427

**Assumes no new charges and constant APR. Source: Visa Practical Money Skills (© 2018 Visa Inc.)*

△ At 25% APR, you'd pay **\$427 in interest** on a single \$1,000 purchase — making it a \$1,427 purchase in reality. Always pay the full balance when possible.

WHAT TO LOOK FOR WHEN CHOOSING A CARD

- **APR (Annual Percentage Rate):** Is it fixed or variable? A variable APR can rise when market rates move.
- **Fees:** Annual fee, late payment fee, and over-limit fee can add up quickly if you're not careful.
- **Credit limit:** Know your ceiling. Staying below 30% of it protects your credit score.
- **Grace period:** The window before interest starts accruing after a purchase. Longer is better.
- **Rewards:** Cash back, airline miles, and points can add value — but only if you pay off the balance monthly.

💡 Many banks offer **lucrative travel rewards** if you're willing to pay the annual fee — but run the math first to ensure you'll actually earn back more than you spend.

USE CREDIT RESPONSIBLY

Treat your credit card like a debit card: **only charge what you can afford to pay off**. Missed payments and compound interest are the fastest routes to debt.

- Pay on time — every time. Even one missed payment can drop your credit score significantly.
- Understand all terms and conditions before accepting a card offer.
- Zero liability protection means **you're not responsible for unauthorized charges** — as long as you report them promptly.
- You have the right to dispute purchases with merchants for unsatisfactory products or services.

💡 **Secured cards** are a good option for those who don't yet qualify for standard credit cards — they limit your credit line to an initial cash deposit you place on the card.

PAYING OFF DEBT STRATEGICALLY

If you're already carrying a balance, here's how to tackle it effectively:



List Everything You Owe

Write down every debt: credit cards, auto loans, student loans, personal loans. Seeing the full picture is step one.



Target the Highest Interest First

Focus extra payments on the debt with the highest APR — it's costing you the most money every single month.



Cut Back to Pay Down Faster

Reducing flexible spending even temporarily will save you in interest and accelerate your path to financial freedom.

Need help? Contact the **National Foundation for Credit Counseling (NFCC)** at 1-800-388-2227 or nfcc.org — free and low-cost counseling is available.