

Get through the holidays without a credit card hangover!

You're in the checkout line at your local department store and the clerk offers you a 15% discount if you apply for their store card. Sounds like a good idea, right? No, in most cases you're far better off using a credit card you already have.

If you open that store credit card you risk hurting your credit in several ways. First, you'll have a new revolving inquiry. Second, it will show up on your credit report as a new account with no history. Third, you'll probably shop with that card, possibly running the balance up close to its limit. Lastly, store credit cards have much higher interest rates than traditional credit cards possibly affecting your ability to pay it off.

Optimally, you will be able to make all your Christmas purchases with cash. If that isn't possible, pick one card with the lowest interest rate and the highest credit limit to use. When using your card keep the balance below 30% of the credit limit. For example, if you are using a credit card with a \$5000 credit limit, don't charge more than \$1500 on it.

Which is better - a credit card or a debit card? In case of fraud, using a credit card is better than a debit card because credit cards are better protected. If someone steals your credit card, you can refuse to pay for the fraudulent purchases. If someone steals your debit card, they will probably drain your checking account. The burden is on you to contact the bank and get the money replaced, which is difficult and time consuming. The best scenario is to save enough money during the year to cover the bill for any credit card purchases you make during the holidays.

When your credit card bill arrives hopefully you can pay it off in full. If not, make at least double the minimum payment. If you make only the minimum payment it will take years to pay off. For example, if you charge \$1000 on a credit card with an interest rate of 18% and make only the minimum monthly payment, it would take about three years to pay off that debt. Ideally, pay it off in full as soon as you possibly can, otherwise, make the largest payment over the minimum you can afford.

It's easy to get caught up in the spirit of giving over the holidays. Just remember when you're shopping for gifts that 75% of consumers are still paying off last year's holiday debt. If you carry that over to this year and the next, and the next, you'll still be paying for 2010 Christmas in 2020.

This year shop smart and use your credit cards wisely. Have a safe and happy holiday season!

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Advantage Credit Inc.



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