

Using a Credit Card Wisely & Building a Good Credit Rating

1. Save up for purchases in your savings account first and don't "just go shopping" with your credit card. If you don't have it with you, you won't be tempted to impulse spend. Use the credit card to make planned purchases and then pay them off as soon as the bill arrives. You'll have the money saved, so it'll be easy to do!
2. Once you know what you spend each month on an anticipated expense, pay that set amount to your credit card when you get your pay cheque. For example, you know that you spend about \$200 each month on dinners out. Pay \$100 from each pay cheque to your credit card so that you don't spend the money on something else in error. This helps you to follow through with your budget, build a favourable credit rating and only have a very small bill to pay (or none at all) if you stick with your plan. This only works well, however, if you pay your card in full every month.
3. You could use the card for only one type of purchase - and that's it, e.g. gas. Choose a type of purchase that has an automatic limit to your spending.
4. Request a low limit and call the credit card company to lower the limit if they raise it without your request. You do not need high credit limits and numerous credit cards to build a positive credit rating.
5. Be accountable to a family member or close friend for your credit card use - show them the bill each month and ask them to help you stick with your plan of paying the card off in full each and every month.
6. If you can't pay the card in full for one month, put it away until it's paid off. If you have to, damage the card so that you can't use it. When you're ready to use it again, call and ask for a replacement card. However, don't try this more than once - the credit card company will wonder if you're up to no good!
7. If you can't pay the balance in full every month, pay at least double the minimum required payment each month. Then also stop using the card and you'll see your balance disappearing.
8. Only have one credit card, period. This also makes it easier to decline credit card offers when you're approached in malls or stores.
9. Don't use another form of credit to pay your credit card debt - seek help if you're not able to pay your credit card off within a few months or if you find that you're using it to pay for living costs.
10. Be aware of the terms and conditions of your card as well as how reward programs work. It can be easy to collect points but it may have been less expensive to purchase the item outright, especially if you end up paying interest on your purchases.
11. If you want to use the credit card to help build your credit rating and you're worried that you'll overspend, don't use the card for retail purchases. Instead, set up one pre-authorized charge that will go through for a set amount each month, e.g. a newspaper subscription or gym membership, and then lock the card up. You'll still build a positive credit rating because the account is being used, you know that it fits your budget because you've planned for that expense, but you won't be tempted to overspend.
12. Find inexpensive ways to reward yourself for managing your credit card wisely. It can be tough to stick with your plan, but staying out of debt allows you to reach your goals and that's something to be really proud of!

