

# RODNEY C. BURRIS

- WORKING TOGETHER -

## Smarter Money 101:

*I'll Just Use My Credit Card (Again): Properly using our plastic*

## BALANCING WHAT WE HAVE



**Some of us are credit card professionals.** -- I have a buddy of mine who has built a very healthy and financially stable life leveraging the many perks & rewards that credit cards provide.

Others of us have **sworn off of credit cards**, vowing never to use them again.

Then there are some of us who have never had them at all.

Finally, there is a fourth group of us who have used them but **have no real idea what we're doing** and *how the cards actually work*.

No matter what our previous experience has been, many of us still find ourselves contemplating whether we should (*revisit the*) use (*of*) credit cards (*again*).



Any way you look at it, credit cards *can be* a great tool. They can be used to do many things, including...

...navigating large financial decisions,  
accessing exclusive reward packages...

...helping strategically pay for daily expenses, and  
building up your credit score.

### **All of these are well known benefits of a properly used credit card.**

When used unwisely, however, your credit card can set you up for a difficult financial future. This is because it is *very easy to find yourself in a cycle of spending more than what* you actually have, and thus kick-starting a potentially endless loop of paying that money back.

So although it's true that one swipe will help you make the purchase that is technically financially out of your reach, each and every one of those purchases have to be paid back -- with interest; which is nice way of saying

*“...with credit cards, you owe more on the payback, for the convenience of spending someone else's money up front...”*

This is a tough pill to swallow.

But there are other legal, smart ways around this within the credit card system.

For example, if you'd **like to provide yourself access** to the benefits that credit cards can provide without as much of the risk, there are *secured credit cards*, which basically allow you to preload a small amount of your own money onto the card (like a debit card), with the card company reporting to credit bureaus on your monthly progress (unlike a debit card), which in turn will help you improve your overall credit score.

Let's become more financially fit by *changing* how we *cycle* our cashflow:  
(You may have to do a little research to answer some of these questions)

How long have I been a credit card holder?

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Do I qualify for a (new/another) card?

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If I were to save up and just purchase this with cash, realistically how long would that actually take?

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Do I have this amount of time?

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What specifically will I use this card for?

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How else am I going to use my new credit card?

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What are all the other costs associated with this card?

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What is the APR?

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What are other charges that I should be aware of?

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What are the perks?

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What are the benefits?

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How does their reward program work?

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How many debts am I currently repaying?

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Can I handle another repayment coming out of my check at the moment?

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If so, how much repayment room do I actually have?

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Can I get a credit card that will allow me to comfortably pay within my range?

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Will the fees change/modify next year?

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Why will it be worth it (projecting out into the future?)

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Have I ever messed up *real bad* when using a credit card in the past?

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If so, what was my thinking back then that lead to my '*messing-up*' behavior?

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Will I act differently now? How so?

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What specific recent examples do I have that clearly will demonstrate to me and to others that my mentality is different and better; and further that *this* mentality is now driving my behavior as it relates to my credit card management?

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Should I be getting an additional credit card at this point?

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## CREDIT CARD GUIDE: PROS AND CONS



### PROS

- Rewards Programs
  - Discounts at different stores
  - Cash back rewards
- More Buying Power
  - You can make purchases over the phone
  - You can make purchases on the internet
- Effects on Credit Score
  - Paying balances by the due date raises your credit score
  - Allows you to get lower interest rates on loans as well as take out larger loans because you are more likely to pay them back

### CONS

- Interest/Late Fees
  - Not paying your bill in full can lead to high interest rates
  - Completely missing a payment can lead to late fees of at least \$25
- Ease of Spending
  - Some people can feel compelled to spend more money which leads to large amounts of debt
  - Increased chance of credit card fraud
- Effects on Credit Score
  - Can ruin credit if serious debt is accumulated or payments are not made on time
  - Bad credit generally prevents you from getting loans of any size

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