

Handling Credit Cards

Now let's take a look at your credit cards. Like your Budget, credit cards are tools for you to manage your money and have as backups for REAL emergencies. Like car repairs, things for work, and whatever emergency that kids always come up with.

You really have to look at what is the purpose of you having credit cards in the first place. There are really only four reasons to have credit cards:

- 1) Emergencies
- 2) Convenience
- 3) Credit Score Management
- 4) Privacy Protection

- NEVER USE YOUR CARD FOR LARGE PURCHASES. STORE CREDIT OR CONVENTIONAL LOANS USUALLY HAVE MUCH LOWER INTEREST RATES AND ARE EASIER TO MANAGE.

Let's Discuss the four reasons to have credit cards:

Emergencies—you know, real ones, they always come up. If they are small enough that you know you can pay them off by 'borrowing' from your own savings account then you don't have to worry, you will be replacing that savings account soon enough if you stick to your budget. For the big ones you really need to look for alternatives. Many times you can make payments on hospital/medical bills that won't charge you any interest. Even some car repairs you can arrange to pay over time. The deciding decision on how to pay has to do with how much interest you have to pay on the credit card and for how long.

Convenience - It is easier to swipe your credit card than to have cash in your pocket. The nice thing about using a credit card is that you can always look up your transactions on the internet and most cards actually divide your transactions up into categories making it easy to track with your budget and stay within it. Especially since you will pay this off each month, there will be no interest charge.

Credit Score Management - Managing your credit cards is the fastest and easiest way to increase your credit score. Unfortunately, it is also the easiest way to mess it up as well. The two things to remember to always do:

- ✓ Only use 1/3 of any card's credit limit in any statement period

- ✓ Pay off each and every credit balance in full every month

Use your credit card to pay some of the items already in your budget so that you are actually using your card each month up to 1/3 of the credit limit. It will only take three to six months to highly improve your credit score. But wait! Do you want a good credit score???? Check out that course here as well—*Protecting Your Assets*—to see why you may not want a good score!

Now for a few words on Privacy Protection and Identity Theft. You hear a great deal about Identity Theft these days. Since we are a computerized society, it is not that hard to get a hold of people's credit cards, debit cards, bank account information and credit history. For normal protection do the following:

- Do not sign the back of your cards, put on there "photo ID required" so that clerks will request photo id on your card every time (except grocery stores).
- Use your credit card instead of a debit card for several reasons
 - Thieves will not gain access to your bank account.
 - Debit cards for one account can lead thieves to other accounts with more of your money in them.
 - Credit card companies monitor your credit card activities much closer, and contact you if they see any unusual activity.
 - Credit card companies often have alerts that you can receive by text or email.
 - Most credit card companies will honor your fraud claim quicker and with less hassle than banks.
 - The limits on your cards will limit the amount thieves can actually take
 - Credit card companies 'go after' thieves to get results, where banks often just write things off.
- Always use your credit card when making purchases online.

So you see there really are good reasons to have credit cards, as long as you are in control of them and your budget.

Paying off your cards - Here is a great technique to get your cards paid off and under control. This is how most of the credit agencies will tell you how to do it—and it's perfect. To pay them down and off, you don't rank them in the order of how much you owe, you put them in order of which ones have the highest interest rate and penalties. Keep paying minimum payments on all

your credit cards, but the one with the highest interest rate you throw as much extra cash that you can at it until it's paid off. Then tackle the next one on your budget and so on to get a handle on your credit cards.

From that point you only use your highest interest rate card(s) for true emergencies, while living out of your budget. Lastly, you take a look at how much credit you really need, and cancel some of the credit cards. This is really a balancing act.

PROTECTING YOUR ASSETS

One of the easiest ways to protect your personal finances from fraud, as well as increase your income, is from a home based business. In this context, you have your business open credit cards (you still have to personally qualify for them). Having your credit cards, bank accounts and any other credit lines in your business name makes it much harder for identity thieves to get anywhere near your personal finances.