



Take Charge: Wise Use of Credit Cards



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Seminar objectives

Learn:

- Benefits and costs of credit cards
- How to build a good credit history
- Warning signs of too much debt
- How to figure your credit limit
- How to avoid credit card fraud
- How to get and read your credit report and credit score
- How to cancel unused credit cards



Plastic: more popular than cash or checks



- In 2003, credit and debit card use surpassed checks for in-store purchases.
- Debit use surpassed credit for the first time.
- The average cardholder has 7 to 10 cards, up from 4.21 in 1999.
- Without plastic, we can't reserve a hotel room or rent a car.

What's the problem?

- In low- and middle-income families, debt grew 10% from 2001 to 2004, while median income—adjusted for inflation—declined 1%.
- 36% of those who owe > \$10,000 on credit cards make < \$50,000.
- Percentage of disposable income used to pay debts is near record levels.
- Median level of total outstanding debt owed by households rose 9.6% between 1998 and 2001.
- Record bankruptcies in 2005: 2.04 million personal filings (1 in every 53 households). Fewer bankruptcies in 2006 due to bankruptcy reform.
- About half of households with cards regularly pay balances in full.

Advantages of credit

Convenience

- Buy now, pay back later
- Widely accepted
- Carry less cash
- Rewards programs
- No need to show ID or give out personal information
- Monthly statement has record of purchases
- It can be an interest-free loan if you pay in full when the bill comes due (borrow without taking out a loan)



Fraud protection

Disadvantages of credit cards



- Costly if you carry a balance
- Commits future income needed for necessities
- Discourages comparison shopping
- Encourages impulse buying and overspending
- Items wear out sooner than payments
- Perks provide incentive to overspend