

## • MANAGING YOUR • CREDIT CARD



Credit cards offer us a convenient, flexible and secure way to purchase goods and services that we want now, but pay for at a later date. Unfortunately they can get out of control, resulting in overspending and debt management problems.



There are a number of useful strategies which will enable you to manage your credit card debt more effectively and responsibly.

- A high credit limit sounds impressive, but do you really need it? If not, ask for your limit to be reduced.
- Refuse offers to increase your limit. The only party who benefits here is your bank.
- Try to pay more than the minimum monthly payment.
- If possible, pay off your card in the interest free period before the due date.
- Once you have paid off your card debt, use it only for emergencies.
- Only have one card and cut up any other cards.
- Make sure that you are not paying default rates on your card that can be as high as 28%.
- Be wary of store cards, they charge a very high interest rate.
- Be wary of interest free deals offering no deposit, no interest and no repayments for extended periods. These deals are offered by financial institutions through major retailers and may charge exorbitant penalty interest rates.

Rewards cards can work for some people and are fine if you have discipline, the income and you are able pay off the entire balance monthly. Reward cards generally charge higher interest rates plus an annual fee.

### Other forms of credit

Use a debit card, which is basically a pre-paid form of credit card which uses your own money. You can use your debit card to buy goods via EFTPOS or at ATM machines to withdraw cash directly from your account.

There are now also debit cards that can be used just like a credit card for internet/online purchases.

Have you considered using the old fashioned lay-by system that was favoured by our parents? Retailers have reported a renewal of interest in lay-bys.



### Strategies to manage your debt

If possible, consolidate your debt on to your home mortgage, and then you will only be paying one payment at a much lower interest rate. This will also give you flexibility in how quickly you pay your debt off.

Use savings that you may already have to repay your debt. Your savings may only be earning you 2% interest but your credit card may be costing you 16% interest.

### Disclaimer

This Fact Sheet has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in this document is General Advice and does not take into account any person's investment objectives, financial situation and particular needs.



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