



## **For the College Student - A Workout for Your Pocketbook Understanding the Credit Card Game**

There's no doubt about it, it's down right impossible to live a perfectly budgeted life while trudging through the tides of college life. Membership dues, books, gas, entertainment and, fast food seem to occupy the finances. Students are bombarded with lectures, articles, warnings and the like, but really can a part time job take care of all their needs? Not really.

Students use, and need, some type of credit to get them through the down time of mom and dad being stiff with the bill. However, just because they are cursed with an unpredictable demand of affluence, doesn't mean that we have to rack up untold levels of credit card debt.

Instead of telling you how to spend, I believe that it is more important to remind you of how to be more efficient in managing your payment schedules. This will keep creditors off your back and will also pave the way to an undeniably beautiful credit report. Financial independence is a thing of beauty; it produces a peace within that can only be described as a joyous occasion.

The first thing you must do is to take a real good look at your credit card statements. Do you really know what they say? Take a good look at the interest rates that you are paying on your various cards. If you carry more than one card, I suggest follow the "Rapid Payoff" method and payoff the cards with the highest interest rates first. If one has enough available credit on a low interest rate card it would be wise to transfer the balance of a higher interest rate card to that one. Is there an annual fee on the card? Students should not be subjected to annual fees, especially if they are not giving you any type of perks or discounts. Annual fees never go away, they will still be there even if you payoff the card. Get rid of that card!

What is the minimum balance on your statement month to month? If you are paying this amount and no more, you are doing yourself a great injustice. Learn how to calculate a finance charge, or the amount of interest that you are paying for the current billing period. If you did not pay your balance to zero for the previous month, you'll find that paying the minimum balance only knocks off a small percentage of the principle dollars owed. In other words, you're hitting a mountain with a hammer. If you have an excessive amount of credit cards and cannot afford to pay them all over the minimum balance, start with the cards that you want to pay down first; the high interest rate credit cards.

If your bills have literally consumed your finances and you find it hard to pay even the minimum amount due, contact the creditor to work out a payment arrangement. If they know that you're having trouble, they will make an attempt to help you solve your financial instabilities and will help you avoid the dreaded collection agency. In some cases your creditor may allow the due date to be pushed back or they may allow you to

pay a smaller portion of the minimum amount due. Most creditors consider this type of behavior as being a conscientious and responsible consumer.

Pay attention to never use cash advance. Most bankcards and independent loaners apply a higher interest rate (some as high as 30%) to those who use the cash advance feature. If one or more of your cards does in fact carry a higher interest rate on cash advances, steer clear of those types of transactions. Creditors wait until you have paid off your purchase balances before they apply your payments to the cash advance transaction. Which, could, (in some cases) rack up hundreds of dollars in interest alone. For example, if your credit limit is \$1000, you will typically have \$500 to use for cash advances. If this is the remaining \$500 will equate to your purchases. You will have to pay interest on your purchases, no matter how long it takes. After you have settled your transaction debt, then and only then will the creditors apply your payments to your cash advance. This could take years to pay. It's all about the *interest*.

Finally, credit cards from department stores or specialty clothing shops can be very tempting but these cards are a catastrophe in the making. One has to be strong! A ten or fifteen percent savings today could be far more detrimental for your credit report in two years. Suppose you are not approved when applying for one of these spontaneous "I have to have it" credit cards. The inquiry still pops up on your personal credit report. The excitement of savings often distracts us from the more important question of "What is the interest rate?" Most stores apply relatively high interest rates on their cards because most people never stop shopping. Therefore, the stores assume, most customers are not that rushed to pay the balance off every month. Just be aware.

As an additional note, getting denied a loan does not always mean that you have bad credit. In some cases it may simply be a matter of having too much credit. When you have balances that exceed your income creditors will deny you because you have a high "Debt to income ratio". This is not a bad thing. Believe it or not creditors are doing you a favor. When you get the point that you have to beg creditors to extend you credit, it may be time to take a breather. Debt does not have to control you. Debt can be a wonderful tool if not abused. Life is simple; let us keep it that way.