

News You Can Use: Making Credit Cards Work For You

Pursestrings

By Jim Pursley
President and CIO, Gaia Capital Management, Inc.
www.gaiacapital.com
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Dear Friends,

Credit cards are the proverbial two edged sword. They can be very useful as a fairly short-term loan from an issuer (yes, credit card purchases or advances are loans) or they can be a sieve out of which money flows to pay for past purchases (plus generous interest to the card issuer). You might consider:

- Choose the right card for you. Think about such things as fees, interest rate, reputation of the card issuer, where you can use the card and not the least important, the grace period between your purchase and interest being charged to you. Also, consider the payback any rewards program brings. You should get about 1% of your purchase in rewards. Do not, though, choose a higher fee, higher interest card just for the reward program.
- If you are just building credit (or even if you are not) it is imperative for your good credit that you make payments on time. Late charges ring alarm bells with card issuers.
- You might want a couple of cards to help you build credit. I have two cards – one from Bank of America and another just for LL Bean.
- Your debit card should probably be your card of first choice as you directly debit (reduce) your bank balances with debit card purchases. You can't overdraw your account with a debit card UNLESS you have checks outstanding when you draw your account to zero. Checks and debit cards don't mix well unless you are super careful.
- Keep payment records for your credit cards for as long as seven years, but three to five years is usually sufficient. Payments can go awry or uncredited to you.
- Always read every word of credit card offers. They are less obscure and obtuse in their language these days but you will still get legalese thrown at you by the card issuer even if it is simplified.
- Don't move your balance from card to card more than about once a year. Flipping credit cards can create a ding on your credit record.
- Above all, have fun with your purchases and do remember this – that which you buy on credit you may be paying for even when it's old and far less desirable to have.

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