



Six Factors to Consider When Choosing a Credit Card

How do you choose a credit card that is right for you? It can be difficult to make sense of the various rates, dollar amounts, and terms and conditions that each card advertises. Often, you have to carefully read the fine print to truly understand what you're signing up for. Whether you've had a credit card before or are looking to start building your credit for the first time, you should take the time to evaluate your options and make a well-informed decision on which card is best for you. Read on to learn about six of the factors that you should consider when choosing a credit card.

✓ **Annual Fee**

The first factor to consider when choosing a credit card is whether a given card requires an annual fee. Even if you plan to pay off your balance in full each month, having a credit card can still cost you – some cards cost several hundred dollars a year in exchange for a higher cash back percentage or travel perks. However, there are many credit cards that charge no annual fees. Depending on your financial situation, spending habits, and interest in rewards, decide whether paying an annual credit card fee makes sense for you.

✓ **APR**

The annual percentage rate (APR) is the rate charged for borrowing money on credit. When looking for a credit card, you'll find that most cards have variable APRs, meaning that the interest rate fluctuates over time. In this case, credit card companies will likely advertise a range within which the APR on a card will fall. You might also find that some cards offer a 0% introductory APR for a given time period, after which the variable APR kicks in. This is usually done to entice you to sign up for their card. If you plan to make a big purchase soon after getting your credit card, consider choosing a card with a 0% introductory APR so that you have time to pay off the purchase without interest. Credit cards with higher APRs are often available for people with lower credit scores or offer higher rewards, so consider your individual situation when evaluating the interest rates on different cards.

✓ **Rewards**

Many credit cards offer rewards in exchange for frequent use. These rewards include airline miles, hotel points, discounts at specific stores, cash back, and more. If you want to earn something in return for your credit card use, choose a card that rewards your spending habits

and provides you with relevant incentives for your lifestyle. Keep in mind that credit cards with the best rewards usually require good credit and may charge higher interest rates on your balance. Try and pay your balance on time and in full to maximize the benefits of your card.

✓ **Late Payment Fee**

If you don't pay the minimum amount due on your credit card each month, you'll likely face a late payment fee. This fee can quickly add up and greatly diminish the benefits of using a credit card. When choosing a credit card, pay attention to the late payment fee, the minimum monthly payment amount, and other terms regarding when and how your monthly bill must be paid.

✓ **Balance Transfer Fee**

If you plan to transfer credit card debt from one card to another to get a better interest rate, you'll want to take note of the balance transfer fee. On average, balance transfer credit cards charge between 3% and 5% of the amount of debt that you're transferring. However, you might choose a card that charges no balance transfer fee within a certain introductory period. This fee should also be on your radar when choosing a card if you have outstanding credit card debt.

✓ **Foreign Transaction Fee**

If you anticipate traveling internationally in the future, consider choosing a credit card that doesn't charge a foreign transaction fee. This way, you can use your credit card overseas to get the best possible exchange rate without sacrificing 3% or so of your purchases.

Banking questions? Call us at 978-462-3106 or email us at info@institutionforsavings.com.