



Choosing a Credit Card

It can be easy to choose a credit card to meet your needs. It's just a matter of knowing what you want. Some important factors to research include:

- Incentives and terms
- Whether you plan to carry a balance or pay in full each month
- Annual percentage rate (APR)
- Membership and other fees
- Grace period for payments

Incentives & Terms:

Credit card companies often use extras to attract new customers. Some popular perks include:

- **Promotional APR.** You may get a certain number of months at a lower or even zero percent interest. This special rate may apply to new purchases, balances you transfer from another credit card (often for a separate fee) or both.
- **Sign-on bonus.** Some cards offer a cash back award if you charge a certain amount within a certain time frame. For instance, a card may give you back \$150 when you use it to spend \$500 within 60 days of opening your account. That's a 30 percent bonus. Not bad, right?
- **Rewards.** Reward programs come in a variety of formats. Some offer a fixed cash back amount on all purchases. Others offer higher percentages but only on certain types of purchases. Still others offer air travel miles, gift cards or even a catalog of items you can buy with points. Knowing how you'll use the card will help you choose the best one for you
- **Other benefits.** Some cards may also provide added services such as:
 - Discount offers from merchants
 - Free insurance coverage on certain transactions
 - Price comparisons with the chance to get a rebate on large purchases and more

Carrying a Balance?

If you expect to carry a balance, you may favor lower and promotional interest rates. If you never carry a balance, you may look to get the most out of a reward program. It can pay to do the math.

Be sure to weigh what you expect to pay in interest against what you expect to earn through any reward programs. For example, earning \$200 in rewards but paying \$250 in interest is a net loss of \$50. It would be better to earn no rewards and pay only \$20 in interest.

APR

Your card's APR is the interest rate you pay in a year. So if your interest rate is 12 percent and you carry a \$1,000 balance on the card, you'll pay \$120 per year in interest. That's \$12 each month. By doing some homework, you can land a credit card with the lowest interest rate possible. If a card starts with a promotional rate, be sure to know what the regular rate will be and when it will take effect.

Membership and other fees

You'll want to compare fees. There are many cards with no annual fees these days. And some cards that have yearly fees may offer the first year free.

Look out for other fees and be sure to watch your credit limit and make payments on time. Paying late on one card can sometimes trigger other issues, like:

- Higher interest on your card
- Higher interest on other accounts
- Lower credit score

Grace Period

Many cards won't charge interest as long as you pay off the balance each month. The grace period is the amount of time between the date of a transaction and the due date of the next bill. If you carry a balance, you may lose the grace period on new purchases.

You can find lots of helpful tools online to help you compare credit card offers. Knowing your credit score can give you an idea about which cards are likely to approve your application.

A little time devoted to research really can translate into extra money in your pocket. Being a savvy credit card consumer can yield more rewards while reducing the amount you'll pay in interest.