Understanding the Use of Credit Cards:

When you buy something on credit, you take possession of your purchase now and pay for it in the future. At its heart, credit is based on trust - the lender trusts your ability and intent to pay. Credit allows you to buy expensive things, such as a new washer, a car, or even a house, while promising to pay for it from future earnings. Credit can give you access to cash in an emergency, and enable you to consolidate debt to better manage your finances.

Consumers today are faced with many choices when it comes to using credit.

COMMON TYPES OF CARDS	PAYMENT SCHEDULE	COMMON USES
Credit card (revolving open-end charge account)	Minimum monthly payments	Food, Clothing, Household Items, Dining Out, Reservations, Vacations, Tickets, Online Purchases
Secured Credit Card (requires a cash collateral deposit that becomes the credit line)	Minimum monthly payments	
Debit Card with a MasterCard or VISA logo	Payment is deducted directly from account at time of purchase	

Credit can smooth your finances and improve your standard of living. However, if not used carefully, credit can put you dangerously into debt. Remember: credit is only a substitute for cash. **IT MUST BE PAID BACK –WITH INTEREST!!**

PROS and **CONS** of using credit:

PROS	CONS
Immediate use of goods and services	Credit costs money
Helps to build your credit score	Can add cost to purchased goods and services and tempts overspending
Reservations and purchases by phone or Internet	It ties up future Income
Emergency cash	It may result in losses
Shopping Convenience	*Shopping Convenience*