

JOURNAL REPORTS: WEALTH MANAGEMENT

# Test How Much You Really Know About Credit Cards

What might happen if you're late on a payment? See if you're right.



Steve Martin and John Candy in 'Planes, Trains and Automobiles.' What's in the wallet? PHOTO:PARAMOUNT/EVERETT COLLECTION

*By Chris Kornelis*

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What you don't know about your credit cards can cost you cash. And there may be a whole lot you don't know.

Now is the time to find out. What follows are 10 (plus a bonus) questions that test your knowledge of how the average family uses credit cards, as well as what individual consumers need to know to best use their cards.

So before you charge your next purchase, you might want to see just how savvy you really are.

## 1. How long are credit-card debtors in debt?

- A. 56% for at least a year
- B. 37% for at least two years

C. 23% for at least three years

D. 14% for at least five years

**Answer: All are correct.** According to a CreditCards.com poll. Ted Rossman, industry analyst for CreditCards.com, says that 7% of credit-card debtors can't remember how long they've been in debt.

2. What percentage of families use credit cards strictly for convenience, not to carry a balance?

A. 85%

B. 12%

C. 58%

D. 31%

**Answer: C. 58%,** according to a report from the Federal Reserve

**3. Does it make financial sense to pursue credit-card points while maintaining a balance?**

- A. Yes, if you can get 3% back at gas stations and grocery stores
- B. Only if you get 1.5% back on most other purchases
- C. No, it doesn't make sense
- D. Yes, as long as you pay your balance off within 18 months

**Answer: C.** Says Mr. Rossman: "Rule No. 1 for any reward strategy is you have to pay those bills in full."

**4. Paying \$150 a month, how long would it take to pay off a \$8,602 balance with a 17% interest rate, and how much interest would you pay?**

- A. 75 months, \$3,813 in interest
- B. 92 months, \$4,556 in interest
- C. 119 months, \$9,242 in interest
- D. 160 months, \$11,557 in interest

**Answer: C.** 119 months, \$9,242 in interest, according to Bankrate.com's credit-card payoff calculator. \$8,602 is the average credit-card debt held per household that carries a balance, according to an analysis of Fed data by WalletHub.com, and the average interest rate for interest-charging credit cards is about 17% according to the Fed.

**5. If you're late on a credit-card payment, your issuer could do which of the following:**

- A. Reduce your credit limit
- B. Raise your interest rate to 29.9%
- C. Report you to the credit-reporting firms
- D. All of the above.

**Answer: D.** All of the above. Mr. Rossman says companies don't typically report late payments to the reporting firms until payments are 30 days past due, and raise rates to the penalty rate of 29.9% until they are 60 days late.

**6. For purchases under \$10, which of the following methods of payment is most popular?**

- A. Cash
- B. Debit
- C. Credit
- D. Check

**Answer: A.** According to a CreditCards.com poll released earlier this year, 49% of adults in the U.S. pay with cash for in-person purchases under \$10, while 35% use debit and 16% use credit.

**7. When Chase Sapphire Reserve offered a 100,000-point sign-up bonus in 2016, it was so popular that:**

- A. Chase ran out of the metal used to make the cards
- B. J.P. Morgan Chase filed for bankruptcy protection
- C. Airlines stopped accepting the points
- D. Chase eliminated the card

**Answer: A.** Chase ran out of the metal used to make the cards. The card has since downshifted to a 50,000-point-bonus sign-up offer.

**8. The original Diners Club card, the first universal credit card introduced in 1950, was made out of what material?**

- A. Cardboard
- B. Wood
- C. Carbon paper
- D. Plastic

**Answer: A.** Cardboard.

**9. Credit cards issued by retailers often offer “deferred interest,” meaning no interest paid for a promotional period. What happens if you have a \$1 balance after the promo period?**

- A. You begin paying interest on \$1
- B. You’re charged all accrued interest

C. Home Depot takes back the sink

D. The retailer erases your balance outstanding as a courtesy

**Answer: B.** Mr. Rossman says cards issued by retailers often offer “deferred interest,” meaning that even if you have a \$1 balance at the end of the promotional period, you’ll be charged all of the interest that accrued over the promotional time. General-purpose cards with a zero-interest promotional period, on the other hand, typically do not charge or accrue any interest over the zero-interest promotional period.

**10. What is the average annual percentage rate for a retail-store-only credit card?**

A. 27.5%

B. 15.4%

C. 20.3%

D. 7.5%

**Answer: A.** According to a recent CreditCards.com survey, the average store-only credit card APR is 27.5%, up 29 basis points in 2019.

*And now a bonus question, just for fun...*

**11. In the 1987 movie “Planes, Trains and Automobiles,” Steve Martin’s character, Neal Page, carried a Visa card, a gas card and a Neiman Marcus card. John Candy’s character, Del Griffith, carried a charge card for which retailer?**

A. Target

B. Sears

C. Zales

D. Chalmers Big & Tall Men’s Shop

**Answer: D.** “It’s a seven-outlet chain in the Pacific Northwest. Great stuff. Unfortunately, it does us no good here.”

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