

CREDIT CARDS - FRIEND OR FOE?

# HOW TO GET OUT AND STAY OUT OF CREDIT CARD DEBTS

*A SIMPLE STRAIGHTFORWARD GUIDE*



**GEMMA BALINAS MACARO**

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by Gemma Balinas Macaro

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# Introduction

## What Inspired me to write this Book?

No one wants to be burdened with debt. I had been there. Many had been there one way or the other. It robbed you of your peace of mind. Through this book, I will be sharing something valuable to others. That gives me immense joy knowing that they will also benefit from it. Sharing is caring!

Everyone wants to live a happy, debt-free and stress-free life! But what if you are already in a situation where it seems you no longer have a way out? You are going to do everything you can to find a way, right?

Before anything else, treat the information from this book similar to the way you eat fish – you eat the meat and spit out the bones. When you feel that a certain way or strategy will work for you, then take it in. But, if you find something that does not work for you, please just spit it out. I hope it's fair enough.

If you or any of your loved ones are in serious credit card debt and looking for a surefire way to get out of debt and stay out for life, then this credit repair and debt management book is for you. If you owe money on your credit cards and do not see a way out, then you need this book. With the help of this debt management manual, take control of your finances, and take charge of where your money is going.

Gaining knowledge in debt management can help everyone live a happier, less stressful life. This book was written to provide every individual who is buried under massive debt and needs assistance and guidance to pay off their debt without ruining themselves forever.

The strategies and methods described in this book will help you deal with credit card debt and any other debts you might have. This book will change your life by making you in charge of your money instead of your money being in charge of you. This guide is ideal for anyone who has a credit card debt and needs help to keep track of their finances. Based on proven results, this simple, straightforward guide will completely overhaul your money habits.

This is the perfect book if credit card debt elimination is your goal. This comprehensive credit card debt management guide will help you accomplish a credit card debt-free life. You will need this book to overcome your credit card debt and any other financial problem you face.

## CHAPTER 1

# Why Are You In Serious Credit Card Debt?

**Credit card owners, especially new owners, tend to use the credit card unwisely. The reason why some people are in serious credit card debt is that they may have used their credit card imprudently. The following discusses more.**

1. **It is easy to overspend when you are using a credit card:** When you spend cash, your wallet gets thinner with spending. This makes you cautious about spending more. Additionally, you cannot spend any more if your wallet is empty. On the other hand, with a credit card, there is no psychological barrier that will prevent you from overspending.
2. **Credit card is easy to use:** In this age of e-commerce, it is easy to use a credit card. You can buy just about anything with your credit card with a click. You can buy accessories, clothes, furniture, groceries, and even vegetables!
3. **Do not have to pay now:** The nice thing for a new user like you is that you do not have to pay instantly. So you think that you can spend more and pay back later. However, that later date never arrives, and you get submerged to serious debt.
4. **No emotion:** When you spend with cash, you have to literally hand over the money to another person. You had to work hard to earn that money. So it is hard to let it go. This is the reason you spend less when using cash. On the other hand, with a credit card, you are just handing over the credit card. New credit card users think that they have to pay it back, but it is not now, and there is plenty of time left to repay.  
Additionally, you are not using your own money when using a credit card. You are borrowing from another person or a bank. So it is easy to spend money that you don't have to earn. There are no emotions attached to credit card usage

because there is no visible or tangible cue that you are impulsively spending your money on.

5. **You get rewards:** Credit card companies give you various rewards and benefits, and you get hooked. Use your credit card, and you can win various points and prizes for things like shopping, flights, fuel, and others. However, at the end of the day, it is not that rewarding (unless you are a big businessman or a millionaire). Stay level headed about the rewards you get from credit card companies. When you calculate all the positives and negatives of credit card rewards, you will notice you have to spend more to get a little benefit, which is not worth it.
6. **EMI option:** Even when you are crossing your credit limits, the credit card companies offer you EMI (Equated Monthly Installment) options so you can spend more. For new credit card users, the EMI option may sound cool, but it is not. By taking the EMI option, you are crossing your credit limits, gaining more debt, and have to spend more because you have to pay interest on EMI purchases.
7. **Helping others:** You want to help one of your relatives or a close friend who is in real need of assistance. However, you do not have enough funds, so you use your credit card to assist them. This may be one of the reasons why you are in serious credit card debt.
8. **Emergency Situations:** When one of your family members got sick with a serious illness or got an accident and there is no insurance or other sources of funds. You left with no choice but to use your credit card for hospital and other medical expenses.
9. **You used your Card to start a business:** You borrowed funds against your card to use as capital to help set up a traditional business like a clinic, a restaurant, a salon, etc. but due to fortuitous events, your business was not able to take off while you were left paying off your card but have not earned yet from your business.

*These are just some of the scenarios. There might be more which I may have overlooked here, depending on each individual experiences.*

## CHAPTER 2

# How To Maximize The Benefits Of Your Card

**In this chapter, we are going to discuss how you can use your credit card smartly, avoid charges, and maximize benefits.**

1. **Avoid paying finance charges:** The best way to avoid finance charges or interest charges is by paying your entire credit card loan before the payment due date. You must pay your credit card balance in full every month before your grace period ends. The grace period is the time between your credit card statement issue date and payment due date. In some instances, credit card companies may offer introductory grace periods, which is longer than normal (one month to a year).
2. **Cash Advance Fees:** In some instances, some credit card companies allow customers to withdraw an amount of money in cash; it is called a cash advance. This is added to the customer's credit card balance. However, taking this loan is suicidal. Some banks charge a fixed cash advance fee of ₱500, while other banks charge up to 5% of the amount borrowed. The reasons are - this loan has a higher interest rate, and it does not have a grace period, so you are charged interest from the day of the advance. So how to avoid this cash advance trap? First, you never use your credit card to withdraw cash from an ATM, and secondly, set up an emergency fund so you can use it in an emergency.
3. **Over-the-limit or over-limit fee:** When your card's balance exceeds your credit limit, an over-limit fee is charged. No matter the amount, you could be charged between ₱500 and ₱1,500. The amount depends on your bank. You should keep your card utilization ratio around 30% or less. To avoid over-limit fees, simply stay well under your credit limit.

4. **Returned check fees:** If you pay your credit card payment via a check, then you might have to pay this fee. Depending on banks, ₱500 and ₱1,500 for every returned check. There are different reasons for returned checks, such as incorrect details, insufficient funds, and closed accounts. Avoid paying your dues via check to avoid returned check fees. Use other methods such as your issuer's mobile banking, ATM, and online facilities.
5. **Foreign transaction fee:** If you use your card outside the Philippines, then you have to pay a foreign transaction fee. You have to pay up to 3.5% . To avoid this fee, you can use a travel credit card that does not have a foreign transaction fee, or you can use a credit card without a foreign currency transaction fee. Lastly, you can pay cash instead of using a credit card abroad.
6. **Annual fee:** Annual fee is a yearly fee for using the credit card. To avoid it:
  - Use a credit card without an annual fee.
  - Use a credit card company that offers a first-year annual fee waiver.
  - Collect reward points to waive annual fee
  - You can ask your bank for an annual fee waiver
7. **After one year of use, call your credit card company and ask for a lower interest rate:** If you have a good credit history, then you are likely to get a lower interest rate. If the answer is no, consider a balance transfer to a lower-rate card.
8. **Negotiate a Lower APR:** An annual percentage rate or APR is the annual rate that is charged for borrowing/lending money and is expressed as a single percentage, which denotes the actual yearly cost of funds over the term of a loan. The higher the APR, the worst it is for you. Here is a simple step, call your credit card company and ask them to lower your credit card's APR.



## Tips for using cash-back and rewards credit cards

1. **Stay focused on your monthly budget:** You need to use your credit card in a planned way. Using credit cards gives you rewards and cash backs, but it does not mean you overspend just to get some reward or cashback. Various studies show that people often overspend just to get cashback or reward. So make sure your credit card is working for you, not against you. For example, if you need to spend 5000 pesos on groceries and 3000 on gas, then use only that amount and not more to get rewards or cash backs.
2. **Pay bills more than once:** Paying your bills several times will make it easier for you to track your monthly spending habits. Additionally, paying your bill regularly will help you with your credit score.
3. **Track your spending:** With every credit card usage, you get a receipt, use it to your advantage. Compare your spending with your monthly budget to know if you are on track or not. There are various apps, such as this (<https://cinchfinancial.com/>), to track your spending.
4. **Only necessary purchases:** Use your credit card to make purchases that you are going to do it anyway. Often beginner credit card users overspend to get rewards or bonus points. You don't need to dine out every other day or upgrade your living room furniture to get some extra points or get cashback. Use your credit card only for necessary purchases. You can use your credit card for groceries or pay gas bills.
5. **Get all the benefits you can:** Take full advantage of your credit card perks to get guaranteed returns, purchase protection, and extended warranties. Also, some travel cards give additional benefits such as travel accident insurance, baggage delay insurance, auto rental coverage, and trip cancellation/interruption insurance.
6. **Rack up as many points as possible:** You can pay your health insurance, utilities, auto insurance, daycare, etc. with your credit card. Use these general purchases to get as many points as you can.

## CHAPTER 3

# The Best Credit Card Issuing Banks

Here are some of the most common credit cards you can find in the Philippines today.

1. **Basic credit cards:** You are given a credit limit with a basic credit card. This is the maximum you can spend. You are free to spend as long as you stay within the limit. It is required that you pay back the minimum amount every month. However, you should pay back the complete amount in full. Some of the banks that offer basic cards are Security Bank, UnionBank, Citibank, HSBC, Metrobank, and PNB.
2. **Prepaid credit cards:** You deposit credit into the card and use it. With this card, you can control your spending. You can also use it as a gift to someone. You don't need to sign up for a bank account for the prepaid credit card. Prepaid cards are usually connected to networks such as MasterCard or Visa. This means they are ideal for day-to-day expenses, travel, and online purchases. Some of the prepaid cards are Cash Card MasterCard by BDO, Prepaid Visa Card by EastWest Bank, Prepaid MasterCard by PSBank, Visa Debit Card by LandBank, and Yazz Card by Metrobank.
3. **Specialty credit cards:** This credit card is used for a specific purpose. This credit card gives an advantage to targeted people or groups. Two such specialty cards are:
  - **Business cards:** Business card is for business owners and gives them certain advantages. Business owners can use this card for fuel discounts for company cars, buying office stationery at a discount rate, or use for corporate purposes. Some of the popular cards are PNB Multi-Corporate Card, BPI Corporate MasterCard, and BDO MasterCard/ Visa Corporate Card.
  - **Student cards:** This card is for students who are over the age of 18. This card has a lower limit but offers advantages such as interest-free periods, better interest rates, etc.

4. **Reward cards:** This card gives spender rewards or discounts as they purchase products. For example, the cardholder gets a % if they purchase from a specific super shop, or get a discount if they buy an air ticket from a certain airliner, etc. Some of the top reward credit cards are BDO ShopMore MasterCard, Citibank PremierMiles Visa, UnionBank Miles + Platinum Visa, and Metrobank Travel Platinum Visa.
5. **Low-interest credit card:** A low-interest rate is the main advantage of this card. These card owners do not get other perks, or promotions or rewards.
6. **Secured:** This card is better for a person who has a bad credit history. You deposit an amount to get this card. Although others purposely applied for this card so they can control their spending. Best secured credit cards in the Philippines are Metrobank Save and Swipe, BPI Express Start, and AUB Secured Credit Card.
7. **Balance transfer:** Usually, this credit card offers a 0% interest rate for the first 6 to 12 months. This card assists customers to transfer the balance from another card onto the new one. However, if you fail to pay off the balance, then you will end up with a lot of interest charges.
8. **Airline Miles:** Offering airline miles is one of the most popular credit card perks. The credit card company makes an agreement with certain airlines, and you can accrue points or miles when you buy tickets from that airline regularly. If flying is a regular thing for you, then airline miles credit card is best for you. Some of the popular cards are Metrobank WorldMastercard, UnionBank Gold Card, BDO Visa Classic, and PNB Jaguar Platinum MasterCard.
9. **Cashback credit cards:** This card gives credit cardholders cashback points when they spend a certain amount with the credit card. Partner merchants like utility companies, supermarkets, and gas companies will provide discounts to the credit card owners.
10. **Easy approval credit cards:** Some people do not meet all the requirements for owning a credit card. This credit card is for those individuals. This card does not offer too many added benefits to the cardholder, but they can use it during emergencies. Different banks offer different benefits such as dining points, cashback, air miles, no late payment fees, etc.

## Best credit cards in the Philippines

1. **Citi CashBack Card:** This credit card is for the professional who lives within Manila.

### Pros:

- 0.20% rebate on all purchases
- Up to 2% rebate on your Meralco bills
- Up to 6% rebates at supermarkets

### Cons:

- You need to have minimum P250,000 earning to get this card
- P3,500 annual membership fee
- Need to spend at least P10,000 per month to get maximum rebates

More information here: <https://www.citibank.com.ph/gcb/creditcards/cash-back-credit-card.htm>

2. **EastWest Platinum Card:** This card is designed to offer the most benefits to Filipinos who travel frequently.

### Pros

- No annual fees
- Free travel insurance (up to P20 million)
- Access to 950 VIP airport lounges across the world
- You will get discounts at several restaurants and resorts across the country

### Cons

- Suitable for frequent flyers

More information: [https://www.eastwestbanker.com/info/ewcc\\_afnow.asp](https://www.eastwestbanker.com/info/ewcc_afnow.asp)

3. **BPI Family Credit Card:** If you are looking for low-interest rates, then this card is for you.

Pros

- Low annual fee of P1000
- Low-interest rates of 2%

Cons

- Fewer discounts
- No point system to get rewards

More information: <https://www.bpicards.com/Docs>

4. **RCBC Bankard Gold Card:** Points based card means you get more benefits with more usage.

Pros

- 0% installment for purchases abroad
- Cheap access to airport lounges
- More rewards
- Free travel insurance

Cons:

- 3.5% interest rate
- Annual membership is P3,000
- Minimum income of P30,000 per month

More information: <https://www.imoney.ph/credit-card/rcbc>

5. **HSBC Red Mastercard:** This card is ideal for residents who make local purchases.

Pros

- 3% fuel rebate on Caltex gas purchases
- Good bonus point opportunity
- Minimum income of P13,500 to avail this card

#### Cons

- High late payment charge

More information:

[https://www.hsbc.com.ph/1/PA\\_ES\\_Content\\_Mgmt/content/philippines/personal/for-ms-documents/pdf/cc\\_final\\_faq.pdf](https://www.hsbc.com.ph/1/PA_ES_Content_Mgmt/content/philippines/personal/for-ms-documents/pdf/cc_final_faq.pdf)

### 6. **AUB Easy MasterCard:** They offer flexible payment terms.

#### Pros

- Free annual membership
- Flexible payments
- Easy to earn points

#### Cons

- Only reward point program. No other offers

More information: <https://www.aub.com.ph/creditcards/aboutAubEasy>

### 7. **BDO Diners Club Premiere:** This is another travel-friendly credit card.

#### Pros

- Diners club privileges across the world
- Opportunity to earn airline miles

#### Cons

- Minimum monthly income required is P71,000
- High annual fee of P4500

More information: <https://www.bdo.com.ph/personal/credit-cards/diners-club-diners-club-premiere>

### 8. **PNB Mabuhay Miles World MasterCard:** This card is best for loyal Philippine airline customers.

#### Pros

- Priority check-in
- Free 2,000 Mabuhay miles for new customers
- Free Mabuhay miles when you purchase a certain amount of ticket

#### Cons

- Minimum monthly income of P40,000
- High annual fee of P6,000

More information: [https://www.pnbcards.com.ph/index.php/apply\\_now](https://www.pnbcards.com.ph/index.php/apply_now)

9. **Bank of Commerce Gold MasterCard:** This card is ideal for shoppers.

#### Pros

- 0% installment plans at certain stores
- 5x rewards points earned at certain shopping and dining establishments

#### Cons

- Only reward point program
- More information: <http://www.bankcom.com.ph/ccard.php>

10. **American Express Gold Card:** This card is for you if you related to Filipino US residents and citizens.

#### Pros

- Can convert 1 reward point to 6 airline miles
- Membership rewards that never expire
- No spending limit

#### Cons

- Billed in US Dollars
- High annual fee of \$150 (Peso 7751.77)

More information: <https://www.bdo.com.ph/personal/credit-cards/american-express/american-express-gold-credit-card>

## CHAPTER 4

# Can You Be Imprisoned Due To Non-Payment Of Credit Card?

We will discuss this point in a moment, but first, let us know how you can keep your credit cards safe.

### How to keep your credit card secure

1. **Sign at the back of the card as soon as you receive it:** It gives you extra protection if the card falls into someone else's hands. Also, store your PIN separately.
2. **Account number:** Various ways thieves can get your credit card number. To prevent it:
  - Keep your credit card private. Do not show a photo of your card on social media.
  - Don't give your credit card number over the phone. You can only do it if you are talking to the bank or a person you can trust.
  - Never answer an email that asks for your credit card information, even if it is from the bank.
3. **Keep your information current:** If you shift, then inform your bank instantly, so no bank document falls into the wrong hands. Check regularly that banks have your correct phone number, email address, and home address.
4. **Be careful with your receipts:** Check your receipts against your billing statements and make sure everything matches. Securely file the receipts you need and shred the ones you don't need.



## 5. **Secure your devices and networks:**

- Make sure your computer is protected by a firewall.
- Keep your operating system, browser, and software up to date.
- Install security software: Install anti-virus software and malware and hack prevention software such as Malwarebytes on your computer. You can install this software from Bank Of America.  
(<https://www.bankofamerica.com/privacy/online-mobile-banking-privacy/trusteer-rapport.go> ).

6. **Protect yourself online:** These days, online shopping is popular. So you need to be careful about online credit card usage. Shop only from trusted and established businesses. Choose only sites with https; here “s” stands for secure. Avoid “http” sites. Careful not to share information on secure sites unless you have to. Check policies on payment, shipping, returns, and refunds. Keep copies of the receipts.
7. **Keep your passwords secret:** Avoid easy to guess passwords such as birthdays, family member names, or places you have visited. Use (<https://strongpasswordgenerator.com/>) sites such as this to create a complex password. Change passwords regularly.
8. **Check your account regularly:** Check your account often and keep yourself updated.
9. **Inform immediately:** Inform the bank authority immediately if your card gets stolen.

## **Here are a few more tips on credit card security**

1. **See your card as cash:** Your credit card is a cash machine. So don't give your credit card to strangers or leave it lying around.
2. **Careful when you travel:** When traveling, use your card at bank ATMs and trusted retailers. Inform your bank before travel so they can track any suspicious activity. If you are using your laptop, then keep your anti-virus protection updated.

3. **Avoid public computers and Wi-Fi:** Using an open Wi-Fi network and a public computer is extremely risky. So browse online shops and compare but avoid buying anything. Buy when you get back and on your home computer. Never enter your credit card information on public computers because these computers may be infected with hack tools and malware.
4. **Don't save your credit card number:** Saving your credit card information on the browser makes it easier for you to buy things with 1-click. However, it is a risky strategy for you. So type your card info for every purchase and keep yourself secure.
5. **PIN number:** Don't give your PIN to anyone. Not to your friends, not to your parents, not even to your priest.
6. **When using ATMs:** Sometimes, thieves install devices at ATM terminals to steal credit card information. So use ATMs that are installed in the bank and check for suspicious devices when using other ATMs.

## Are you going to jail?

Some Filipinos believe that unpaid credit card bills can send them to jail. However, unpaid debt is not considered a criminal offense in the Philippines; it is a civil liability issue. Sec. 20, Art III of the Philippine Constitution states that no person can be sent to jail because of debt. So you can sleep soundly knowing that you are not going to prison for credit card debt. However, if you change your residence without informing your bank (while you owe money to the bank), it is considered a criminal offense.

Additionally, if you try to defraud a bank by sending a check to pay your bills when your account has insufficient funds or the account is closed, then according to the "Bouncing Checks Law," the bank can file a criminal case against you. As you can see, trying to scam a bank is different than credit card debt.

## Features of the restructured credit card debt

- Long repayment terms. Starting from 12 months to 10 years for extreme cases
- Low-interest rate of 0% to 1.5%.

## Things to do when you have a credit card debt

1. **Know your protection and rights as a credit card owner:** As you know, banks cannot send you to jail for credit card debt. As they cannot punish you, your bank will offer you easy terms to pay off your credit card debt.
2. **Understand the terms and conditions:** Read the fine print when getting your credit card. The papers describe all the terms and conditions. Also, understand all the terms and conditions clearly when settling with your bank to pay off your debt.
3. **Deal with banks:** Avoid dealing with credit collecting companies because they get a commission on collecting unpaid debt and will charge you more. On the other hand, banks are only interested in getting their money back. So they will offer you easy terms.
4. **Settle in court:** As a neutral arbitrator, the court will grant you favorable terms.

## CHAPTER 5

# Credit Score

**In this chapter, we will discuss everything about the credit score.**

### **How a credit score is established**

Credit scores are on a scale from 300 to 850. 300 is very bad; 850 is very good.

### **Here is how your score is calculated**

- **Payment history** - 35%: Paying your credit card bill and loan payments on time are the most important things for good credit. A payment that is 30 (1 month) days late can cost users with a credit score of 780 or higher anywhere from 90 to 110 points.
- **Credit utilization** - 30%: This is the ratio of how much you owe to how much you are allowed to spend. Every time you pay with plastic, you are utilizing your credit.
- **Length of history** - 15 %: Longer credit history increases your score since it shows the bank that you have a proven track record.
- **Credit mix** - 10 %: This is how many types of credit you have in use. The more you have the more data points the bank has to judge you. This is a good thing if you make all your payments on time and a bad thing if you don't.
- **Account inquiries and new credit** - 10 %: If you are opening up a bunch of new cards in a short period of time, it is a bad look. If a lender looks at your credit report, you also get a slight penalty.

## **Penalized for someone looking at your report**

It depends on who is looking. A hard inquiry and a soft inquiry are two different things. A hard inquiry is when a lender checks specifically to approve a new credit card or a loan (home and auto included). A soft inquiry is when a potential employer does a background check. A hard inquiry will affect your credit score, while a soft inquiry won't.

## **Important credit score factors**

### **Payment history**

One of the first things that creditors will look at is your payment history. They will be interested in knowing how reliable you are when it comes to paying off bills. Your past payment performance will indicate your future performance. You will be able to influence your credit score positively by paying all your bills on time. Paying at a later date or paying a lesser sum can negatively impact your credit score. It is a good idea to make use of automated payment services as they can pay debts on time without your active involvement. If you have a late or missed payment history that is older than seven years or more, then their impact on your credit score will begin to decline over time. This means that older late payments will have less impact on your score compared to recent ones.

### **Credit utilization ratio**

The credit utilization ratio is an important factor to consider when calculating credit scores. The credit utilization rate can be calculated by dividing the total credit card balance by total available credit or credit limit. Credit scoring models will consider credit utilization rates across all the cards you own and the rates of individual cards. Lenders prefer to look at lower ratios of 30% or less, and those with the best credit scores are likely to have lower utilization ratios.

A lower credit utilization ratio will indicate to lenders that you have maxed out your credit cards and cannot manage credit well. If you want to influence your credit score positively, then here are some things to do:

- Pay off debt and maintain lower credit card balances
- Be an authorized user on another person's account

It might seem like an easy option to apply for a new credit card, but it will invite a hard inquiry on your credit report. If you end up having too many of these, it can negatively impact your credit score.

## **Some more tips to improve your credit score**

- Developing discipline and control to avoid using credit cards
- Leaving unused credit accounts open. These accounts can add to the total credit that you have at your disposal. Not using them up can help to keep the credit amount low, thus leading to a lower credit utilization ratio.
- You can apply for a new credit account only if it is necessary to do so. Any unnecessary credit card can end up harming your credit score in different ways by generating too many hard inquiries on the credit report and tempting you to spend and accumulate too much debt.
- Go through your credit card history to find inaccuracies and clear them up first.
- It is important to guard your account against identify theft. Keep checking your account regularly and monitor all the activities.
- Report immediately if there are any signs of fraud.

## **Now we will discuss strategies that will get you a better credit score**

1. **Review your credit reports:** You need to review your credit reports to know what is working in your favor or against you. Get a copy of your credit report from these three major national credit bureaus: TransUnion, Experian, and Equifax. You can get this report free once a year via this ([AnnualCreditReport.com](http://AnnualCreditReport.com)) website. Get the report and review it to know what is good and bad about your report. Things that boost your credit score include low balances on your credit cards, a history of on-time payments, older credit accounts, a mix of different credit card loan accounts, and minimal inquiries for new credit. On the other hand, high credit card balances, late or missed payments, collections, and judgments can damage your credit score.

**2. Smooth bill payments:** Most of the top lenders use FICO credit scores to determine loan eligibility. FICO credit scores are based on five factors:

- New credit inquiries (10%)
- Credit mix (10%)
- Age of credit accounts (15%)
- Credit usage (30%)
- Payment history (35%)

From the above, you can see that payment history has the most impact on your credit score. So, for example, if you had old student loans and paid them in full, then that record will work in your favor. Avoid late payments at all costs to improve your credit score. Some tips include:

- Create a filing system to keep track of your monthly bills. It can be either paper or digital.
- Set due date alerts on your phone.
- Talk to your bank, so they automate your bill payments
- Another option is if you charge all your expenses and bills on one credit card. This method only works if you pay your bills on time and in full every month. A history of on-time payments improves your credit score.

**3. Credit utilization:** It means the portion of your credit limit you are using at any given time. This is the second most important factor in FICO credit score calculations. Paying your bills on time and in full is the best way to keep your credit utilization in check. Occasionally, if you cannot do it, then try to keep your total balance at 30% or less of your total credit limit. Even better if you can lower it down to 10% or less. Asking for a credit limit increase is another way to improve your credit utilization ratio. As long as your balance does not increase in tandem, raising your credit limit can help your credit utilization. You do not have to go to your bank to request a credit limit increase. You can do it via phone or online.

- 4. Limit “Hard” inquiries:** There are two types of credit card inquiries, “soft” and “hard.” Soft inquiries include checks done by credit card companies to send you credit offers; checks are done by financial institutions (companies you do business with), check by you or checks by a potential employer. Soft inquiries do not affect your credit score. In contrast, hard inquiries can affect your credit score adversely. Hard inquiries are triggered when you apply for a mortgage, an auto loan, a new credit card, or some other form of new credit. Occasional hard inquiries do not have that much effect, but several hard inquiries in a short period can damage your credit score. Banks will assume that you need more money because you are in financial difficulty and a bigger risk.
- 5. Avoiding a thin credit file:** A thin credit file means you do not have a credit history of producing a better credit score. You can use various programs to avoid this problem. One is the Experian Boost. This program collects data that is not normally added to your credit report, such as your utility payments, banking history, and includes them in your Experian FICO credit score. The tool is free to use. Another free program is UltraFICO. This program uses your banking history to fatten up your credit file. Things that can help include paying your bills through your bank account on time, having a savings cushion, retaining a bank account over time, and avoiding overdrafts. If you are a renter, then you can use this third option. Services such as RentTrack and Rental Karma will report your rent payments to the credit bureaus and boost your credit score.
- 6. Old accounts and Delinquencies:** The credit age portion of your credit score is also important. You appear more favorable to lenders with old credit records. So do not close your old credit accounts that you are not using. And if you have collection accounts, charge-offs, or delinquent accounts, then take action to resolve those. If you have an account with several missed or late payments, then make a plan to pay on time in the future. This will not erase the late payments history but will improve your credit score. If you have collection or charge-offs accounts, then decide whether you can pay the loan in full or can offer the creditor a settlement. Remember, the negative information will stay on your credit report for 7 years.



- 7. Track your progress:** Use a free credit monitoring service to see how your credit score changes over time. They also give you access to at least one of your credit scores from TransUnion, Experian, or Equifax, which is updated monthly. It will also help you prevent identity theft and fraud.
- 8. Pay twice a month:** You often max out your credit card but pay on time every month. So you think you are doing okay. However, your lenders reporting your credit balance to the credit bureaus once a month. So if you use your credit card for big purchases every month, it could look like you are overusing your credit. For example, let us assume that you have a credit card with a \$1,000 limit. You use the card for everything and hit your limit. When the statement arrives, you owe \$1,000. So you send a check to pay it off. But because the credit card company is reporting every month, it will look like you have a \$1,000 limit and a \$1,000 balance. It means your credit utilization ratio is 100%. So pay your credit card bill at least twice a month to avoid this scenario. Additionally, if you make a large purchase with your card, pay it off immediately.
- 9. Know your credit risks:** You will get a free credit report from the three main credit reporting agencies. However, your credit risks would not be included in these free reports. You need to pay to see your risk factors. A paid report comes with a list of risk factors. This list will give you a good starting point on what areas you need to improve. Remember, there are up to 300 different risk factors in a credit score.
- 10. Raise your credit limits:** You can raise your credit limits to boost your credit score. However, it will only work if you have a downward trending score or have missed payment with the issuer. If you have these problems, then the issuer could see your request to raise credit limits as a sign of financial trouble. As long as your score is reasonably healthy, this is a good strategy. Decide the amount you prefer, then call your credit card company and ask them to raise your credit limit.

## CHAPTER 6

# Debt Management 101

**In this chapter, we are going to discuss how to deal with credit card debt.**

### Wipe out credit card debt

It is crucial that you pay off your credit card debt as soon as possible and avoid building it back up. Without all of that money going to credit card company profits, you can build an emergency fund, and live without worrying. The best way to completely wipe out credit card debt is to stop using your credit cards while you are paying down the outstanding balance. Once your debt is paid off and you have built solid budgeting habits, you can begin to use credit cards to your advantage by racking up rewards points and always paying your monthly balance in full and on time.

### Know how credit card interest really works

You have a credit card with an 18 % annual percentage rate (APR), so you expect that you will get charged 18% interest every year, but it is wrong. Credit card companies don't charge your interest annually. Instead, they use APR to calculate a daily percentage rate. You can figure out that rate by dividing that APR on your card by 365. For example, if you have a credit card with a 16.99% APR, your daily percentage rate would be 0.04655%. That daily percentage rate gets applied to your average daily balance, another credit card complication. Your average daily balance starts with your balance due from last month, then adds purchases and subtracts payments day by day to come up with each day's balance for every day in your billing period.

Next, all of these daily balances get added together, then divided by the number of days in the billing period to get the average daily balance. Remember that credit card companies charge compound interest on your balance. That means you pay interest on your interest that was charged in previous months. So you will pay compound interest. The only way to completely avoid credit card interest is to pay your balance in full every month.

## **Lower your average daily balance**

Make payments as early and as often as you can to make your average daily balance lower. Instead of making one big payment on the due date, split it up into two or more payments spent earlier in the month. Let's look at an example. Say your last balance was \$2,500 (P 128,656.35), and you plan to pay \$500 (P 25,730.54) this month. If your card has a thirty-day billing period, and you make one payment on the twenty-fifth day, your average daily balance would be about \$2,416 (P 124,334.94). But if instead, you paid \$250 (P 12,865.13) on day ten and another \$250 on day twenty-five, your average daily balance would drop to \$2,292 (P 117,947.49). This simple step can reduce your interest charges every month.

## **Make more than the minimum**

Credit card minimum payments are designed to make it take forever to pay off your balance. The longer it takes you to pay, the more money the credit card companies make. When you follow their minimum payment scheme, they get richer, and you lose money. For example, if you pay just 2% of your balance every month (a standard minimum payment), it will take your years to pay it off – and that is if you don't use the card to buy more stuff. By paying more than the minimum – any amount more – you will get out of credit card debt faster and save money in interest. Try to get lower rates on your cards

Once you established a good credit record for a year, call your credit card company and ask to lower your rate. If the answer is no, consider a balance transfer to a lower-rate card.

## **Avoid these balance transfer traps**

When you have very high-rate credit card debt, it may make good financial sense to do a balance transfer, but only in very specific circumstances. In order to pull this off, you will need to find a card that charges no transfer fees and 0% interest for at least 12 months, and you have to be able to pay the balance in full before that fee period is up. If you don't, you may be on the hook for interest at the regular high rate from the time you made the transfer on the full remaining balance. You can also get into trouble if you start using that balance transfer card for purchases. Any payments you make go toward the new purchases first, meaning the balance you transferred is not being paid down. That can lead to a lot of interest due when the free transfer period ends.

## Avoid these common mistakes

### Often new users make mistakes such as these

1. **Start an emergency fund:** If you set up an emergency fund, then when expensive problems crop up, you don't have to turn to credit cards or other borrowing or risk losing crucial assets like a home or a car. Even a small amount of saving in the form of an emergency fund can increase your financial security. Start small and build your emergency savings as fast as you can.
2. **Forward spending with credit cards:** Every time you use your credit card, you are borrowing money, even if you pay your balance in full every month. This habit of spending forward – buying now, paying later – puts you in a position to budget backward. Basically, you are spending money you don't have yet: next month's income. And because next month's income is already promised to pay the credit card, you can't use that income to cover next month's expenses, you are forced to put those expenses on the card, and you are trapped in a credit card cycle. There are two ways to break out of this trap:
  - Option one: Slash your expenses to the bone and pay your credit card balance in full while paying cash for current expenses.
  - Option two: Pay cash for the regular expenses in your budget and not pay your credit card in full; rather, make whatever payment you can afford with the money left in this month's budget.
3. **Not returning stuff you don't need:** Holding on to things that you bought but will never use is one of the most common financial mistakes. If you are feeling buyer's remorse, and there is still time to return the item you purchased, return them. Most online shops make returns simple, often providing prepared shipping labels and posting instant cashback on the card you used once they get the package. Don't get persuaded to stick with something that you don't really want.
4. **Not paying bills on time:** Paying your bills late, even once in a while, can destroy your credit rating. In most cases, you will be charged late fees, making next month's bills even bigger. Paying credit card bills even one day late can trigger penalty interest rates that may be significantly higher than the regular rate. That means a larger portion of every payment you make will go toward interest, so less goes toward your loan balance, which keeps you in debt longer. Plus, all of that extra interest you are paying sucks up room in your budget, making it much harder to reach your financial goals or even make ends meet.

On top of that, late payments show up on your credit report and lower your credit score. That means any time you want to borrow money in the future, it will be more expensive. You will be charged higher interest rates on everything from car loans to mortgages. Also, poor credit can make it much harder to get an apartment, a job, or life insurance.

5. **Making minimum payments on credit cards:** Paying only minimum monthly payments on your credit card bills is a huge money mistake. When you make only minimum payments, you will be in debt years longer and pay thousands more in interest. Doubling that minimum payment could cut your repayment period in half, so you will be out of debt in two or three years instead of six. The sooner you start making bigger payments, the more you will save in interest, keeping more of your money for yourself.

## **Now, we are going to discuss more**

When you start the process of paying off credit card debt, you will come up with every plausible scenario of why you should not pay the debt back as quickly as possible. Having debt is a terrible idea because of the interest.

## **Interest: the silent killer**

When people purchase with credit, they fail to calculate the total cost of purchase (TCP), which is often much higher than the initial sticker price. The primary driver of this difference is the interest, which has a tendency to catch people off guard.

Let's examine the basics. Whether you are using a credit card to buy a house or financing a new car, the same process is occurring. A lender is allowing the borrower (you) to use the lender's money today based on a promise that the borrower will pay back the money in the future.

This means that the lender has to delay consumption or defer other investment opportunities. In exchange for using the lender's money, the lender charges an interest rate to the borrower. This interest rate is intended to compensate the lender for both the risk that the borrower might not repay the loan and for the lender's delayed consumption.

Each type of debt has three major variables: the first is the size of the loan or the principal. The second is the loan's maturity or length of the loan. The third is the riskiness of the borrower. Some borrowers have excellent track records of paying back

debt, and others do not. So, the lender charges the borrower an interest rate based on the unique blend of principal, loan maturity, and riskiness.

The highest interest rates are often associated with credit cards. Interest rates are silent killers because most borrowers tend to forget that interest rates are even there until it is too late.

## Credit Cards

**Take the following quiz and see if you fall into the trap of relying too much on credit cards for your daily spending.**

### *The road to red to black*

Reflection Questions	Sample Answers
Do I buy items even when I do not have enough cash to make the purchase?	<i>Yes, especially when I want to buy something I haven't budgeted for.</i>
Do I say, "I'll find a way to pay for this later?"	<i>I always try to find a way to defer payment because cash is scarce.</i>
Do I buy more expensive products with my credit card than with cash or a debit card?	<i>When I use my credit card, I always seem to run up charges out of nowhere.</i>
Do I begin my social outing with "I got this!" even when I know I do not?	<i>Unfortunately, yes. I get caught up in the moment too often.</i>
Do I pay with credit cards in a social setting because everyone else is paying that way too?	<i>It seems easier that way, right? But I end up paying way more than I want.</i>
Do I always pay my full credit card balance each month?	<i>No. Some months go unpaid. That seems to begin my credit card debt spiral.</i>
How many credit cards do I have?	<i>I have seven !</i>

## Start to pay off your credit card debt

1. **Create a budget and a payment plan:** Budgeting is important in paying off your debt. Sit down and develop a payment plan. Figure out what is your total monthly income, then identify your expenses, like groceries, rent, utilities, etc. Allocate money for your essentials, then allocate the rest to pay off your debt. Tell yourself that there will be no luxury for you until you pay off your debt in full. You can start to enjoy your life once you pay off your debt.
2. **Pay more than the minimum:** Often, credit card users get into a habit of paying only the minimum. Paying the minimum (2% to 3%) will only cause you more trouble. Additionally, this is exactly what banks and credit card companies want you to do. If you pay only the minimum, the more interest, they make. They make a good profit and less money for you. Instead of paying the minimum, pay as much as you can, ideally the full amount every month. Try to save more so you can pay your bills. For example, avoid eating out at lunch, and bring your lunch from home instead. Give up happy hour, and eliminate desserts. Avoid luxuries, make a few sacrifices, and you will notice that you have money to pay off your debts. Making sacrifices is better than living a hand-to-mouth existence.
3. **Pay off debt with high interest first:** It is better to pay first your debt with high interest even if it's overwhelming. High interest gets bigger and it will add on to your debt up until you are able to pay them.
4. **Balance transfer:** You can open a balance transfer credit card to pay off your debt. At an 18% APR (Annual Percentage Rate), a \$5,000 balance will cost you \$703 in interest if you pay it in 18 months. You can avoid this interest with a card that offers 0% introductory APR (assuming that you can pay your debt within the promotional period). Look for a longer promo period because it is better for you. Request your bank for a balance transfer from your old card to a new card with a 0% APR promo. Most card issuers charge a small fee for it.
5. **Balance Conversion:** Ask your bank if you can avail of this facility. This allows selected principal cardholders to convert their outstanding balance of at least Pnp20,000.00 to an installment plan. Usual maximum term is 24 months. Complete Cashback cardholders are not qualified to apply for this facility.

6. **Take a personal loan:** Personal-loan rates are lower (6% to 7%) when compared with credit card interests (17% to 24%). Take a personal loan and pay back your credit card debt. Then it is easier for you to repay your personal loan with a lower interest rate.
7. **Utilize your life insurance:** If you have life insurance with a cash value, then you can borrow against the policy to pay off the credit card debt. The interest rate is well below the usual rates, and you get a longer time-frame to pay off the debt.
8. **Do not relax:** Do not relax and start to spend unwisely again when you paid off some of your debts. When credit card balance starts to go down, some think that they have done enough and start to dine out on expensive restaurants again or buy a new smartphone. Avoid any type of luxuries before you completely paid off your debt. You can see a movie at your friend's house or bake a dessert to satisfy your craving and enjoy life.
9. **Friends and family:** Ask for a loan (without interest) from your family, your friends or even from your Godparents who have some extra cash in their bank account and pay off your debt. Ask them if you can pay them back in three to five years depending on how big the amount of loan is. You see, when you are in a serious debt, you don't have much option. You just have to muster enough courage, be honest and explain your situation. Mind you, some are more than willing to help. You can keep things professional by using a written agreement.
10. **Liquidate:** If you have items that you can sell, such as a new Jacuzzi, a car, sporting equipment, books a memory foam mattress, even your old gold and silver jewelries, liquidate them to pay off your credit card debt.
11. **Home equity loan:** If you own a home, then you can get a home equity loan (HEL) to pay off your credit card debt. But this can turn out to be a mistake on many levels. You are clearing your unsecured debt but increasing what you owe on your secured debt. In case you will have trouble paying your home equity loan, your home could be in jeopardy.
12. **Renegotiate:** If other options are not available, then renegotiate. Let your lenders know your situation. Tell them that you have no option left but to declare bankruptcy. Knowing your situation, your lenders will do whatever they can to protect themselves against a total loss. They will give you a lower interest rate and an increased time frame to pay off your debt.



13. **Stop using your credit card:** You really want to get out of debt. But the question is: Are you still using your card? If you are really dead serious to pay-off your debt, stop using your card. If you continue using this, the more you will get into serious debt. Leave your credit card at home and bring cash only.
14. **Think of ways to earn extra money:** Do you have a skill or talent where you can monetize? Like for example singing, playing the guitar which you may consider teaching aspiring guitarists, organizing or hosting an event. Or do you know how to build a website, do Facebook marketing, copywriting or maybe a virtual assistant during your free time? Think of other ways to earn money to help pay off your debt.
15. **Start an online business that does not require large capital:** I strongly suggest, invest in yourself. What do I mean? Take an online course to develop or acquire new skills like freelancing, Facebook advertising or start building your own online business like selling digital products where you can double, triple or even quadruple your income! Online businesses don't require large capital to start as compared to traditional businesses like restaurants or any franchise business. Find a trusted coach or mentor to guide and coach you.
16. **Share your success:** As you develop new habits, it is also important that you analyze your changed spending habits. You need to enjoy the improvement you made and share it with your friends and family. Sharing and celebrating your new spending habits will help you to continue your new and better spending habits and make it a long-term habit.

## Build new habits to avoid credit card debts

It seems that having a credit card is a must in today's economy. Truthfully, you only need credit cards for a couple of situations. There is a right way to use credit cards, and it is easy if you can avoid the temptation of overspending. Use only one emergency credit card for vendors who don't accept cash. Here are ways to dominate credit cards and avoid credit card loans:

1. **Get a credit card with awesome rewards:** If you must have a credit card, then make sure that the card works to your advantage. Do your homework and get one with a low APR and a high reward-to-expense ratio. Credit-card companies offer many incentives, such as cashback and travel points. Take travel rewards because they offer the highest return.

2. **Always pay your full balance:** This is the exact reason why credit-card companies exist. Credit Card companies flourish because of human fallibilities, such as financed purchases and late payments. If you are opening up a rewards credit card, set aside some cash for the credit card before you open it. Every time you make a credit card purchase, transfer money from your checking account to the credit card. Meaning, pay for the purchase every time you use your credit card. This prevents forgotten purchases and missed due dates.
3. **Monitor your credit utilization:** As you build new credit card usage habits, start to eliminate the cards from your life one by one. That means closing each account as you pay off the card. Your credit is comprised of several components; one is your credit utilization ratio. Your credit utilization is the amount of credit that you use, calculated as a percent of your total limit.
4. **Damaging your credit score can increase the cost of big-ticket items because lenders will demand a higher interest rate when you borrow money:** You can optimize control over your debt by making automatic payments to the credit card you choose to keep.
5. **Keep a Lockbox:** Storing your credit card in one location will make the maintenance hassle-free. After using your credit card, keep it in your lockbox, which can be a physical or virtual location.
6. **Pay As You Go:** “For example, if you swipe on lunch for P500 and gas for P1,000, you’ll use the online banking app on your phone that night to transfer P1,500 from your account,” “That way you’re not spending money that you don’t have.”
7. **Pre-Pay Your Credit Card:** “Pre-pay your credit card for however much you’ve budgeted for the week for your expenses,” It will help keep your bank account balance in check and prevent you from spending money that you don’t have yet.
8. **Keep Your Momentum:** You will get hooked on the idea of becoming debt-free once the momentum of paying off your credit cards begins to build. You will get addicted to paying off debt. Once you eliminate credit card debt from your life, it is time to keep the momentum going and move on to any other debt you may have.

## CHAPTER 7

### Tips

#### **Now, we are going to discuss some important aspects of credit card**

1. Your credit report contains information about you. Whether you pay your bills on time, where you work and live, all the information is there.
2. All your financial transactions are included in your credit report. Mortgage companies, credit card companies, and other lenders use your credit report to whether to lend money to you and at what rate. Insurance companies use your credit report to price your insurance premiums. Employers can use your credit report to decide whether to offer you a job. Landlords use your credit report to decide whether to rent to you.
3. Research to find the best credit card for you. Compare annual fees, perks, grace periods, and interest rates.
4. Your credit card can be a great tool if used wisely. Before you start using your credit card, learn about responsible credit card use, and avoid high-interest rates.
5. As a beginner, you might want to start with a secured credit card. It will help you avoid credit card debt.
6. Own one credit card with a low-interest rate and low credit limit. If you use this credit card wisely, it will help you build a healthy credit history.
7. From now on, start to call your credit card a loan card because essentially, you are borrowing money when you are using a credit card. You have to pay back everything with interest. Whenever you want to use your credit card, ask yourself, are you willing to take a loan with interest to buy things? You can write up a sticky note reminder and place it on the credit card. This will make you think twice before using your card.

8. Some credit card companies do promotional fairs to attract young people to get cards. They even offer free T-shirts, CD bundles, and other stuff anyone who signs up. Careful when getting credit cards from them because they often have higher interest rates and an annual fee. Do your own research before getting a card.
9. Don't get a new card just because your roommate or friend can get points.
10. For some people, owning a credit card can be as addictive as gambling, drugs, or alcohol. So use caution during the first few months of credit card usage.
11. You already have one credit card. If you now feel that you need another credit card, then it might be the sign of a problem. Instead of getting another card, consider increasing the limit on your present card.
12. Don't collect the cash from your friends and agree to put the tab on your credit card when you go out for dinners or drinks to increase your cashback or frequent flier miles reward. You will be paying interest for your own meals and for your friends' meal as well.
13. One of the problems with using a credit card is you forgot the real cost of items you purchase. For example, you purchase items for 200 pesos but remember you have to pay interest. So you are actually paying more.
14. What you feel when you use your credit card? Do you feel happy, euphoric, powerful, or important? Remember, you can't use your credit card as a tool that makes you feel good every time you use it. Instead, develop a hobby that makes you happy.
15. Keep a detailed record of your every purchase. This will help you limit your credit card usage.
16. If you feel the urge to buy a new mobile phone, or a new gadget, then instead of using your credit card, start to save money every week and buy the item when you have saved enough. This will help you buy things without paying interest.
17. Data shows that people tend to spend more when they use plastic instead of cash. Avoid this trap.
18. Remember, with credit card usage, you develop a credit history. Unfortunately, bad credit history can hurt you when you want to buy a car or interview for a job. So careful when using your credit card.
19. A fixed-rate card doesn't stay fixed rate all the time. Your credit card company can jack up your interest rate by just giving you prior notice. So read all the notices carefully that come with your monthly credit card statement.

20. Occasionally your credit card company may send you blank checks to use at any business that accepts your credit card. However, these blank checks come with a high-interest rate. So avoid using these blank checks.
21. Sometimes you get “skip a month’s payment” offer from your credit card company. Although it seems a favor, it is not. If you accept this, you will pay more interest than before.
22. 0% interest rate credit card offers are a sales ploy because the rate will go up with a notice. So read the fine print and make sure you know when this 0% rate expires.
23. Premium credit cards such as Gold or Platinum cards are often not as beneficial as advertised. With premium cards, you receive special insurance, discounts, travel upgrades, cashback, and other perks. However, you have to pay a higher interest rate and an annual fee that is two to three times more than a standard card.
24. Some credit card companies offer co-branded affinity cards that contain the name and logo of your favorite sports team, your school, or another organization. Careful when getting these cards because they may have higher fees and charges.
25. Paying interest on your interest is one of the worst aspects of credit card debt. So always pay as much as you can and don’t buy things that you can’t afford.
26. Credit card companies observe your credit history carefully. Even one late payment makes you a higher risk and higher risk people pay at a higher rate. Your company will raise your interest rates just because of one late payment.
27. When buying a new item, such as furniture or a car, avoid only considering monthly payment. Look at the total amount that includes interest over the life of the loan.
28. Always read the fine print because important information is mentioned there.
29. Avoid department store credit cards even if they offer a big % off on your first purchase. It is because these cards have a higher interest rate.
30. Just because you can meet the minimum monthly payment, don’t think that you can manage your credit card.
31. Be careful when using credit cards that offer frequent flier miles because often they have a higher interest rate.

32. Decline offers for credit insurance; instead, use the money to pay down your balance each month.
33. Don't use your mobile to place credit card orders because mobile phones can be hacked.
34. If you shift even if temporarily, call your credit card company and update your address. If you fail to get your bills and miss the due date, then you will incur late fees and possible penalties.
35. You purchased an item with your credit card but not happy with it when you receive it. In that case, call your credit card company immediately. The credit card company will investigate, and only then, you have to pay.
36. When comparing credit cards, check annual percentage rate of interest, grace period, annual fee, late fees, and regular rate.
37. Always check your credit card statement as soon as you get it. Compare each charge to your receipts and verify that each charge is accurate.
38. If your salary date and your credit card bill due date doesn't match, then call your credit card company and ask them to change the due date.
39. It will be easier for you to track your expenses if you have fewer credit cards. Having three credit cards with different due dates will cause you trouble. Simplify things, and own one credit card because one card equals one bill.
40. Check carefully because sometimes the lowest interest rate is not the best deal for you. If you can pay the balance off each month, then your annual fee becomes important.
41. Rebate credit cards (cashback, frequent flyer miles, etc.) only benefit you if you don't carry a balance. If you carry a balance, then the interest rate will trump any gains you receive in rebates.
42. Check your finance charge every month. It will help you avoid unnecessary purchases.
43. Write down all your credit card related important information such as the name, address, and contact address of the issuing company, the credit card numbers, and expiration dates and keep the paper in a bank lockbox or in a safe.
44. Do not share your credit card, even with your best friend.

45. During purchases, try to keep your eyes on your credit card. It is easy to steal credit card information with a hand-held scanner. So be careful.
46. New credit card users are prime targets for identity theft. Keep your personal and credit card information in a safe or a lockbox. Protect your checkbook, wallet, incoming, and outgoing mail.
47. Never open an email attachment from an unknown sender. It might contain a Trojan horse or virus that can be used to steal your personal and credit card information.
48. You received a credit card in the mail, but you didn't apply for it. In that case, cut the card in pieces and mail it back to the credit card company and ask them to close the account. Also, send a note to the credit reporting bureaus and notify them that you didn't request this card and now send it back to the company.
49. Different credit card companies offer different freebies. So don't order multiple credit cards just because you want the perks. At the end of the day, you have to pay all the bills.
50. Try a cash challenge: For one month, use only cash for your day-to-day spending. You will still pay your regular bills (rent, utilities, and debt payments) through your checking account. But for everything else, from groceries to lattes to new clothes – use only cash. You will notice that it feels very different to hand over money than it does to swipe a card. It feels like you are spending money. That feeling may make you think twice about some purchases. You will also know clearly when you are running out of money, and when cash is gone, your spending for the month has to stop. This forces you to prioritize your spending.
51. Set up spending barriers: One-click online ordering or paying with your phone doesn't really feel like spending money. These conveniences can cost you. Set up spending barriers such as:
  - Deleting stored credit card information on websites and from browsers.
  - Removing easy-pay apps from your phone
  - Making it physically difficult to put out your credit card
  - Ditching your e-trail memberships (such as Amazon Prime)
  - Turning off one-click checkout
  - Disabling in-app purchases

52. Dealing with credit card statements: Along with the regular expense-recording worksheet you set up, it is helpful to create a separate sheet for each active credit card, meaning card currently in use or with an outstanding balance. Record these five data points, each in a separate column:

- Total new charges
- Total payments
- Interest charges
- Any fees
- New statement balance

With that data all in one place, you will get a different perspective on your credit card situation. You will notice different spending and payment patterns and see the direction your balance moves from month to month. These new insights will give you a bird's eye view of your credit card usage and help you set better credit card related goals.

## Conclusion

I hope this simple guide is of help to you, my dear reader. From the bottom of my heart, thank you so much for purchasing this book. We all need a credit card for anything or everything nowadays, whether it is to buy new furniture, a car, a house, or make a loan, etc. Your credit card can be a great tool if used wisely. Before you start using your credit card, learn about responsible credit card use and avoid high interest rates. This book will teach you an incredibly easy process you can use to get the most out of your credit card and stay out of debt. It will teach you all the factors involved from credit scores, credit cards, debit, and credit mistakes that a new user can make. In this guide, you will learn what you need to know to maximize the benefits of your credit card, understand your credit score, how to avoid credit card mishaps, and eliminate debts.



## **P.S.**

Life is best lived when we are **not** burdened with debt. It allows us to focus more on things of great significance like building and creating great relationships, loving God and fulfilling our life's ultimate purpose.

The burden of debt can be overwhelming whether it is a repayment of a loan, credit card or debt mortgage. It can disturb peace of mind of an honest person. A lot of people are stressed and depressed. Most of the time, sicknesses are due to financial stress. It is at this stage of life when anybody would wish to get out of debt fast!

## **P.S. 2**

### **Why pray to God?**

We should, actually. Especially in times we need Him the most.

Prayer connects the individual to the higher Power who is God. A prayer made with full faith and from the bottom of the heart, moves the hands of God on our behalf.

The problems and situations which we cannot possibly find a solution can be solved by our God in an instant. God's powers are infinite. He wants us to talk to Him and commune with Him often, for God listens.

Let us ask Him that He gives us peace amidst life chaos, strength that comes from His grace and clarity of thought and direction.

God has prescribed prayer as a way to connect with Him. "Call to me and I will answer you" (Jer. 33:3a). God promised that He hears us. "When you call me, when you go to pray to me, I will listen to you" (Jer. 29:12)

God is bigger than all our problems combined. For in GOD Almighty, all things are possible!

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# About the Author



**Gemma Balinas Macaro** is a wife of an OFW, a mother to an 18 year old lovely girl, a stay at home mom, and an aspiring online entrepreneur. Took up Bachelor of Science in Commerce, Major in Accounting from the University of San Agustin, Iloilo City and graduated in 1986. Right after graduation, she went to Manila and took the employment route which lasted almost 26 years. They live in Muntinlupa City, Metro Manila, Philipines.

Have nothing under her belt, only work and life experiences and a burning desire to help her fellow Filipinos who are in credit card debt, sharing to them how she overcame, and got out of debt. She feels that it is her conscientious duty to share whatever helped her and this book, she believes, will greatly benefit people with regard to wise and responsible use of their credit cards and those who want to start paying and eliminating debts from their lives!

Connect with Gemma – visit her FB page: [Truelifegem](#), or email her at [gb\\_macaro@yahoo.com](mailto:gb_macaro@yahoo.com) or [gembrose134@gmail.com](mailto:gembrose134@gmail.com)