# Credit cards.

What a credit card offers, and what to weigh up before taking one on.

Credit cards can be a convenient way to manage your finances, but they can also be expensive and risky. If you're deciding whether or not a credit card is right for you, here are some of the things you should consider.

| What's good about a credit card | |
|---|---|
| **Security** | While there's only a small chance of having lost or stolen cash returned, a credit card can quickly be cancelled if you lose your wallet. Most financial institutions also have security processes in place to protect you if your card has been lost or stolen or if you suspect your account has been used for a fraudulent transaction. |
| **Build your credit score** | Your credit card account repayment history makes up a key part of your credit file. If you keep your account in good standing, this information will help you build up a good credit score, which could increase your chances of approval for other products. |
| **Interest-free days** | If you pay your balance in full before the statement period ends, you can be rewarded with interest-free days on future purchases for a set period. |
| **Earn points** | Rewards and frequent flyer credit cards allow you to earn reward points on every dollar you spend on eligible purchases, such as groceries and fuel. Rewards credit cards let you earn reward points to redeem with the bank's rewards programs for perks which could include flights with partner airlines, products from the rewards store or cashback. Frequent flyer credit cards, on the other hand, let you earn points towards flights, upgrades and more with specific airline loyalty programs. |
| **Emergency funds** | Credit cards can be a financial safety net if you don't have enough cash or savings to cover any unexpected costs that arise. Just remember that you have to repay everything you owe. |
| **Travel** | Most lenders will offer complimentary travel insurance when you hold a premium credit card which is a popular offer with many travelers. |
| **Complimentary extras** | Credit card features such as travel insurance, purchase protection and extended warranty insurance can save you money and give you peace of mind. Other value-adding features could include complimentary flight offers, airline lounge passes and even free wine when you dine. |
| **Consolidate and pay off existing debts** | Balance transfer credit cards allow you to move existing high-interest debts to a new account with a low or 0% promotional interest rate. This can save you money on interest charges and help you pay down debt faster. |
| **Emergency Replacement Cards** | If you lose or have your credit card stolen when travelling overseas, scheme issuers i.e. Visa, Mastercard offer an Emergency Replacement Card service where a replacement card will be provided to you within 24-48 hours, either by a courier or dropped off at concierge of the hotel you're staying at, anywhere in the world. Some fees may be applicable. |

| Things to consider | |
|---|---|
| **Interest charges** | If you don't pay your full closing balance by the due date, any interest-free period on purchases will generally not apply. This means you will pay interest on your outstanding purchase balance. Credit card interest rates are typically higher than most other types of credit. |
| **Cash Advances** | You may also pay interest on any cash advances and balance transfers. Cash advances typically attract interest from the date of the cash advance until it is paid off. For balance transfers, some lenders offer cards with a 0% balance transfer offer for a period of time. However, this typically reverts to a high interest rate once that period ends. This means that if you do not pay off the balance within the offer period, you will pay interest on the leftover balance.<br><br>If you are considering a credit card with a balance transfer offer, be aware of the longer-term implications of potential transfers and related costs. |
| **Credit card fees** | Credit cards can also come with a range of fees such as annual fees, late payment fees, international transaction fees, cash advance fees and balance transfer fees. Some lenders do offer cards with no annual fees, but if you are considering a rewards credit card, this will typically come with a higher annual fee. |
| **May hurt your credit score, if you're not careful** | Like many other forms of debt, if you miss any credit card payments, this will usually be recorded on your credit report and may have a negative impact on your credit score. You are considered to have missed a payment if you make the payment more than 14 days after the due date. |

## Need help with anything?

**Josh Stewart Principal Broker, Value Lending**

0420 708 800 josh@valuelending.com.au
valuelending.com.au