

## Reentry Essentials Credit Card Basics



# Reentry Essentials Credit Card Basics User Guide

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## Reentry Essentials

### Reentry Essentials Credit Card Basics





## Specifications

- **Product Name:** Essential Money Guides – Credit Card Basics
- **Manufacturer:** ReentryEssentials.org
- **Product Type:** Financial Education Material

## Product Usage Instructions

### Credit Card Basics

Credit cards are powerful financial tools that allow you to make purchases now and pay later. To maximize the benefits of credit cards, follow these guidelines:

### Advantages of Using a Credit Card

- Convenience in purchasing necessary items immediately
- Ability to pay later

### Responsibilities of Using a Credit Card

Using a credit card responsibly involves:

- Paying your card balance in full each month to avoid interest charges
- Tracking spending and making payments on time to avoid debt accumulation

### Choosing the Right Credit Card

Consider the following factors when selecting a credit card:

- Frequency of card usage
- Potential overseas usage
- Annual fees and terms offered by the financial institution

### Secured Cards

If you don't qualify for unsecured credit cards, secured cards can be a good option. They require an initial cash deposit.



## **Understanding Your Rights**

Credit card holders have protections such as zero liability for fraudulent charges and the ability to dispute purchases. Always report fraudulent activity promptly.

## **The True Cost of Credit**

Understand the total cost of credit by considering interest rates and monthly payments to avoid paying more than planned.

## **What you need to know about managing your credit card.**

## **The Convenience of Credit**

Credit cards can be powerful financial tools for you and your family, and as with all financial products, they need to be used carefully. A credit card is a powerful payment option that allows you to purchase necessary items now and pay later.

## **Advantages of Using a Credit Card:**

- Being able to buy needed items immediately and earn rewards for purchases.
- Credit cards can also offer more security than other options, as they protect from fraud and eliminate the need to carry large amounts of cash.

## **With These Advantages Come Responsibilities**

Using a credit card is like taking out a loan. If you don't pay your card balance in full each month, you'll start paying interest on that loan.

- Credit cards have to be managed wisely for you to avoid paying interest and accruing debt.
- Understand all terms and conditions.
- Stay on top of payments and realize the true cost of purchases made with credit.
- Maximize the benefits of credit while minimizing the risks to become a responsible credit card owner.

## **Choose Wisely**

The best way to maximize the benefits of credit cards is to understand your financial lifestyle—what you need, what you want and how much money you spend. Begin your search for a credit card by determining key factors like how often you'll use it, whether you'll want to use it overseas and if the financial institution make sure you know the terms of the credit card in the following areas:

- Annual Percentage Rates (APRs) and whether rates are fixed or variable
- Annual, late and overdraft-limit fees
- The credit limit on the account
- Grace periods before interest begins accruing
- Rewards including airline miles or cash back

**TIPS:** Many banks offer lucrative travel rewards deals if you are willing to pay the annual credit card fees.

## **Use Your Credit Card Responsibly**

Except in case of emergency, you should use your credit card the way you would use a debit card. Don't charge



keep track of your spending and ensure you can make your payments on time. Missed payments and compound interest can lead to debt, so manage your spending and make payments on time.

**TIPS:** Secured cards can be a good option for those who don't qualify for unsecured credit cards. They limit the credit line to an initial cash deposit carried on the card.

## **Understand Your Rights**

Credit card holders are entitled to protections. Zero liability means you are not responsible for fraudulent charges when you report them promptly. In some cases, you have the right to dispute purchases with merchants for unsatisfactory products or services. If you see fraudulent activity on your card or need to dispute a charge, call your financial institution immediately.

## **Write It Out**

Do you have a clear idea of how much debt you have? Many people may avoid thinking about their debt load because it causes stress. Learn to cope with debt by paying it off strategically.

- Start by making a list of everything you owe, whether it's a mortgage, a credit card or student loans.
- Focus on paying off the most urgent debts—loans with the highest interest rates cause the greatest financial impact if you don't pay them off.
- Cut back on other spending so you can pay off debt faster. It will save you money in interest and allow you to focus on other financial goals.

## **The True Cost of Credit**

If you don't pay off your credit card balance every month, the interest that adds up could mean you'll be paying more than you planned. See how much extra you might pay on a \$1,000 credit card purchase with varying interest rates.



<b>Total Purchase Amount</b> The balance due on your credit card	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>
<b>Credit Card APR</b> The annual interest rate on your credit card	<b>10%</b>	<b>15%</b>	<b>25%</b>
<b>Monthly Payment</b> The minimum monthly payment	<b>\$40</b>	<b>\$40</b>	<b>\$40</b>
<b>Number of Months to Pay Off Purchase Amount*</b> Time it will take to pay off the balance	<b>29</b>	<b>31</b>	<b>36</b>
<b>Total Finance Charge</b> The total amount of money you will pay in interest alone	<b>\$126.02</b>	<b>\$206.50</b>	<b>\$427.22</b>
<b>Total Cost</b> The final amount you will pay for your purchase	<b>\$1,126.02</b>	<b>\$1,206.50</b>	<b>\$1,427.22</b>

“In general, this assumes that your account has no new charges and that your Annual Percentage Rate does not change.

## Debt Management Resources

- There's help available when you're struggling financially.
- If you think you're falling behind in payments, credit counselling resources are available at little or no cost.

## National Foundation for Credit Counseling

- 1-[800-388-2227](tel:800-388-2227)
- [nfcc.org](http://nfcc.org)
- The Federal Trade Commission
- 1-[877-382-4357](tel:877-382-4357)
- [ftc.gov/bcp/menus/consumer/credit/debt.shtm](http://ftc.gov/bcp/menus/consumer/credit/debt.shtm)
- American Consumer Credit Counseling
- 1-[800-769-3571](tel:800-769-3571)
- [consumercredit.com](http://consumercredit.com)

This guide is one of a series on Practical Money Skills.





Budgeting Basics

Credit History

Credit Card Basics

Debit Card Basics

Identity Theft

Prepaid Card Basics

## FAQ

- **Q: What should I do if I see fraudulent activity on my credit card?**
  - A: Immediately contact your financial institution to report the fraudulent charges.
- **Q: How can I manage my credit card debt effectively?**
  - A: Track your spending, make payments on time, and seek help from credit counselling resources if needed.

## Debt Management Resources

- **National Foundation for Credit Counseling:** 1-[800-388-2227](tel:800-388-2227) | [nfcc.org](http://nfcc.org)
- **The Federal Trade Commission:** 1-[877-382-4357](tel:877-382-4357) | [ftc.gov/bcp/menus/consumer/credit/debt.shtm](http://ftc.gov/bcp/menus/consumer/credit/debt.shtm)

## Reentry Essentials, Inc.

- 2609 East 14 Street, Suite 1018
- Brooklyn, NY 11235-3915
- 347.973.0004
- [info@ReentryEssentials.org](mailto:info@ReentryEssentials.org)
- [www.ReentryEssentials.org](http://www.ReentryEssentials.org)

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## Documents / Resources





[Reentry Essentials Credit Card Basics](#) [pdf] User Guide  
Credit Card Basics, Credit, Card Basics, Basics

## References

- [Best Consumer Credit Company | Get Debt-Help - Consumer Credit](#)
- [FTC Consumer Advice | Federal Trade Commission](#)
- [Non Profit Credit Counseling Services | Get Out of Debt | NFCC](#)
- [Reentry Essentials, Inc. | Career, Life Skills and Reentry Resources](#)
- [User Manual](#)

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