

Examine options to choose primary credit card

We have several credit cards, but we want to simplify our bill-paying and cut back to just one. How should we decide which one?

Using just one credit card can be a good idea. But you probably will want to keep at least one other account active, in case you are a victim of identity theft or have another problem with your primary card and have to close that account quickly.

When choosing your primary card, the most obvious thing to look for is the interest rate (the Annual Percentage Rate or APR), especially if you don't pay off your card every month. Interest rates vary widely and can make a big difference on how much you owe. Compare APRs to find the lowest rate.

Next, look at annual fees. Many cards charge \$25, \$50 or more each year just to keep the account active. Look for one with no annual fee.

Other credit terms to review include:

- **Late fees.** If you make a late payment, charges can add up quickly. Choose cards with lower fees. And beware — being late on one card can increase interest rates on that account and on others, if the company follows a Universal Default policy. Under Universal Default, a company increases a consumer's interest rate when that consumer is late paying other creditors' bills, even if you're not late with that creditor.

- **Fee for exceeding credit limit.** Every card has a maximum you can charge. If you get near that limit, even occasionally, look at the fee associated with going over it.

- **Cash advance fee.** If you ever use this



service, consider the cost.

- **Grace period.** This is the time between the billing date and the date when interest begins accruing. Most cards have a grace period that allows you to pay off the debt each month and never pay any interest. The longer the grace period, the better.

- **Method of computing finance charges.** If you don't pay the card off every month, you'll get charged interest on what you owe. But different cards have different ways of computing that figure. Cards that charge interest on the "Adjusted Balance" are the best bet — your payment will be subtracted from the balance before your finance charge is figured for next month. The least favorable method for consumers is called "Double Cycle Billing," in which interest is charged on the average daily balance, plus any new charges you make during the month. With this method, you lose your grace period on new charges.

Finally, many credit cards offer rewards or points that can translate into significant benefits. Depending on your circumstances, these additional benefits may or may not be worthwhile. All other things being equal, you'll probably want to choose the card with the most generous terms discussed above.

For more information on comparing credit card terms, see the Federal Trade Commission's Web page at <http://www.ftc.gov/bcp/conline/pubs/credit/choose.htm>.

Family Fundamentals is a monthly column on family issues. It is a service of Ohio State University Extension and the Ohio Agricultural Research and Development Center. Send questions to Family Fundamentals, c/o Martha Filipic, 2021 Coffey Road, Columbus, OH 43210-1044, or filipic.3@cfaes.osu.edu.



THE OHIO STATE UNIVERSITY
OHIO STATE UNIVERSITY
EXTENSION
OHIO AGRICULTURAL RESEARCH
AND DEVELOPMENT CENTER

**For the month of
March 2007**

By Martha Filipic
(614) 292-9833
filipic.3@cfaes.osu.edu

Dear Subscriber: This column was reviewed by Chris Olinsky, family and consumer sciences educator and co-county director for Ohio State University Extension in Montgomery County.

To receive Family Fundamentals electronically, sign up at our subscription Web site, <http://www.ag.ohio-state.edu/~news/subscribe.php>. To get a PDF file e-mailed to you, contact Martha Filipic at filipic.3@cfaes.osu.edu.

**Section of Communications
and Technology
News and Media Relations**
2021 Coffey Road
Columbus, OH 43210-1044
(614) 292-2011

208 Research Services
Building
1680 Madison Ave.
Wooster, OH 44691-4096
(330) 263-3780

OSU Extension embraces human diversity and is committed to ensuring that all educational programs conducted by Ohio State University Extension are available to clientele on a nondiscriminatory basis without regard to race, color, age, gender identity or expression, disability, religion, sexual orientation, national origin, or veteran status.