

Common Credit Mistakes

These very common credit mistakes can cost you hundreds, even thousands, of dollars...

Not knowing all of the associated costs: Fees vary widely amongst different credit cards. Understand what all the rates and fees are before accepting/using any credit card. It is a very competitive industry; shop around and go with the lowest cost alternative.

Not valuing your credit: Credit is a valuable commodity, especially when there is a legitimate reason to borrow (buying a car, home, or financing an education). Simple things, such as paying bills a few days late can impact your credit worthiness. Remember, even small mistakes can stay on your credit report for six years.

Paying for status: Pulling out a “Platinum” credit card may impress some of your friends but these cards tend to carry higher fees along with their higher limits. It is in your best interest to avoid paying for these extra features that you will probably never use. A basic credit card will give you the features you need at a much lower cost.

Raising credit limits: A raised limit is an invitation to spend more money (which could increase your debt level). When a credit card company raises your limit, take it as a wake up call; you are becoming a preferred customer. When you use a credit card properly (paying it off each month) there shouldn't be a need for a higher limit; call the creditor and tell them to put it back to the previous level.

Stretching out a loan to get lower payments: Unless the loan includes 0 % financing, stretching out your regular payments over a longer period of time will result in considerably more interest charges over the life of the loan. You should consider the total cost of borrowing before signing any contract. You can easily compare and contrast different loan terms on our ‘Loans Comparison Calculator’ found under ‘Credit Tools’ on our agency website: www.creditcounsellingssm.ca.

Before Using Credit...

Before you...

- take out a loan
- purchase on a deferred payment plan
- make a purchase on your credit card

Ask Yourself:

- Do I really need this item right now?
- Can I wait until I have enough money saved to pay in cash?
- Is it really worth it after adding up the entire cost (principal, interest, & service charges)?
- Will the item last as long as my payments?
- Do I have emergency savings set aside to take care of unexpected expenses?
- Am I currently living a paycheque to paycheque lifestyle?
- Can I afford an additional payment?
- Would I have to give up something in order to afford an additional monthly payment?
- Are there other places my new debt would be better spent?
- Does this purchase help achieve a personal/family goal?

