

Make The Nice List With Your Credit Card Use



It's that time of year again. He's making a list, and he's checking it twice. Of course, we're talking about the major credit bureaus! The holiday spending season begs the question: how to pay for all that joy?

It's tempting to turn to plastic to help finance the holiday season. The average American plans to spend \$812 on the holidays this year, more than most people have just sitting around or in their savings.

Let's look at some "naughty" and "nice" ways to use your credit cards during the holidays. Stay on the right list, and avoid smudges on your credit report!

Naughty: Financing gift-giving with credit

If you don't have the money to finance your gift-giving, it's tempting to pull out a credit card and shop 'til you drop. People tend to overspend when using plastic; a recent study of consumer behavior confirmed that shoppers using credit cards spend nearly 20% more.

There's also interest to contend with. That \$812 could turn into \$1,000 or more thanks to compound interest. Even deferring payment for a month can be costly. Less than a third of Americans pay off their holiday credit card bills immediately. Most will carry a balance well into the new year.

You also might end up ruining a surprise. If you put something special for your special someone on a joint credit card, they might see it on the credit card statement.

Nice: Paying for holiday travel

If you're traveling for the holidays, it's prudent to pay for it using credit. Most major credit cards offer insurance for rental cars and extra cancellation policies for flights in case of last-minute changes. Using a credit card to make reservations at hotels and other book-ahead services can also prevent the company from placing a hold on your account as a deposit.

Resist the impulse to take frivolous upgrades; keeping a clear budget will enable you to pay off that credit card bill next month and avoid financing charges.

Naughty: Guilt spending

The holidays are full of messages that connect spending to caring. Advertisers encourage consumers to make emotional decisions, rather than spending what they can afford. Credit cards make this easier by letting you postpone paying for the gift.

Instead of telling someone you care with borrowed money, express your feelings with a thoughtful message and an affordable gift.

Nice: Spending rewards on holiday purchases

If you use a rewards card throughout the year, now is the time to cash those points in. Most companies offer discounts on two commodities everyone needs this time of year: travel and gift cards. Picking up gift cards this way can make last-minute gift-giving easier.

You might also consider giving travel points or miles directly to others. This can be helpful for relatives who travel frequently or live far away from family.

Your Turn: How do you manage your holiday spending? Are there secret tricks to keep those costs down, or techniques you use to keep you within budget? Let us know in the comments!

SOURCES*:

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