## How To Win With

# CREDIT CARDS


by **Miles DeBenedictis**

For many financial gurus, credit cards are the proverbial “third rail.” The “third rail” being that electrified rail in the subway that is spectacular for making the subway run, but devastating if you touch it. In more ways than one, the metaphor is quite appropriate.

It is clear, credit cards can cause quite a shock. A deadly one at that. Without much thought (and that’s actually the problem) some people quickly pile up a huge sum in credit card debt. Currently the average household in the U.S. has more than $15,000 in such debt. It’s no wonder that many financial planners, consultants and advisors advise against the use of credit cards. Many say, “Just don’t use them” or “Get rid of every card you have.” But I’m not convinced that’s the whole story. Rarely do such gurus offer any wisdom on how to actually use them, so here goes.

**Currently the average household in the U.S. has more than $15,000 in credit card debt.**

Credit is what makes modern society run. We would not have the commercial systems we all so greatly enjoy today were it not for institutions of finance and credit. Yes, there are pitfalls and dangers in having and using credit cards, but there are also some advantages too. However, those advantages vanish very quickly if you do not use credit cards wisely.

Wisdom with credit is essential, so here are **5 tips for wisely using credit cards**.

## 1. Hide (or shred) The Card

If you have a reoccurring balance on your credit card[s] (i.e. a balance you're currently unable to pay in full), then wisdom says **STOP using the credit card**. In fact, it might not be a bad idea to just shred it. Don't use it anymore. I know that seems simplistic, and it is! But if you're carrying a balance from one month to the next and only paying monthly minimums, you need to stop immediately.

Is it hard to stop? Yes; for some people it truly is difficult. But that's the point. **If you want to get on track to a hopeful financial future, then you need to be wiling to take difficult steps to get there**. So, if you have an unpaid balance that will not be paid in full at the end of this billing cycle, then hide or shred the card now. You must get off this path to nowhere, before you can take the onramp to to a better future.

**"If you want to get on track to a hopeful financial future, then you need to be wiling to take difficult steps to get there."**

## 2. Reduce your interest rate

Again, this isn't rocket science. I didn't say I was going to tell you anything you wouldn't find from another advisor, but I do want to give you some simple and helpful tips on using credit that actually work. So, tip two; if you have an unpaid balance on one or more credit cards, that will not be paid off by the end of this billing cycle, then take 20 minutes and work to try to reduce your annual percentage rate (APR). To rob from another corporation, 20 minutes or less could save you money on your monthly bills.

"Is this really possible?" Yes. You might be surprised just how many bills you can reduce by making a few phone calls. Credit card companies are in a hugely competitive business. Each company knows very well that acquiring new customers is costly, therefore they don't really want to lose your business to a competitor. That being the case, take an afternoon (or do it in the middle of the night if you like—most of the larger credit card companies have customer service available 24 hours a day, 7 days a week) and call your credit card company's customer service line.

Now, when you do this, please **keep three things in mind**.

**First**, be calm, clear and polite. Often times when people make such calls they're nervous. When we're nervous we get anxious; when we get anxious we are anything but calm; when we're not calm we tend to be unclear. With heightened anxiety, even the nicest of people end up being (or at least coming across) rude. Customer service agents put up with a lot of ill-mannered bozos, and if you add yourself to the bozo list, you are a lot less likely to get the help you're seeking.

**Second**, when talking with the customer service agent, use their name. They will tell you what their name is at the beginning of the call. If you don't catch it simply say, "I'm sorry, I didn't get your name." When they tell you their name, write it down, and use it throughout the call. It's polite, and people are far more apt to be helpful if you are kind.

**Third** follow a script. Don't ad-lib. A script may seem too formal to you, but I guarantee that (1) it'll help you be more calm, clear and polite and (2) it works. I know it works because I've personally used this method with my cable company, cell phone carrier and others.

> *Good evening Jennifer. My name is ______. I've been a Chase customer (or whatever the company happens to be) in good standing for ____ years. I make it a point to pay may bill on time and as I was looking over my most recent statement I realized that my APR is at 18.99%. I'd like to continue doing business with _________ (company name), but I regularly receive offers from other companies with much more competitive rates. I'd rather not have to go to the trouble of making a switch as I've had good experience with Chase. Is there something we could do to reduce my 18.99% APR?*

At this point the agent may say, “No I’m sorry, I’m unable to help you at this time.” Don’t take “no” for an answer. Politely continue.

> *“In that case Jennifer, would you mind transferring me to a supervisor?”*

Once you’re connected with a supervisor, politely start your script over. You will likely be asked to be on hold several times. You’ll have the mind-numbing hold music stuck in your head for days, but your time will very likely pay dividends. If you have a credit card balance of $10,000 (I hope you don’t, but the national average is $15,000) at an APR of 18.99% and you take the 20 minutes to reduce your APR to 12.24% (or lower), you’ll save more than $55 a month. That’s over $650 a year! It’s worth the time, I promise. Additionally, once you do it once, it’s addictive. Try it with companies you regularly deal with.

## 3. Consolidate your balance[s]

Reducing your credit card’s APR is most certainly a must. But oftentimes its better to obliterate the rate all together by consolidating your balance, or balances, from higher APR cards to an ultra-low or 0% interest card so that you can get back on track. When doing so there are **5 things to consider**.


**First**, the option of a 0% interest card is not available to everyone. If your credit score is below 650, it is unlikely that you’ll be able to find an offer that will be available to you. In that case, work to reduce your interest rate, start paying your bills consistently, and watch your score increase. As soon as your credit score is above 650 (or hopefully higher), look for a low or 0% interest rate offer, and take it. But, before you do, remember, this card is only for consolidating higher interest rate balances. **Do not use this card for new purchases**, or you will, in very short order, be in a much bigger credit card mess than you currently are. Additionally, once you move higher interest rate balances to your low interest rate card, cancel and shred the old cards. You do not need multiple cards.

**Second**, low or 0% interest is always an introductory or temporary rate. It is important with every credit card offer that you thoroughly read the "Pricing and Terms" sheet attached to the offer. By law, every company has a single sheet which clearly presented terms, which will present the interest rates and chargers for Annual Percentage Rate (APR), balance transfer APR, cash advance APR, etc. In addition you'll find a section for fees: annual membership fees, transaction fees, balance transfer fees, etc. Take five minutes and read the whole thing. If you don't understand an aspect of it, either call the company or do a simple internet search for information explaining what the not-so-fine print means. When examining this term sheet you will see—normally on the first row of the table—that this low or 0% interest offer lasts for 12, 15 or even 21 months (or billing cycles) after the account is open. The term sheet will then tell you what the rate will be after the introductory rate expires.

**Third**, most low or 0% interest offers have a balance transfer fee. But not all! This information will also be found on the term sheet. What this means is that though you will not be changed interest for the first 15 months of having this card, you will be charged a fee for transferring your balance from another credit card. If all goes according to plan, this is the only money you'll ever pay the credit card company. But it could be an initial shock if you don't realize it's coming.

As I said, not all credit card companies have a balance transfer fee. One of the leading offers right now, for a 15 month 0% interest card (which requires a 630 or better credit score) has the following balance transfer terms "*$0 Intro fee on transfers made within 60 days of account opening. After that: Either $5 or 5% of the amount of each transfer, whichever is greater*." More often than not, there will be a fee, and normally it will say something like "*There is a balance transfer fee of $5 or 3% of the amount of each transfer, whichever is greater*." That could be a significant amount of money. If you're transferring $10,000 at 3%, that's a $300 transfer fee.

**Fourth**, some low interest offers have additional fees. When looking at the term sheets of available low or 0% interest offers, make sure you **choose one with no annual fees**. I'll talk more about this later, but there's just now point in paying a membership fee when there are so many offers available without them. Typically memberships fees apply to cards with membership rewards like airline miles or cash back rewards. You don't need points (at this point) you don't need cash rewards. You need cheap money, and 0% interest is CHEAP money. At this point there is no reason to look for a card with rewards. The reward we're looking for is low or 0% interest, so don't care about additional rewards.

**Fifth**, low interest offers expire with a bang. After the introductory low or 0% interest offer expires, your 0% interest increases, not gradually, instantly! The offer I mentioned previously states this on the terms and pricing sheet, after the introductory period, the APR increases to "**13.24% to 23.24%**, based on your creditworthiness. These APRs will vary with the market based on the Prime Rate." That's an shocking increase. Welcome to the third rail. Sure, some people continually move balances from one 0% interest offer to another and never get dinged with the finance charge when the introductory rate expires. But remember, our ultimate goal for acquiring a low or 0% interest card will be to consolidate and pay off excessive debt, which brings me to tip 4 of credit card wisdom.

## 4. Pay more than the minimum

Now that we've reduced or eliminated exorbitant interest rates, it's time to take aim at the debt that's been destroying you. If you've been able to secure a 0% interest card for 12, 15 or even 21 months (or more), then take the balance you owe (I've been using $10,000), divide it by the term you've been given (lets say 15 months) and we will get our target payment. You do not want to pay ***only*** the minimum payment. Doing so will ensure that you never destroy debt, for the minimum payment typically covers only 1% to 3% of the total outstanding balance. Sure, it will more than satisfy the credit card company. They'll be happy to oblige you with a small $150 a month payment. But that $10,000 debt will take more than 30 years to pay off and ultimately cost you more than $60,000 in the long run. **That's just dumb**. It's time to seek and destroy debt! So launch the calculator app and do the simple math.


$$10{,}000 \div 15 = \$666.67$$

(wow, interesting number)

That's our goal! To pay $667 a month for the next 15 months. I know, at this point you're probably saying, "If I had $667 a month available to me I wouldn't have gotten a credit card in the first place!" I'm not entirely sure if that's true, but I do know that if you have credit card debt, then paying it off needs to become a high priority. This means that you need to develop a simple plan to do so. In In other words, you need to establish a budget.

Over the last 20 years I have worked with many, helping them to do just that, so I'm certain I can help you do the same. Which is why I wrote an eBook called "**Onramp To A Hopeful Financial Future**." It's available for just $3.99 at **mybudget.help**, and comes free with the very same budget template spreadsheet that I developed to plan for my family's financial future.

Without a budget you will not be able to (1) pay off the credit card debt you owe or (2) keep out of future credit card debt when you finally do. So please take the all important step to get on the path to a hopeful future by establish a budget now.

Now, what if you weren't able to secure a low or 0% interest credit card, and furthermore were unable to consolidate your debt to one payment? What if you have 2, 3 or 10 different cards to pay off from The GAP, Nordstrom, Macy's, Citibank and Chase? Though not as simple as one payment, there is no reason to not apply the same principled process to deconstructing debt. Though there are a number of different ways to “eat an elephant” ultimately you have to begin somewhere. In this instance I recommend one of two options, which when all is said and done, both accomplish the same goal for relatively the same cost.

First, begin with a simple table.

| | The GAP | Nordstrom | Macys | Citibank | Chase | TOTAL |
|---|---|---|---|---|---|---|
| **Balance** | $855.72 | $562.50 | $225.78 | $3564.76 | $2285.79 | **$7606.97** |
| **Monthly Min.** | $12.84 | $8.44 | $3.39 | $53.47 | $34.29 | **$112.42** |
| **APR** | 24.99% | 19.15% | 24.5% | 15.99% | 19.8% | |

Once you’ve built a table separating the total balances, minimum monthly payments and annual percentage rates of each card you can chose one of the two tracks to tackle your total debt of $7,606.97. To do so lets set a goal of paying the total balance of all five cards in 15 months. To do so we’ll need to apply just over $500 a month to pay them off in full.

**Track A**: One option for paying these debts is to focus your attention on the card with highest APR first. That would mean that we would pay the minimums on each card every month ($112.42 currently), but add principle payments, up to $500 total dollars a month starting with the highest APR (The GAP at 24.99%). Once that highest interest rate card is paid, you would move to the next highest. Here’s what that would look like.

| | The GAP | Nordstrom | Macys | Citibank | Chase | Monthly Payment |
|---|---|---|---|---|---|---|
| **Month 1** | $400.41 | $8.44 | $3.39 | $53.47 | $34.29 | **$500.00** |
| **Month 2** | $400.41 | $8.44 | $3.39 | $53.47 | $34.29 | **$500.00** |
| **Month 3** | $67.74 | $8.44 | $212.94 | $53.47 | $157.41 | **$500.00** |
| **Month 4** | **$0.00** | $8.44 | $16.23 | $53.47 | $421.86 | **$500.00** |
| **Month 5** | **$0.00** | $8.44 | **$0.00** | $53.47 | $438.09 | **$500.00** |

Though the math in this table is not exact, I think you’ll get the idea. In this example you would pay a total of $500 a month to your credit card bills. That $500 would be split to pay the minimum payments for each card (totaling $112.42 a month at the start) with the remaining balance ($387.58) being applied to the principal of the highest APR first. Over the course of months you would progressively move from one debt to the next, tackling the highest interest rate until it is paid off. Then you’d move to the next highest APR, and so on until everything is paid in full.

**Track B**: This option follows the same basic logic as Track A, but instead of focusing your attention each month on the highest APR, you would tackle the lowest balance first. In the above example that would mean that we would focus first on the Macy’s card, then Nordstrom, The GAP and so on. It would look something like this.

| | The GAP | Nordstrom | Macys | Citibank | Chase | Monthly Payment |
|---|---|---|---|---|---|---|
| **Month 1** | $12.84 | $170.23 | $229.17 | $53.47 | $34.29 | **$500.00** |
| **Month 2** | $14.92 | $397.32 | **$0.00** | $53.47 | $34.29 | **$500.00** |
| **Month 3** | $412.24 | **$0.00** | **$0.00** | $53.47 | $34.29 | **$500.00** |
| **Month 4** | $412.24 | **$0.00** | **$0.00** | $53.47 | $34.29 | **$500.00** |
| **Month 5** | $54.84 | **$0.00** | **$0.00** | $53.47 | $391.69 | **$500.00** |
| **Month 6** | **$0.00** | **$0.00** | **$0.00** | $53.47 | $446.53 | **$500.00** |

As I said previously, in the long run both tracks accomplish the same goal. But in my experience Track B helps build momentum more quickly. How so? In Track B, after only 6 months you will have already paid three cards off in full and will be well on your way to a hopeful financial future in very short order.

Though it may appear complicated at first pass, this is not rocket science. With a S.M.A.R.T. goal (**S**pecific, **M**easurable, **A**chievable, **R**esults-focused, and **T**ime-bound) and a simple plan, you can avoid paying minimum payments for life and eventually be credit card debt free! Which brings me, at last, to my fifth and final tip for winning with credit cards.

## 5. Use the Card Wisely

Maintaining the use of credit cards in a wise fashion is extremely difficult and impossible for the undisciplined. But if you've worked through tips 1 through 4, then you might (I repeat, might) be able to take one additional step toward winning with credit cards.

Before I explain what step five is, I want to be clear, if you've made it through steps 1 through four, you're four steps ahead of the vast majority of credit card users. For most, this may be the best place to simply walk away from credit for life. Let me repeat it, at this point, the most wise step may be to shred any remaining credit cards and use only debit cards. Many financial gurus agree, this is likely the safest course. But, if you're truly disciplined, I want to give you 3 final tips for wise credit card usage.

**First**, only ever use credit cards with no annual fees. It does not pay to discover, nor is it priceless if you have to pay $99 a year simply to have that little piece of plastic in your pocket. Unless the gold card is forged from actual gold, it ain't worth $99 a year! Never get a card with an annual fee.

"But it has great rewards!" Bollocks! If it costs you an annual membership fee, ditch it!

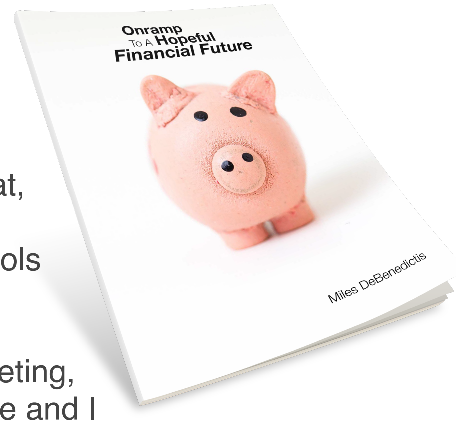
**Second**, never carry a balance. My wife and I have wisely used credit cards for our entire marriage. I began doing so before we married more than a decade ago. I've never carried a balance on a credit card and have never paid an annual fee. We use the cards every month for all the normal things we'd buy (i.e. groceries, gas, etc.) and then we pay the statement in full at the end of each period.

This is possible. In fact many people have the discipline. To do so. But if, in trying to apply this credit card wisdom, you find that you carry a balance for even one month, hide or shred the card, pay off the balance and don't use credit cards. Because ultimately, there is only one wise reason to use a credit card, and if it costs you interest or an annual fee, that reason disappears.

**Third**, collect the free rewards of a no annual fee credit card. There are a number of credit card companies that offer rewards cards and many of them have no annual membership fees. A 1%, 2% or sometimes occasional 5% reward can add up quickly. For nearly 15 years I've collected an average of $300 annually from my credit card company just to buy the things I'd be buying anyway. I've never paid finance charges, because I don't carry a balance. My card has no annual fee, so my credit card company literally pays me to buy things like groceries, new brakes for my car and occasionally dinner and a movie for my wife and me. No, it's not a lot of money, but over the last 10 years it's added up to several thousand dollars.

In my estimation, this is the **only** silver lining in the credit card storm. But if you cannot learn and apply the wisdom of tips 1 through 4, please be wise enough to never use credit cards again.

## About Me…




Thank you for taking the time to read through these tips. I'm convinced, after employing these strategies myself and helping others to do the same, that you can experience the joy and peace of mind of tackling debt and winning with credit cards. To help you do more than just that, I would hope that you'd consider checking out my eBook ("Onramp To A Hopeful Financial Future") and budgeting tools at **pastormiles.com**.

For just $3.99 you'll receive my step-by-step guide to budgeting, with the very same spreadsheet I developed to help my wife and I accomplish our financial goals. But more than just that, I hope to also share with you the joy of a hopeful future beyond just financial freedom.

You see, though I've helped many people tackle debt and establish solid financial practices, I am not a "money guy." I'm not a financial planner by trade. I plan my finances the way I do because I think it's important to be a good steward of all that I have. I'm a Pastor. My primary vocation is teaching and preaching the Bible. But what I've discovered over the last 17 years of doing that is that the Bible has a lot to say about being a good steward. Not only a good steward of finances, but also of time, gifts, talents, abilities. Really on being a good steward of life, and that's what brings me to my most important tip.

In the Gospels Jesus tells a story about a wealthy farmer who basically hit it big time. His land produced more than ever, so much indeed that he could hardly contain the harvest. Therefore the rich man purposed to tear down his barns and to build bigger and better barns to hold all that he was to bring in. He looked forward to a day of ease and joyful living. Sadly, the rich man's focus was wrong, for Jesus said, "You fool, tonight you will die. And your barnful of goods—who gets it?"

At another place in the Gospels Jesus says, "what do you benefit if you gain the whole world but lose your own soul?" Yes, it's good to know how you are spending your money and how best to plan for retirement. But ultimately, these are the truly important questions of life. That is why Jesus said, "Do not lay up for yourselves treasures on earth, where moth and rust destroy and where thieves break in and steal; but lay up for yourselves treasures in heaven, where neither moth nor rust destroys and where thieves do not break in and steal. For where your treasure is, there your heart will be also."

I want you to have a hopeful financial future in this life, but more than that I want you to have a hopeful eternal future in heaven. Two thousand years ago Jesus became poor, giving His life on the cross, so that you and I, through His poverty, might become rich. That's what the great news of the Bible is.

Every human being is hopelessly lost because of our failure to live according to God's perfect standards. Our failures are called sin. Our sins are a debt that no amount of money could ever pay off. But God loved us so much that He gave His only begotten Son, Jesus, to die for our sins on the cross, to pay the debt that we could never pay so that we might receive eternal life in Him.

I do hope that the above tips will help you get your financial house in order. But if all that is accomplished through this work is a better earthly future for you and your family, I'm not sure I've succeeded. I want you to have an eternal future too.

Blessings,

Pastor Miles