5 Credit Card Mistakes To Avoid

Credit cards are wonderful things, but they come with a good deal of responsibility. If used correctly, they are a great asset to your credit and overall financial health. But if you slip up with management, your credit score could be impacted for years into the future.

Your credit card has a better chance of helping instead of harming your finances if you understand how to use it the right way. Whether you don't have any credit cards or you have a few, there's no better time than now to learn about credit card mistakes you should avoid.

1. Making Late (and Minimum) Payments

Making late payments is probably the biggest slip-up people make. We know that it's tough to keep track of when to pay, but late payments will stay on your credit for seven years. Avoid such lengthy consequences by setting up an automatic payment, using a calendar, whether it's digital or on paper, to remind yourself to pay on time (or early, to be safe).

The more late payments you rack up, the longer your account will remain delinquent. That means more and more of a drop for your credit score — not to mention all of those late payment fees. If you keep putting off late payments, your card is charged off and that debt is sold to collections, which makes a negative impact on your credit score.

Besides making late payments, paying only the minimum amount due can hurt you, too. This is especially harmful if you have a lot of debt on your hands. It's not only a way to ensure that you'll be paying for years and years, it also increases the likelihood that you'll end up paying more in interest than you paid for your purchases.

2. Going Over Your Credit Limit

The rule of thumb is that you should never hold a credit balance that's more than 30% of your credit limit. If you use a large amount within your limit, you could harm your score, and going *over* your limit negatively impacts your score too. After all, one of the most major factors in determining your credit score is your debt utilization ratio — or how much of your available credit you're using.

Get to know your credit report with Savvymoney. Your credit report provides insight into how lenders and others see you. Checking your report regularly is a great idea to protect against identity theft and ensure your information is correct.

3. Applying for New Cards Too Frequently

Every time you apply for a new credit card, it affects your credit score. That doesn't mean you should never apply for a new card, but you should space out the time between applications. If you put in a large amount of applications in just a few weeks, lenders view you as a greater risk. Only apply for credit as it's needed, and try to put six months between your applications. You can also use pre-qualification forms to check if you'd qualify for a card, as those won't damage your score..

4. Ignoring Your Monthly Statement

If you bank online, getting your credit statement in the mail might seem unnecessary, so you toss it out. But actually, going over your statement each month can do you a lot of good. Your statement doesn't just summarize your credit activity, it also helps keep your account in good standing by letting you know your balance, minimum payment, and the due date of that payment. From your statement, you can also learn about any fraudulent activity on your account and how close you are to reaching your credit limit.

5. Applying for a Credit Card for the Wrong Reasons

At almost any store, employees will ask you to apply for a credit card in order to get certain discounts. While this might be tempting, that savings isn't much in the grand scheme of things – especially compared to how high the interest rate of retail credit cards is. Instead of impulsively applying for credit cards like these, do your research and find out what options suit your lifestyle best.

Mistakes Are a Part of Life

At Interra Credit Union, we understand that mistakes happen, and that you can learn from them – but it's better to avoid them when you can. To assist with that, we have a team of experts on-hand, ready to help you manage your credit card in the most efficient way possible. With our credit card services, we'll help you develop good spending and saving habits so you can build a strong credit profile.

We offer low interest rates, amazing benefits, and a 25-day grace period. Whether you're looking to apply for your very first credit card or adding another to your wallet, we can help.

Apply today to start your Interra credit journey, or reach out to us to get your questions answered!