Wealth Wellness

Mastering Plastic

The Basics of Credit Cards

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A credit card allows you to borrow money from a bank to buy things. Having a credit card can come with costs (interest and fees) and benefits (rewards and credit-building).

Each month, you will receive a statement via email and/or mail from the credit card company listing your purchases, what you owe, and when your payment is due.

Key Terms:

CREDIT LIMIT
The maximum amount you can spend on your credit card.

BALANCE
The amount of credit you've used on your card.

AVAILABLE BALANCE
How much credit you have left to spend (credit limit minus your purchases and interest).

ANNUAL PERCENTAGE RATE (APR)
The interest rate charged on anything you didn't pay off the month before. It's charged on a daily basis — meaning that if your APR is 15%, you don't get charged 15% once a year, but rather about 0.041% a day (15% divided by 365 days).

Credit Card Perks

Credit cards provide benefits like travel perks, cash back rewards, gift cards, shopping discounts, and exclusive event access, making them convenient and rewarding. Choose a credit card based on your priorities.

Winning Practices

- Always pay your bill on time every month; late payments hurt your credit score.
- Pay the full balance to avoid interest.
- Set up text transaction notices to protect yourself against identity theft and fraud.

Ready for more? Check out the Learning Lab more or reach out to any member of the FLO team.