



# mastering your *credit card*

# Ready to Master Your Credit Card?

Whether you're looking for a new credit card, or trying to get the most use out of the one you have, this guide will help you get there!

This toolkit is designed to help you read up on purchasing terms, learn about best practices, and check out the different options you have available. Let's get started:

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## CREDIT CARD BASICS

# Credit Card Terms

### ANNUAL FEE

An annual fee is a yearly charge some financial institutions/lenders include with their credit cards. If the credit card you choose has an annual fee, you'll notice it on your credit card statement once a year.

### ANNUAL PERCENTAGE RATE (APR)

This is the interest rate lenders charge expressed as a percentage for the entire year. If you carry a balance on your card through the next billing cycle, you'll be charged this in interest.

### AVAILABLE CREDIT

Your available credit is related to your account balance and is the amount of money you have left to spend from your credit limit.

### AVERAGE DAILY BALANCE

This is the number lenders use to calculate how much interest you have to pay on a credit card balance, which is calculated by adding each day's daily balance, then dividing that by the number of days in the billing cycle.

### BALANCE TRANSFERS

When an outstanding balance from one or more credit cards is transferred to another credit card. Cardholders will typically do this to consolidate debt or take advantage of a lower interest rate.

### CASH ADVANCES

This is where you withdraw cash from a credit card (rather than make a purchase by swiping your card), either from an ATM or at the bank. There are typically cash advance fees associated with this transaction.

### CREDIT CARD LIMIT

The most you can spend on their credit card. Going past this limit may result also in penalty fees.

### COMPOUNDING PERIOD

This is the span of time between when interest was last compounded and when it will be compounded again. Generally, the number of days in a billing cycle is 28 - 30 days depending on the month.

### GRACE PERIOD

This is the number of days the credit card issuer allows for you to pay your credit card balance without being charged interest. Psst... grace periods don't typically apply to cash advances or balance transfers.

### MINIMUM PAYMENT

This is the smallest amount of money you are obligated to pay on a monthly basis to maintain your credit card account without defaulting.

### SECURITY CODE (CVV)

The security code (or card verification value) is a security measure that helps ensure you're the credit card owner. It protects you from Skimmers that may try to steal your credit card info when used at locations like gas pumps or ATMs.

### STATEMENT

A statement is a comprehensive record of your transactions, outstanding balance, minimum payment, and due date for a specific billing cycle.

# Your Card Options

## Secured Credit Cards

These are backed by a cash deposit, operate like regular credit cards. The deposit, usually \$200 - \$300, sets your credit limit. To increase the limit, you need to deposit more money. These cards are ideal for establishing or re-establishing your credit history. These cards are ideal for those who have good credit and looking for rewards like cash back or discounted rates.

### BENEFITS

- ✓ Builds a positive credit history
- ✓ Account activity is reported to credit bureaus monthly
- **Psst...** If you use your card responsibly, this can show on your credit report and help increase your credit score
- ✓ Easier approval with poor credit and credit score improvement
- ✓ Fixed rate

### DISADVANTAGES

- ✗ Need an upfront deposit
- ✗ Possibly higher interest rates, annual fees, and lower credit limits
- **Psst...** this may depend on the financial institution.
- ✗ Fees apply if payments are missed
- ✗ Misuse can damage credit score

## Unsecured Credit Cards

An unsecured credit card does not require a security deposit or any collateral to open and get approved. This is a regular credit card where the lender only has your word that you'll repay what you charge to the credit card.

### BENEFITS

- ✓ No security deposit required
- ✓ Better rewards and perks than secured card
- ✓ Higher credit limits

### DISADVANTAGES

- ✗ Good credit may be required
- **Psst...** This may depend on the financial institution.
- ✗ Irresponsible usage can damage credit score
- **Example:** Late or missed credit card payment affects your credit score by 60-100 points.

## REWARDS CREDIT CARD

# Perks of a Rewards Card

A rewards credit card, simply put, is a type of credit card that offers incentives or perks to cardholders for using it to make purchases. These rewards can come in various forms, such as cashback, points that can be redeemed for goods or services, or airline miles that can be used toward travel. The more you use your rewards credit card for purchases, the more rewards you earn!

### BENEFITS

- ✓ **Sweet Rewards:** Rewards cards offer all kinds of treats, like cash back, points, or miles, every time you swipe that magical plastic.
- ✓ **Cashback Confidence:** Imagine getting a little cashback in your wallet just for buying stuff you were going to buy anyway. It's like a secret payday!
- ✓ **Travel Dreams:** If you're a jet-setter, travel rewards cards can whisk you away with points and miles for flights, hotels, and adventures. Hello, dream vacation!
- ✓ **Discount Dance:** Some cards give you discounts, exclusive access, or even freebies at your favorite stores or restaurants. Retail therapy, anyone?

### DISADVANTAGES

- ✗ **Interest Costs:** Make sure you pay off your balance. If you don't pay your balance in full each month, the interest can pile up faster than a stack of pancakes at brunch. Ouch!
- ✗ **Annual Fees:** Some rewards cards charge annual fees, and if the rewards don't outweigh the fee, it's like paying for a party you're not invited to.
- ✗ **Temptation Trouble:** It's easy to get carried away with spending to earn more rewards, and that can lead to debt if you're not careful.
- ✗ **Credit Score Slip:** If you miss payments or carry high balances, your credit score can take a nosedive. Keep that credit score unicorn sparkling!

## LEARNING & GUIDANCE

# How to Choose the Best Rewards Card

Choosing a rewards credit card? Know your spending habits, pick your preferred rewards (cash back, points, miles), and compare options. Find a card that fits your lifestyle and maximizes your rewards.

Find the full article at [skylacu.com/mastering-creditcards](https://skylacu.com/mastering-creditcards) or scan the QR code.



## APPLICATION PROCESS

# How to Apply for Credit Card

### When is the Best Time to Apply for a Credit Card?

There's no perfect time to apply. It depends on your needs and credit score. But to tell on the best time to apply could depend on the following questions:

#### Have a Great Credit Score?

You'll likely get approved for a unsecured credit card with rewards and other perks. Remember to pay on time to avoid charges.

#### First-Time Borrower?

Secured credit cards are an excellent start. Your security deposit reduces risk and timely payments build your credit.

#### Need to Improve or Repair Credit?

A new credit card can help. Just ensure it's used responsibly. Check your report for any errors beforehand.

#### Planning a Big Purchase?

Credit cards offer purchasing power. Rewards, cash back and perks are a bonus. Plan to pay off your balance monthly to avoid interest.

#### Been Pre-Approved?

This means you meet the lender's criteria but it's not a guarantee. Pre-approval uses a soft pull, which doesn't affect your score.

#### Struggling with High-Interest Card?

Consider a balance transfer to a 0% APR card. But watch out for potential fees. Some lenders, like Skyla, offer free transfers.

## What You Need to Apply

- PERSONAL INFORMATION**  
This includes name, date of birth, and Social Security Number if the financial institution doesn't already have.
- EMPLOYMENT & INCOME INFORMATION**  
Credit card companies will ask for your employment status, employer's name (if applicable), and total annual income to assess.
- CHECK YOUR CREDIT REPORT**  
When applying, a credit check will be conducted review your credit history and credit score to determine your creditworthiness.
- HAVE A BUDGET IN PLACE**  
This will be essential to have so you can repay your balance in full.

## CREDIT CARD TIPS

# How to Use Your Card Wisely

### 1. RESEARCH, RESEARCH, RESEARCH

Pick a card that fits your needs. Compare rates, fees, and rewards before you commit. Remember, knowledge is power!

### 2. READ THE FINE PRINT

Read everything the credit card has to offer, including the fine print. Pay attention to credit card fees, grace period, rates if you defaulted on a payment.

### 3. UNDERSTAND YOUR CREDIT CARD FEES

Understand the fees your card may have - annual, interest, late payment, balance transaction, etc. No one likes surprise charges!

### 4. PAY YOUR BILL ON TIME

to avoid late fees and keep your credit score healthy. Consider setting up automatic payments to make this easier.

### 5. READ YOUR CREDIT CARD STATEMENT EVERY MONTH

Learn to read your credit card statement like a pro. Check for any unusual activity and know your due

### 6. KEEP YOUR CREDIT UTILIZATION LOW

If you have an \$11,000 limit, try not to carry more than a \$3,300 balance. It's all about balance (pun intended).

### 7. ONLY CHARGE WHAT YOU CAN AFFORD

Credit cards are not free money, so think before you swipe!

### 8. STICK TO A BUDGET

Avoid overspending by setting spending limits and stick to them. A well-planned budget is your financial superpower.

### 9. DON'T REPLACE YOUR CARD FOR CASH

Debt can pile up quickly, so use your card wisely!

## LEARNING & GUIDANCE

# Credit Card Mistakes to Avoid

Uncover common credit card mistakes that can impact your score and lead to extra costs. Even if you've made errors, there's no need for panic - you can enhance your credit without accruing more debt by following these steps.

Find the full article at [skylacu.com/mastering-creditcards](https://skylacu.com/mastering-creditcards) or scan the QR code.



## CREDIT CARD TIPS

# How to Keep Your Card Safe



### The Simplicity of Safety

Consider your card details as hidden treasure. Exercise caution when and where you use your card online to steer clear of digital buccaneers (fraudsters).



### Pause Before You Purchase

If you're considering using your credit card in place of cash, think again. Debt can accrue swiftly, so it's crucial to use your card judiciously!



### Stay Alert to Phishing Emails and Fraudulent Calls

Scammers often create a false sense of urgency to trick you into revealing your details. Stand your ground and don't give in!



### Refrain from Sharing Info Over Phone or Email

Remember, legitimate credit card providers or banks will never request your card information over a call or email.



### Resist Writing Down Your Info

Avoid jotting down your credit card details for storage. It's much safer in your memory than on paper!

## LEARNING & GUIDANCE

# How to Best Use a Credit Card

Learn to maximize your credit card usage, improve your credit score, and save money responsibly with our helpful tips. Check it out!

Find the full article at [skylacu.com/mastering-creditcards](https://skylacu.com/mastering-creditcards) or scan the QR code.





# How to Pay Off Your Card Balance

When you have a high balance on your credit card and you're looking to pay it off, here's two popular debt pay down strategies that will help! The Snowball Method and the Avalanche Method.

## Snowball Method

This is where you make the minimum monthly payment on all debts and contribute as much extra income as you can to the smallest debt first. Once you pay off the smallest debt, you take the total you were contributing and put it towards the next smallest.

		#1 VISA 9% APR	MASTERCARD 14% APR	CHEVY 1.99% APR	NISSAN 3.15% APR
MONTH	STARTING BALANCE	\$600.00	\$2,000.00	\$6,000.00	\$22,000.00
AUG '19	PAYMENT	\$600.00	\$60.00	\$114.00	\$400.00
	NEW BALANCE	\$0.00	\$1,940.00	\$5,886.00	\$21,600.00
SEPT '19	PAYMENT	PAID OFF	\$660.00	\$114.00	\$400.00
	NEW BALANCE	(+) \$600 to Mastercard	\$1,280.00	\$5,772.00	\$21,200.00
OCT '19	PAYMENT		\$660.00	\$114.00	\$400.00
	NEW BALANCE		\$620.00	\$5,658.00	\$20,800.00
NOV '19	PAYMENT		\$620.00	\$114.00	\$400.00
	NEW BALANCE		\$0.00	\$5,544.00	\$20,400.00
DEC '19	PAYMENT		PAID OFF	\$774.00	\$400.00
	NEW BALANCE		(+) \$660 to Chevy	\$4,770.00	\$20,000.00
JAN '20	PAYMENT			\$774.00	\$400.00
	NEW BALANCE			\$3,996.00	\$19,600.00
FEB '20	PAYMENT			\$774.00	\$400.00
	NEW BALANCE			\$3,222.00	\$19,200.00
MAR '20	PAYMENT			\$774.00	\$400.00
	NEW BALANCE			\$2,448.00	\$18,800.00
APR '20	PAYMENT			\$774.00	\$400.00
	NEW BALANCE			\$1,674.00	\$18,400.00
MAY '20	PAYMENT			\$774.00	\$400.00
	NEW BALANCE			\$890.00	\$18,000.00
JUNE '20	PAYMENT			\$774.00	\$400.00
	NEW BALANCE			\$126.00	\$17,600.00
JULY '20	PAYMENT			\$126.00	\$400.00
	NEW BALANCE			\$0.00	\$17,200.00
AUG '20	PAYMENT			PAID OFF	\$1,174.00
	NEW BALANCE			(+) \$774 to Nissan	\$16,026.00
SEP '20	PAYMENT				\$1,174.00
	NEW BALANCE				\$14,852.00

## Avalanche Method

The avalanche method is where you put the extra payments towards the debt with the highest interest rate. Once you pay off the highest, you move to the next highest, and so on. Paying more towards debt speeds up the debt pay-down process. This can save you some time and money during your journey.

		#1 MASTERCARD 14% APR	VISA 9% APR	NISSAN 3.15% APR	CHEVY 1.99% APR
MONTH	STARTING BALANCE	\$2,000.00	\$600.00	\$22,000.00	\$6,000.00
AUG '19	PAYMENT	\$600.00	\$30.00	\$400.00	\$114.00
	NEW BALANCE	\$1,400.00	\$570.00	\$21,600.00	\$5,886.00
SEPT '19	PAYMENT	\$600.00	\$30.00	\$400.00	\$114.00
	NEW BALANCE	\$800.00	\$540.00	\$21,200.00	\$5,772.00
OCT '19	PAYMENT	\$600.00	\$30.00	\$400.00	\$114.00
	NEW BALANCE	\$200.00	\$510.00	\$20,800.00	\$5,658.00
NOV '19	PAYMENT	\$200.00	\$30.00	\$400.00	\$114.00
	NEW BALANCE	\$0.00	\$480.00	\$20,400.00	\$5,544.00
DEC '19	PAYMENT	PAID OFF	\$480.00	\$400.00	\$114.00
	NEW BALANCE	(+) \$600 to Visa	\$0.00	\$20,000.00	\$5,430.00
JAN '20	PAYMENT		PAID OFF	\$1,030.00	\$114.00
	NEW BALANCE		(+) \$630 to Nissan	\$18,970.00	\$5,316.00
FEB '20	PAYMENT			\$1,030.00	\$114.00
	NEW BALANCE			\$17,940.00	\$5,202.00
MAR '20	PAYMENT			\$1,030.00	\$114.00
	NEW BALANCE			\$16,910.00	\$5,088.00

## LEARNING & GUIDANCE

# Consider Doing a Balance Transfer

Lenders offer debt consolidation credit cards, allowing you to transfer balances from multiple cards to one, ideally with a 0% APR for a time. This common solution may not be suitable for all cardholders.

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