SWIPE Smart 6E

MAKE YOUR CREDIT CARD WORK FOR YOU

Eliminate debt

Irresponsible usage and poor management of your credit card can easily lead to debt. It is important that you, as a smart and responsible consumer, do not allow yourself to be caught in a debt trap. Eliminate the possibility of debt from the beginning by adopting good payment habits with all purchases you make on your credit card.

Generally, you have to pay the interest rates on your outstanding balance – i.e. the amount you have used on your card to date but have not paid for yet. Bank Negara Malaysia regulated tiered interest rates of between 13.5% to 17.5% is payable on the outstanding balance for most credit cards.

You incur these interest rates or finance charges as they are known, only 20 days after the amount is charged to your card. Your payment due date is clearly stated on your statement. If you do not pay the outstanding amount in full or the minimum amount by the stipulated payment date on your monthly statement, you will be charged both finance charges and late payment charges.

A finance charge is imposed on the amount outstanding on a daily rest basis. This finance charge rate is tiered and will vary from 13.5% per annum for those who have made prompt payments for the past 12 consecutive months and 16% per annum for those who have made prompt payments for 10 out of the last 12 consecutive months. For card holders who do not meet these two criteria, a finance charge of 17.5% per annum is imposed. So, you can lower your interest charges by paying promptly and regularly.

For cash advances, the finance charge is higher at 18% per annum, in addition to the imposition of a cash advance fee of 5% of the amount advanced or a minimum of RM15, whichever is higher.

If you are unable to make the full payment, at least try to pay the minimum amount of 5% of your outstanding balance or RM50 (whichever is higher) to avoid having to pay late payment charges (which is usually 1% on the outstanding balance or RM5) whichever is higher up to a maximum of RM50.

Here's an example of how charges can accumulate when you do not try to evade debt from the 1st stage of repayment.

Payment due date - 25th September 2010
Amount to be paid - RM1,000.00

Payment due date - 25th October 2010
Amount to be paid - RM1000.00
  + RM11.10 interest charges (at 13.5% p.a.)
  + RM10.00 late fees
  = RM1,021.10

Payment due date 25th November 2010
Amount to be paid RM1021.10
  + RM16.34 finance charges (at 16% p.a.)
  + RM10.37 late fees
  = RM1,047.81

Payment due date 25th December 2010
Amount to be paid RM1047.81
  + RM16.76 finance charges (at 16% p.a.)
  + RM10.65 late fees
  = RM1,075.22

Your initial amount due of RM1,000 has easily ballooned over time!

Take the following steps to minimize charges on your credit card.

1. Make sure your credit card spend matches your repayment capacity so you do not spend beyond your ability to make the payments.

2. Pay your outstanding amount in full, or at least make the minimum payment promptly and regularly.

3. Do not apply for more cards than you can financially manage. If you have trouble keeping track of payments or payment due dates, stick to just one or two cards at the most.

Your card payment procedures and definition of charges are stated at the back of your statement. Read and understand these notes clearly and determine the most convenient way for you to make regular, on-time payments.

To Swipe Smart you have to proactively eliminate any possibility of outstanding debt on your credit card. Try not to use your credit card for unnecessary expenditure until you lower and eliminate the amount owed. Speak to your Card Issuer if you need help with your repayment or if you find yourself slipping back on payments. It is possible for your Card Issuer to help you eliminate debt by restructuring your repayment to more affordable installments.

Make your credit card work for you. Eliminate Debt and Swipe Smart without unnecessary worries.

Watch out for the 6th *E* next week as we continue our 'Swipe Smart with 6*E*' series for you.

- [ ] **Educate yourself**
- [ ] **Exercise caution**
- [ ] **Enhance your lifestyle**
- [ ] **Enjoy benefits**
- [✓] **Eliminate debt**
- [ ] **Engage your Card Issuer**