

Credit cards can boost your purchasing power



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According to a famous American columnist Will Roger 'Too many people spend money they have not earned, to buy things they don't want, to impress people that they don't like.'



Many people have bought an expensive bag or fancy watch or even a luxury car, to make their friends or colleagues jealous or just for the sake of impressing others. All it took was swiping that magic credit card. And later when thinking about it, he may have not needed it at all or even use it. Don't forget, he still has to finally pay for it!

Now you need to pay your credit card bill. Suddenly you see a huge amount on that bill and are in debt; and maybe, your monthly income or your earnings were not something you even thought of while swiping that card to make the purchase. There is a mismatch between spending power and repayment capacity. This is a big problem faced today by many people. Very often using credit cards will land you in debt through unwise choices and impulse purchases.

Should you use credit cards to boost your purchasing power or to pay debt before saving? The answer is yes in some cases. Credit cards can boost your purchasing power to buy a wide range of things over the phone and online.

It can save your time and trouble that you don't have to search for ATM machines or keep cash on hand. If used prudently and based on your ability to repay, credit cards can be very useful.

Here are the various advantages credit cards can offer:

Immediate access: Credit card helps you with sudden unexpected and expensive expenses and also gives you the flexibility to pay it over the period of time.

Credit card bill repayment: Interest free credit will be given for period of 50 days (i.e. Billing starts from 1st of every month (June 1) till end of the month (June 30) and you will be repaying the amount on July 20.

Security: If you lose your wallet with cash, the chances of getting them back is very low. But if you lose a credit card, it can be cancelled immediately by calling the credit card company and reporting the card as lost or stolen. And once this is done, a replacement card will also be sent to you with 4 – 6 days.

Record Keeping: Credit card companies have all records of your expenses, helping you to monitor all your financial transactions.

Convenience and rewards: Credit cards are accepted at almost all places today as mode of payment. Almost all credit card companies offer rewards programmes for every swipe which may earn benefits like free travel, products at discounted prices, free movie tickets etc.

Some disadvantages of using credit cards:

In many ways a credit card compels you to spend more money than what you have.

You are charged with late fees and interest if there is any delay in payment of the credit card bill, which in turn ruins your credit score and affects the relationship with lenders.

Overspending of money by swiping credit cards will cause serious problems and may even cause bankruptcy to you.

There is a possibility of credit card fraud which could also happen. What are late payment charges?

Late payment charges will be applicable if Minimum Amount Due is not paid by the payment due date.

Interest Free Grace Period

The interest free credit period could range from 20 to 50 days subject to submission of claims by the merchant. However, this is not applicable if the previous month's balance has not been cleared in full or if the Cardholder has availed of cash from any ATM.

Credit cards and you

– some tips:

Don't use the credit card to impress people or to buy unnecessary things which is of no requirement to you.

Use it only when it is necessary and for its convenience.
Use it only when you have the ability to re-pay the monies due on time.
Read all the terms and conditions carefully before you opt to use the credit cards.
Choose credit card which offers you loyalty rewards that are useful to you.

(The writer is a Managing Director, Sinhasi Consultants)

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