

consumer action

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Tips for Smart Credit Card Use

2011 Chase-Consumer Action Pulse of the Consumer Survey

1. **Choose the right card to improve your payment habits.** The survey found that 59 percent of cardholders in Chicago usually pay off their credit card balances every month. If you pay off your balance every month, look for a card that rewards you for the purchases you are already making. However, if you do carry a balance, look for a low interest rate card and always have a plan to pay off your balance. When you carry a balance, interest payments are far more than the value of the “freebies” you earn with a rewards card.
2. **Know your “credit personality” and tailor your card use accordingly.** If you are one of the 57 percent of cardholders in Chicago who uses their credit cards for everyday expenses like groceries and gas or 30 percent who uses their cards for small purchases like coffee and lunches, do you typically carry a balance? If so, it might be time to reevaluate your payment strategy to avoid paying interest on daily necessities. Consider using a different form of payment for daily necessities than you do for your large purchases. In addition, some credit cards even let you revolve a balance and pay off certain everyday purchases in full without incurring interest.
3. **Stay in control by closely monitoring your credit card purchases.** Keeping track of expenses can be a challenge. Manage your personal finances in a way that works for you, whether it's regular use of online banking, creating your own spreadsheet, using online worksheets or keeping receipts in an envelope or file folder. The most effective tool is the one that you're most comfortable with, so experiment until you find the one that keeps you on track.
4. **Take advantage of technology.** Always use the resources available on your credit card issuer's website. The survey found that 47 percent of Chicagoans said that if managing their personal finances was simpler they would be more likely to dedicate more time to it. Many banks allow you to set up text or email alerts to notify you when your balance reaches a certain level or remind you when your payment is due. These alerts can help you avoid fees and stay on top of your finances. Online calculators and mobile apps that banks and other websites provide are another great way to help figure out how long it will take for you to pay off your balances under various payment scenarios.
5. **Adopt a spending and savings plan you can stick to.** The thought of a detailed budget can be daunting. Perhaps for this reason, 46 percent of Chicago credit card users report having spent more on their credit cards than they intended to in the past. That's why it's important to keep your spending and savings plan simple. Set up an automatic transfer from checking to savings on payday, give yourself a weekly allowance to cover fun and unplanned expenses (when the money is gone, it's gone) and cap your credit card spending at an affordable level and trigger an alert when you near the limit.

6. **Set a plan that keeps you motivated.** Choose a get-out-of-debt strategy that works for you. One option is to pay off higher-rate debts first to save money on interest. Another option is to pay off debts according to size, starting with the smallest balance—you may pay a little more in interest over the long term, but you'll retire individual debts more quickly. Money doesn't equal happiness, but staying in financial control equals satisfaction – 52 percent of Chicagoans said that having a borrowing and spending plan in place and sticking to it helps them maintain a good "money-life balance."
7. **Get help at the first sign of trouble.** If you're having trouble keeping up with your credit card payments, a member of the National Foundation for Credit Counseling (www.nfcc.org) can help you design a realistic budget, prioritize your debts, or, in some cases, set up a debt management plan that may offer reduced payments and interest rates. With 34 percent of Chicagoans reporting their personal finances are in "bad shape," it's important to know that helpful resources do exist.
8. **Respect your credit.** With 27 percent of Chicagoans expecting to use a credit card to pay for an anticipated large expense within the next five years, it's important to preserve the safety net that credit offers. Aim to protect and improve your credit history and credit score. Keep balances at 35 percent or less of available credit on revolving accounts—it's better to use part of your available credit on a few accounts than all your available credit on just one account.
9. **Remember, you're borrowing!** When you use your credit card, you're taking a loan. Two thirds of Chicagoans said that when they used their credit cards they were "spending their own money"—not borrowing. But 42 percent said they had not paid the balance in full at least once in the last 12 months, because they didn't have enough money to pay in full (44 percent) or they had an unexpected expense or major life change that kept them from doing so (22 percent).

About the Survey

The *2011 Chase-Consumer Action Consumer Pulse Survey*, a telephone poll of 1,016 adults was conducted between August 16 and August 26, 2011. In addition, 401 adults in Chicago were also sampled within the same time period.

About Consumer Action

Consumer Action is a nonprofit organization that has championed the rights of underrepresented consumers nationwide since 1971. Throughout its history, the organization has dedicated its resources to promoting financial literacy and advocating for consumer rights in both the media and before lawmakers to promote economic justice for all. With the resources and infrastructure to reach millions of consumers, Consumer Action is one of the most recognized, effective, and trusted consumer organizations in the nation.

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