



## Credit Card Factsheet

### What Is a Credit Card?

A credit card lets you borrow money from a bank or lender to make purchases. You then pay back what you spent—either in full, each month or over time.

### Key Terms Explained

- **Credit Limit:** The maximum amount you can spend on the card.
- **Balance:** The amount you currently owe.
- **Minimum Payment:** The smallest amount you must pay each month to keep the account in good standing.
- **Interest Rate (APR):** The cost of borrowing money if you don't pay your full balance. APR = Annual Percentage Rate.
- **Billing Cycle:** The period (usually around 30 days) during which purchases and payments are recorded.
- **Grace Period:** The time between the end of the billing cycle and the payment due date. Paying the full balance avoids interest.

---

## Types of Credit Cards

- **Standard Credit Cards** – basic cards for everyday purchases.
- **Rewards Cards** – earn cashback, points, or travel miles.
- **Low-Interest or Balance Transfer Cards** – help reduce interest costs.
- **Secured Credit Cards** – require a deposit and help build credit.

## Benefits of Credit Cards

- **Convenience** – quick and safe payments.
- **Rewards** – points, cashback, or travel miles.
- **Purchase Protection** – coverage for damaged or stolen items.
- **Fraud Protection** – limited liability for unauthorized charges.
- **Helps Build Credit** – when used responsibly.

## Risks to Watch Out For

- High interest charges if you carry a balance.
- Late fees for missed payments.
- Credit score impact from late payments or high usage.
- Overspending due to easy access to credit.

## How to Use a Credit Card Responsibly

- Pay the full balance each month when possible.
- Keep spending below 30% of your credit limit.
- Set up automatic payments to avoid missed due dates.
- Review statements regularly for errors or fraud.

## What to Look for When Choosing a Card

- Interest rate (APR)
- Annual fees
- Rewards program (cashback, points, travel)
- Introductory offers (0% APR, bonus points)
- Foreign transaction fees
- Customer service reputation

## Example Monthly Statement Snapshot

- **Previous Balance:** What you owed last month.
- **Payments:** What you paid.
- **New Charges:** Purchases made during the billing cycle.
- **Interest Charged:** Cost for carrying a balance.
- **New Balance:** Total amount you now owe.
- **Minimum Payment Due:** Amount that must be paid to remain in good standing.

