



## Controlling Credit Card Use

About 75 percent of American households own a credit card. If you number among them, then you probably appreciate the convenience and security of having access to instant credit. Used responsibly, that little plastic rectangle can save both time and money. Whether you want to make a hotel reservation or buy a sweater from a catalog, charging is sometimes a practical way to pay.

A wide variety of businesses accept credit cards, and you can now charge everything from surgical procedures to school tuition to fast food. Our national credit card debt has skyrocketed to about \$796 billion, according to The Federal Reserve. With the average cardholder owing about \$3,632, many of us are racking up huge bills and creating long-term financial burdens for our families and ourselves.

The good news is that the majority of U.S. households have no credit card debt, according to the Federal Reserve's latest Survey of Consumer Finances. About a quarter have no credit cards, and an additional 30 percent or so pay off their balances every month.

Perhaps you, too, manage your debt efficiently, but if not, what can you do to control credit card use and avoid the pitfalls of high-interest debt? Here are some suggestions:

### Reduce your use

Are you using credit cards to pay for everyday expenses, such as groceries or rent? If you find yourself charging necessities, then you'll probably be in serious debt within a few months. If cash is tight, focus on budgeting and cutting back on "extras" rather than relying on credit. Put your cards away

(or even cut them up) until your financial picture is brighter.

Are you using credit cards to buy

luxuries that you just can't afford? Take those cards out of your wallet and leave them at home until you're out of debt. By controlling credit card use, you'll avoid temptation and high bills.

### How many cards?

If you carry a variety of credit cards, consider canceling most of them. With only one or two cards, you'll have fewer opportunities to get into debt and find it easier to keep track of how much you owe.

### Debit cards

Instead of using a credit card, find out if your bank will give you a "debit card." Debit cards look a lot like credit cards, and work almost the same way—except that charges are paid directly out of your bank account, just as if you wrote an instant, electronic check. A reminder: If you opt for a debit card, make sure to deduct what you spend and keep your account balance up-to-date.

### Fixed-income groups

Senior citizens, students and anyone on a strict budget should be particularly aware of the risks of credit card debt. The Consumer Credit Counseling Service, a non-profit organization that offers debt and credit counseling, warns

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seniors about using credit cards to offset a reduced income. Students should be careful, too. A study by loan provider Nellie Mae revealed that credit card use among college students continues to grow and has reached a new high. In 2004, 76 percent of undergraduates had at least 1 card carrying an average balance of \$2,169. A Government Accountability Office (GAO) study found that students were more likely than other borrowers to run up debts they could not pay because of financial inexperience.

## Get help

Most importantly, ask an unbiased financial counselor for advice as soon as you feel overwhelmed.

The earlier you seek help, the sooner you'll be out of debt. Avoid quick-fix credit "doctors" who promise instant solutions to your fiscal problems, and instead get advice from a reputable source. Contact your local branch of the nonprofit Consumer Credit Service for additional information and education about debt-management.

Enjoy the benefits of credit cards by charging responsibly and paying off your bill at the end of each month. Take control of your credit card use, and don't let the cards control you!

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