

Cheat Sheet: How to Choose the Right Credit Card

This cheat sheet summarizes key terms and concepts from Module 4, which focuses on helping students evaluate and select the best credit card based on their financial habits and goals. It covers assessing personal financial goals, comparing credit card features, understanding offers and promotions, and includes a knowledge check to reinforce learning.

Key Terms and Concepts

4.1 Assessing Your Financial Goals and Spending Habits

- **Spending Categories:** Different areas where money is spent, such as dining, travel, and groceries.
- **Reward Structures:** The way credit cards offer rewards, which can be flat-rate (same percentage for all purchases) or category-based (higher rewards for specific categories).
- **Financial Goals:** Objectives like debt reduction (paying off balances) versus rewards maximization (earning points or cash back).
- **Self-Assessment Checklist:** A tool for learners to categorize their spending habits to better align with credit card options.

4.2 Credit Card Features to Compare

- **APR (Annual Percentage Rate):** The interest rate charged on borrowed money, crucial for understanding costs associated with carrying a balance.
- **Flat-Rate Rewards:** A consistent percentage of rewards earned on all purchases.
- **Category-Based Rewards:** Higher rewards for specific spending categories, which may change periodically.
- **Annual Fees:** Fees charged yearly for card ownership; important to evaluate if the benefits outweigh the costs.
- **Additional Perks:** Extra benefits that may come with a card, such as lounge access, purchase protection, and rental insurance.
- **Interactive Comparison Chart:** A visual tool to compare different credit card types and their features.

4.3 Understanding Credit Card Offers and Promotions

- **Introductory Offers:** Special promotions for new cardholders, such as welcome bonuses or 0% APR for an initial period.
- **Hidden Fees:** Charges that may not be immediately apparent, which can affect the overall cost of using a credit card.
- **Interest Hikes:** Increases in interest rates that may occur after promotional periods end.
- **Maximizing Welcome Bonuses:** Strategies for responsibly taking advantage of introductory offers without falling into debt.
- **Case Study:** An analysis of a sample credit card offer to determine its value and potential pitfalls.