

Credit Card Cheat Sheet

This document serves as a quick reference guide for understanding credit cards, highlighting key terms, essential do's and don'ts, and common mistakes to avoid. Whether you're a new credit card user or looking to brush up on your knowledge, this one-page cheat sheet will provide you with the necessary information to manage your credit card wisely.

Key Terms

- **Credit Limit:** The maximum amount of credit that a lender will extend to a borrower on a credit card. Exceeding this limit can result in fees or declined transactions.
- **Interest Rate:** The percentage charged on the outstanding balance of your credit card. This is often expressed as an Annual Percentage Rate (APR). Higher rates can lead to significant costs if balances are not paid in full.
- **Billing Cycle:** The period between billing statements, typically lasting about 30 days. At the end of each cycle, your credit card issuer will send you a statement detailing your charges, payments, and the total amount due.

Do's and Don'ts

Do's

- **Pay Your Balance in Full:** To avoid interest charges, aim to pay off your balance each month.
- **Monitor Your Spending:** Keep track of your purchases to stay within your credit limit and avoid overspending.
- **Review Your Statements:** Regularly check your statements for errors or unauthorized charges.
- **Use Rewards Wisely:** If your card offers rewards, use them strategically to maximize benefits.

Don'ts

- **Don't Miss Payments:** Late payments can incur fees and negatively impact your credit score.
- **Don't Use Credit for Unnecessary Purchases:** Avoid using credit cards for items you cannot afford to pay off.
- **Don't Ignore Fees:** Be aware of annual fees, late fees, and foreign transaction fees that can add up.
- **Don't Close Old Accounts:** Keeping older accounts open can help maintain a longer credit history, which is beneficial for your credit score.

Common Mistakes to Avoid

1. **Not Understanding Terms:** Failing to read the fine print can lead to unexpected fees and charges.
2. **Carrying a Balance:** Carrying a balance can lead to high-interest charges, making it harder to pay off debt.
3. **Applying for Too Many Cards:** Multiple applications can negatively affect your credit score.
4. **Ignoring Credit Reports:** Regularly checking your credit report can help you catch errors and monitor your credit health.

This cheat sheet is designed to help you navigate the world of credit cards effectively. By understanding key terms, adhering to best practices, and avoiding common pitfalls, you can make informed decisions that benefit your financial health.