



## CREDIT CARD

## FACT SHEET



### ABOUT US:

Your Budget Wizard is a debt mediation service that specializes in budgeting for households to get you out of debt and on the path to financial freedom. Our App means that you have control of your finances at the touch of a button. Our Alerts stop you overspending and keep you on track.

Our real time app keeps you in control of your money. The wizard helps you to stop stressing and start living.

# Credit Card Basics



Based on Reserve Bank of Australia statistics, the average Australian credit card holder pays around \$700 in interest per year if their interest rate is between 15 to 20%.

The average debt per credit card holder in Australia is \$4344.89 (paying \$730.81 interest per annum).

There are 7,364,000 credit card holders in Australia (Source: Roy Morgan, rolling average for the year ending June 2015).

## Your Budget Wizard has some important tips for credit card holders to reduce debt and interest:

- Always pay your credit card on time to avoid extra interest or late payment fees
- Track your spending on your credit card so you stay within your credit limit.
- Pay more than the minimum repayment each month, to pay off your balance more quickly and save on interest.
- If you have more than one credit card, reduce them down to one.
- Only use credit cards for emergencies, otherwise you may end up spending beyond your means and enter the credit trap.
- Don't accept credit limit increases, if anything try to reduce your credit limit.

## Pay the highest interest rate or smallest debt first

When paying off your credit cards and reducing them to one, you can:

- Pay off the card with the highest interest rate first - In addition to making minimum payments on all credit cards, pay more off the card with the highest interest rate.

**Or**

- Pay off the card with the lowest debt first— Make minimum payments on all cards, and pay more on the card with the smallest debt, so you pay off the total amount on that card and pay it off in full.

## Credit Card interest free periods

If you always pay off your credit card in full each month, look for one that offers interest-free days. This means you pay no interest for a certain number of days after making a purchase (for example, 55 days).

## Applying for a Credit Card

When you choose a credit card check the scheduled fees that you will incur.

These can be costly and should be reviewed each year.

- Annual charges
- Fees for reward programs
- Late payment charges
- Cash advance fees
- Fees for exceeding your credit limit.

## Minimum Monthly Repayments

The Minimum monthly repayment is usually calculated as a percentage of the closing balance. As you can see with the calculator above, make sure you pay more than the minimum monthly payment each month.

- If you can only make the minimum monthly repayment, switch to a card with a low interest rate and pay off more when you can.
- Consider setting up a direct debit to pay a fixed amount off the balance owing each payday
- Don't take cash advances because they usually attract higher interest
- Use store cards wisely and be aware what fees you'll pay. Store cards usually attract higher interest rates.

If you have a credit card without an interest-free period, you pay interest either from the day you make a purchase or from the day your monthly statement is issued.

**Case Study - If you had a credit card balance of \$5000 with a rate of 14% and pay only the minimum monthly repayments it will take you 21 and 11 months to pay it off and cost you around \$5,957 in interest.(refer calculator below). If you paid \$250 per month you would pay the card off in 1 year and 11 months and save \$5,305.**

## Credit card calculator

### Your card

Amount owing: (\$) ?

\$5,000

Interest rate: (%) ?

14.00%

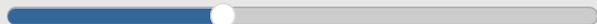
### Results



### Higher repayments

See how much you'll save by making a higher repayment.

Higher repayment: (per month) ?



\$250

### Advanced settings

