



# SMART USE OF A CREDIT CARD

If you make only your **minimum payment** (approx. 2%) on your credit card each month, see how much it will cost in the long run!:

Amount of credit card debt	If you pay <u>2%</u> per month ( <i>minimum payment</i> )	
	you will pay...	years to pay off...
1,000	\$2,353.00	12
2,000	\$6,183.00	23
3,000	\$10,013.00	30
4,000	\$13,843.00	34
5,000	\$17,674.00	38
6,000	\$21,504.00	40
7,000	\$25,334.00	43
8,000	\$29,164.00	45
9,000	\$32,994.00	47
10,000	\$36,825.00	48
15,000	\$55,976.00	55
20,000	\$75,126.00	59
25,000	\$94,278.00	63

Based on an assumption of 18% interest. Calculations provided by "Credit Card Smarts" by Advantage Publications ©2004

1. Avoid late payments! Any late payment received by your creditor may show up on your credit report and lower your credit rating. Even if you can only make the minimum payment, make your payment on time!
2. Before you use your credit card for any purchase, calculate whether your household budget allows for what your monthly payment would be. Treat the credit card like a layaway plan. Convince yourself it has to be paid within 30 days. If it doesn't fit in the budget - you can't afford it yet. Consider needs vs. wants!
3. Now that you have learned so much, teach your children about money and credit when they are young!
  - explain the difference between a need and a want; provide tips on *budgeting* for needs and *saving* for wants;
  - encourage children not to purchase on impulse, but to weigh advantages and disadvantages;
  - make sure your children know the difference between short and long-term credit packages, and how to read the fine print in any credit contract.
4. Set priorities as a family for saving and spending. If the whole family knows that the goal is a vacation or a renovation, they will be more likely to participate in careful spending.
5. When planning for large purchases, weigh the advantages of saving in advance instead of paying on credit: you save the financing fees, interest payments, and you aren't still paying for the purchase when it is older and used-looking. Remember, "don't pay for 12 months" may mean you will pay more in the long run.

**Credit bureaus** (or credit reporting agencies) collect information on an individual and provide that information to their subscribers in a report format. This information details your credit and payment history, credit inquiries, and recent addresses and employers.

Credit bureaus do not decide whether or not you will receive credit, they only act as a “clearinghouse” for the information. Each credit-granting company will have their own guidelines and policies on how they evaluate this information and who they will offer credit to.

The two major credit bureaus in Canada are (local offices):

**Equifax Canada Inc.**

1550 Bedford Highway  
Sun Tower Bldg., Suite 314  
Bedford, NS B4A 1E6  
Phone: 450-2800  
[www.equifax.ca](http://www.equifax.ca)

**Trans Union of Canada, Inc.**

Coburg Professional Bldg.  
6389 Coburg Road, Suite 305  
Halifax, NS B3H 2A5  
(902) 429-1936  
[www.transunion.ca](http://www.transunion.ca)

***Your credit is rated  
on a scale of 0-9 as follows:***

0 = Too new to rate; approved but not used;

1 = Pays (or paid) within 30 days of billing; pays account as agreed;

2 = Pays (or paid) in more than 30 days, but not more than 60 days, or one payment past due;

3 = Pays (or paid) in more than 60 days, but not more than 90 days, or two payments past due;

4 = Pays (or paid) in more than 90 days, but not more than 120 days, or three or more payments past due;

5 = Account is at least 120 days overdue, but is not yet rated 9;

6 = *code 6 does not exist*

7 = Making regular payments under a consolidation or similar arrangement (includes proposals);

8 = Repossession (indicate if it is a voluntary return of merchandise by the consumer);

9 = Bad debt; placed for collection; skip; bankruptcy.

***Your rights:***

~ you have the right to one free copy of your credit report per year per credit bureau.

~ you have the right to make changes to information on your credit report *if it is inaccurate or incomplete*. You will need to write to each credit bureau and provide personal details, as well as proof of the error. They will investigate on your behalf and provide you with a response and an updated credit report, if applicable.

~ you have the right to add a short statement to your file (usually 50-100 words) to explain causes of your financial difficulty.

***Credit history:***

Details of payments, inquiries, bankruptcy, addresses, etc. may stay on your credit report for 2-14 years, depending on the credit bureau and the type of information reported.

***Repairing your credit:***

Some companies advertise that they can repair or improve your credit rating, for a fee. These companies cannot do anything that you cannot do yourself.