

# CREDIT CREDIT CARDS

## Credit cards are serious business!

### You must be at least 18 years old to get a credit card.

Credit card holders are required to comply with certain rules when using their card. For example, they agree to pay the card balance according to their card issuer agreement.

### How do credit cards work?

- 1- If you pay the card balance in full by the monthly due date, you will not be charged any interest.
- 2- If the total amount due is not paid by the due date, interest will be added to the balance, which means purchases made using the card will end up being more expensive.
  - a. Interest charges are assessed from the purchase date until all purchases have been paid off.
  - b. A minimum payment is required. This is the minimum amount you must pay. If you do not make the minimum payment, it may harm your credit score. The minimum payment varies depending on the card issuer, but it is usually a set amount (e.g., \$10) or a percentage of the unpaid balance, whichever is greater.

### If you only pay the minimum payment due, interest continues to accrue. Here's an example:

Cindy has an unpaid balance of \$2,000 on her credit card and the applicable interest rate is 18%. The minimum payment due is \$10 or 2% of the balance, whichever is greater. Cindy's initial minimum payment would be \$40 (2% of \$2,000).

- If Cindy paid only the minimum payment due of \$40, it would take her **30 years and 10 months** to pay off her balance AND she would pay **\$4,931.11 in interest**.
- If Cindy increased her monthly payments to \$100, it would take her 2 years to pay off her balance and she would pay \$395.65 in interest.

This example shows how much it really costs you when you only pay the minimum monthly payment. If you pay more each month—even just a little more—it will take significantly less time to pay off your entire credit card balance.

NOTE: This example was taken from:  
<http://www.fcac-acfc.gc.ca/fra/ressources/publications/paiementoptions/droitrespcc/droitrespcc-3-fra.asp>

