

# Selecting a Credit Card: Comparing Credit Card Terms, Fees and Rewards

Here's a little secret: Credit cards don't have to be scary.

Credit cards get a little scary when we charge more than we can afford and wind up trapped in a cycle of late payments, minimum payments and skyrocketing fees.

But if you understand the terms, fees and rewards for your credit card, you can be a consumer who has the financial power to buy what you need, pay bills on time and maybe even take advantage of the extra benefits that your credit cards offer.

The key is to select the credit card that's best for you because each one has unique fees, terms and rewards.

## Credit Card Terms

Credit card terms(also known as a cardholder's agreement) are the rules and regulations associated with your credit card. When you activate your card, the terms and conditions become a binding contract between you and the credit card company.

Usually included in the terms are the following rules:

- How and where the credit card can be used.
- A list of fees and charges that can be applied to your account.
- Payment information, including due dates, minimum payment, interest rates, and what will happen if you don't make a payment or make a late payment.
- What forms of payment are acceptable for your bill.
- An explanation of the guidelines associated with your private information.
- Replacement procedures in the event that you lose your card.
- An explanation of the dispute resolution process.

## Credit Card Fees

Credit card fees are charges added to your bill by your bank or credit card lender. Some fees can include:

- Annual Fee: A once-yearly fee for use of the credit card.
- Application Fee: A fee that may be charged for processing paperwork and checking credit during your application process.
- Late Fees: Fees that are assessed when you make a late payment.
- Over-the-Limit Fees: Fees that are assessed when you make charges with your credit card in excess of its available balance.

Your credit card may charge other fees, so be sure to read your credit card terms or cardholder's agreement carefully.

## **Credit Card Rewards**

Credit card rewards are incentives credit card companies offer to their customers. Some rewards include:

- **Travel Miles:** Using your credit card on certain purchases can lead to free flights, discounted flights and other travel accommodations.
- **Points:** Using your credit card on certain purchases can earn you rewards that are redeemable with specific vendors.
- **Free Gas:** Some credit cards offer you free gas, depending on how much you charge on the card.
- **Cash rewards:** Money spent with your credit card can translate to gift cards or cash back. Other cards will tie your cash back reward into a contribution to a child's 529 college savings plan.

Be careful when looking at credit card rewards. If you're paying a yearly fee for a card that has a special reward, make sure the benefits of the reward (cash back, money saved on airline tickets, etc.) exceed the fee you pay each year.

Also, keep in mind that late payment and interest charges may cancel out the benefits of your reward—or forfeit your reward altogether. When selecting a credit card, compare your options, and think realistically about your payment habits.