

Doing Your Credit Card Homework? Start with Your Overall Credit

Courtesy of *MyCreditPrivacy.com*

Not all credit cards are right for all people. So before you apply for a new credit card, it's a good idea to do some research. And the best place to start is with your personal credit: The credit card you get depends largely on your credit score and your overall credit report.

First off, when you're doing your credit card research, ask yourself questions that relate directly to your lifestyle and spending habits:

- **How do I know what offers are out there?** Visit websites, and read up on leading credit-card issuers. There are more than enough choices out there — even if you have bad credit or you're looking to establish yourself financially. In fact, many credit card companies offer **secured credit cards**: These are specially designed to act more like savings accounts. A secured credit card requires a cash deposit, which then becomes the credit line for the account. (For instance, if you put \$500 into the credit card, you can only charge up to \$500 on it.)
- **How often am I likely to use credit cards?** Choose a credit limit on your card that best suits how much you're likely to spend every month. Choose based on the kind of spending flexibility you want: Do you want, for example, to use the card only for special purchases? Or do you feel okay carrying month-to-month debt, knowing you'll use the card often? If you expect to pay your bill in full each month, you may be more interested in a card with low fees, since you won't accumulate finance charges.
- **What about rewards and point programs?** Many credit card companies offer reward cards that accumulate points that you can redeem for products and services. For example, if you travel a lot, apply for a credit card with a frequent-flyer rewards program. It could help you save on plane tickets and other travel-related incidentals. Some credit cards even offer you "cash back" programs; you get rewarded just for using the card.
- **Do I need credit fraud protection?** This is one of those things you may not think you need, but you'll want it if your card is ever lost or stolen. Many credit cards have credit fraud protection built in, but check to be sure.

What about my credit score? How does that factor into my decision?

The usual rules apply: If you have a higher credit score, you can generally negotiate a lower interest rate on credit cards. That's why it's always a good idea to check your credit score before applying for a card. If your score is above 700, for example, you may qualify for a lower interest rate. If you have a low credit score or your credit is not well-established, that's when you should consider a secured credit card.

Remember to base your credit card choices on how you plan to pay your bills. If you tend to overspend, try to stay away from credit cards that carry high finance charges. You might even benefit from speaking with a lawyer or credit counselor; many credit card offers include language that can be confusing if you don't have a legal or financial background.

Last but not least, you should always be sure to check your credit report to make sure you'll qualify before applying for a new credit card. If you apply and are denied, the denial can lower your credit score and therefore have a negative impact on your overall finances.

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