

StocktoPeer Financial Education Program Buying Stuff: The Good, The Bad, and Ugly

Many people use credit cards when shopping in their favorite stores. College students are no exception. Credit cards are a great way to keep up your credit score, but do you know how to use credit? People make mistakes by overcharging store credit cards and by not paying more than their minimum balance. While store credit isn't a bad thing, you can easily get into trouble if you don't use it responsibly. You must also be cautious when using PayPal or if you rent items from companies like Rent.com. You must pay more than the minimum balance each month to avoid paying far more than your items are worth.

1. A minimum payment is NOT a credit card company's friendly suggestion of what you should pay according to how much they think you should budget for your bills.
2. A minimum payment is NOT an amount created by the credit card company in an attempt to get you paid off in a reasonable amount of time.
3. A minimum payment is NOT the payment you should be making.

Making for 18% when you break the APR down to 1.5% per month. This is an example of the assumption that the store means your minimum payment in the first month is \$25, or 10% of the balance. If you only pay \$10, that means that \$15 of that \$25 payment only \$10 is being applied to the balance, and the remaining \$5 is that month's finance charge. During the next month, the balance would be \$24.75 ($\$990 \times 2.5\%$). For this payment, \$3.71 is applied to the balance.

Minimum payments only reduced your balance by \$19.90. If you were to only make minimum payments, this card remained unchanged for 153 months or almost 13 years. This would result in paying \$1,115.41 on just interest alone, more than the

