

Aspirations

Live the life you desire now and in the future



Keeping your balance

**“Remember that credit is money.”
Benjamin Franklin**

Remember life without credit cards? It is not so easy to recall or to imagine what it was like before the ‘plastic fantastic’ changed our shopping lives, gave us flexibility in the way we spend our money, and provided chances for spontaneous purchases we did not have before.

But for some people credit cards have also brought fear, trouble and debt.

Yes, you can cut up your cards and remove the temptation but that does not increase your financial discipline. Is there a way to find the right balance so you can retain the benefits of credit cards but still maintain your financial health?

The answer lies in a slightly unexpected direction – by tightly tying your credit card spending in with regular budgeting.

Playing your cards right

Many people are attracted to all the good things about a credit card: ease of use, monthly repayments, reward schemes, and less need to carry cash.

Recent figures from the Reserve Bank of Australia (RBA) show people have reduced cash advances on their cards, no doubt aware this is an expensive loan option.¹ Unfortunately, RBA figures also show that 72.5 per cent of card holders still carry a card balance forward from one month to the next.²

Stepping forward

What are some practical steps to incorporate credit cards into your life while avoiding or managing debt problems?

- 1 Complete a budget and review it regularly – it works.
- 2 Use credit cards to fund personal short-term cash flow imbalances, but never to fund cash flow deficits. If you can’t pay off your credit card balance after the interest free period (44 to 55 days from purchase date), you will go backwards. It’s that simple. Interest of 20 per cent plus is applied from the purchase date, not the day after the interest free period ends.
- 3 Restructure your debt.
Debt funded by a credit card is expensive, so consider accessing cheaper funds in order to pay off debt, like redrawing equity from your home loan, or taking out a personal loan with a lower interest rate.

Become conscious of linking your card spending with your budget. By joining the two at the hip, you gain the benefits of sustainable shopping but avoid the pitfalls of excessive expensive debt.

Good luck!



Sources

1, 2 RBA, Credit and Charge Card Statistics: C1, and Additional Credit Card Statistics. <http://www.rba.gov.au/statistics/tables/index.html>

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