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How Many Credit Cards Do You Need?

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Fact Sheet

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HOW MANY CREDIT CARDS DO YOU NEED?

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Using a credit card has become a very common way for a family to pay for the items it needs and wants. According to CardWeb.com, a firm that tracks the credit industry, the typical American family of four carries about $8,100 in installment debt–most of it in credit cards. At 18% interest, that costs them nearly $1,500 a year or $125 a month they can't spend or save for anything else.

How many credit cards do you have? In the table provided below, make a list of all your credit cards, who issued them, what kind they are, the interest rate, credit limit and annual fee for each. If you don't know your credit limit or interest rate, look on your last month's statement.

Many people are surprised at how many cards they have. Were you? You may have two or three bank cards, a travel and entertainment card, department store cards and gas cards. Most people find that they can get along with just one or two bank credit cards. If you wish to cancel a card, cut it up and send a letter to the card issuer. Ask them to notify credit reporting agencies that the card is canceled "at the customer's request." Keep a copy of the letter for your files.

Issuer	Kind	Interest Rate	Credit Limit	Annual Fee	Other fees
Anytown Bank	Bank card	18%	$9,500	$50	$25 late fee
XYZ Oil	Gas card	16%	$1,800	$0	$15 over limit fee

[1]Adapted from *Deciding How Many Credit Cards You Need*, written by Janet C. Bechman, Purdue University Extension Service, West Lafayette, IN.

Control Your Credit

Most people find they can get along with fewer cards than they now carry. Decide which cards you actually need by asking yourself the following questions:

Can you use the card where you ordinarily shop?

- Because many places today accept bank cards you may not need a card that can only be used at one store, for example a department store, or a specific gas card. Learn which cards are accepted where you usually shop.

What interest rate are they charging?

- Look at the interest rate of each of your cards. Cards with higher interest rates will cost you more money if you do not pay off your balance each month. You will want to keep the cards with a lower interest rate and cancel the ones with higher rates.

What is the credit limit?

- Try to match your credit limit with your credit needs. If the limit is too low, you may not be able to use the card as much as you would like. Is the limit too high? Ask to have it lowered.

Are you paying an annual fee?

- If you are paying an annual fee, are you receiving enough benefits from the card to justify it? If not, you may want to call the issuer and ask to have the fee waived. If they say no, you may want to cancel the card.

More Cards Are Not Better

You may get offers in the mail asking if you want still more credit cards. These offers often say that you are "pre-approved" for the card. They urge you to accept quickly "before the offer expires." Decide if you really need another credit card before you accept an offer. How long will the low "teaser" interest rate they are offering will be in effect? How much will they charge to transfer balances from other cards? What is the interest rate on cash advances? What is the fee for a late payment? How do they compute interest charges? The answer to all these questions can help you determine if a new card is really offering substantial advantages.

You may be tempted to overspend if you have too many cards. You may find it more difficult to keep track of purchases you have made and how much money you have spent when you have several credit cards. Creditors may also look at you as a poor credit risk because of the amount of credit you have available. You may not carry large balances, but you have the potential to run up large amounts of debt. The more cards you have, the less eager new creditors may be to give you more.

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