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Top tips for money management and using a credit card by Jesse Wallace

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Some people avoid credit cards entirely, due to misconceptions about how they work, or fears that using a card will increase their debt. While irresponsible spending and failing to pay off your balance each month can make credit cards expensive, these cards can be valuable tools for managing your finances when you learn how to use them to your advantage.

If you have existing debts, adding up totals of how much you owe can be a useful starting point when planning financial strategies. Even if you don't have debt, credit cards could still be effective for helping you keep up with essential outgoings like rent or mortgage payments, gas and electricity bills, insurance, fuel, food and other expenses. Adding up these values should give you an idea of how much you need to spend each month, and if you're able to make some of these payments by credit card, there could be numerous advantages.

The type of credit card you choose can have a big effect on your ability to pay off debts and expenses, and this involves looking for more than just a low APR. Some credit card companies have arrangements with retailers and other businesses to offer money off discounts and the chance to earn reward points when using your credit card for transactions with selected companies, and this could add up to significant savings over time.

Another feature of credit cards to look for is the balance transfer rate, as transferring money between different accounts can be one of the best ways to avoid going over your limits and having to pay high levels of interest each month. Some cards may offer interest free balance transfers, but this will usually be for a limited introductory period, after which these transactions will rise to a higher rate.

Having more than one type of credit card can be a financial advantage, as long as you control your spending. Opening a number of credit card accounts and using these regularly can boost your credit score and improve your chances of securing better rates on loans, as long as you keep your balance below 30 per cent of available credit on each card.

Credit cards may not be the best option for all types of transactions however, and you should find out whether fees will be charged before using your card for cash withdrawals or when making certain types of payments.

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