



5 Ways You're Using Your Credit Card Wrong

Description

Credit cards are deceptively simple. Just swipe, pay, repeat, right? How could it get more complicated than that?

Truth is — few of us truly understand the mechanics of credit cards. We may have [rewards credit cards](#), but we don't use the card on the right purchases to optimize cash back. Or we may have a credit card with rental car insurance, but then we go and *buy* rental car insurance when we rent cars.

If you're using your credit card on autopilot, here are some mistakes you could be making.

1. Not maximizing rewards

Perhaps the biggest credit card mistake you can make is using a [rewards credit card](#) for the wrong purchases.

For example, most [cash-back cards](#) will offer more lucrative rewards if you shop at certain stores or use the card for specific expenses, such as groceries, gas, and entertainment. If you're using cash or debt to cover these purchases, you're basically leaving money on the table.

2. Using the wrong card entirely

Look, I get it — the Canadian market is saturated with credit cards. Often, credit card shopping feels like you're looking for fruit at a bazaar: everyone is yelling at you, holding up what seems to be the same product, the same plastic, the same cards.

But credit cards aren't all the same. And if you picked a card at random, you may be using a card that isn't the most advantageous to you.

Even if you *did* shop for a card, it's always a good idea to review the [best credit cards](#) once a year. See if another card offers better rewards and decide if your current card is still the right fit for you.

3. Taking a cash advance

Credit card companies will often allow you to take out cash against your available credit. If you're in need of cash fast, this can be a tempting idea. But trust me — it's one of the biggest credit card mistakes you can make.

For one, you'll be charged an upfront fee to withdraw cash with your card, usually a flat rate or a percentage of your withdrawal. On top of that, your cash advance will trigger a [new APR](#), which is sometimes higher than your card's normal APR, which starts immediately. For every day you don't pay back your cash advance, you can accumulate interest. As you can imagine, that can start to get costly.

Before you use your credit card to withdraw money, I'd exhaust every other option. Ask your friends or family to front you the money. Or use money from your emergency fund. If you absolutely have to do a cash advance with your card, postpone the purchase for as long as you can, ideally until payday rolls around. That way, you don't have to carry a cash advance balance for too long.

4. Carrying a monthly balance

Perhaps the biggest credit card mistake you can make is to carry a balance on your card. Using a card to buy things you can't afford, or simply letting your credit accumulate, is never a smart idea.

For one, you'll lose your credit card's grace period, and you'll start paying interest on top of what you owe. Given that credit cards have interest rates between 20% and 30%, that can be a hefty sum. If you continue to use your card, your balance will only continue to grow. You could reach a point where you can no longer pay off the minimum, which will result in late fees and a damaged credit score.

If you're struggling to pay off your monthly balance, consider getting a [balance transfer card](#) with an introductory low APR. The low interest rate on the new card will help you put more toward your principal and less toward your debt.

5. Not researching a card's perks

CapitalOne had a pretty ingenious idea when they came up with their slogan, "What's in your wallet?" Because, truthfully, most Canadians have *no* idea the power their little cards actually hold.

The best credit cards come with free built-in insurances and perks, such as travel insurance, price protection, extended warranties, rental car insurance, and even cellphone warranties. If you don't research your card's perks, you could buy these insurances without knowing you already have them.

Use your credit card the right way

Credit cards seem simple. And, for the most part, they are. But, if you want to take advantage of all

their rewards and perks, as well as stay away from pitfalls, you must use them strategically. Along with getting the [right credit card](#), avoiding these five common credit card mistakes will make your credit card work harder for you. In the end, *that's* how you save more money.

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