



## Here's Warren Buffett's Favourite Credit Card

### Description

Hands down, Warren Buffett is one of the most fascinating and unusual billionaires of all time. This is a guy who only recently traded his flip phone for an iPhone, has lived in the same house since 1958, and plays the Ukulele when he's not watching *Breaking Bad*.

So, it's no surprise that Warren Buffett has had the same credit card since 1964 — an **American Express** card.

"I probably carry \$400," Buffett told *Yahoo Financial* a few years back. "My wife likes to use cash, so I just take home a chunk of cash every now and then and then she does it out."

### Is Buffett against credit cards?

Back in the late '90s, Buffett gave a now oft-quoted graduation speech to Omaha high school students. In it, he laid down some heavy words: avoid credit cards; just forget about them.

It seems simple enough. But, as oracles often do, Buffett was implying more than he was saying. Later in the speech (and in his words since then), Buffett has clarified his words. He didn't mean we should avoid credit cards per se. He meant we should avoid credit card *debt*.

Compound interest, Buffett explained, can work in two ways: for you or against you. When you're earning 20% on your investments, expect to retire early. If you're paying 20% on your credit card debt to a credit card company, well, you're going to get behind in life.

He's right, of course (come on; it's Warren Buffett). If you don't pay your card's statement balance in full every month, you'll pay high interest charges, often 20-30%. The rate is high enough. But it's the *compounding* factor that makes credit card debt so dangerous.

On day one, you'll accrue interest on unpaid charges. By day two, you'll accrue interest on unpaid charges *plus* the interest you accrued the day before. On day three, you'll accrue interest on unpaid charges *plus* the interest you accrued the previous two days. It's an investment in reverse: your

balance grows larger and larger the longer you wait to pay off your balance.

## Are credit cards bad?

Credit cards aren't inherently bad. What makes a credit card bad is the person using the credit card irresponsibly.

Again, you only pay high interest charges when you carry a balance on a credit card. If you charge only what you can afford, and if you pay your statement in full by the due date, you won't pay a dime in interest. For Canadians who don't go trigger happy on the spending, a credit card can be an effective tool.

## How can a credit card help you?

For one, it can help you build a strong [credit score](#). This is especially true for Canadians with bad or fair credit. If you made mistakes in the past, [a good secured credit card](#) is one of the most powerful tools to help you rebuild what you've broken. You give the credit card provider an initial deposit (usually equal to your credit limits), and you get a chance to prove you're a good borrower.

But let's say your credit card mistakes are *still* haunting you. Let's say you've maxed out a card, and you're accumulating interest charges at an alarming rate.

Well, in that case, you can use a [balance-transfer credit card](#) to get out of the debt hole. With these cards, you transfer a balance from a card with a high interest to a second card with a significantly lower promotional APR. The promotional APR doesn't last forever, but if you can pay your debt within the promo period, you'll save a ton in interest charges.

Finally, if your credit score is good or excellent, [rewards cards](#) and [cash-back cards](#) can help you snag lucrative bonus offers, miles, and cash-back rewards. It's one of the easiest ways to earn some extra money: as long as you pay off your balance, you'll make money as you *spend* money. Not even Buffett could argue against that.

### CATEGORY

1. Personal Finance

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

### Category

## 1. Personal Finance

**Date**

2025/08/16

**Date Created**

2021/07/02

**Author**

sporrello

default watermark

default watermark