



Every Year, Holiday Shoppers Make These 3 Costly Mistakes With Their Rewards Credit Cards

Description

We're almost a week away from Black Friday, and Canadians are eager to start spending.

According to Statistics Canada, Canadians are expected to spend an average of \$1,841 this holiday season, with most using their credit cards to foot the bill. That's more than 31% from last year and a few dollars more than American spenders (an average of \$1,831)

That's a lot of money to spend. And with more money at stake, the risks of using credit cards only get higher. So, to help you evade a credit card disaster, here are three common mistakes you should avoid.

1. Charging more than you can afford

Perhaps the biggest credit card mistake you can make is to charge more than you can pay back. That may seem like a big "duh," but considering that credit card debt is so easy to accumulate, it's worth stressing.

When you don't pay off your credit card, you carry a balance. And that's when things get costly. You'll lose your credit card's [grace period](#) and incur interest for every day you don't pay off your purchases. Given that credit cards have interest rates between 20% and 30%, that can be a hefty sum.

Of course, to stay in good graces with [credit bureaus](#), you'll want to pay at least the minimum. But maxing out your cards will hurt your credit score regardless. That's because a large portion of your credit score is dedicated to [credit utilization](#) — that is, how much credit you're using versus the total amount you've been given. A higher credit utilization could tank your score, even if you've never missed a payment.

If you *do* end up charging more than you can afford, 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 interest rates. That could save you a massive amount of money, not to mention help you get out of debt quicker.

2. Signing up for a store card

Brace for it, because it's going to happen.

You'll get to checkout, either online or in-store, and the clerk will ask you if you want to sign up for a store credit card. You'll get a special promotional discount if you do, they'll often promise you, or even a store rebate. All you have to do is apply for the card.

Unless you shop frequently at that store, don't go for the bait. For one, the retailer will pull your credit report, which will adversely affect your [credit score](#). Secondly, a brand-new card could lower the average age of all your credit accounts, which also affects your score.

Even if you *want* a new credit card, I would think twice before applying for a store card on the spot. You could get a more lucrative welcome bonus from any one of [Canada's best credit cards](#), and you don't have to worry about getting bombarded with retail promotions and offers you'll probably never use.

3. Using the wrong rewards card entirely

Finally, you could be missing out on great rewards or cash back simply because [you're using the wrong credit card](#).

What does the right credit card look like? Well, for one, it will earn you the most [cash back](#) or [rewards points](#) for your shopping. For instance, if you spend gobs of money at **Canadian Tire**, you might want to have their Triangle Mastercard on hand for all purchases. Likewise, if you do most of your shopping online through **Amazon**, you'll probably want to use their Amazon credit card to amass the most cash back.

If your credit card is earning you a meagre rate right now, take a look at some of the best [rewards cards](#) and [cash-back cards](#) that Canada has to offer. You might save yourself more money this holiday season simply by switching out your cards.

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