



How to Win the Balance Transfer Game

Description

For folks who have a balance on their credit card, there are few deals more tantalizing than 0% interest on balance transfers. Why? Because for a period of time, typically six to 12 months, the credit card company is lending you its money for free. That can mean big savings on interest charges for those with revolving balances.

It's not unusual for households with credit card debt to carry balances of \$10,000 or more. Sky high balances can lead to interest charges on credit card debt well north of \$1,000 every year. And rates on most credit cards are locked firmly in the double digits — quite a bit higher than 0%.

Those stats explain why these balance transfer offers are seductive enough to make many consumers skip over the fine print before signing on the dotted line. If you're considering such an offer, you'll want to take a hard look at whether it's such a good deal after all.

Tip

You can see The Motley Fool's top credit card picks by visiting our comparison of the [best credit cards in Canada](#).

Who is eligible?

Typically, these offers are available to consumers with very good credit, but even if you qualify, you might want to think twice before applying. If you're someone who struggles to meet a deadline and doesn't think ahead, you're sure to end up with a shocking rise in your interest rate before you've had a chance to switch to a different card.

Likewise, this is a loser's gamble for someone with a compulsive spending habit. All that a 0% balance transfer offer will do for shopaholics is convince them that they have even more "free money" with which to overspend. Somewhere along the line, they'll have to pay the piper — and odds are, the

piper's interest rate will be much higher than 0%.

The best candidate to play the balance transfer game is someone who is serious about paying off his debt and [has a plan](#) for paying it off within the grace period. If that sounds like you, read on for more tips on winning the balance transfer game.

What you need to know:

- **You have a tough competitor.** Credit card companies aren't making these offers out of the goodness of their hearts. They are gambling that they'll win, based on experience and hard numbers. "Winning" for them means that you'll fail to pay off your balance or neglect to switch your balance to another credit card before the grace period is up.
- **There are few guarantees.** Just because you're offered a teaser rate, it doesn't mean that you are *guaranteed* that rate, especially if your credit history is anything but spotless. Make sure that the low rate offer stays at that same low rate when your card comes in the mail.
- **Look for 0% on both balance transfers *and* purchases.** Some cards offer 0% on balance transfers but not on subsequent purchases. In addition, they require that you pay off the balance transfer amount first, leaving the new, higher-interest-rate charges buried underneath. For example, if you transfer \$10,000 to take advantage of a balance transfer offer, and then charge \$15 on the new card for that cute shirt you saw on sale, your payments will go toward the \$10,000 first, while the \$15 is accumulating interest charges at the normal (translation: outrageously high) interest rate.
- **It pays to be choosy.** Don't let the teaser rate make you turn a blind eye to the card's other features. You'll still want to shop for a credit card with no annual fee, for example, as well as looking at perks like cash-back plans and fraud liability coverage. If you decide to hold on to the card when your balance is paid off, you'll be happy you shopped around.
- **Pay on time.** Pay late even once and your low teaser rate will take a hike, leaving you with a new and much less desirable rate. You may also be slapped with a nasty penalty fee. To be absolutely sure you hold on to your good deal, you may want to set up automatic bill payment. Be sure you're paying more than the [minimum monthly payment](#), however, so you can whittle down the balance.
- **Stay organized.** Take note of the date your 0% deal will end and mark it on your calendar. Now back up six to eight weeks and make another note on your calendar to shop around for another balance transfer offer just in case you haven't yet paid off the balance. Don't rely on the credit card company to remind you.
- **Know when to fold 'em.** Credit card companies know that you're trying to outfox them and will recognize a pattern of hopping around. That may hurt you in the long run by damaging your credit or causing all those low-introductory-rate offers to dry up. Credit card issuers simply won't want to waste their time on someone with a proven track record of cutting and running.

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