



Beware Credit Card Changes As You Charge Into Holiday Shopping

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Pamela Yip, the personal finance columnist for the Dallas Morning News had an excellent article recently on the [hazards of using credit cards for holiday shopping](#). The gist of the article is that there are many new charges that credit card companies have slipped into their contracts in advance of stiffer federal laws that take effect in February. Consumers need to be aware of these additional charges or may find themselves in over their heads with debt. Here are excerpts from the article:

Running up your credit card bills could be extra costly this year as card issuers scramble to change many terms before federal rules restricting their practices take effect in February.

They're raising annual percentage rates, instituting fees, slashing credit limits and even closing some accounts, all of which could put consumers who carry large balances in a bind.

Consumers "need to really think twice about how they're paying for the holidays this year," said Todd Mark, vice president of education at Consumer Credit Counseling Service of Greater Dallas. "If you're planning on carrying a balance and you're going to charge up a bunch of things during the holidays, today's [credit card] terms may not be tomorrow's terms."

Translation: The purchases you make now and in December could have a higher annual percentage rate in January.

If you do use a credit card, don't charge anything that you can't pay off in three months.

"Credit card rates are now too high to just charge something and assume you will be able to pay for it," said Bill Hardekopf, chief executive of LowCards.com, a credit card information Web site.

Don't even think about just making the minimum payment.

"If you charge \$1,000 on a credit card with an interest rate of 15 percent and just pay \$25 of your balance each month, it will take you until May of 2014 to pay off this Christmas, and you will pay an additional \$370 in interest," Hardekopf said.

Kraft & Associates
2777 Stemmons Freeway
Suite 1300
Dallas, Texas 75207
Toll Free: (800) 989-9999
FAX: (214) 637-2118
E-mail: info@kraftlaw.com

Avoiding credit cards

To protect yourself from having to use credit cards, develop a spending plan before you venture out to the mall. This isn't as restrictive as you might think. In fact, it can be quite liberating because it will keep you from making impulse purchases.

Mark suggests making a list of the people you're buying for, how much you're spending on them and what you want to purchase.

"Every aisle is going to be filled with impulse purchases, so you don't want to fall prey to that," he said. "It's usually the minor expenses that ruin our budgets, so creating a list for each and every item will help keep your budget in line."

Pay in cash or through a debit card. But if you use a debit card, keep track of your spending and your bank balance so you don't overdraw your account.

"It's really hard to outspend the cash you have," Mark said. "You can't have \$600 and end up spending \$1,000."

Studies have shown that consumers typically spend 12 percent to 18 percent less when they pay with cash, Hardekopf said.

"Counting out and handing over cash is a sobering reminder of how much items really cost," he said. "It makes you pause and consider if the purchase is really worth your labor."

Don't procrastinate

Retailers are going into this holiday season with leaner inventories than last year because they don't want to be forced to give huge discounts to move the goods.

That means door-buster deals may be more limited this year.

Take advantage of coupons and promotion codes from retailers.

Finally, remember that you don't have to spend *money* to give to others.

"If you're thinking, 'I don't have enough cash or credit,' remember that money does not equal love at the holidays, and you can supplement that with gifts of time and love," Mark said.

SHOP WITH SELF-RESTRAINT

To keep your finances under control this holiday season, follow these tips:

- Create a detailed budget.
- Don't wait until the last minute to shop; many retailers already are offering great deals.
- Collect coupons.

- Use credit cards prudently. Don't charge anything that you can't pay off in three months.
- Make your gift instead of buying it. It will hold special significance for the recipient.
- Give of yourself. Consider doing a chore for a friend or offer to baby-sit. Do things that don't require money but still convey the spirit of giving.

SOURCE: Consumer Credit Counseling Service of Greater Dallas