

# 8 GOOD REASONS TO USE A CREDIT CARD

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Personal finance gurus spend a lot of energy attempting to prevent us from using credit cards, usually with good reason.

Credit cards are frequently abused and are the cause of a lot of personal debt. *However, credit cards bring you a lot of advantages as long as you use them wisely.* In fact, credit cards are frequently a better way to pay for things.

Consider these benefits:

1. **Signup bonuses.** Many credit cards offer significant rewards when used responsibly. For example, consumers with good credit can be approved for credit cards that offer signup bonuses. These bonuses can be worth \$50 to \$250 or even more. Some credit cards provide points that can be used to redeem rewards like gift cards or airline tickets.
2. **Cash back.** With the right credit card, you can earn from 1-5% back on all your purchases. *Depending on how much you use it, that can be like getting a raise at work.*
3. **Investment rewards.** Some credit cards, such as the Fidelity Investment Rewards card, give a higher rate of cash back. However, that cash back must be deposited directly into an investment account. This is also nice because it encourages you to invest and save.
4. **Frequent-Flyer miles.** Nearly every airline has at least one credit card offering.

The ultimate value of these cards is really determined by the specifics of the card and the airline tickets you actually receive and use. The details can vary so shop around.

5. **Safety.** Using a credit card makes it a lot easier to avoid financial losses due to fraud or unfortunate timing on automatic payments.

- For example, if you pay your bills with automatic payments directly out of your checking account, these automatic drafts can also potentially result in insufficient funding fees and late payments, which will have a negative effect on your credit score.
- If your debit card is used fraudulently, your money is taken out of your account instantly. It can also take some time to get your money back. By comparison, ***when your credit card is used fraudulently, you don't lose any money***; you simply notify your credit card company and you don't have to pay for those transactions.

6. **Grace period.** Credit card usage gives you time to pay, usually a couple of weeks on the average before any interest kicks in. With a debit card, the money is gone instantly. If you have your money in a high-interest checking account, the amount of interest you will earn can be significantly more over time by paying for your purchases with a credit card.

- When you put your purchases on your credit card, your money will spend more time in your checking account, where it's earning money for you. If you use a debit card for your purchases, the money is in your account for a much shorter length of time, thus earning less interest.

7. **Insurance.** Most credit cards include a plethora of consumer protections that most people aren't aware of. This includes things like rental car insurance and travel insurance. Some product warranties are also made more advantageous when you pay for the item with your credit card.

**8. Building credit.** If you don't have a credit history or if you need to improve your score, a credit card can help raise your credit score. Obviously, this assumes that you use your card wisely. Debit cards do nothing to help your credit score.

See, credit cards aren't all bad! ***Provided you can use them responsibly, credit cards potentially have a lot to offer.*** So dust off that credit card and put it to good use; just be sure to pay it off in full every month.