**How credit cards work**

What you need to know about credit cards – including what credit card companies can and can’t do, and what information they have to give you.

​When you sign up for a credit card, you agree to certain charges, terms and conditions. There are also rules about what credit card companies can and can’t do, and about the information they must include on your monthly statement.

**8 things to know about your credit card**

1. **Annual fee** – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**.

1. **Balance due** – Your statement will tell you what you owe and when it’s due. The amount due can include any unpaid balance you owe from a previous bill, as well as any \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**.

1. **Credit limit** – This is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**. The lender can’t change this limit without letting you know.

1. **Finance charges** – If you don't pay your bill on time, these charges can include \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

You’ll likely pay a \_\_\_\_\_\_\_\_\_\_\_ rate of interest on any \_\_\_\_\_\_\_\_ you borrow using your card and a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rate on money you \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_for purchases.

Your credit card company treats these as 2 different kinds of balances.

1. **Grace period** – This is the time \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**.

In most cases, the grace period starts \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Under Canadian rules, if you pay off your balance in full each month, your lender must give you a grace period of at least 21 days on all new purchases. **If you don’t**, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

1. **Annual percentage rate (APR)** – This includes all \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. It may be higher than the interest rate you see in the loan contract.
2. **Introductory rate** – This is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** In most cases, the offer lasts about \_\_\_\_\_\_\_ months. Then it goes up to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for your type of card. Your lender must tell you in advance when interest rates are going to increase.

1. **Minimum monthly payment** – Most cards ask only for a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ each month. This is often \_\_\_\_\_\_\_ of the current balance or \_\_\_\_\_\_\_\_\_\_\_\_, whichever is more. Your monthly statement will tell you \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_it will take to fully repay what you owe if you only make the minimum payment each month.

**Making the minimum payment**

It can take several years to pay off your credit card by making the minimum monthly payment. For example, say you owe $4,000 on your credit cards. The interest rate is 18%. If your minimum monthly payment is $200 – or 5% – it will take you about 2 years to get out of debt. And you’ll end up spending $800 in interest.