

## Basics and Pitfalls of Credit Card Ownership

A credit card enables the consumer to borrow money from the issuer to purchase a particular product or avail some kind of services. It is used in place of cash as majority of people find it a convenient and safer mode of financial transactions. A pre-decided limit is allotted to the user who can avail a credit up to that amount and pay as per his or her comfort level combined with the amount of the interest charged by the issuer of the credit card.

The promoters of credit cards state that credit card assists you in times of need when you might need a particular product or service but are falling short of adequate cash, which is correct to a great extent. Different credit card companies offer different credit card schemes and credit limit as per the credit rating and financial stability of the customer.

Credit cards enable their issuers to earn financial gains in the form of interchange fees, interest rates and annual fees. In addition to this there are late payment charges, financial transactions made in terms of a foreign currency and exceeding the prescribed credit limit by the user. Some individuals though find it awkward to pay fixed annual fees even if they do not use their credit card the entire year.

It might be hard to avail an unsecured credit card where there is no requirement to pay an initial security deposit to the credit card issuer. However, companies opt for a safer mode of secured credit cards so that they don't end up in loss if the customer fails to pay back the credit amount on any pretext. It is argued by critics that credit cards open the doors for frauds by the use of stolen credit card.

Before selecting a credit card that can be beneficial for your daily transactions you need to make sure that the credit offers the following:

- A lower rate as compared to its competitors.
- Look out for hidden costs and the grace period limit offered.
- Opt for a credit card that matches your requirement criteria. For instance, if you are more involved in traveling go for a travel insurance credit card.
- Due to the increased competition in this industry, the credit card companies offer many benefits like rebates, discounts, car insurances, accident insurance and warranty coverages to their users.

Source: <http://www.articlecircle.com>

### About the Author

Joseph Then provides advices about Personal Finance and dealing with bad credits. You can visit the website <http://www.BadCreditBin.com> for more information