

## The Federal Reserve Bank & What Credit Costs You

You may get bargains at the store checkout. You may get an award or "cash back" for using your credit card. You may get a store rebate. What you may not get is a low credit card interest rate because the Federal Reserve Bank keeps increasing your borrowing costs. The bench mark interest rate is known as the "prime rate". When the Federal Reserve Bank raises the federal funds rate, your bank will ratchet their prime rate. Your bank's prime rate plus a margin rate your bank charges above prime determines your credit card charges. Many consumers do not want to read the fine print of their bank's credit card agreement. Often confused by the terms, we accept the terms with gratitude because we can borrow money.

You may not like or even know about Alan Greenspan or his successor. You may dislike all Republicans or harbor disdain for Democrats. Whatever your political leaning, the U.S. government helps to educate and to protect you as a credit card holder. The Federal Reserve Bank raises and lowers rates. It also educates and protects. Education diminishes fear; knowledge gives you courage. Take a look at these free resources:

\*Choosing a Credit Card

\*Your Credit Report: What It Says About You

\*Review other Federal Reserve Bank Consumer information: [here](#)

\*Frustrated by credit card debt? The Federal Trade Commission provides educational resources: [here](#).

When backing out of the driveway, many of us sing the ditty, "I owe...I owe...It's off to work I go." Driving down the highway of boredom to the office, our radios blare music and news: "Ecuador's record banana harvest prompts the Dole Food Company to sell grocery market bananas at 19 cents a pound instead of 29 cents." Meteorologist drone: "Hurricane Katrina bashes gasoline refineries in the Gulf." Economists moan: "Exxon Mobil pumps up prices" (the ride to work becomes more expensive).

When the Federal Reserve Open Market Committee increases interest rates, demand for products decreases, When we have money, economic booms increase; when, as buyers, we do not have money, "For Sale" signs blow in the wind. The seven Federal Reserve Bank members bankers study how we spend, what "things" cost, and decide what is best when we buy or sell. During the past year, the Federal Reserve nudged interest rates twelve times.

The Federal Reserve's actions are not keeping us away from store counters. We spend at a frenzied rate. As a result, U.S. citizens have the lowest savings rate in the Western world. Someday our wallets may be squeezed by higher interest rates, expensive gasoline, and home heating costs.

We can become wise customers when we understand the math and the adjectives of advertising and sales. Calculating what the store offers and what you will pay is the math of buying. The sign, "Sale! 50% off until 12 midnight" manipulates you to buy now; this is the adjective of sales. In most instances, this means you use a credit card. Wisdom seeks the shedding of all burdens while celebrating what money cannot purchase and debt cannot take away.

"A feast is made for laughter, wine makes life merry, and money is the answer for everything." - Ecclesiastes 10:19

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