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Give yourself some credit: 5 good things a credit card will teach you about money

Making informed and responsible choices when you apply for a credit card can save you money and help to avoid common pitfalls, says Neil Thompson, Head of Product and Customer Value Proposition at African Bank.

He explains that credit is borrowed money that must be paid back to the bank along with agreed interest, fees and other charges which may apply.

One of the most common mistakes people make, he adds, is that they do a credit card application online without fully understanding what they are signing up for or knowing beforehand what the bank's credit card requirements are.

African Bank, for example, requires the following to apply for their [gold credit card](#): Most recent proof of income, proof of being over 18 and a bank statement reflecting three salary deposits.

“The amount of credit borrowed will be relevant to these supporting documents to prove to the bank how much you earn and what you can afford to pay back in terms of additional living expenses,” Thompson says.

While many may be sceptical, Thompson validates that a credit card can be very useful and, in fact, offers valuable money lessons.

Here are 5 good things a credit card can teach you about money:

1. **Budgeting:** By adding a credit card to your monthly expenses, you are committing to the repayment. This added expense will require you to either start budgeting to ensure you have money to pay back what is owed or you will have to adjust your current budget accordingly.
2. **Prioritising purchases:** A credit card is not a free pass to living beyond your means. People generally request credit for a reason, so stick to that and do not be tempted to swipe the card for any other purchases.
3. **The importance of a clean credit history:** Meeting repayments timeously will ensure your credit record stays clean. Neglecting repayments will tarnish your record and you may not be able to get credit in future for things you may really need, like a car or home loan.
4. **The importance of interest rates:** There are many products to choose from. The most important thing to look for is the interest rate charged. If it is too high you may find yourself struggling to meet the repayment or having to make repayments

much longer than you anticipated.

5. **Knowing when to seek help:** You will become your own worst enemy if you start to avoid your creditors. Should your financial situation change and you can no longer meet the repayments on your card, speak to the bank immediately and seek advice from a financial consultant. There are help plans available for consumers in debt whose personal circumstances change.

“Credit cards can be very useful but it is advisable to shop around and do your homework before signing up for any credit product,” Thompson says.

“Regardless of how easy it is to apply to borrow money, your current credit history will be vetted, along with your personal supporting documentation to determine not how much money you can borrow but how much you can *afford* to pay back.”

“These strict criteria and requirements protect the bank and the consumer.”

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