

Reward Hacks

Avoiding the Rewards Card Freshman 15

December 18, 2019



Congratulations on getting your first rewards credit card! While being a freshman can be exciting, liberating and a bit anxiety-provoking, it also comes with a lot of responsibility. This is the time where it's important for you to set a good pace while not overwhelm yourself as a card user.

Just as students make their way to the recreational center to fight off the infamous "freshman 15," the same is necessary for rewards credit cards. Here are five common credit card user mistakes and their alternatives to avoid putting on more debt and other financial baggage.

Common Credit Card User Mistakes And Their Alternatives

Mistake: Misunderstanding Credit or How Credit Cards Work

RELATED
POSTS



Credit Union Credit Cards for Educators: Pros & Cons

December 18, 2019



Credit Cards vs. Debit Cards: Family or Foes?

December 18, 2019

Solution: Educate yourself in all things credit before pursuing a credit card

Opening a credit card without an accurate understanding of how credit works is a quick way to set yourself back. A survey published in the **International Journal of Bank Marketing** found that 66 percent of respondents (college students) valued credit cards for the sense of security they provide.

While credit cards can be great tools to help you feel secure in case of an emergency or identity theft, any bit of activity should be done with the thought of how it can affect your credit score. A 2019 Sallie Mae survey learned that when given a handful of multiple choice questions regarding interest and the cost of credit only **11 percent** of college students answered correctly. Having a good grasp on the basics – such as credit score, APR and credit card statement – is key before getting started.

Mistake: Choosing the Wrong Credit Card

Solution: Shop around. Do your research before opening a card.

Many credit cards are accompanied by some sort of rewards program. However, not all rewards programs are equal, and not all are ideal fits for you.

Do your research before choosing a card, and check the review. Although a card may boast flight miles, it may not explain anywhere besides the fine print that you can only fly on Tuesday-Thursday. Most importantly, make sure you're offered an APR (annual percentage rate) that is fair,

and, ideally, competitive. With the average APR for college students 3 percent higher than the rest of the general population, at 21 percent, it's already difficult to find a card that won't end up costing you much. Still, if you are careful and make sure to read the fine print, you can find a card that will be very effective for your specific situation.

Since it's important to establish a credit history and some college students struggle with wise judgement about purchases, a secured card is a very safe option. Secured cards limit the amount of money you can use on your credit card to whatever amount you added to a link. If it's the only credit card you have, you will not have access to emergency funds. However, you won't end up spending money you don't have either.

Mistake: Treating Credit Cards Like Extra Cash and running up your balance

Solution: Living on a budget and not impulses

Credit cards are not free money, despite how many college students may spend that way. Using a credit card to pay for items when you've left your debit card at home or are short on cash is completely rational.

Yet paying for essentials and emergencies is not where many college students, or people in general, stop their credit card spending. In fact, **84 percent** of consumers admit to making impulsive shopping decisions. Young adults are even more prone to impulsive choices, as their prefrontal cortex, which regulates **impulse control** in the brain) is not fully formed.

This problem can best be solved by creating a simple budget and sticking to it.

Mistake: Missing Payments

Solution: Auto-payments and phone alerts

Once a credit card is in your name, all credit card payments are your responsibility. Too many missed payments will go on your credit report and damage your credit score.

Furthermore, late payments will cost you a hefty fee. Often, this is about \$30, which is probably \$30 you had planned for something a lot more fun.

Assuming the money will be in your account, the best way to prevent missed payments is to set your account on autopay. Some companies will even provide discounts for using autopay. Another helpful habit is setting phone alerts for payment due dates.

Mistake: Only Making Minimum Payments

Solution: Do your best to pay off your full balance

The best rule of thumb with credit cards is to pay off your balance each month, which will mean you don't pay any interest. If you can't pay off your balance each month, then do your best to pay what you can. Not only will high balances negatively affect your credit score, but your balance each month is calculated by adding the interest to the balance you had at the end of the previous month.

If you keep letting interest and balance add up, it will

eventually leave you with an uncontrollable financial situation. Additionally, if your balance becomes higher than 30 percent of the credit limit on your card, your credit score will also go down.

Make the sacrifices you need to now to pay off the balance each month or at least as much as you can, so a compounded debt doesn't hold you back from your rewards credit card goals.

One More Thing

It's exhilarating to enter a new frontier of earning rewards and building credit. Nevertheless, it's important to be aware of the potential dangers of freshman-like credit card behavior. Many believe that experience is the best educator. But having a good grasp on the healthy habits to put in place will help to get you off to a successful start.



SITE

[About](#)
[Us](#)
[New](#)
[Privacy](#)
[Policy](#)
[Do](#)
[Not](#)
[Sell My](#)
[Info](#)
[Terms](#)

REWARDS

[Travel](#)
[Rewards](#)
[Reward](#)
[Hacks](#)

CREDIT

CARDS
[Trending](#)
[Cards](#)
[Cash](#)
[Back](#)

