



ILLUSTRATION: SUDHIR SHETTY

# Make your credit card work for you



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**MUMBAI:** Credit cards are either one of the most loved or most hated financial tools, depending on who you speak to. This is possibly an indication of the times we live in with sharply polarised views across multiple items.

Supporters talk about the benefits of electronic and non-cash payments that credit cards help with, while opponents talk about the high costs of credit card debt and the debt trap that many users fall into.

In our view, like everything else,

**MANY DO NOT RECOMMEND CREDIT CARDS CITING HIGH COSTS AND DEBT TRAPS, BUT YOU CAN ALSO USE THEM TO YOUR ADVANTAGE. CREDIT CARDS CAN BE USEFUL WHEN IT COMES TO EMERGENCIES, ONLINE PAYMENTS AND BUILDING A GOOD CREDIT SCORE**

You could therefore earn ₹6,000 to ₹7,000 per annum, which can be put to other use. Of course, you need to ensure you repay on time or else the

From then, in every thing case, credit cards come with their pluses and minuses, and it is really up to each of us to benefit from the good things and avoid the bad things, to find a sense of balance that can help credit cards work for us.

**Credit score enhancer benefits:**

Good credit scores have become critical to avail loans that can enhance your professional career like education loans, or to support home purchases or growth of businesses.

Prudent credit card usage can go a long way in enhancing your credit scores, so that the loans that you need can be availed of at attractive rates. It is critical to avoid exhausting limits on your credit cards though, so try to keep your credit utilisation to about 30% of your credit limit. Lenders see this favourably, as responsible behaviour.

**Money multiplier benefits:** The interest-free period is a wonderful tool to take advantage of your credit card. Depending on when you spend on your card, you could have 45-50 days of interest-free period. Assuming that you spend ₹1 lakh a month on your credit card, you can park the money in a liquid fund till the time the card payment is actually due at the end of the interest-free period.

missed your repay on time or else the benefit of the strategy is lost.

**Emergency fund benefits:** Emergencies do not come announced, especially medical ones. As credit card machines become ubiquitous across medical facilities, it can be very useful to ensure that hospital admissions, when needed, can take place immediately. Similarly, in the case of a sudden job loss, a credit card may allow you to temporarily tide over an immediate cash flow need to support critical expenses, while other sources of financing are put into place.

**Online payment benefits:** With the proliferation of e-commerce and online purchases, credit cards have become very convenient as a payment mode. The ease of purchase needs to be controlled though, to avoid reckless spending.

Add-on cards also ensure that overall spends as a family are kept under control since the credit limit is consolidated across multiple cards, as the limit is common for the primary card and the add-on card. Getting the benefits of a credit card is likely riding a cycle – balance truly matters.

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