

Store Credit Cards



When you go to a store, usually we all get the same questions- Did you find everything you were looking for? Would you like to save a certain percentage off of your purchase today? What follows is the offer to sign up for the store's credit card to obtain the said discount. One may need to take a moment to ask, is this something I should do? Is the discount really worth opening up a new avenue of debt? On the spot applications like this don't really give you the time to think about the terms of the card agreement.

Take a moment to weigh the pros and cons of signing up with the stores credit card by making a list of the following:

Pros-

* Promotions and Discounts- Other than the opening discount received, most cards offer ongoing discounts, special shopping days for customers only, and rewards for frequent shoppers. These rewards can be either a percentage back on purchases up to certain amounts or special coupons as long as using the card.

* Can help build your Credit Score- If one is looking to establish credit or help to repair a credit history, store credit cards are the way to go. The approval process for these cards is more lenient than that of a regular credit card. If you have a lower credit score, you still can have a chance at being approved. Also if you plan on paying it off every time something is put on the card, this is an excellent way to either build your credit or to establish credit.

*Keep Low Balances- The correct handling of store credit cards can add points to your credit score. By keeping the balance low, it can reduce your debt-to-credit ratio. This ratio makes up approximately around 30% of your credit score.

* Wide Use- Store credit cards can be used at any of the stores locations throughout the country. Some even have multiple stores to access in one card.

Cons-

*Interest Rates- With any credit card, rate is the most important part. This is especially true with store credit cards as they usually tend to offer higher rates. If you tend to carry a balance on your card and don't pay it off every month, then rate needs to be a big deciding factor in your decision. If you pay

off the balance every month, then rate really doesn't matter as you will not incur any interest charges.

*Hurt your Credit Score- Every time you have your credit ran, it can lower your score especially if you have the issue of a possible denial. If this is the case, you're better off to pass.

*Understand 0% financing- A lot of cards advertise a special intro rate of 0% for so many months. A perk is that there is no interest if the balance is paid off in that month period, sort of like an interest free loan. However, if you were to let the interest-free period expire and still carry a balance, you could possibly be charged for the whole intro-period worth of interest.

*Make sure you are applying for a Credit Card- Some stores also offer store debit cards that are directly linked to your bank account. This works the same as a bank debit card to where it automatically draws out of your account. The perk with these is that you earn rewards back on purchases and you don't have to worry about paying anything back. Another thing with these cards is to make sure and read the fine print as they usually automatically sign you up for your bank's overdraft protection program. What that means is that if this program applies to your account, then you can use your card even though the funds are not available and you will in turn incur an overdraft charge from your bank.

*Low Credit Limits- Most of these cards have low limits. The lower the limit, the easier it is to rack up a high balance and in turn, hurting your credit score. Try to maintain under a 30% credit limit on your cards.

*Temptation- the easy access to store credit cards can make you more tempted to use them and make unnecessary charges. Just because a store issues a coupon or discount, remember that it doesn't always have to be used. Reassess yourself and be honest- if you are an undisciplined shopper, try to steer away from this temptation.

Store credit cards can serve their purpose, just take the time to research and review the terms. Don't feel pressured into a speedy application. Take the information home and read over the terms carefully. Remember that credit choices that you make now can affect your credit future. It's easier to build good credit than it is to repair it.