

STUDENT STACKS

Your guide to better financial understanding

IMAGE SOURCE: CANVA

Office of Student Financial Literacy

3.84

AVERAGE NUMBER OF CREDIT CARDS PER ADULT

SOURCE: BANKRATE

15.13%

AVERAGE APR FOR CREDIT CARDS IN 2022 Q1

SOURCE: THE FEDERAL RESERVE

\$5,221

AVERAGE CREDIT CARD BALANCE

SOURCE: EXPERIAN

CREDIT CARDS 101

Credit cards are revolving credit. This means you can borrow up to your credit limit. This is the maximum a credit card will allow you to borrow. As you spend on a credit card, your available credit decreases. With payments, your available credit will go back up. The credit limit and annual percentage rate (APR) are determined by the credit card company and based on your credit worthiness.

Credit cards impact credit scores. On-time, full balance payments increase scores while missed payments and high balances negatively influence it.

Advantages: flexibility in borrowing, convenient as it does not require repeated reapplying for credit.

Disadvantages: higher interest rates, variable monthly payments

Credit card statements will give the payment date and minimum payment due. It is advantageous to pay the total balance in full each month to avoid paying interest.

Learn more about compound interest on page 2.

Questions or topics you want explored? Email us!

financialliteracy@musc.edu

CAUTION CAUTION CAUTION

Exercise caution when using credit cards.

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RESPONSIBLE USE OF CREDIT CARDS

Pay bill in full each month.

Pay on time with automatic payments.

Spend cautiously, keep balance low.

Be mindful of APR and annual fees.

Rewards entice users.
Ask: Is it worth it?

Compound Interest: Friend or Foe?

There are two types of interest, simple and compound. Most student loans use simple interest.

Annual interest rate x Principal x Loan term.= Total cost

$$5\% \times \$1000 \times 5 \text{ years} = \$1,150$$

Compound interest calculates the interest on the original amount (principal) borrowed plus the previously added interest. It can be added (compounded) daily, monthly, quarterly, or even annually. This is interest on interest.



Credit cards are often compounded daily.

When using credit cards, compound interest works against you. It means that the item will cost far more than face value. However, when investing for retirement, compound interest is an incredible tool leveraged to earn more money. The earlier you start investing the more compound interest works for you. So utilize your knowledge by maximizing the power of compound interest. Have compound interest work to your advantage with investing and not against you with credit cards.

Procrastination is like a credit card: it's a lot of fun until you get the bill. - Christopher Parker

Challenge: Negotiate the Interest Rate

Compound interest got you down?

Give your credit card company a call and request a lower interest rate. On-time payments and length of credit history will improve the odds of decreasing or temporarily reducing the interest rate. Complete the challenge and share by 12/31/22.



CONNECT

Phone: 843-792-7744

Email: financialliteracy@musc.edu

Address: Student Harper Center, SS 440

Website: <https://education.musc.edu/students/enrollment/financial-literacy>

UPCOMING EVENTS

Books n' Banter:

Automatic Millionaire
Book Discussion
1/24 @ 5:30pm
Register on Engage

Credit Card Confusion

12/1 @ noon, Virtual

How to be SMART: Goal Setting
1/18 @ noon, Virtual

