

# VITAL THOUGHTS ON MONEY

## Beware Of The Credit Card

by James E. Stowers

(NAPSA)—Hard work and determination allowed me to become financially independent. I am committed to sharing what I have learned through the years to help people improve their financial position and lead a better life.

Current research shows the average American household carries nearly \$10,000 in credit card debt. This debt is a key factor preventing them from attaining financial independence. In order to end this cycle of debt, we must all beware of the credit card.



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The credit card is an extremely convenient way of paying for services, provided the bill is fully paid each month. If the full amount of the bill is not paid, you are borrowing money, and the costs are extremely high.

Consider the following examples:

### Assume:

- You are interested in buying a laptop that costs \$1,000.
- The credit card company charges 20 percent interest.
- The following examples are the only contact you have with the credit card company.

### Example 1.

You use your credit card to buy a laptop for \$1,000.

- Your credit card company bills you for \$1,000.
- You have cash available to pay the bill.
- You pay the full amount by check.
- Your credit card balance is zero.
- No interest was charged.

You had the advantage to use cash until the credit card

balance was due.

You bought a computer that cost \$1,000 and paid only \$1,000 for it.

### Example 2.

You use your credit card to buy a laptop for \$1,000.

- Your credit card company bills you for \$1,000.
- You do not have the cash available to pay the bill.
- Each month, you pay only the minimum amount.
- After 92 months, or 7.67 years, your credit card balance becomes zero.
- During that period of time, you paid a total of \$1,611.84 for a computer that cost only \$1,000.
- Of that amount, \$611.84 was the interest paid on the \$1,000 loan.

You bought a computer that cost \$1,000 and ended up paying a total of \$1,611.84. By borrowing from the credit card company, you paid 61 percent more money just to get that \$1,000 laptop, at a time when you felt you absolutely had to have it.

### Example 3.

You really want a laptop, which costs \$1,000. You don't presently have the money, so you decide to save \$200 for five months. During that time, the money you saved earned money. By waiting five months, your computer model was now on sale for \$800. The advantage you gained gave you the satisfaction of being in control.

You used your credit card to buy a \$1,000 laptop for \$800.

- Your credit card company bills you for \$800.
- You have cash available and pay the full amount by check.
- Your credit card balance is zero.

To learn more about your own financial habits and beliefs, ask yourself the following important questions. Then, why not start living your life in such a way that finances become a means to achieve your goals instead of a burden holding you back from enjoying a better life?

### Spending Money

- What are your personal beliefs about spending more money than you have?
- Do you seriously believe you can afford to buy everything you want?
- Do you believe that it is wise to spend more money than you have?
- Do you improve your financial position by spending more money?
- Can you actually afford to spend more money than you have?

### Borrowing Money

- Do you convince yourself to borrow money, just to enjoy instant gratification?
- Why ever consider going into debt?
- Why not be absolutely determined not to spend more money than you have?
- Why not make a firm decision to never borrow any money except to buy your own home?
- When you borrow money, aren't you digging yourself a deep hole? Not only are you spending your future income, but you are also forced to pay the large interest amount over time.
- How long do you think it would take to work your way out of that hole?
- Why dig a hole in the first place?
- Not having enough money absolutely limits your wants. It forces you to prioritize what you really want.
- If you find that you are out of money, why not wake up and be absolutely determined to not let that happen again?

### Saving Money

- Why not save and accumulate money now so that you can have what you want, when you want it?
- If you don't have the money to buy something, why not save now so that you can buy it later?
- How can you ever get ahead if you don't save?

- No interest was charged.

You had to wait five months and save, but you bought a computer that originally cost \$1,000 and paid only \$800 for it on sale.

These examples illustrate how credit cards can result in positive and negative consequences. Before using your credit card, ask yourself how this purchase affects your ability to maintain financial control. Using your credit card to purchase items only when you have cash to pay the bill will allow you to enjoy a

better life without the burden of credit card debt.

As founder and Chairman of the Board of American Century Investments, a multidisciplinary, global asset management firm, Stowers is recognized as one of the country's top money managers. Stowers is the author of "Yes, You Can... Achieve Financial Independence" and "The Best is Yet to Be," his autobiography. For more information on improving your financial position and enjoying a better life, visit [yesyoucanonline.info](http://yesyoucanonline.info).

