

Your first credit card: friend or foe?

By Diana Chai and Brendon Lee

Coming out into the working world is a rite of passage fraught with many challenging new decisions. There will come a time when you will need a car or home loan but one of the first banking products you probably take will be a credit card.

Your first credit card can be the best money friend you have or worst foe – here are some things to consider before applying.

1. Do you know enough about credit cards?

Knowledge is power and knowing what you are signing up for is vital. A credit card isn't just a convenience or payment tool – it is a financial management device complete with risks and benefits. Your credit card will have an interest rate; it will affect your financial score and it can be your enemy or best friend depending on how you use it. Read up and talk to people who already have credit cards. Know all the benefits and liabilities (interest, fees and charges) of having a card.

2. Have you thus far been responsible with money?

Chances are before working you were given an allowance by your parents. How did you manage within the finite amounts you were given? Did you have savings? If you are a good money manager when you have an allowance; you are likely to be responsible with a credit card.

3. When you think of getting a credit card; what is the first thing you think of to do with it?

If it's shopping or a new gadget, you might want to hold off on getting that card! There's of course nothing wrong with using your card for such things but knowing that is the first thing on your mind may indicate you see the card as a means of spending more money than you have.

4. Examine your motivations.

Although somewhat linked with no.3, do think about what your reasons are. If you'd like to have a tool that helps you earn points and cashback whilst building your credit rating, then good for you. But if you are getting it to keep up appearances (because everyone has one...) or if you simply want to buy items you don't like saving up for, the credit card is not such a good idea. The latter reason may find you in credit card debt sooner than you can sign your signature.

Once done with the above, if you still believe you are ready, able and willing to take on a credit card; read on.

Do you qualify?

So, you want a credit card: But do the banks want to give you one? You first need to find out if you qualify for a credit card and if so, for which one.

earn **RM24,000**
or more per year

above the
age of **21**

working at least
3 months.

A credit card for your lifestyle

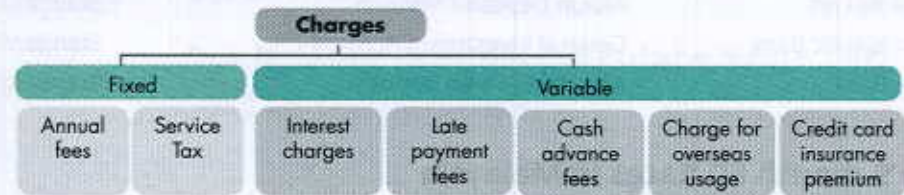
Credit cards are no longer just a means of payment and building a credit score. With the number of perks offered by issuers; your credit card can save you a lot of money through cashback, points and discounts. However, it's unlikely that any credit card will be able to cater to the fancies of every different taste and habit, so you will have to pick the one that will reward your kind of spending.

To help you, we've created a table of some entry-level credit cards with income requirements matching fresh graduate salaries. The table not only tells you what discounts and freebies you get; but also how much you will be expected to pay in fees to help you make a more informed decision.

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How much is your card going to cost you?

All credit cards will cost you in fees and charges. Fixed charges accrue no matter your spending and payment behaviour (unless otherwise stipulated by the bank) but variable charges will only be levied based on usage.



Fixed charges: Annual fees and Government service taxes are fixed fees which will be charged according to your credit card agreement. Some banks do offer waivers at their own discretion.

Variable charges: Though all credit cards have interest rates; these are only chargeable when you are carrying a balance. Late payment fees will be charged when you miss payments on your card; overseas charges will apply when using your card overseas and cash advance fees are charged when you withdraw cash from an ATM using your credit card. Some banks provide optional credit card insurance so if you agree; you will be paying premiums monthly.

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