

Getting Your First Credit Card

Getting your first credit card is a major stepping stone to financial independence. It's nice to be able to cover surprise expenses or emergencies without having to borrow money from relatives. You will have the freedom to make purchases based on an anticipated paycheck. Even if you're smart enough to only buy things when you have the cash, it's important to establish your credit history now. After showing a history of responsible credit card use, you can qualify for better

[credit cards](#) that offer better rates, perks, and rewards. One day in the future you may want to own a home, or buy a nicer car. Using your credit card responsibly will improve your credit history, so that you can eventually qualify for the best terms possible on home mortgages or car loans.

A credit card will allow you to make hotel reservations, rent a car, and make purchases online or by phone. A credit card offers the convenience of pay-at-the-pump at gas stations. You can go out for dinner or a day of shopping without needing to make sure you have enough cash on hand. A credit card is a wonderfully convenient way to pay at nearly any merchant, as long as you are in control of your credit card use.

If used properly, your first credit card can help you build your credit, keep track of your spending, and develop a budget. It's amazing how we lose track of spending when we pay for everything in cash everyday; when you see it all in black and white on a monthly credit card statement, you may gain some insight on where your money really goes. When you use your credit card, be sure that you are only using it for the convenience of replacing cash that you already have in the bank, or will have by the time the credit card bill arrives. It's very important to develop good credit habits now; if you can use one credit card responsibly, you'll be more likely to be in control of your finances when your credit is better established and you have more credit cards at your disposal.

If used carelessly, a credit card can be the first bad habit that will lead to a mountain of debt. The problem many people have with credit cards is that they spend without making sure they are able to pay their balance in full each month. They figure they'll pay it off later, since the minimum monthly payment is so low. What these people aren't thinking about is that they will grow accustomed to the overspending that a credit card allows, and it's a habit that's hard to break once you've become used to it. They look at a credit limit as extra money, instead of the debt that it really is. Interest charges accumulate if the debt isn't paid off every month, and a credit card can quickly become a major expense rather than a valuable money management tool.

If you are in the market for your first credit card, then you probably don't have an established credit history. You will be more limited in your choices of credit cards, but many card issuers offer credit cards for people with limited or poor credit. Since you have not yet had the opportunity to prove your credit-worthiness, it is a simple fact that you will not be offered the best rates and deals that are reserved for people with a proven credit record. Most credit cards for people with limited credit histories do not offer rewards of any kind. You'll most likely be required to pay an annual fee, and the interest rate is probably going to be on the high side.

Secured credit cards are a popular way for people to establish or rebuild their credit. You are basically paying a security deposit, so that in case the debt is not repaid, the card issuer will get their money back. This really isn't as bad as it sounds. Your money will most likely be put into an interest earning account, like a CD, and is just another place you can keep some savings. After you've proven yourself with the credit card issuer, maybe after a year or so of responsible credit card use, they will allow you to withdraw your deposit. Or, you could just leave it there to accumulate interest, and consider it your emergency savings.

Be sure that if you go with a secured card, that the issuer will be willing to upgrade it to an unsecured card once you prove yourself to their standards. Be wary of "banks" you've never heard of; I suggest going with a nationally known bank that offers credit cards to people of various credit histories. Then you'll probably be able to upgrade to a better card while keeping the same account number, which is better for your credit score. The security deposit and an annual fee are pretty standard and are to be expected, but don't apply with a credit card issuer who wants to charge you application fees, monthly service fees, or other fees just to open your account.

If you have a good business relationship with a local bank or credit union, they may be more likely to give you an unsecured credit card than an issuer that you have no relationship with. You may be able to get a credit card if you have had a checking account with them for some time and have never bounced any checks. They may qualify you for a credit card if you've had an auto loan and made your payments on time, even if there was a co-signer on the loan. They will probably start you off with a pretty low limit, but it will still help you build your credit history.

If you're in college, you have quite a few choices in credit cards for students. Student credit card issuers are usually more flexible with the applicants, since they understand that most students are young people with limited credit histories and limited income. They know that you are probably still financially dependent on your parents, which means that Mom or Dad will be likely to help out with the bill if needed. They also know that it's easier to mold a young mind, so if they issue you your first credit card, you'll most likely be their customer for years to come. If you are qualified to apply for a

student credit card, take advantage of it while you can. It's usually easier for a student to get a credit card than a young, independent adult who pays his own bills on limited income.

Be sure to read and understand all the terms and conditions of the credit card offer before you apply; unscrupulous credit card issuers often target people with limited or poor credit. There are fees that are necessary and common; late fees, over-limit fees, cash advance fees, bounced check fees are a few of the ways that credit card issuers can recoup the cost of maintaining an account that costs them more or isn't paid as agreed. They're in business; if they didn't charge those fees, everybody would pay late and the credit card business would be in trouble. Some fees are required so they can continue to give their best deals to people who have proven themselves with an excellent credit history. Some fees take advantage of people who are trying to establish their credit, one little mistake and you could be hit with fee after fee. Be aware of any and all fees that could be assessed before you use your card.

About the Author

[Finance Globe](#) is a professional contributor of personal finance publications. All inquiries pertaining to this article should be submitted to them.

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