

Invest in your future

**NIE**

Don't let payments put you in a bind

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Here's a scary fact: The average American family carries a whopping \$8,000 in credit card debt.

Avoid becoming a part of this statistic by paying off your balance in full and on time each month. This means charging only those items that you know your budget can cover at the end of your billing cycle. Otherwise, you'll shell out to cover credit card annual percentage rates (which now average 13.16%, though many are much higher) and various fees (late fees, over credit limit fees and so on) that get tagged onto your monthly statement if you don't pay it in full and on time.

That said, if you *must* carry a month-to-month balance, make sure you choose a card with the most advantageous balance computation method. There are several ways in which credit-card issuers calculate your balance, and this affects how much interest you will pay:

■ **Average daily balance** is the most common method. It's calculated by taking the total of the balance at the end of each day during a period and dividing it by the number of days in the period. New purchases made after the billing cycle may or may not be added to the balance.

■ **Adjusted balance** is usually the best option for cardholders. The issuer calculates your balance by subtracting payments from the current billing period from the previous billing period's balance; current billing period purchases are not included.

■ **A two-cycle or double-cycle balance** is usually the most costly option. The issuer determines your balance by averaging your previous two month's balances.

The cost of credit can vary quite a bit depending on the balance computation method your credit-card issuer uses. For example, suppose your annual percentage rate is 18 percent.



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Make a point of paying your credit card bill on time each month.

KEY POINTS

- Make it your goal to pay off your credit card statement on time and in full each month in order to avoid shelling out to cover annual percentage rate payments and other fees.
- If you *must* carry a month-to-month balance, make sure you choose a card with the most advantageous balance computation method. The best option for cardholders is usually the adjusted balance method.
- Some tips to help you maintain a healthy relationship with credit cards include obtaining loans for large purchases instead of relying on high-interest credit from credit cards, arranging for automatic payments of your bills and getting into a savings mode so you won't need to depend on credit or loans as much.

Your previous credit balance was \$400, and you charge a \$300 purchase on the 15th day of your billing cycle and a \$50 purchase on the 18th day. Your finance charge would be:

- \$4.05 using the average daily balance method that includes new purchases.
- \$3.75 using the average daily balance method that excludes new purchases.
- \$1.50 using the adjusted bal-

ance method.

- \$6.53 using the two-cycle method.

Read the fine print on credit card applications and ask the issuer to explain which balance computation method is used.

In the end, there's really only one way to avoid forking over hundreds or even thousands of dollars to credit cards over time, and it can't be stressed enough: Only charge those items you can

actually afford and make your best effort to pay your balance in full and on time each month. Some tips that can help you maintain this healthy financial habit include:

- Obtaining a loan for large purchases instead of relying on high-interest credit from credit cards.
- Avoiding applying for more credit cards than you actually need.
- Paying your bills at least a week before they are due.
- Arranging for automatic payments of your monthly bills in order to avoid late payments.
- Getting into a savings mode so that you won't need to depend on credit or loans as much to cover your purchases.

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United Way campaign kicks into high gear

United Way of Erie County's 2009 campaign is now in full swing. And despite a challenging fundraising environment, many community-minded Erie County residents stepped up their giving in a big way, with 14 companies increasing their contributions by margins of up to 83 percent so far.

"Thanks to the generosity of these organizations and their employees, as well as many others, advancing the common good has become more than our mission statement—it's become a reality," said R.J. Zonna, United Way of Erie County Senior Vice President. "Their support has helped improve the lives of over 100,000 people in our community, enabling students to earn their high school diplomas, families to keep a roof over their heads and thousands of our neighbors to

live healthy lives."

Newspaper in Education's Invest In Your Future initiative is one of the many programs working to help local residents become financially literate that United Way of Erie County supports. Because of United Way funds, over 5,000 local 6-12 graders are able to receive newspapers during the school year that include this special financial literacy page.

"Most of my students are seniors, and they will soon face the real world," East High School teacher Dennis Carner said. "The lessons from these articles help them understand how to accomplish tasks that they will soon have to do on their own."

To contribute to the 2009 United Way of Erie County campaign, contact R.J. Zonna at 456-2937, ext. 247 or rj@unitedwayerie.org.

CAREER CORNER



R.J. Zonna

Name: R.J. Zonna
Occupation: Senior Vice President, United Way of Erie County

Typical day: Every day is different, which is a big reason why I enjoy my job so much. Basically, I work to build relationships with others in our community in the hope that together we can make Erie County a better place to live, work, raise a family and retire in.

Favorite part of job: That's easy — helping people. Last year, United Way-funded programs and initiatives improved the lives of over 100,000 people right here in Erie County, which is truly amazing. To succeed in this job, I think the most important quality a person needs to have is a passion for the organization. I was a United Way supporter long before I started working here, so that makes it easy to ask others to join me.

Education: B.A. in communications/journalism from Mercyhurst College and a master's in health service administration from Gannon University.

Check the newspaper ads for information about department store credit. Obtain a credit application from a store of your choice. Bring it to class and compare the information on applications brought by others. Which charge accounts appear to have the best terms and balance computation method? Pretend you are planning to buy a new car. Look through the newspaper to find the current interest charges at different banks, financial institutions or automobile dealerships. If you had to choose the best deal, which would you choose? Write a paragraph justifying your choice and send it to nie@timesnews.com for possible publication in the newspaper.



Check out these Web sites to learn more:

www.teachmeaboutmoney.org
www.eriefcu.org/savings/financial-literacy

www.unitedwayerie.org/financial-stability
www.goerie.com/nie

www.erie.ja.org
www.eriebc.edu

