

your money

Credit risks

When it comes to credit card offers, you need to know a few things before accepting

With consumer and small-business credit in short supply, it's tempting to take advantage of the credit card offers that sport promos like 0 percent interest rates, instant approvals and balance transfers.

Some cards do offer great deals, but others can saddle you with high interest rates and hefty annual fees long after the initial teaser rate expires. That's why it's important to understand and evaluate each offer before signing and returning that pre-approved application form.

"Small-business owners should consider these solicitations like they would consider any new prospective vendor: with a healthy dose of skepticism," says Bill Hazelton, founder and managing director of Credit Card Assist (creditcardassist.com), a website that offers tips, advice, articles and information about credit card offers and helps consumers select the best card for their needs. "Don't be fooled by the big, recognizable brand names. You still have to be vigilant about doing your homework and verify which cards offer the most value."

Here is Hazelton's advice for finding the credit card that's right for you:

Get the facts. Plenty of websites offer credit card comparisons, but not all of them are unbiased or objective. In fact, credit card companies pay many of these sites when you click on a banner or respond to an offer. Hazelton encourages consumers to check out websites run by government agencies—such as the Federal Reserve, the Federal Trade Commission and the



Office of the Comptroller of the Currency—to get a balanced view. Each has tools, tips and information on how to shop for credit.

Understand how credit card companies work. By offering you balance transfer cards and 0 percent interest, card issuers are betting that you won't pay off your balance before the promotion expires. Any remaining debt will start racking up annual interest charges of 15 percent or more. "Along with those onerous late fees, unpaid card balances are the mother's milk of credit card issuers," Hazelton says.

Analyze your credit card needs. Rewards points, frequent flier miles and cash back on your purchases are all attractive features, but unless you're a road warrior or a shopaholic, the benefits might not outweigh the costs. "If you consistently carry a balance on your card, getting a rewards card will end up costing you more in finance charges and will negate any benefit that you can earn in rewards on the back end," Hazelton says.

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Compare offers before you apply. You need to be choosy about which offers you respond to and how frequently you apply, because too many credit inquiries all at once can negatively affect your credit score. If you're looking for a card that helps you earn frequent flier miles, for example, Hazelton recommends that you compare five to 10 offers in that category before deciding. The same goes for interest rates and annual fees.

Search for hidden features and benefits. Little-known features and benefits can pay big dividends if you know what to look for. Certain cards, for example, offer manufacturers' warranties, travel accident insurance, travel-related discounts and automobile rental insurance. "Comparing features and benefits side by side is crucial in order to get clarity about the best card offers for your particular financial circumstance," Hazelton says.

So the next time you're tempted to take advantage of a credit card offer that arrives in the mail, remind yourself that you're a savvy business owner, not a clueless consumer. —ROSALIND RESNICK

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